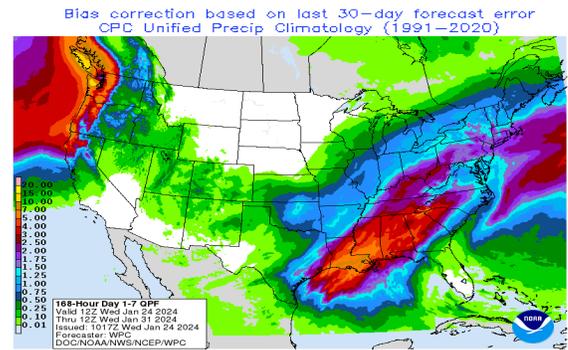
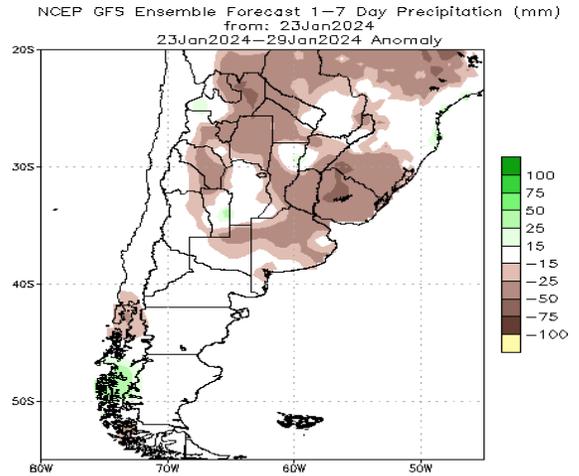


**Weather**

No change to the forecast in Brazil. Regular rainfall over the next two weeks in northern Brazil. Southern Brazil will only see light rainfall over the next 10 day, but a solid uptick in rainfall chances is expected for the 11-15 day period. Argentina is looking at below normal rainfall for at least the next 10 days. The change to today's outlook is that the 11-15 day period has turned a bit drier now as well. It should still rain at that timeframe, but the rainfall amounts look less impressive at the moment. Argentina has seen excellent conditions to this point so it is hard to be overly concerned for now, but obviously this is something we'll need to keep an eye on. No change to the US outlook, with wet weather favoring the east.



**Crops**

A quick comment and just one chart to piggyback off yesterday's note discussing the WH-CH futures spread. The chart below looks at the cash HRW vs cash corn values in KS. Obviously individual locations will vary, but this attempts to take an aggregated view of multiple cash quotes through the state. The price per bushel is then adjusted to a price per pound basis to make sure we're making an apples-to-apples comparison.

**KS HRW/Corn Ratio**

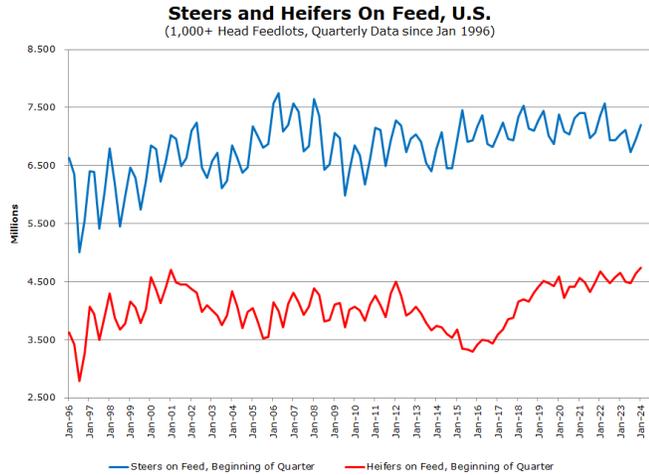


Much like our conversation yesterday...there just doesn't seem much of a story here. The ratio seems to be at a relatively average level right now. I do continue to hear of good conditions in the HRW belt, which makes sense considering the good moisture the area has seen so far this season. That might allow this ratio to decline a little into HRW harvest...but is there really a trade here?

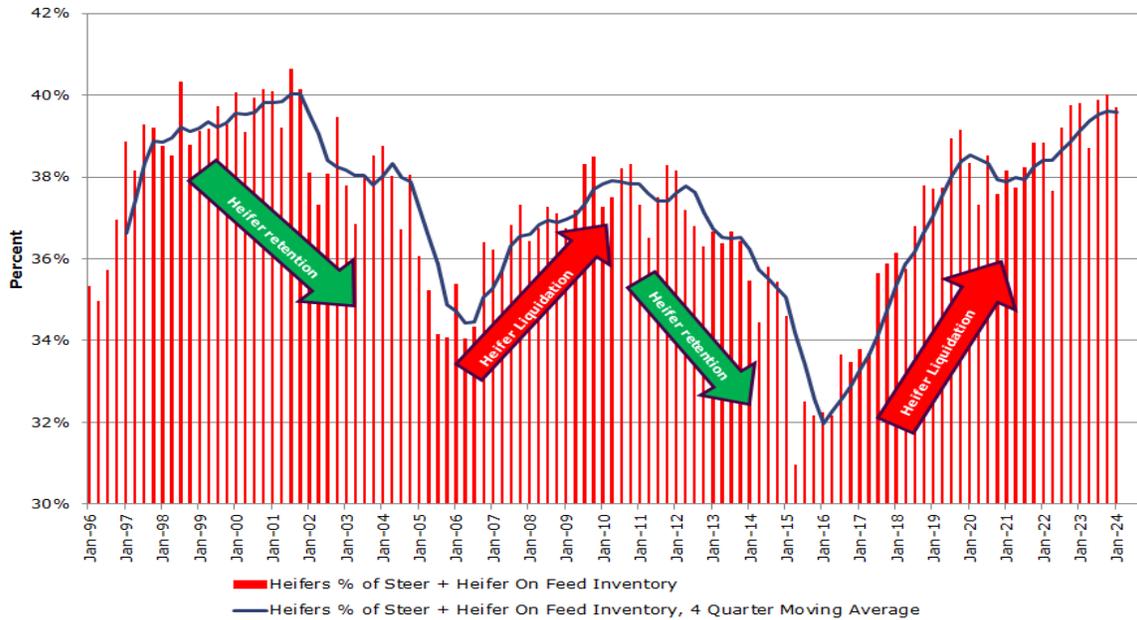
**Livestock**

I'm stealing a few charts from a good buddy of mine this morning to piggyback on the comment from Monday. The chart to the right shows that heifers on feed were record large this past quarter. The theory goes that a decent chunk of these heifers have been diverted from the breeding herd to the feedlot.

The chart below shows basically the same thing, but instead shows heifers as a percentage of the total S&H on feed. This level of heifers on feed is strongly indicative of ongoing liquidation in the herd. The question is whether this changes in the coming year. The Plains have already seen some good moisture this winter and more appears to be on the way. Is that enough to entice some retention??? That's the million dollar question of 2024.



**Heifers as a Percent of Steers + Heifers On Feed, U.S.**



## Financials

I think the chart below illustrates my biggest surprise so far of 2024...though admittedly the year has just begun. This shows spot ES with the blue line. You can see that after bottoming in late 2022 we've been steadily grinding higher and we've recently pushed into new highs. That isn't really the surprise. The surprise is shown with the white line, which shows the spot DX (axis inverted). It makes a lot of sense for ES and DX to be moving in tandem as the valuation on both markets largely depends on the Fed's forward guidance on rates. However, note how the two markets have diverged so far in 2024. Stonks keep grinding higher, but instead of moving lower the dollar has also shot sharply higher. If stocks are trading the hopes for Fed rate cuts and/or generally dovish guidance, what is the dollar trading here? The strength in the dollar this month is my early surprise of 2024...certainly not what I was expecting. Thoughts appreciated on this...the DX has me flummoxed.



The flash PMI for the US is due later this morning, but PMIs for Europe were already released. The overall Eurozone composite PMI improved last month, if only slightly, to 47.9 from 47.6. However, Europe's two biggest economies were not impressive. French composite PMI fell to 44.2 from 44.8 and German composite PMI fell to 47.1 vs 47.4.

Equity futures are trading higher at the time of writing this morning, being led by tech stocks (duh). NFLX has rallied sharply following an earnings release that showed stronger than expected subscriber numbers. The release that will get all the attention today is TSLA. Stocks are also likely getting some support from more stimmy in China. The PBOC surprisingly cut reserve rates overnight and government officials continue to hint at additional support measures.

## Energy

Nothing new...more attacks in the Middle East. The weekly inventory data is due this morning. Due to the weather, there seems to be a very strong likelihood for some big swings in inventories this week. The expectation for crude oil stocks called for a decline of "only" 1.4 million barrels, but yesterday's API release showed a decline of 6.7 million barrels. The API also showed an increase of 7.2 million barrels in gasoline stocks. Expect some wild numbers today.

## Today's Calendar (all times Central)

- S&P Flash PMIs – 8:45am
- EIA Petroleum Inventories – 9:30am
- Cold Storage – 2:00pm

Thanks for reading.

David Zelinski

[dzelinski@nesvick.com](mailto:dzelinski@nesvick.com)

901-766-4684

Trillian IM: [dzelinski@nesvick.com](mailto:dzelinski@nesvick.com)

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