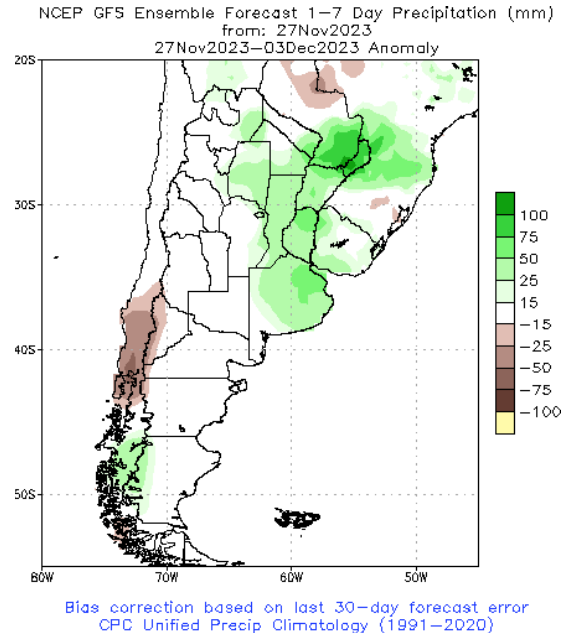


Weather

No changes. A daily threat of rain in northern Brazil will, in time, add up to solid rainfall amounts. Even then, however, amounts over the next two weeks should be near average at best. Above normal rainfall will be seen in southern Brazil, though totals in RGDS do not seem likely to create additional flooding problems. The Day 1-5 period in Argentina should feature some widespread big rainfall, with amounts of 1-2" possible. This is the wettest portion of the two week forecast, but the 6-10 and 11-15 day periods won't be completely dry either. Overall, it still seems like a favorable setup in Argentina.

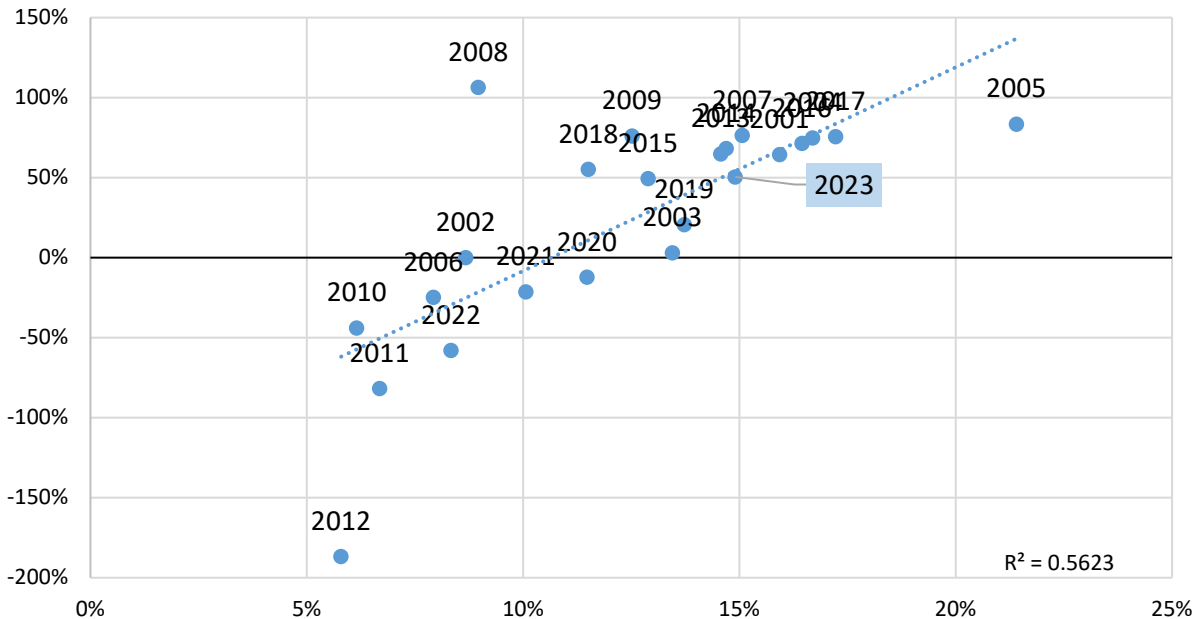


Crops

I was playing with a few more price scatters yesterday and I thought I would share one more this morning. This looks at the Dec-Dec corn spread as a percentage of full storage vs. the Nov WASDE stocks/use ratio.

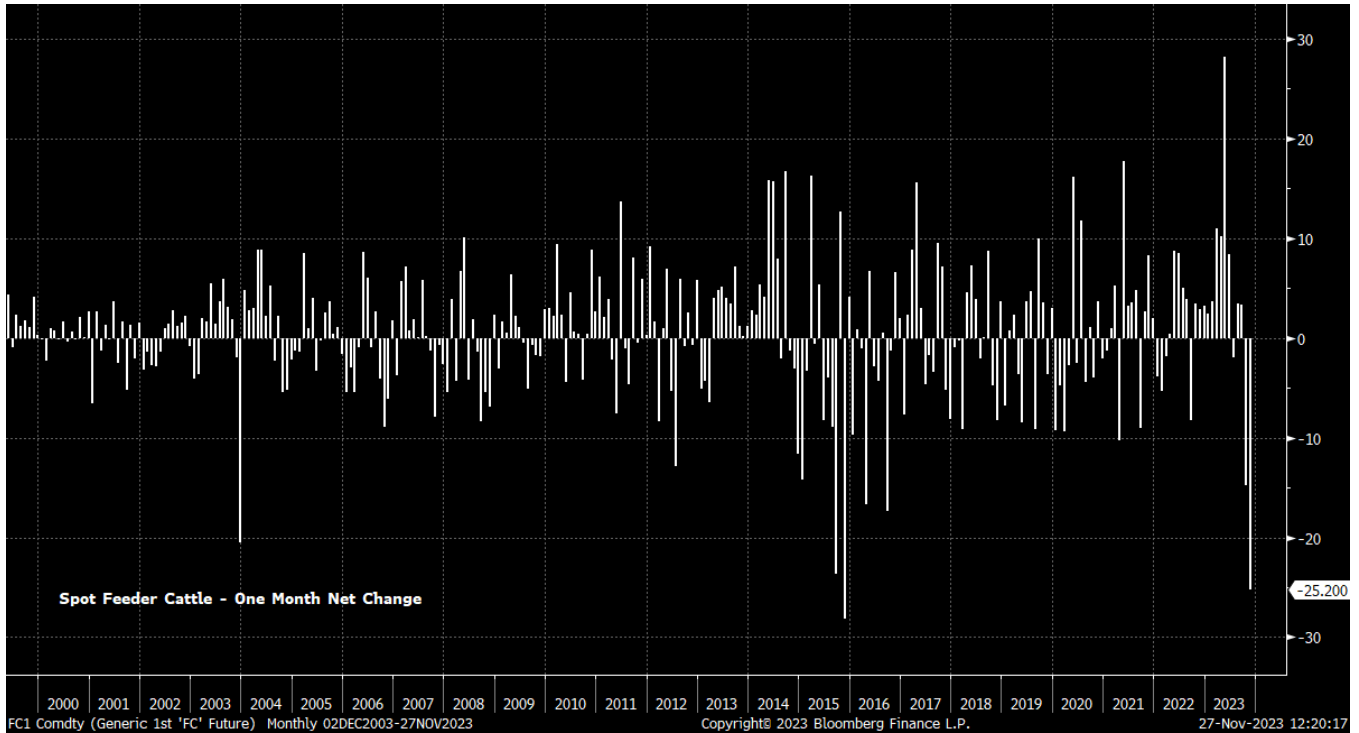
The current spread level is highlighted. You can see that, technically, the current spread is sitting on the trendline. With that in mind it is probably tempting to say the spread is fair value. I wouldn't argue with that too much. However, I would also point out that all other years with similar stocks/use estimates saw the spread widen out to a higher percentage of full storage than we are right now. Cash also remains well under DVE. I'm not sure I'd still be short nearby Dec spreads, but I also still lean towards modestly wider spreads.

End-Nov Dec-Dec Spread % of Full Storage vs. Nov WASDE Stocks/Use



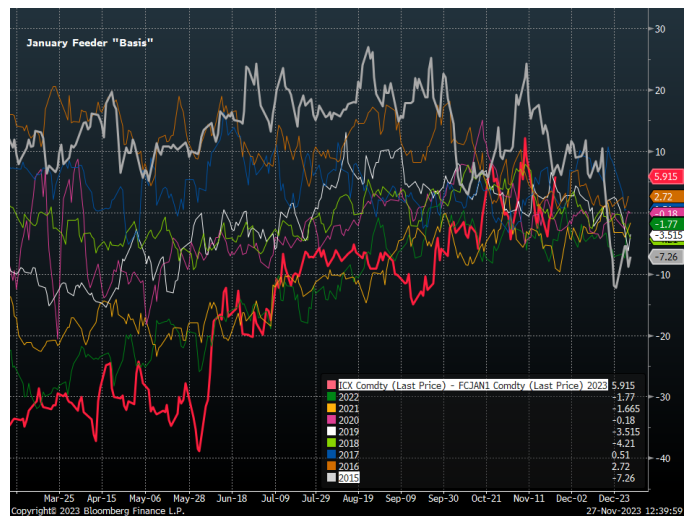
Livestock

Another huge sell-off in feeders yesterday. The chart below looks at the MTD net change in the spot feeder contract over the past 20+ years. We're not yet at a new record sell-off, with that honor belonging to Nov 2015. We did see a new record big gain in spot feeders a few months ago and the market has been mostly higher all year until these past two months...so I suppose the market was "due".



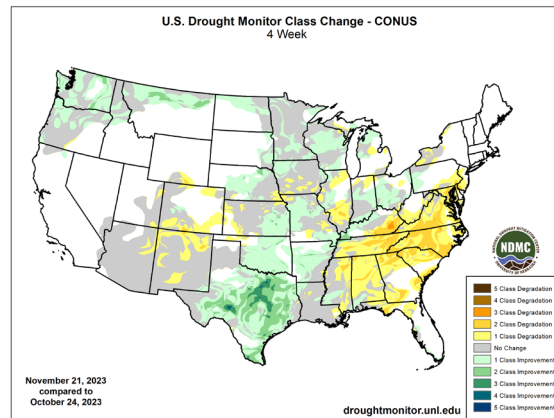
Given the severity of the sell-off, I somewhat expected to find that I had fallen asleep on some sort of big divergence between cash and futures. The chart at the right looks at the seasonal FC "basis" (vs the CME feeder index) for Jan feeder futures. The relationship between the index and the board in the past several weeks has been within the normal range, so that doesn't seem to explain anything. With the latest sell-off, the "basis" is on the higher end of the range and might be worth watching.

I am certainly no expert on the feeder market and I'm straying outside my lane here. However, if you'll indulge me for a second, it seems to me there are basically three storylines that I'm paying attention to in regards to feeders right now:



- 1) Pulled-forward placements
- 2) Lower corn prices
- 3) Improvement in drought (?)

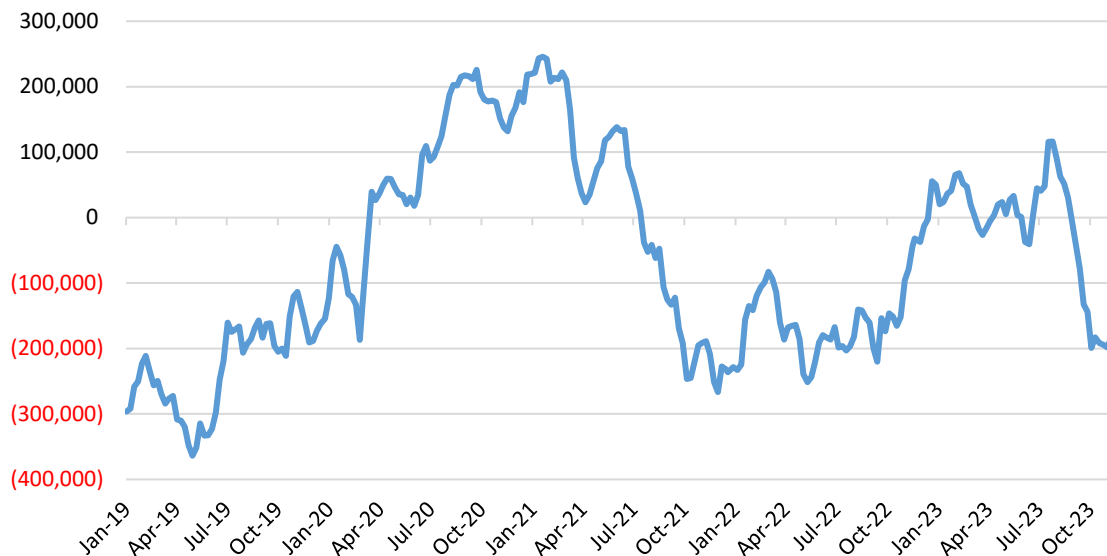
Admittedly, #3 is still a question mark. The map at the right is the 4-week change in the drought monitor. We've seen some notable improvements but some areas but degradation in others. Still, the combination of those three elements would seem *supportive* to feeders at some point here. I wonder if this sell-off is opening up an opportunity? Thoughts appreciated.



Financials

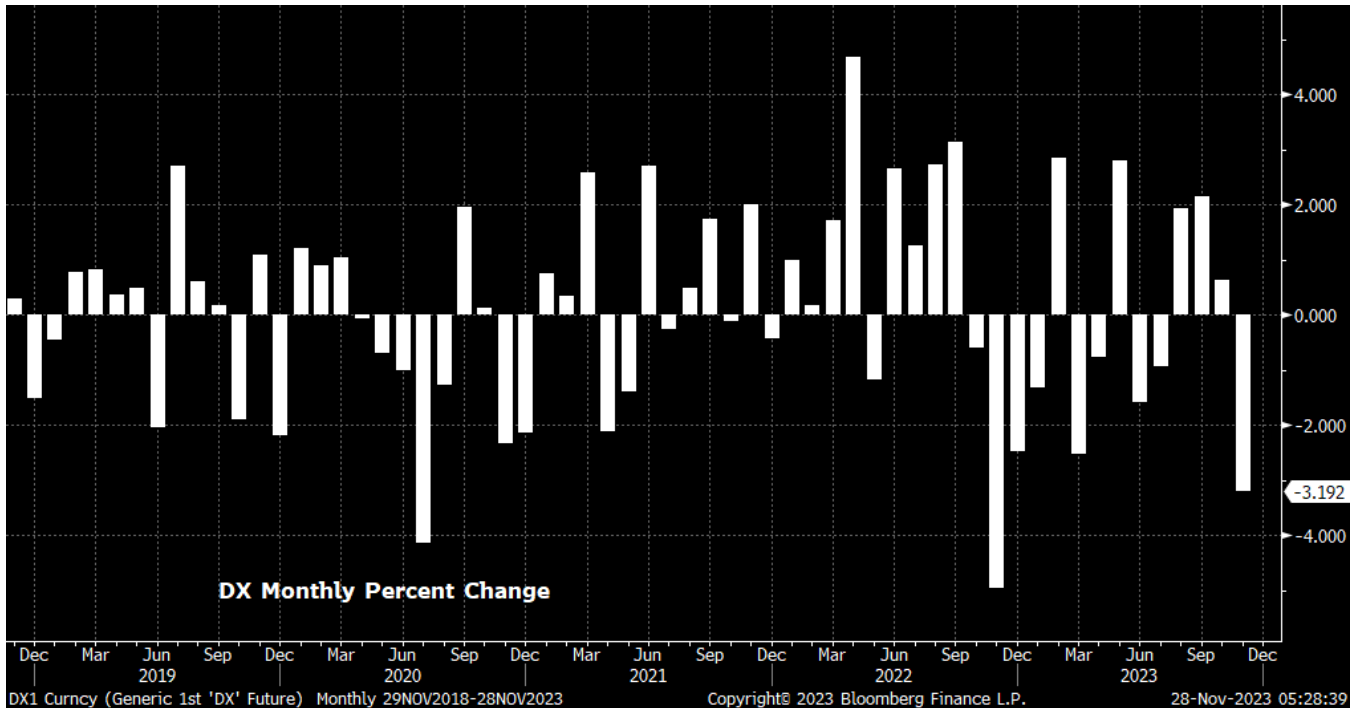
The chart below is one we've shown several times before. It shows the total non-commercial (spec) positioning across major FX futures in an effort to get an idea of the positioning in the dollar. When this chart is a sizeable net short, it implies a sizeable net long for the dollar (and vice versa). Given the huge reversals we've seen in FX charts over the past couple of weeks, I was expecting to see a very big unwind in the implied net long for the dollar. You can see in the chart that there was net buying across these FX markets (and thus net selling in the dollar) but not near as big of a move as I personally expected.

**Non-Commercial Net Position in Major FX
 EC, JY, BP, CD, AD, SF**



The chart on the following page hopefully shows why I'm a little surprised. This simply shows the monthly percentage change in the spot DX futures contract over the past 5 years. We're down roughly 3.2% MTD, which

is the third biggest monthly drawdown during this timeframe. If you eye-ball the other drawdowns shown with the chart above, I think you'd agree it would seem reasonable to expect a bigger positioning swing.



Energy

Nothing new to report this morning. Oil price action is still somewhat held hostage by waiting on the OPEC+ meeting on Thursday. As a reminder, about half of the Bloomberg survey believed last week (before the previously scheduled meeting) that OPEC+ was likely to tighten oil production further. We also know the Saudis have an aim to squeeze shorts as much as possible. With that in mind, it definitely makes sense to me to see some consolidation in prices here for a moment. Of course the risk of no deal is definitely very real and a Eurasia Group report said that no deal would send Brent oil to the low 70s. That is hardly a gutsy call from them, with the low-70 area being the lows that have held several times already this year. It's a wait-and-see game for now.

Today's Calendar (all times Central)

- Consumer Confidence – 9:00am
- Several Fed speakers throughout the session

Thanks for reading.
 David Zelinski
dzelinski@nesvick.com
 901-766-4684

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