

Weather

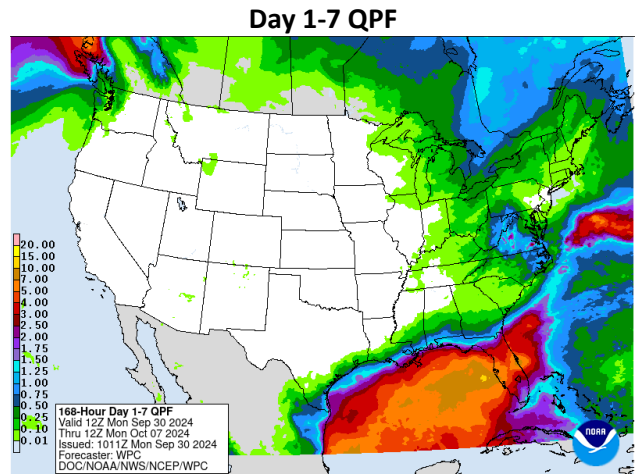
The extreme nature of the coming dryness for the Plains, western Corn Belt, and western Mid-South is something to behold. Again, it is not just below or well-below-normal rainfall for those areas, but a complete lack of rainfall over the next 15 days (and probably longer). And it is not like it is anywhere close to "wet" to the east; rainfall over the next 15 days will run under 50% or under 25% of normal for the eastern Corn Belt and eastern parts of the Mid-South. We will see massive amounts of harvesting during the first half of October.

There will be 30s for lows tomorrow morning in central/western parts of the northern Plains, and there can be spots around the freezing mark in the west of Dakotas, Wyoming, and Montana. That's likely to be that area's coldest morning for the next 15 days, though, so the vast majority of the northern Plains will continue to be frost/freeze-free into the middle of October. The same areas of the Nation that will be so dry for the next 15 days will also average 5-7+ degrees above normal. The date of the first big fall freeze in the middle of the country remains quite far off for now.

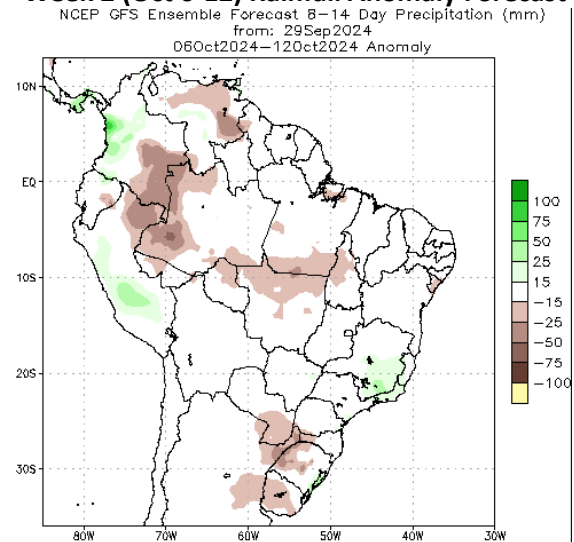
There is not a material forecast change for Brazil's northern soybean growing areas. Rainfall will remain extremely limited for at least another eight full days; most places will be completely dry, with any rains of note mainly confined to northwestern parts of Mato Grosso. The dome of high pressure will weaken enough for about October 8 and beyond to allow for rains to fall on a widespread basis from that point through the end of the 15-day forecast (which today goes through October 14). Minas Gerais would be the state most likely to see above-normal rainfall during the increase in rain chances for October 8 and beyond.

Grains

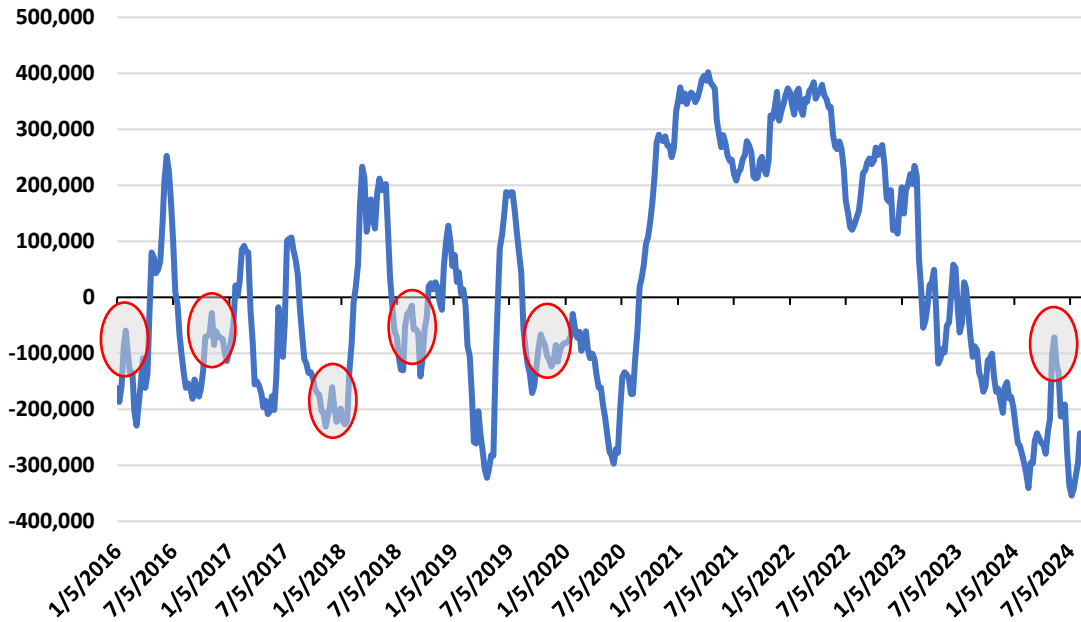
In recent weeks, I have heard the statement that managed money ALWAYS covers their net short corn position to zero if they start pairing back their position. In the below chart, the highlighted red circles show that this is not necessarily the case; there are examples in which managed money reduced their net short corn position substantially but did not cover to zero. This spring, managed money reduced their net short position by ~80% or 270k contracts (-340k to -71k) but did not cover to zero and continued to sell the corn market to a record net short level.



Week 2 (Oct 6-12) Rainfall Anomaly Forecast



Commitment of Traders Disaggregated Futures and Options Net Managed Money Corn Position



You'll notice that when managed money decides to cover its short position to zero, it is characterized by consistent, swift reductions. If managed money chops around for a few weeks or increases its net short position, it could indicate a "false start" rather than an attempt to get flat or long. 2020 is somewhat of an exception to the rule, as short covering was choppy during July but efficient in August, and after that when managed money built a massive net long position.

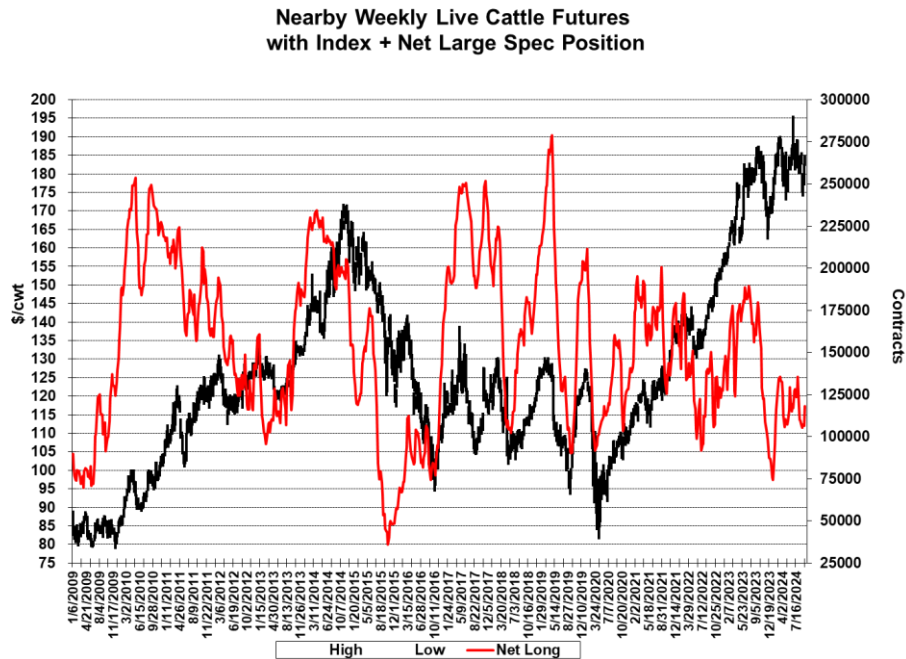
Net Managed Money Disaggregated Net Position Weekly Changes							
2016	2017	2018	2019	2020	2020	2024	
3/8/2016 -229,176	5/9/2017 -208,642	1/16/2018 -226,876	4/23/2019 -322,215	6/9/2020 -297,312	7/9/2024 -353,983		
3/15/2016 -188,167	5/16/2017 -203,909	1/23/2018 -219,676	4/30/2019 -306,699	6/16/2020 -270,751	7/16/2024 -343,396		
3/22/2016 -154,569	5/23/2017 -176,503	1/30/2018 -130,942	5/7/2019 -282,327	6/23/2020 -277,479	7/23/2024 -318,549		
3/29/2016 -108,433	5/30/2017 -200,981	2/6/2018 -82,924	5/14/2019 -282,918	6/30/2020 -201,648	7/30/2024 -295,096		
4/5/2016 -161,865	6/6/2017 -138,758	2/13/2018 -10,614	5/21/2019 -116,729	7/7/2020 -141,741	8/6/2024 -242,545		
4/12/2016 -136,705	6/13/2017 -17,929	2/20/2018 18,674	5/28/2019 -20,736	7/14/2020 -133,625	8/13/2024 -249,007		
4/19/2016 -30,909	6/20/2017 -53,825		6/4/2019 87,243	7/21/2020 -137,770	8/20/2024 -257,896		
4/26/2016 79,781	6/27/2017 -106,119			7/28/2020 -143,280	8/27/2024 -241,908		
	7/4/2017 -46,715			8/4/2020 -172,820	9/3/2024 -176,211		
	7/11/2017 100,964			8/11/2020 -172,361	9/10/2024 -132,134		
				8/18/2020 -110,499	9/17/2024 -134,814		
				8/25/2020 -61,489	9/24/2024 -130,699		
				9/1/2020 18,659			

The recent short-covering process has been slower and laborious, especially over the last three weeks, when there has been close to zero progress, which might suggest that short-covering has subsided for now. One thing

to consider is that managed money almost always builds a healthy net long position if it covers its short position to zero.

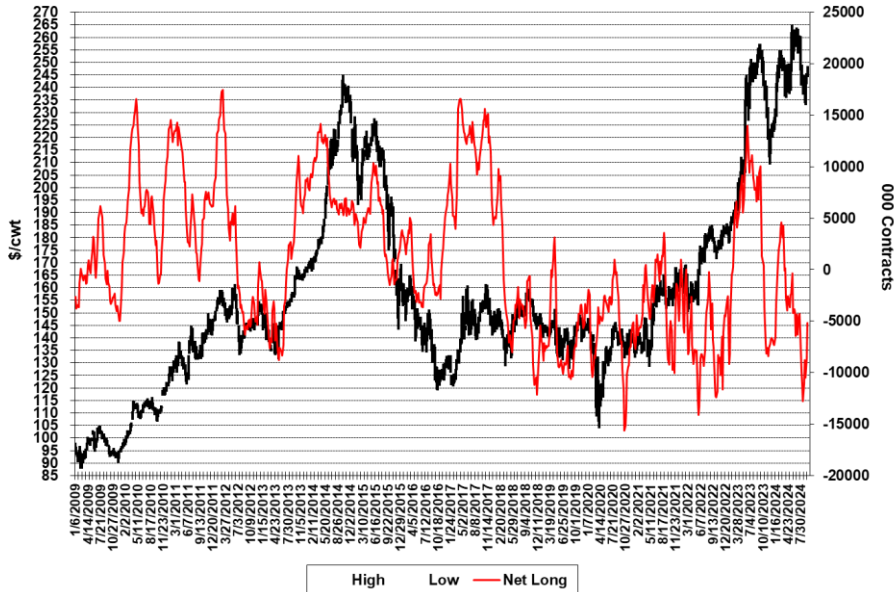
Livestock

Total open interest in cattle on 9/24, the latest COT report, climbed nearly 15,000 contracts from a week earlier and posted the largest total since late July. In conjunction with the larger open interest, the large spec net long increased more the 5,000 contracts following several weeks of long liquidation. In addition, the index funds added more than 6,600 contracts, posting their largest net long commitment in nearly two years. Combined the spec net long increased nearly 12,000 contracts, but remains historically small, leaving lots of room for additional engagement.



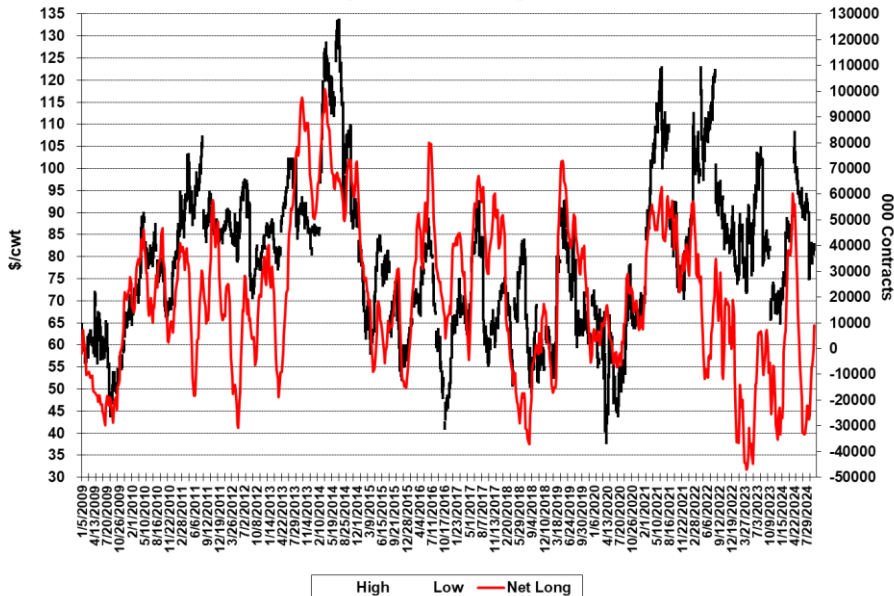
Total open interest in feeder cattle slipped to around 77,000 contracts on 9/24, down about 2,600 from a week earlier, while the large spec net short declined nearly 3,400 contracts, posting the smallest net short, nearly 5,200 contracts, since mid-July. The firmer undertone in the feeder index, coupled with the discount on deferred feeder cattle futures, may inspire further short covering and perhaps some new buying interest.

Nearby Weekly Feeder Cattle Futures Range
 with Net Large Spec Position



Total open interest in hogs for the week ending 9/24 surged nearly 30,000 above a week earlier and the largest since mid-June. Along with the larger open interest, the large spec net short, which has been in place since June, transitioned to a modest net long near 9,000 contracts. In addition, the index funds emerged as active buyers, adding nearly 6,000 contracts to their net long commitment.

Nearby Weekly Lean Hog Futures Range
 with Large Spec Net Long Position

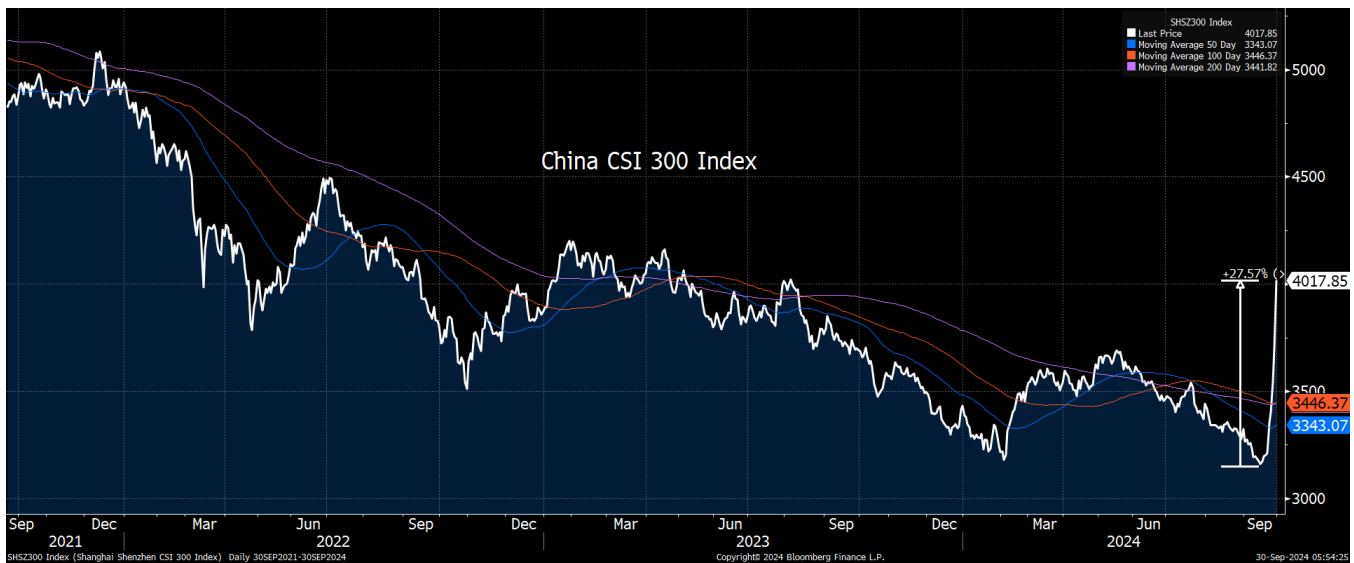


Financials

Another busy week of US economic releases is ahead:

- Powell will speak this afternoon.
- JOLTS data will be released on Tuesday.
- ISM data will come out on Tuesday and Thursday.
- The big jobs report will close out the week on Friday.

Overnight, China's September manufacturing PMI rose to 49.8, above all estimates, and up from 49.1 in August. China's CSI 300 responded favorably to the economic data and continued its torrid rally, up ~27.5% since the lows set in September.



Today's Calendar (all times Central)

- Chicago PMI – 8:45 am
- Export Inspections – 10:00 am
- Quarterly Stocks and Small Grains Summary – 11:00 am
- Powell Speaks – 12:55 pm
- Crop Progress – 3:00 pm

Thanks for reading.

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