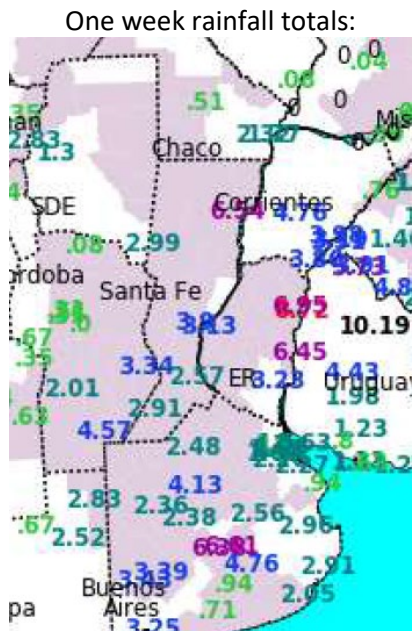


Weather

Northern Brazil will continue to see stressful conditions today and tomorrow, with hot and dry weather. We should see rainfall chances return starting tomorrow night and from there it'll be a daily chance for rainfall in the region for the duration of the two week period. Overall rainfall totals should end up fairly close to normal. Southern Brazil should continue to see mostly favorable weather. Rainfall will be active yet not excessive and temps will be near normal for most of the forecast period. Argentina has seen active rainfall over the past few days. The map at the right shows one-week rainfall totals as of yesterday. Satellite shows active showers ongoing in the region this morning. The forecast calls for ongoing active precipitation chances over the next 10 days...maybe slightly drier for the 11-15 day period. Temps should be very cool today and no real threat of excessive heat for the two week period.

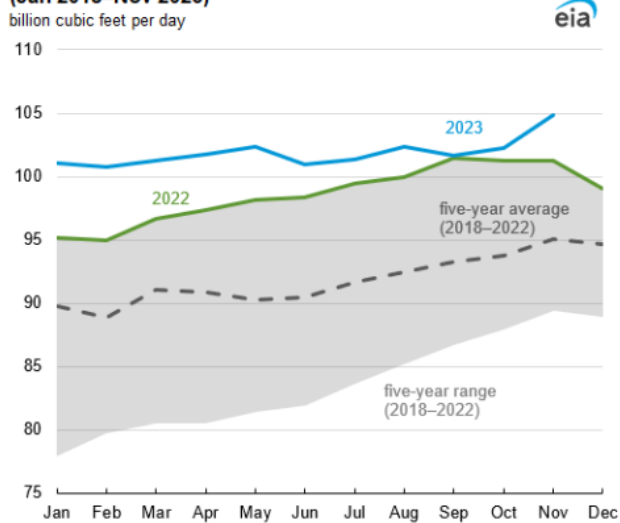


Energy

I'm going a bit out of order here today, but I'm going to start with a quick energy comment. I mentioned last week how natural gas prices have been moving lower lately. We've seen a modest reprieve in the move, due at least partly to the market pricing in a Fed pivot. However, I also pointed out last week that both US and European weather outlooks continue to hold a lot of above normal temps and that should continue to weigh on natural gas consumption in the weeks, if not months, ahead.

Another critical element to point out is natural gas production. The chart at the right was produced by EIA last week, and it shows that lower-48 US natural gas production is running at record highs right now. The EIA noted that natural gas production is running strong due to strong production rates in the key shale regions of the US. The EIA also said in their Short Term Energy Outlook (updated last week) that their forecast for 2024 production was another increase of 1.2% vs. 2023 levels.

Monthly U.S. Lower 48 states dry natural gas production (Jan 2018–Nov 2023)

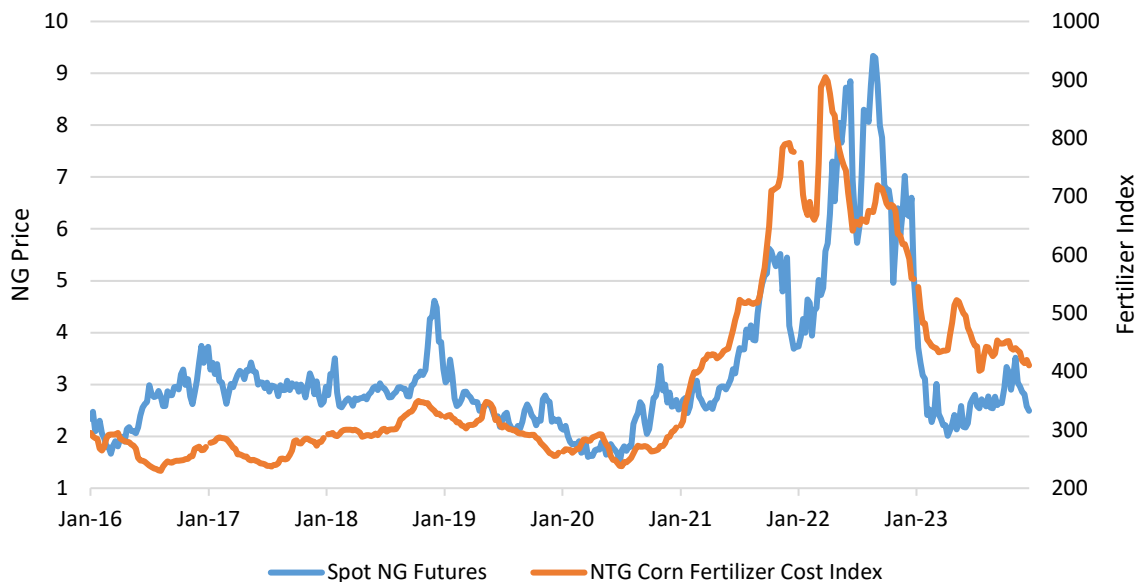


Strong production levels are combining with warm weather to create a negative environment for natural gas prices. I'm not the type to trade NG, but there are other impacts that are worth considering....

Crops

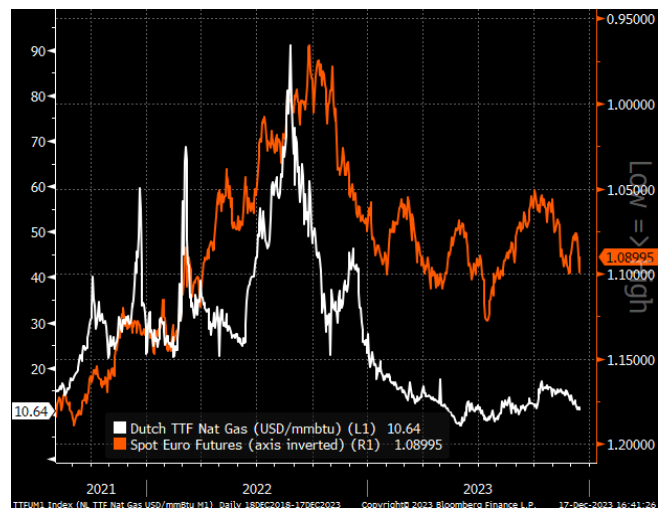
One such effect of lower natural gas prices is usually lower fertilizer costs for corn. The chart below shows this pretty plainly. The blue line is spot NG futures. The orange line is our NTG fertilizer cost index. If you recall, we created this index in 2021 after the surge in natural gas and fertilizer costs to better account for cost of production estimates. Don't think of this index as a price level, but rather a relative value sort of indicator. Anyway, the correlation over these past ~7 years seems pretty solid in my opinion. If natural gas prices continue to struggle and perhaps sink closer to the \$2 level, then *in theory* we should continue to see the cost for corn fertilizer drop in the weeks and months ahead as well. We're going to talk more about this later this week, but I wanted to go ahead and set the stage with this quick comment.

NG Price and Corn Fertilizer Cost



Financials

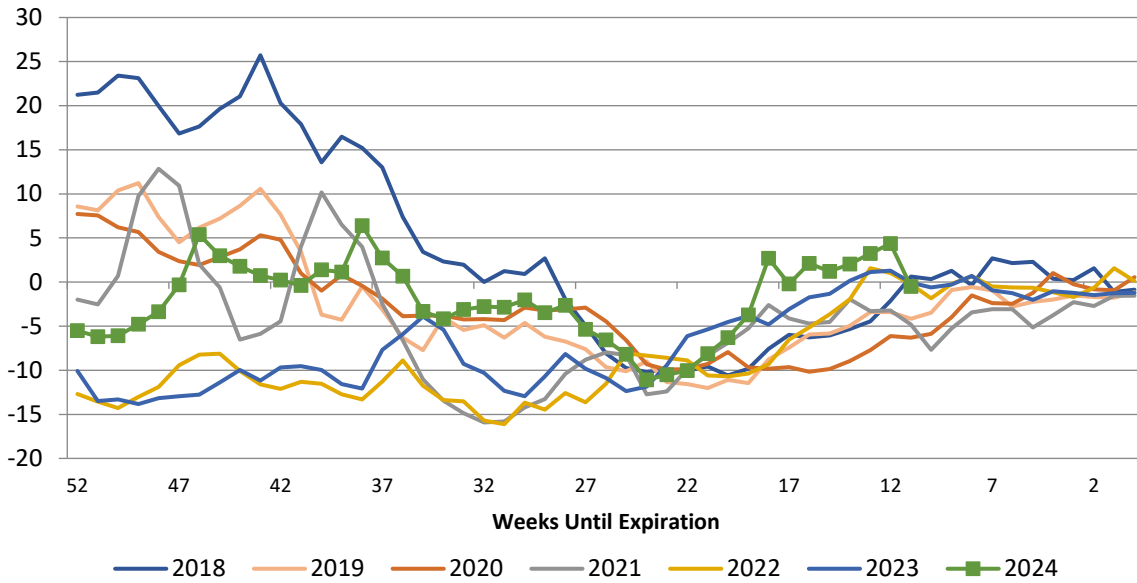
Possibly a bit more of a stretch here, but weaker natural gas prices are probably good for the Euro. The chart at the right compares Dutch TTF natural gas prices (converted to USD/mmbtu) vs. the Euro (orange line – axis inverted). The Euro was dealing with parity vs. USD at the same time that natural gas prices were at their peak last year. Once natural gas prices finally rolled over last year, the Euro started to garner some strength. Now, I suppose this could be a coincidence...but I doubt it. The sharp rally in natural gas prices curtailed European economic growth as it forced shutdowns of a lot of industrial plants and other energy-rationing measures. Maybe lower natural gas prices won't support the Euro from these levels...but I think it is a safe bet they aren't hurting anymore.



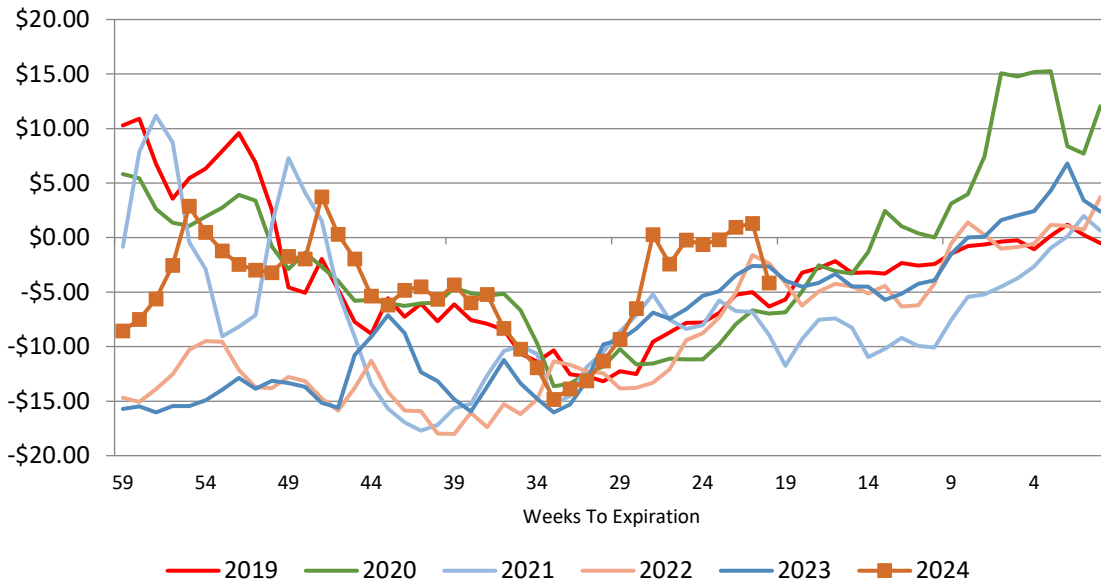
Livestock

I don't have a natural gas angle here. Just a quick update on basis. Basis had been looking very strong, but last week's future rally helped solved that issue. As shown in the charts below, it is hard to call basis anything other than near-normal at this point.

February Live Cattle Basis History



April Live Cattle Basis History



Today's Calendar (all times Central)

- NAHB Housing Market Index – 9:00am
- Export Inspections – 10:00am

Thanks for reading.

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