NESVICK TRADING GROUP, LLC

Monday, January 22, 2024
NTG Morning Comments
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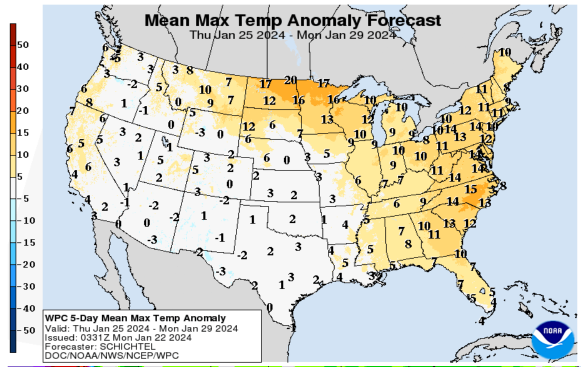
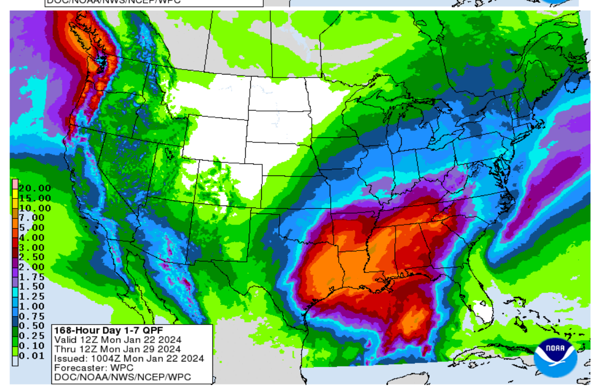
## Weather

No big changes. Near to above normal rainfall in northern Brazil over the next two weeks. Rainfall totals in southern Brazil won't be huge, but rain will be falling on a near daily basis over the next 10 days so no reason to be concerned especially with cool temps expected. Argentina has been dry for several days and should see another ~10 days of dry weather. Temps will push to above normal levels later this week. There is good model agreement, however, for good rains to return to the region during the 11-15 day period.

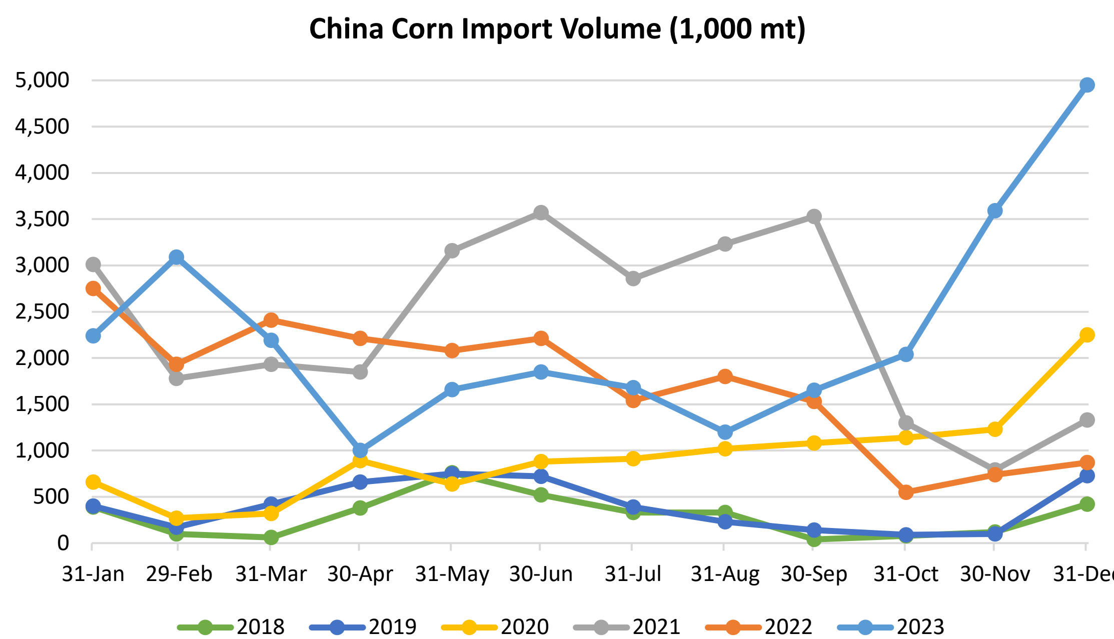



The bitter cold in the US has run its course for now, with a lot of near to above normal readings expected. Some big rains in eastern portions of the country this week.

## Crops

This isn't necessarily driving markets right now, but I think it is worth keeping in mind. The first chart below looks at the seasonal pace of Chinese corn imports over the past couple of years. You can see that imports have surged in the last few months of 2023…and it should go without saying that the bulk of this supply was from Brazil (though obviously there has been *some* US business).



But this next chart might be the most interesting. I pointed this out a few weeks ago but Chinese corn prices have continued to sink since then. We're now looking at the weakest prices since mid-2020. I will admit that there is still an import margin into China if you're inside the tariff quota. Still, my point here is that if you're looking for big Chinese demand to "save" this corn market at some point in the near future…you might need to find a different story.

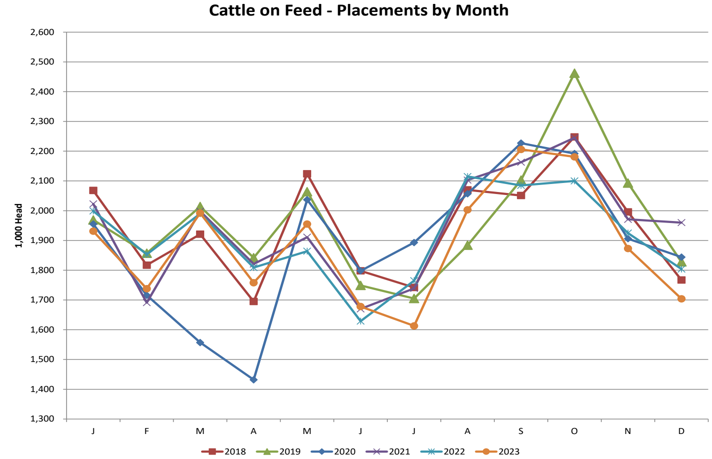
**China Corn Domestic Price Basket (CNY/mt)**


## Livestock

The headline numbers from the COF report are shown at the right. No big surprises so it is a reasonable expectation that we should see a fairly calm open.

| Cattle On Feed | | | |
|---|---|---|---|
| | Actual | Average | Range |
| On-Feed | **102.1%** | 102.2% | 101.4-102.5% |
| Placements | **95.5%** | 95.5% | 91.5-98.0% |
| Marketings | **99.1%** | 99.3% | 98.2-100.7% |

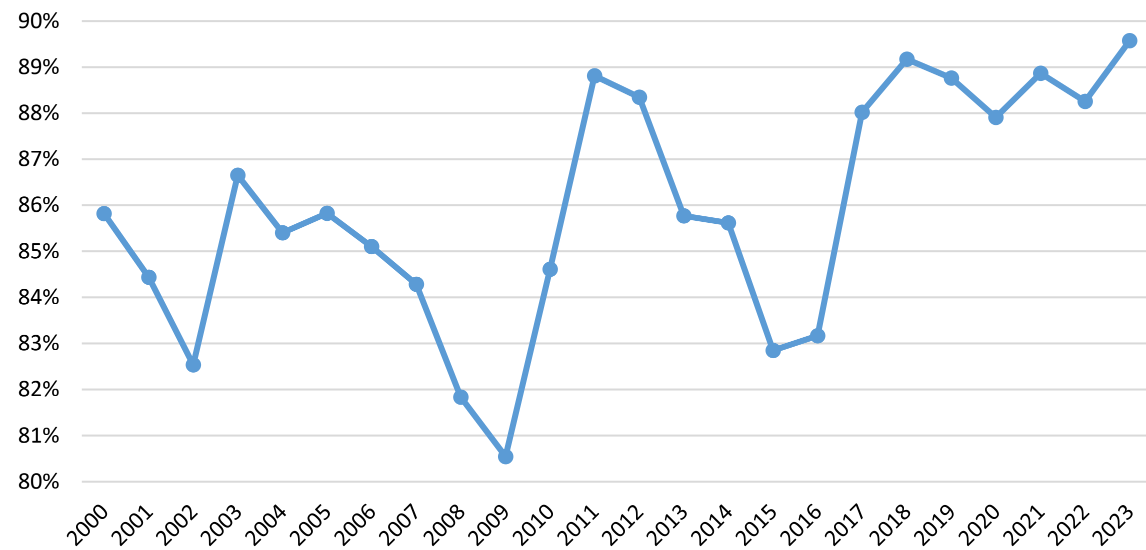
**Cattle on Feed - Placements by Month**




The second chart at the right looks at the seasonal placement totals. You can see that these past two months have been fairly small over these past couple of months. It seems likely that January placements are going to be small based on the recent weather.

The chart on the following page takes a look at the total placements during the calendar year compared to the Jan 1 Cattle Inventory estimate of feeder supplies outside feedlots. The chart shows a very big total percentage of placements in 2023. This is probably indicative of ongoing liquidation pressure during the past calendar year. In theory, this should also be indicative of tighter feeder supplies going into 2024 and potentially smaller placements going forward. Thoughts appreciated.

**% of Jan 1 FSOF Placed During Jan-Dec**




## Financials

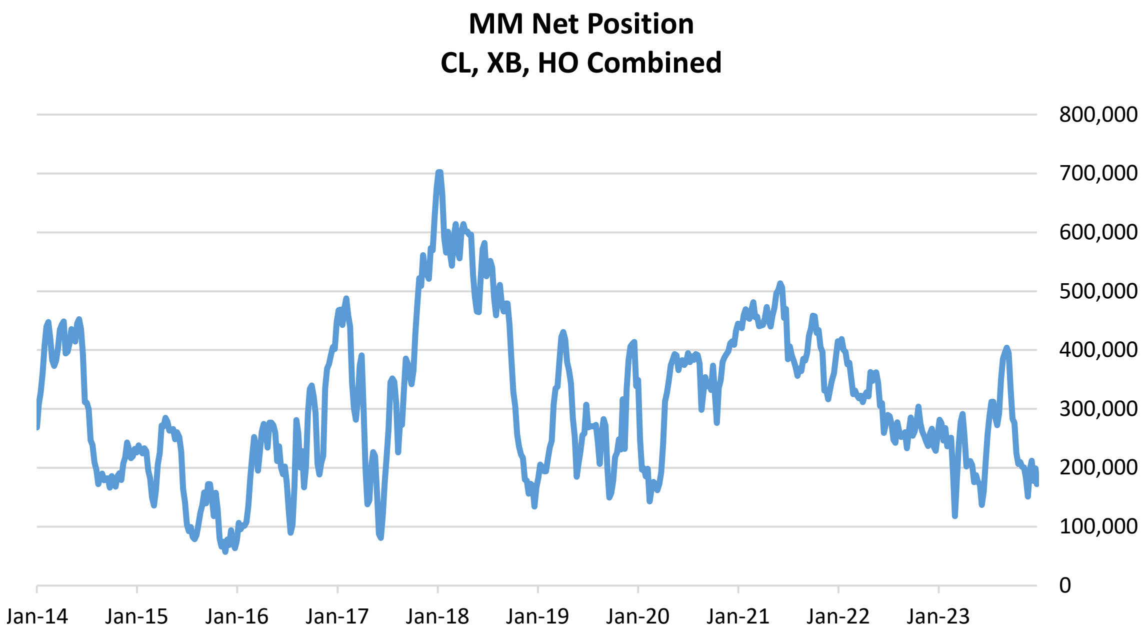
A quick observation…usually NQ is pretty closely tied to Treasury yields. This is shown in the chart below. They briefly divorced last year during the AI frenzy (indicated with the red box). With yields bouncing again but stonks hitting new highs, they seem to be going their separate directions again.

I guess I need to point out that the axis for yields in the chart above is inverted. I should also point out that Treasury yields are lower this morning, so for a moment they're back moving in unison as stocks hit new highs in overnight trade.

A lot of central bank action over the next two weeks. This week will be very busy with the Bank of Canada, Bank of Japan, and European Central Bank (among others) all holding meetings. The Fed is due next week.

## Energy

A quick chart showing the MM net position across the petroleum and petroleum products. This is MM positioning for CL, XB, and HO combined. Not the lowest we've ever seen, but clearly the MM crowd is taking a very conservative approach right now.




## Today's Calendar (all times Central)

- Export Inspections – 10:00am

Thanks for reading.

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should not be relied upon as such.

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