

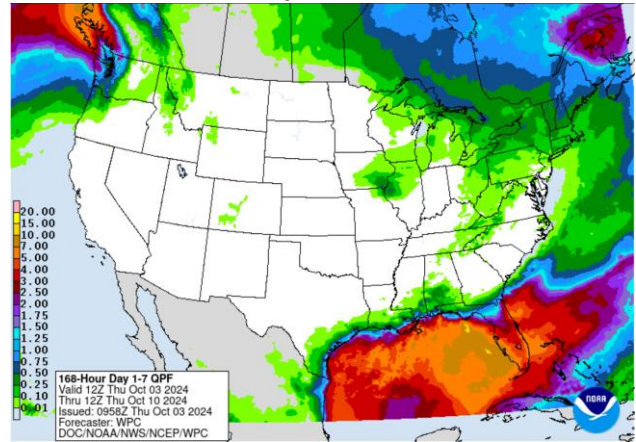
Weather

Even in the very driest of patterns, it rains occasionally, and there will be thundershowers late tonight near the border area of Iowa/Missouri/Illinois. Overall, though, this is as dry of a weather pattern for the nation as you will ever see, with only Florida looking at legitimate chances for above-normal rainfall over the next 15 days and probably a lot longer. The same ridge-west/trough-east weather pattern that gives us this dry weather is still firmly in place at the end of the 15-day forecast, so this dryness will likely extend deep into the second half of the month. It is a forecast that would lead to massive amounts of corn and soybean harvesting to get done, though we will hear complaints of harvest losses due to “too dry” conditions.

There will be another five days of largely dry weather throughout Brazil's northern soybean growing areas, with the heat remaining notable in that period (temperatures 5-10+ degrees above normal, equating to clearly no shortage of highs above the 100-degree mark). Tuesday remains the likely starting date for rain; relatively light and spotty coverage to start, but amounts/coverage will increase as we get deeper into the 6-10 day period and continue into the 11-15 day period. Temperatures will eventually cool as well, likely running close to normal for the middle/latter parts of the 11-15-day period. Overall, the forecast shows enough rain to suggest a slow initiation of soybean planting operations across the area as we get to mid-month.

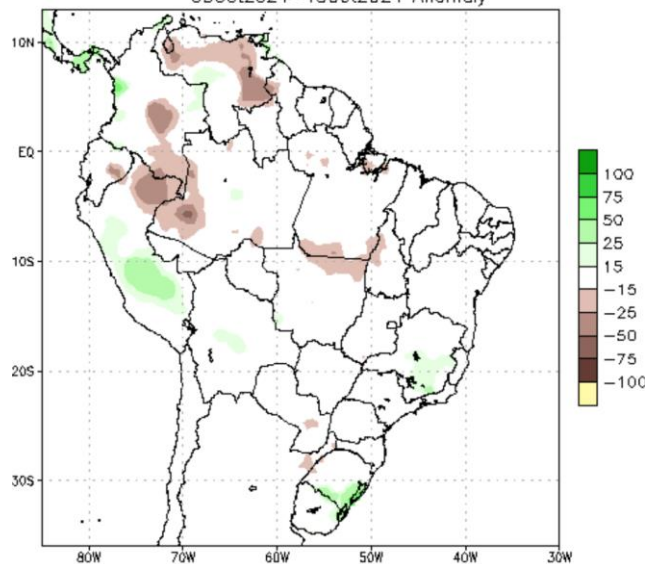
Almost everyone in Argentina needs rain right now, and October 7-9 looks to be a period in which significant rains will fall. Northern parts of the growing area are favored for the best rains in that period. La Pampa, Buenos Aires, and the southern parts of Cordoba/Santa Fe/Entre Rios will not get much rain. Those southern areas will have to wait until the 11-15-day period for rainfall; as it stands right now, the set-up for rainfall in that time frame looks pretty favorable.

Day 1-7 QPF



GFS 8-14 Day Precipitation Anomaly (Oct 9-Oct 15)

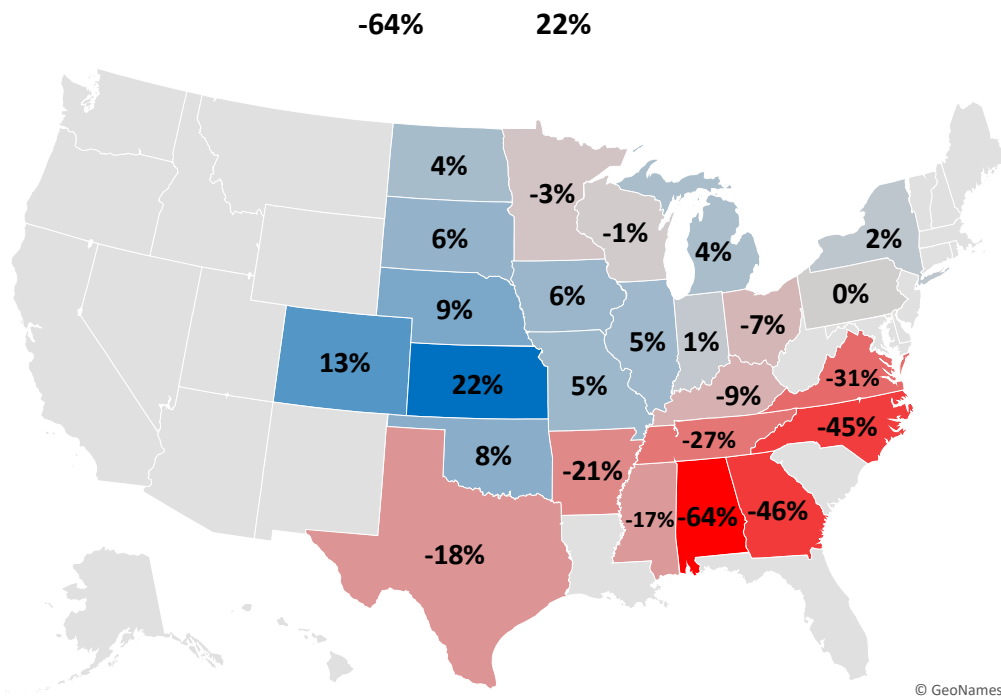
NCEP GFS Ensemble Forecast 8-14 Day Precipitation (mm) from: 02Oct2024 09Oct2024-15Oct2024 Anomaly



Grains

On Tuesday, we reviewed on-farm corn and soybean stocks and learned they were at multiyear highs as of September 1. In addition to the high on-farm stocks, USDA is projecting record-high soybean and corn yields, which could stress on-farm storage as harvest accelerates over the next few weeks. The chart below looks at the year-over-year change of September 1 on-farm corn and soybean stocks plus the change in corn and soybean production by state. You'll notice that much of the improvement occurs in the heart of the Corn Belt and the Plains states.

YoY Change in Sept 1 On-Farm Corn and Soybean Stocks and USDA Estimated Corn and Soybean Production

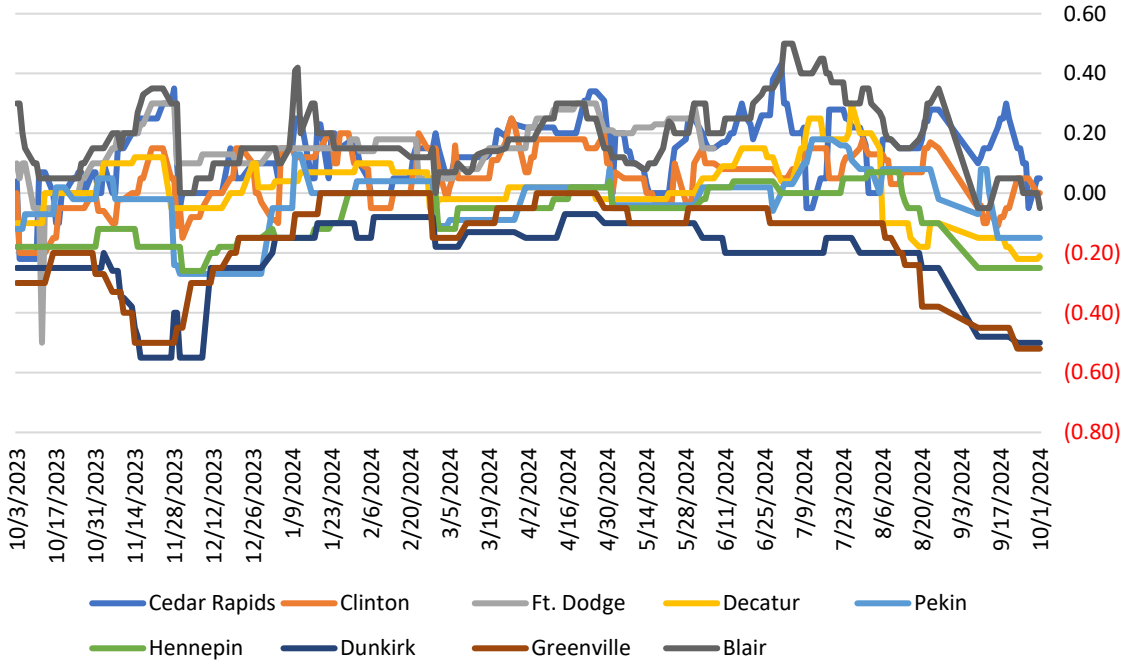


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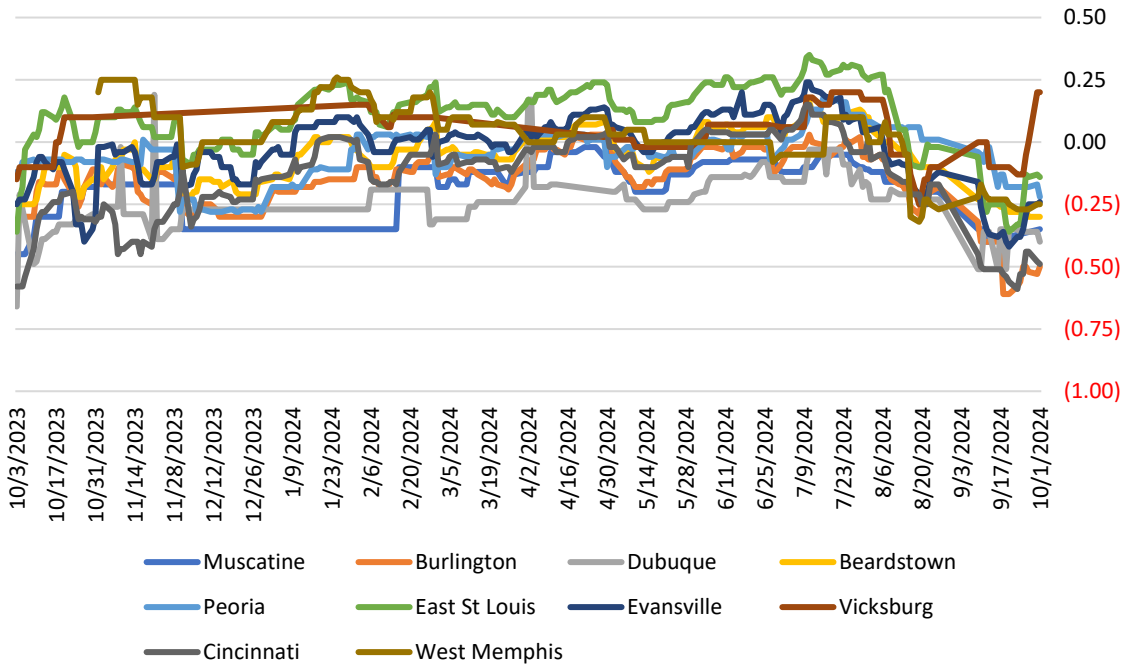
The charts on the following page show that the domestic basis has weakened in recent weeks, which shouldn't be a big surprise given the time of the year and the fact that we're resupplying with new crop after some supply tightness this summer. The low river levels also have played a role, although the recent improvement in basis is due to draft levels improving from hurricane rainfall. However, due to persistent dryness, river levels are expected to decline in future weeks.

Another factor in play, as the above chart suggests, is that there is likely to be an on-farm storage constraint due to high on-farm stocks and record large yields. Farmers with limited storage will have to clear out their September 1 on-farm stocks and/or sell more grain than they would like to. This will unfold in the coming weeks, but the lower basis levels likely confirm that this has played out to some extent and suggests that the recent rally on the board isn't necessarily cash-led and is likely attributed to money flow.

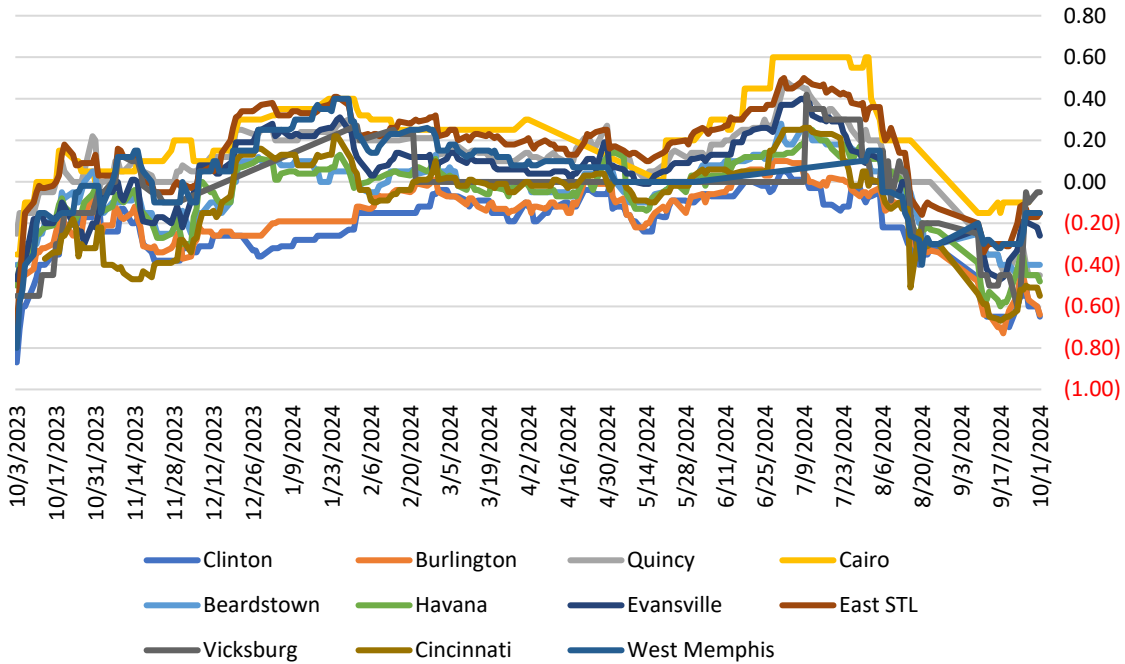
Corn Basis - Ethanol Plants



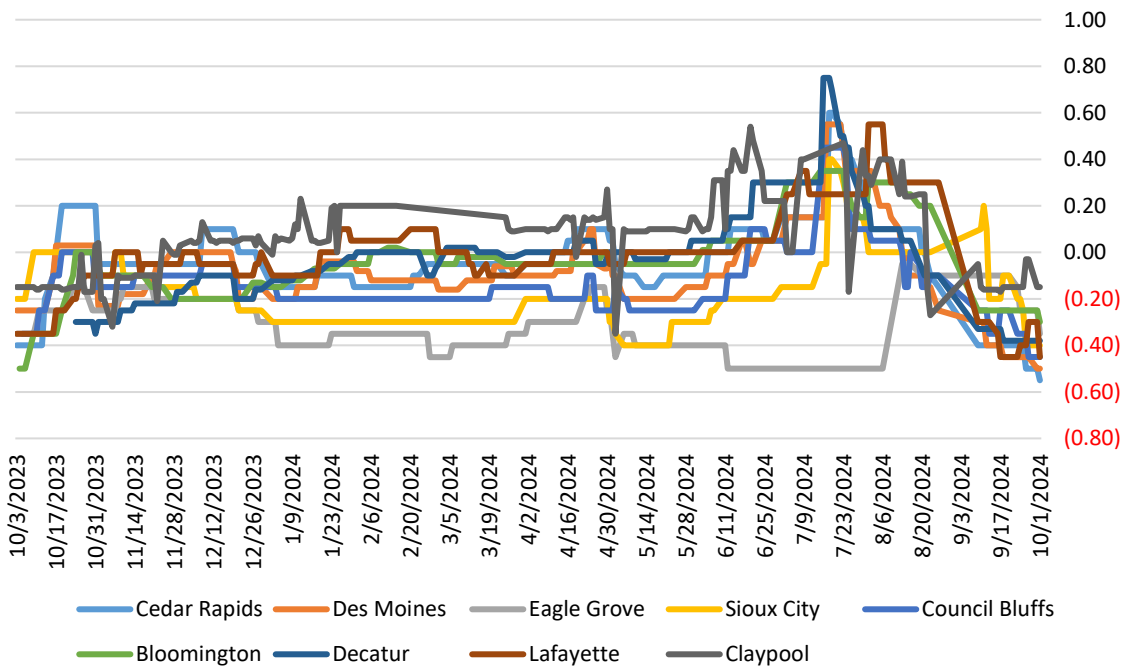
Corn Basis - River



Soybean Basis - River



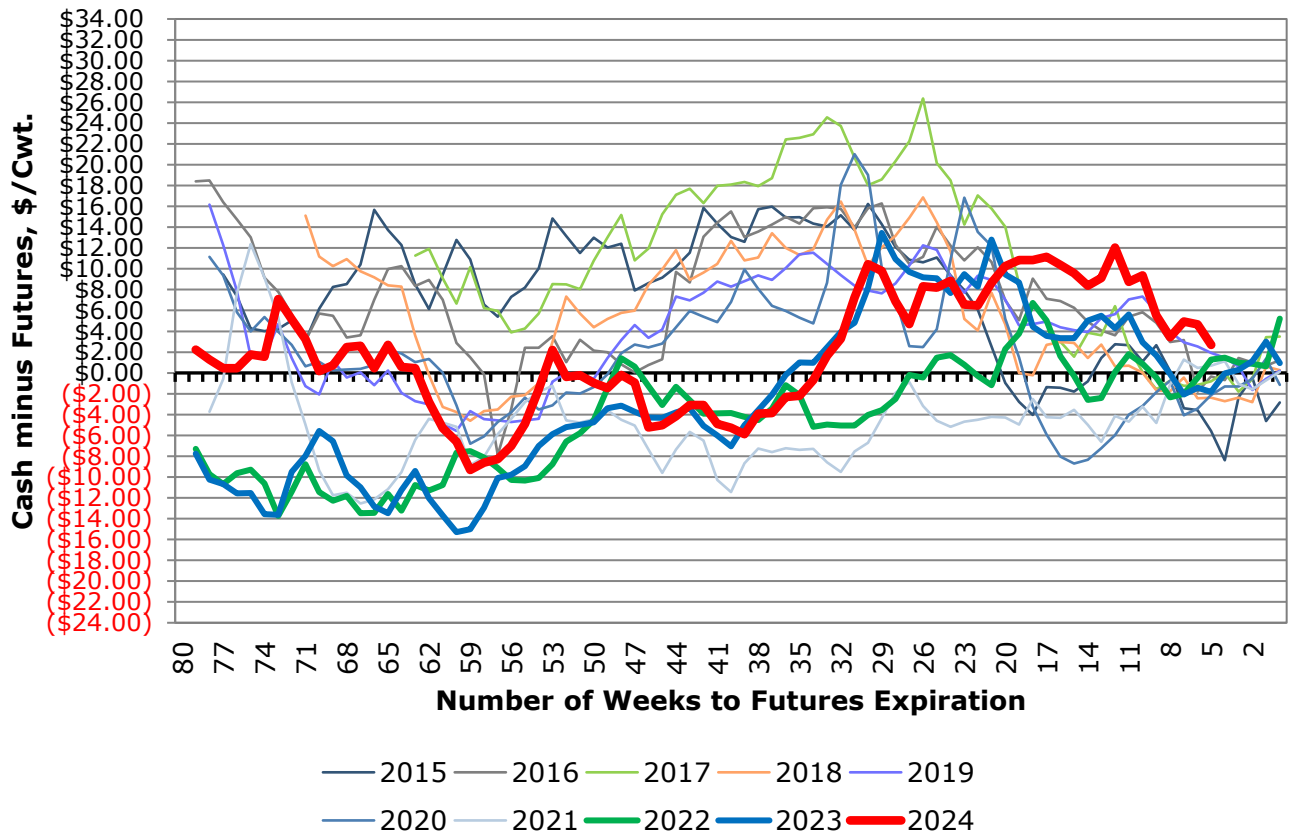
Soybean Basis - IA, IL, IN Processors



Livestock

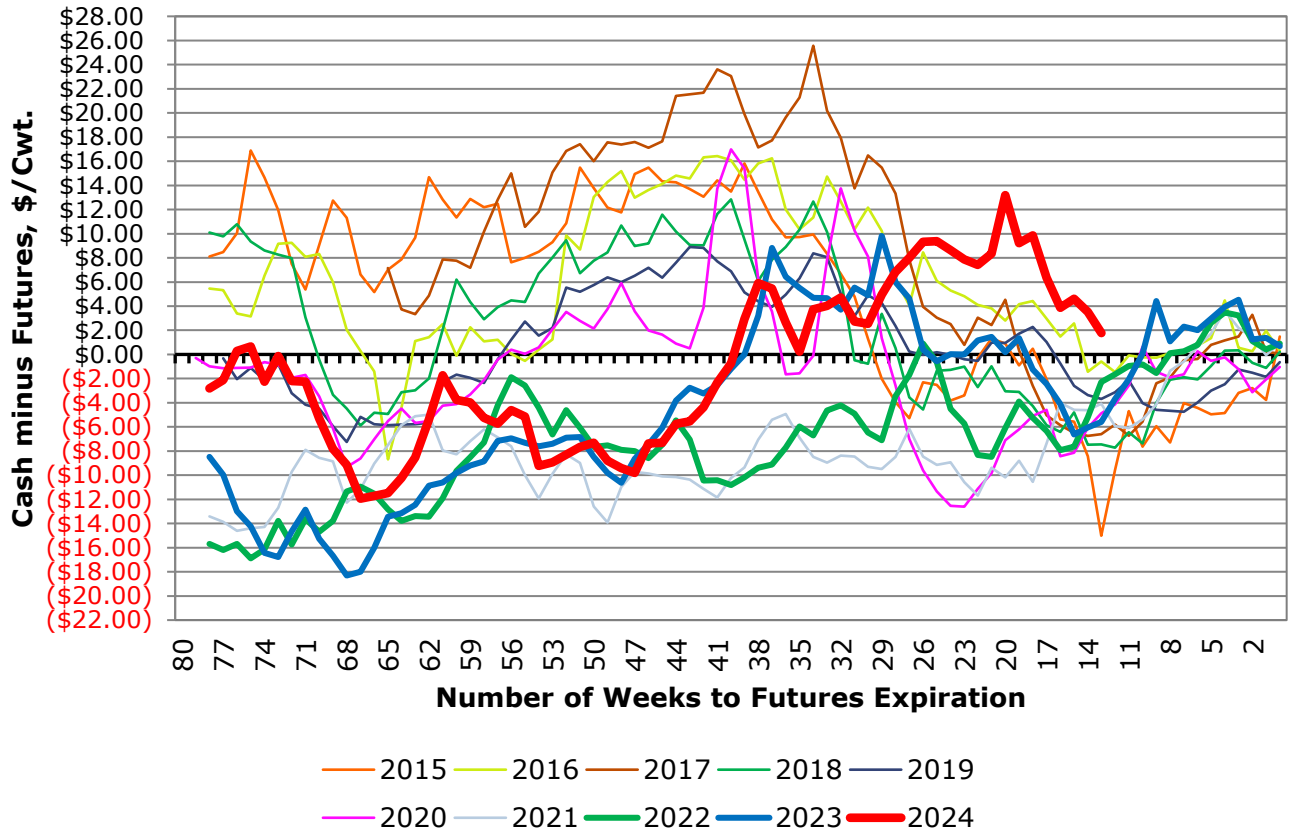
Continuing the theme, we are going to review live cattle basis today. As of last week, the basis for October and December remained elevated relative to recent history. However, the recent rally in the board this week has likely narrowed the gap. If cash remains firm (assuming the cattle feeder isn't willing to back off the recent gains they have pulled from the packer), it suggests that the path of least resistance for convergence is for the board to rally or maintain current prices.

USDA Fed Steer (5 Area) minus CME Live Cattle Futures, October Expiration



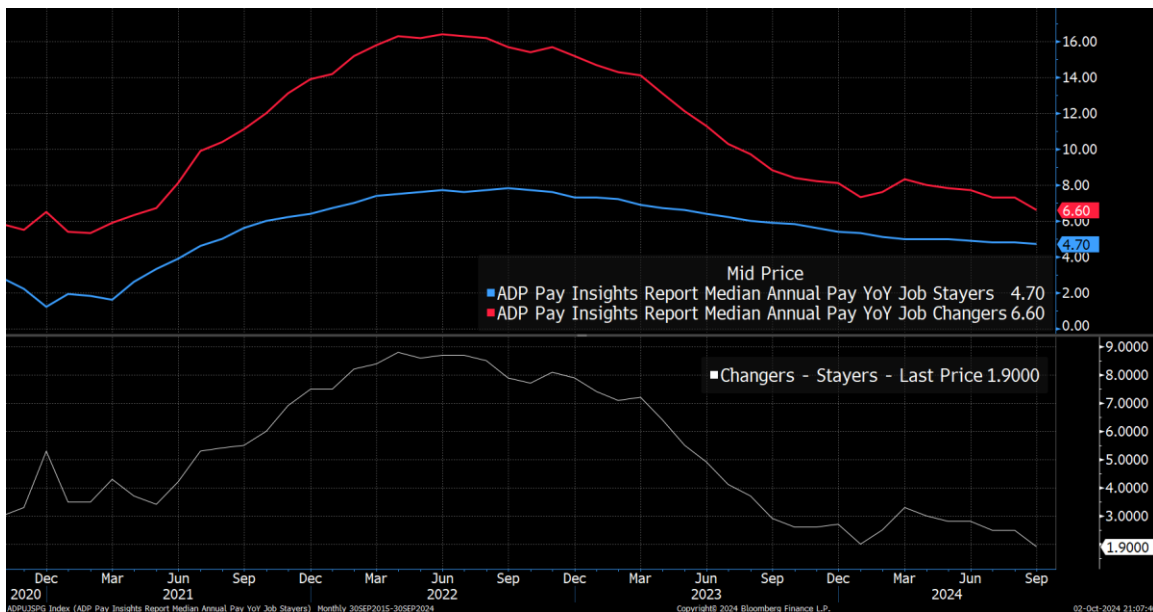
When the October contract goes off the board, December cash is typically a few dollars under futures. Currently, cash still carries a premium to the December contract. Although the basis has weakened this week, it is still above recent history.

USDA Fed Steer (5 Area) minus CME Live Cattle Futures, December Expiration



Financials

We will review some of ADP employment change data from yesterday, focusing on wage growth. Wage growth in September continued to cool, and for workers who changed jobs, earnings increased by 6.6%, the slowest since April 2021. This compared to a 4.7% increase for those who stayed. The disparity isn't necessarily atypical; job changers' pay almost always increases more significantly than job stayers. However, the declining wage growth for stayers and changers indicates a loosening labor market, as increased hiring didn't require larger pay increases (a sign of less competition). This has also been the narrowest spread of changers-stayers since at least 2020.



Today's Calendar (all times Central)

- Jobless Claims – 7:30 am
- Export Sales – 7:30 am
- Factory Orders – 9:00 am
- ISM Non-Manufacturing PMI – 9:00 am
- EIA Nat Gas Storage – 9:30 am
- Various Fed speakers

Thanks for reading.

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