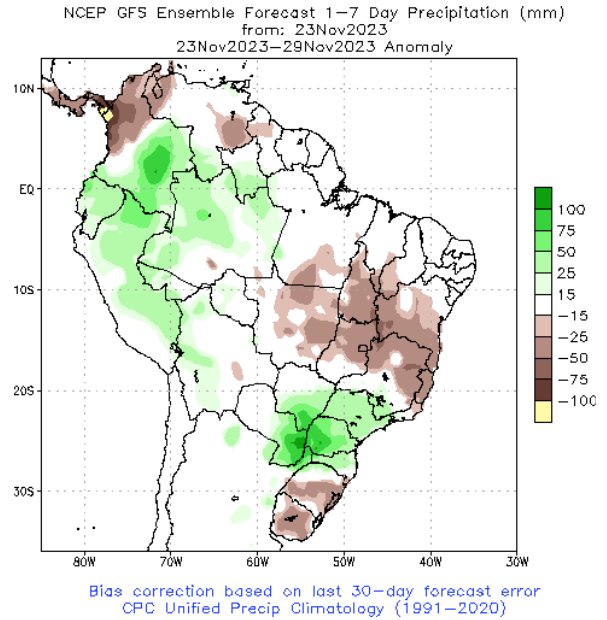


**Weather**

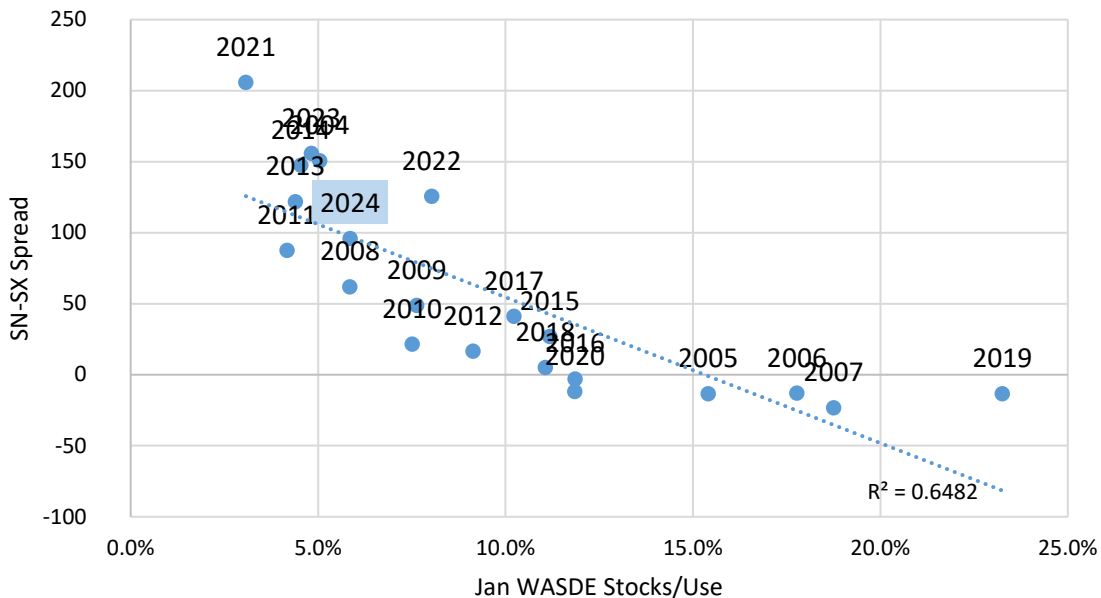
No major changes to the outlook this morning. Northern Brazil will see daily chances for showers over the next two weeks. Despite this consistent rainfall threat, overall rainfall totals during the period will probably be near-normal at best. Southern Brazil will continue to see active rainfall over the next two weeks. The heaviest rains, however, will mostly fall north of RGDS, providing good conditions for Parana, MGDS, and Paraguay. Argentina will see mostly dry conditions through the weekend, but rains will return starting around Tuesday. Rainfall will remain active through the end of the two week forecast, providing at least 1" rainfall totals for the whole region with better amounts in northern areas.



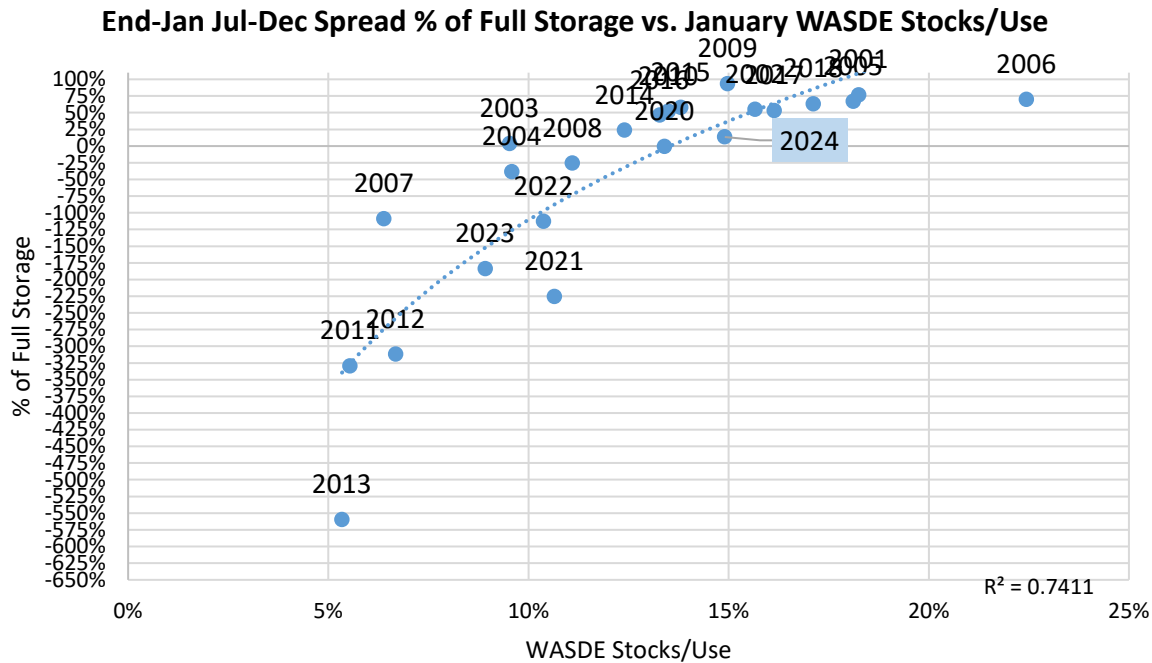
**Crops**

Wrapping up the week of scatters with two on old/new crop spreads. First below is the SN-SX spread against the January WASDE stocks/use ratio. There is obviously a long way to go with this one, but right now the spread would seemingly fall in the "fair value" zone. With that in mind, this isn't something that I'm looking to trade right now. Admittedly, this is assuming the current look of the WASDE balance sheet. I am willing to make an argument that the current WASDE balance sheet is probably carrying a bit too much demand, so it might loosen up at some point in the future.

**End-Jan SN-SX Spread vs. Jan WASDE Stocks/Use**



The next chart looks at the Jul-Dec corn spread. This is a bit more difficult due to the changes in carrying charges, so I'm looking at percent of full storage rather than the nominal spread price value in the chart. The current Jul-Dec is a slight carry but basically near even money. You can see from the chart that we might normally be somewhere around 20-30% of full storage at this point in time. That makes me believe there is further downside in this spread over time. Just look at how nearby spreads have weakened recently. Full storage on the spread is roughly 40ish cents vs. the 5-6 cent carry right now. In time, I might think we could test that full storage level, so I do believe there is some opportunity here. Thoughts appreciated.

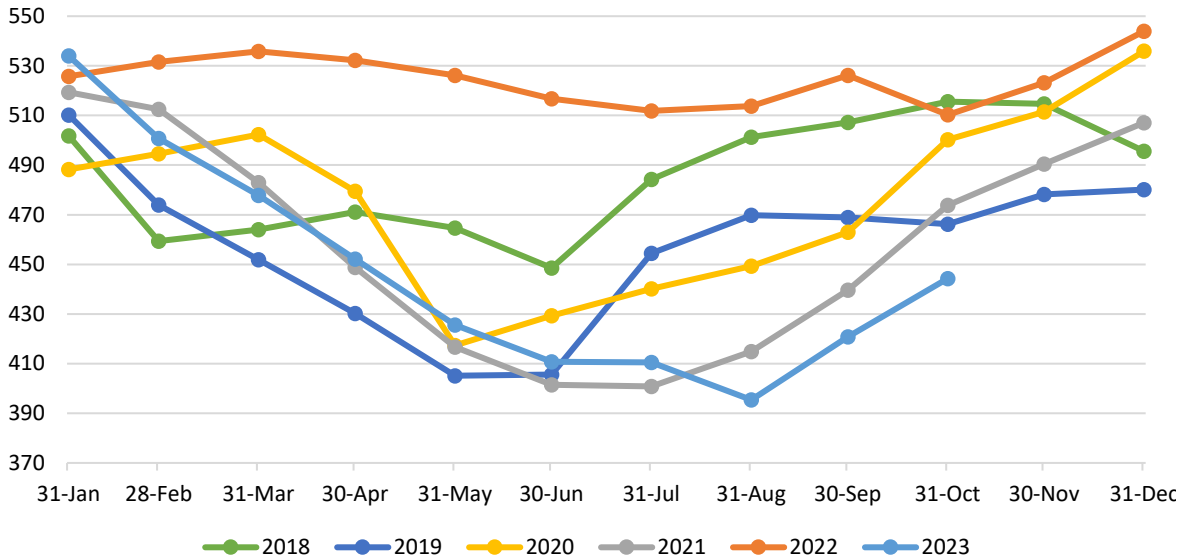


### Livestock

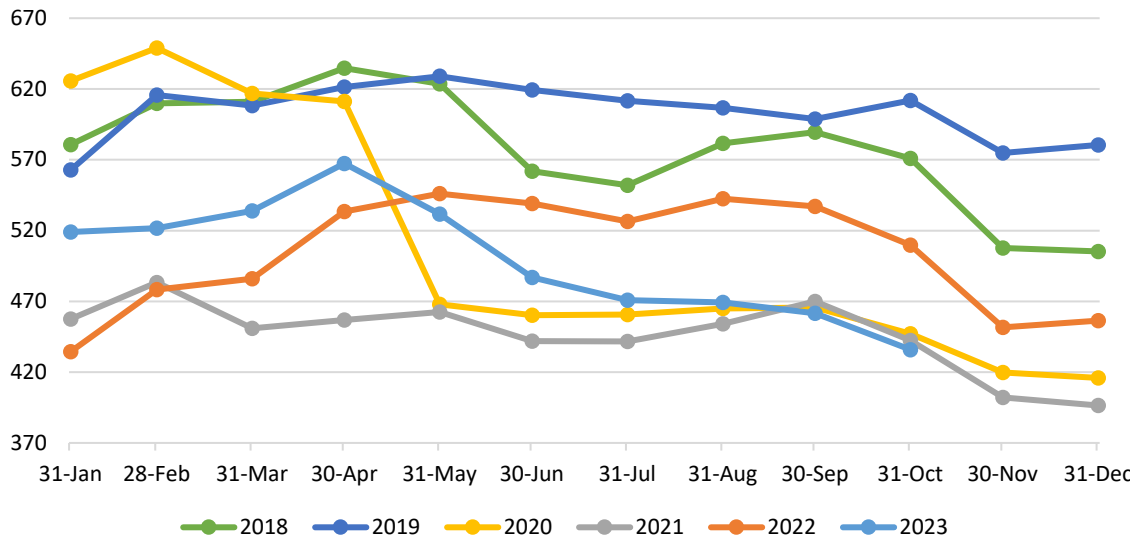
So far this week cash cattle trade is running about \$1 lower vs last week on a live basis with most of the action at 177.

Just a quick glance at the Cold Storage numbers that were released Wednesday afternoon. Charts follow on the next page. This won't be any market-moving report and the numbers are consistent with what we've seen over the past few months. Beef stocks are on the low end of the range, but we've been there for several months. Pork stock have fallen somewhat quickly over the past few months and are now back at the bottom of the range as well.

**Total Beef in Cold Storage - Mil Lbs**



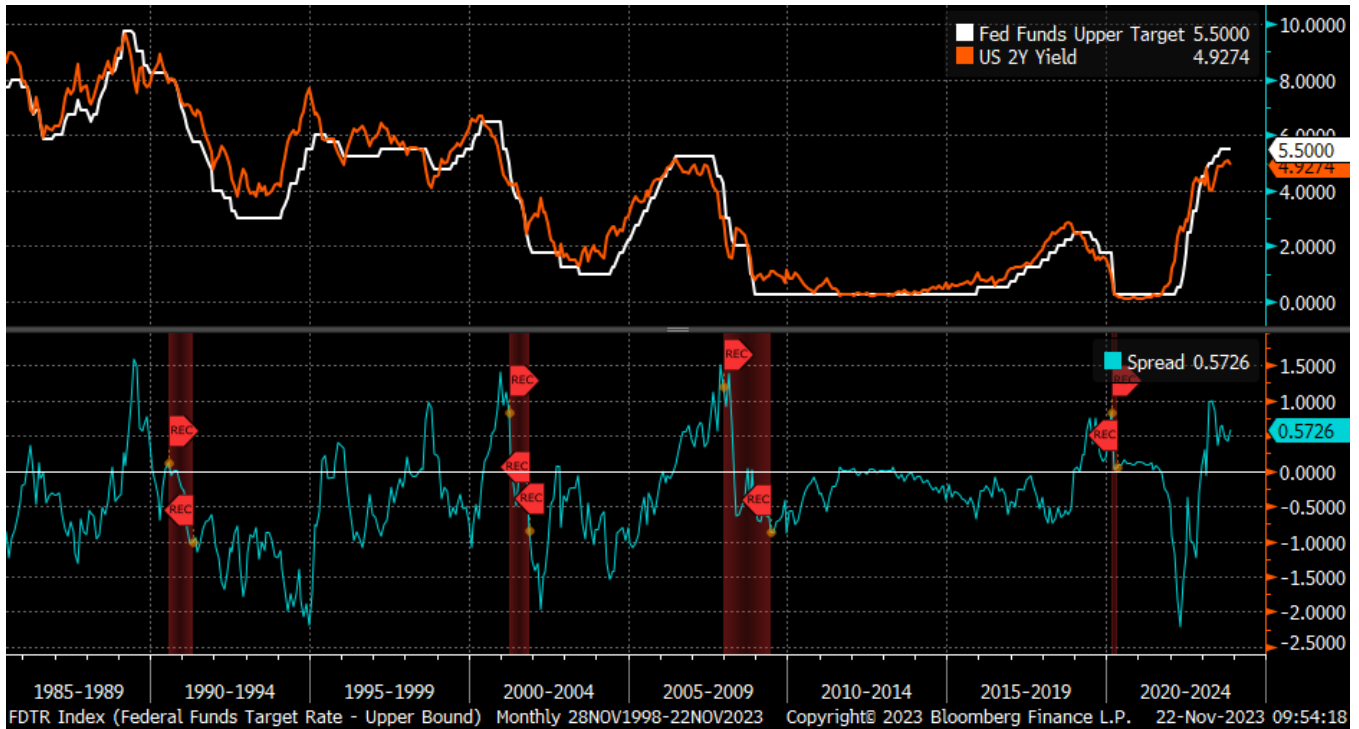
**Total Pork in Cold Storage - Mil Lbs**



**Financials**

The chart below compares the Fed Funds upper target rate (white line) vs. the US 2Y yield (orange line). Typically, the 2Y yield is higher than the Fed Funds, which should be pretty obvious as Fed Funds is a more short-term rate and the typical structure of the yield curve would mean longer rates are higher (even if it is only 2Y in this case). You can see right now, however, the Fed Funds rate is higher than the current 2Y rate. The spread between the two is shown with the blue line in the bottom panel. You can see that the Fed Funds inverting over the 2Y is typically a sign that a recession (red shaded area) is looming. Admittedly, there were a few instances in

the mid/late 90s where a recession didn't immediately follow, but obviously that was ultimately culminated in the tech bubble implosion.



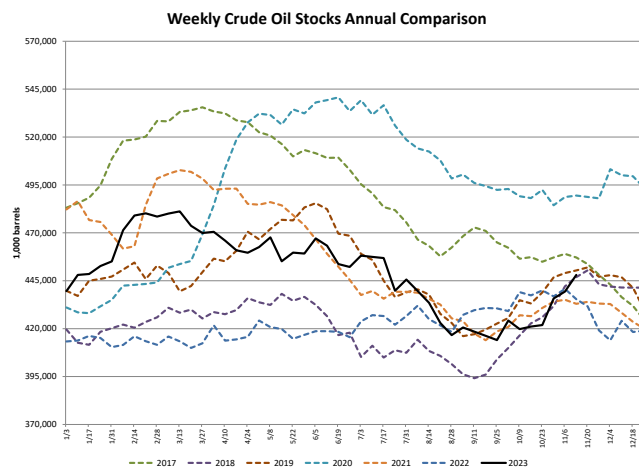
## Energy

The chart at the right looks at US private crude oil inventories. Inventories have been bouncing as they seasonally do at this time of year. However, what I think is worth pointing out is that we're now looking at commercial inventories that are at the top of the normal range when you ignore 2020.

## Today's Calendar (all times Central)

- Export Sales – 7:30am
- S&P Flash PMIs – 8:45am

Thanks for reading.  
 David Zelinski  
[dzelinski@nesvick.com](mailto:dzelinski@nesvick.com)  
 901-766-4684



## DISCLAIMER:

This communication is a solicitation for entering into derivatives transactions. It is for clients, affiliates, and associates of Nesvick

Trading Group, LLC only. The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. These materials represent the opinions and viewpoints of the author and do not necessarily reflect the opinions or trading strategies of Nesvick Trading Group LLC and its subsidiaries. Nesvick Trading Group, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such.

Officers, employees, and affiliates of Nesvick Trading Group, LLC may or may not, from time to time, have long or short positions in, and buy or sell, the securities and derivatives (for their own account or others), if any, referred to in this commentary.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. Nesvick Trading Group LLC is not responsible for any redistribution of this material by third parties or any trading decision taken by persons not intended to view this material.