

Weather

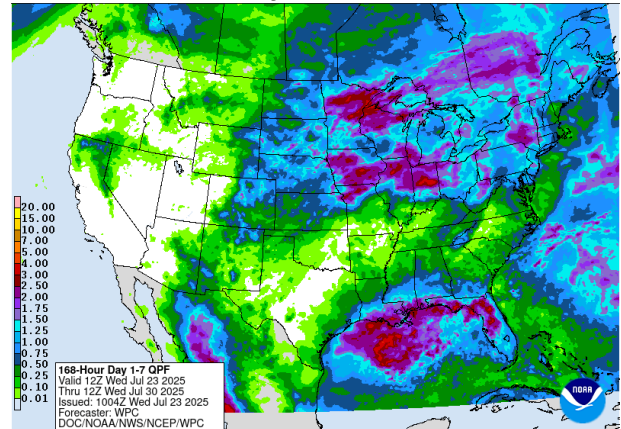
The Corn Belt remains in an “active” weather pattern for the next 15 days, with a westerly flow aloft in Week One shifting to a northwest flow in Week Two. This setup supports frequent “ridge-rider” or “ring of fire” thunderstorms.

A particularly wet period is expected from late today through Saturday, as storms from the far northwestern Corn Belt move southward across the region. Most areas, aside from the far south, are likely to receive at least an inch of rain, with some locations seeing localized heavy to very heavy totals.

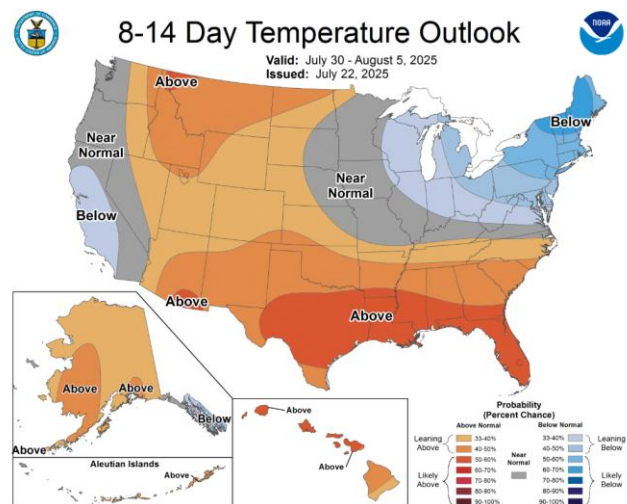
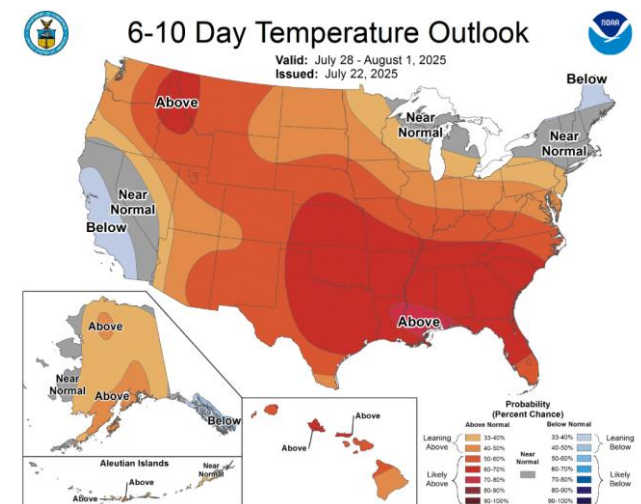
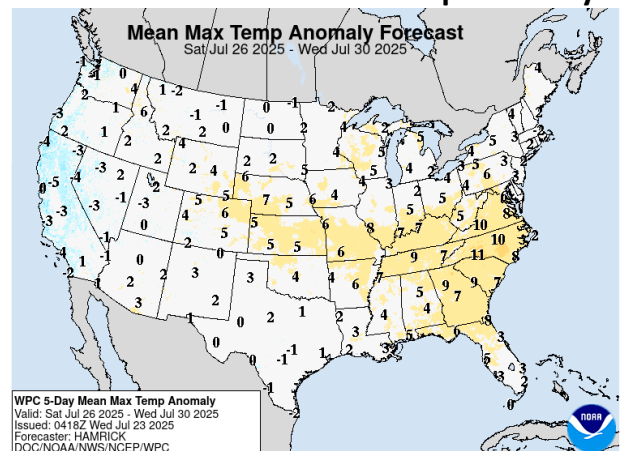
By Sunday and Monday, thunderstorm activity may be limited to the far north, but rain chances are expected to shift southward again by Tuesday. While details of the Week Two forecast remain uncertain, multiple rain events are likely.

As of 4 AM CDT, temperatures across the central and western Corn Belt were above 70°F, with Iowa cities such as Des Moines, Cedar Rapids, and Burlington still near 80°F. The worst of the heat in the Corn Belt will be felt over the next week, and in that time frame the hottest days will be for today, tomorrow, Monday, and Tuesday. However, models continue to show a significant cool-down from July 31 to August 4, when temperatures across the Corn Belt could average 2 to 4 degrees below normal.

Day 1-7 QPF



Jul 26-Jul 30 Mean Max Temp Anomaly



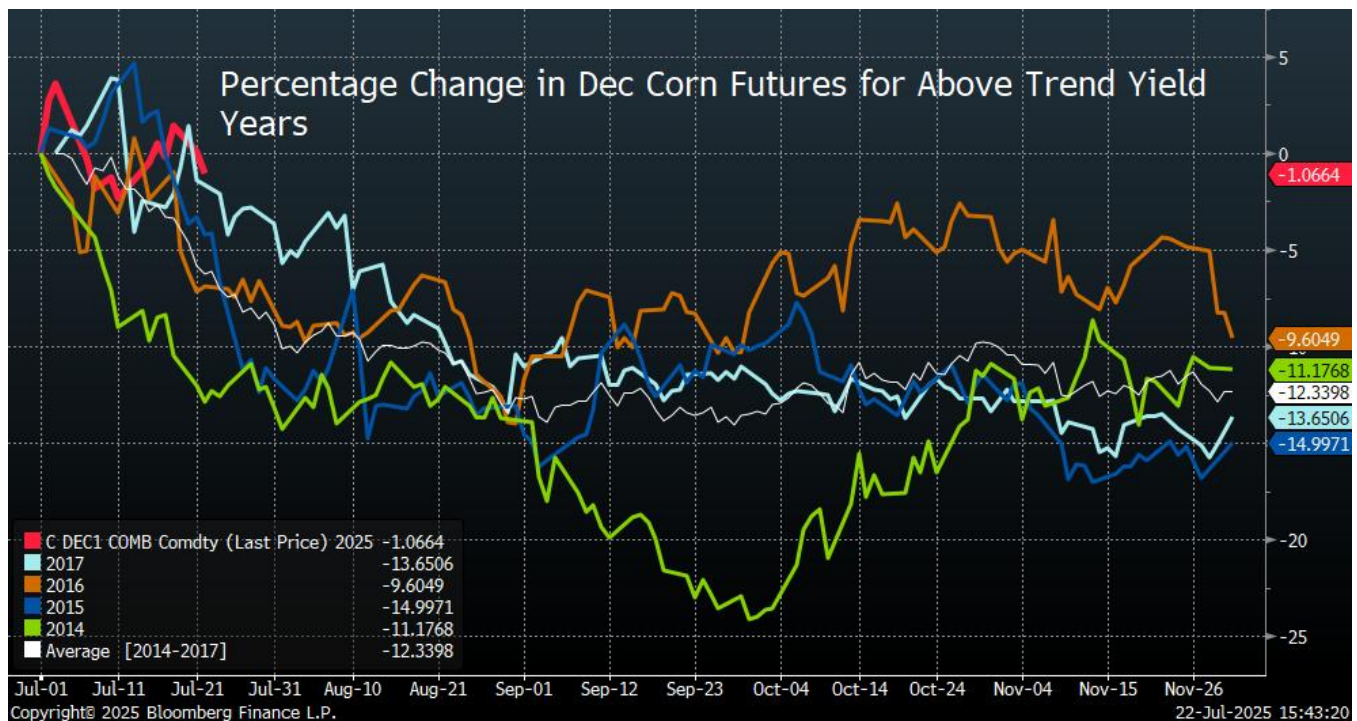
Grains

I wanted to revisit some seasonality charts for December corn and November soybean futures today. While it's still far too early to draw any definitive conclusions about yield, current crop conditions and favorable weather to this point have many in the trade anticipating the potential for above-trend yields in both corn and soybeans.

For argument's sake, let's assume above-trend yields for this year and review similar years to get a rough idea of when the market tends to fully price in that kind of scenario.

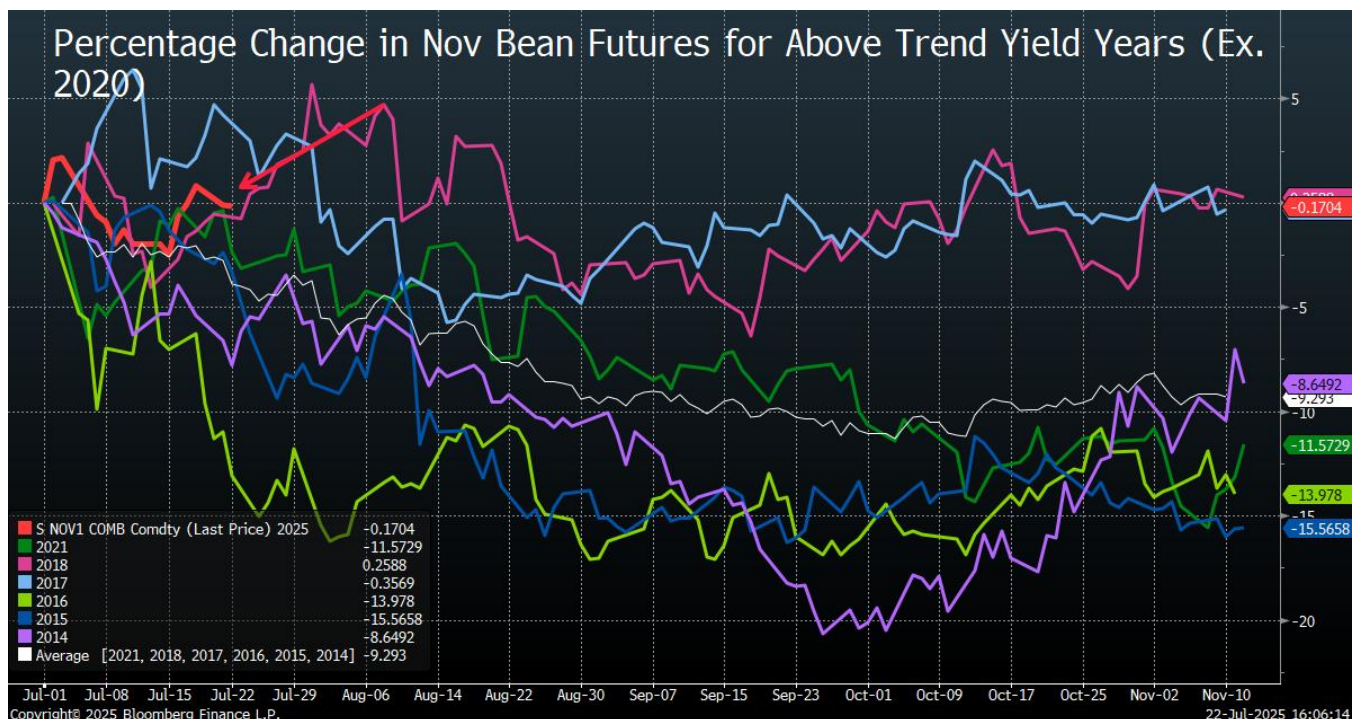
Starting with corn, I selected years since 2010 in which final yields were at least 3% above trend. As shown in the chart below, during those years, December corn futures generally tended to bottom out between mid- and late September.

Now, this year might be slightly more nuanced, considering the size of the safrinha crop, and the fact that much of the Brazilian export pipeline is still allocated to soybeans. However, assuming we do end up with an above-trend yield, it still seems reasonable to expect downside potential into the fall.



Repeating the same exercise for soybeans (excluding 2020 due to Chinese demand) produces similar results. In years with above-trend yields, November soybean futures have tended to bottom out around late September to early October.

Obviously, there's still a long way to go this season, but depending on your bias, it's possible the market may not fully price in yield expectations until we get some objective yield data in the September crop production report.



Livestock

I don't have anything earth-shattering this morning, but I did want to briefly highlight that we set a new record yesterday in the spot futures feeder-fat cattle spread, edging out the previous high from earlier this month. See the chart to the right for reference.

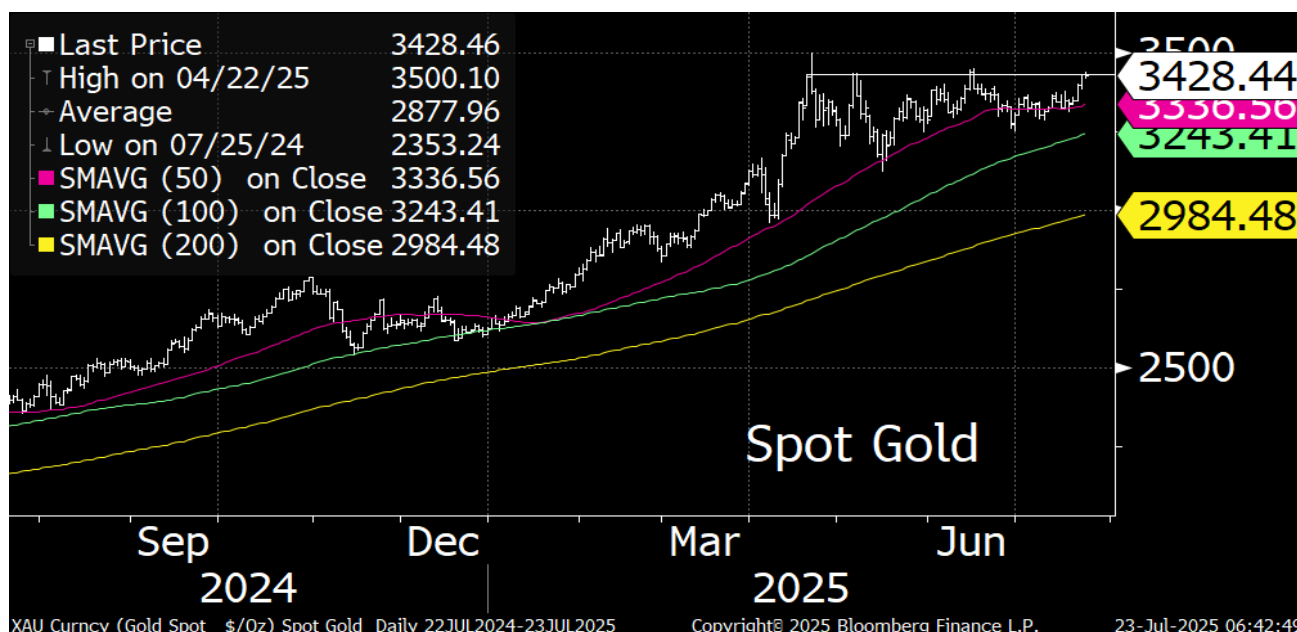
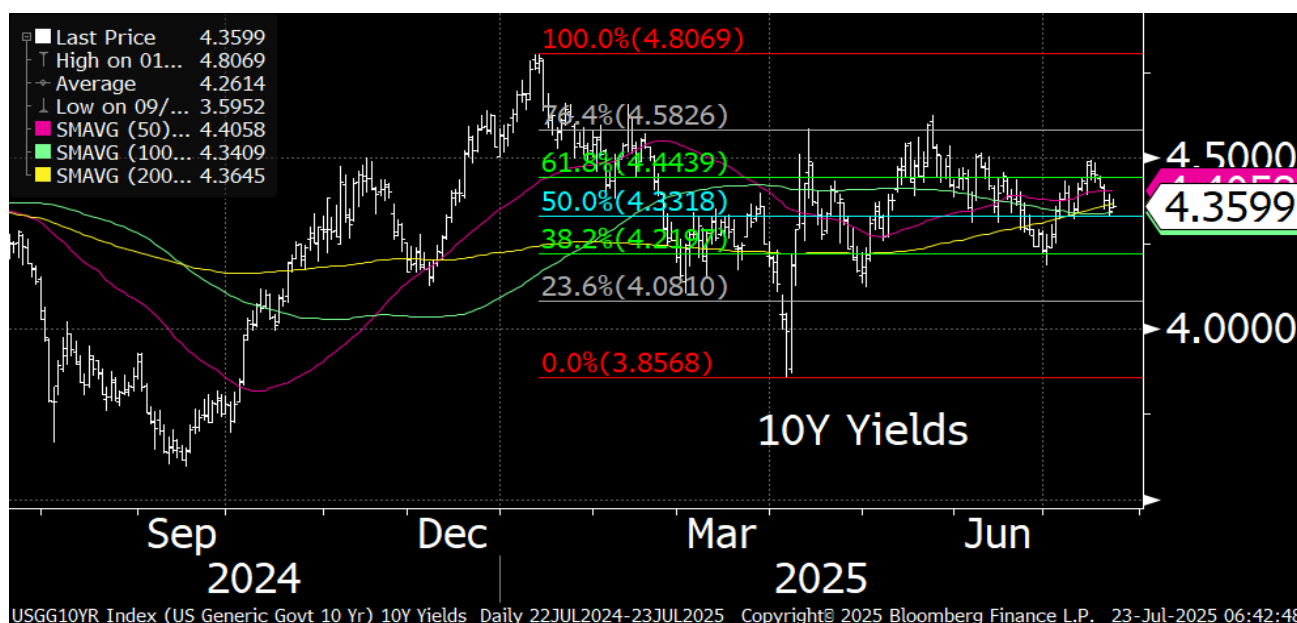


From a seasonality standpoint, this spread has typically weakened heading into the fall. Could this be setting up for some mean reversion? Thoughts appreciated.

Financials

Equity futures are marginally higher this morning following the announcement of a trade deal with Japan. It should be a relatively quiet day for economic data, with only existing home sales on the calendar.

That said, I did want to highlight two charts below that are sitting at interesting technical levels. Keep an eye on the 10-year, it's currently flirting with both the 100- and 200-day moving averages, as well as a key retracement level. Also note the second chart: spot gold is attempting to break out after several months of sideways action.



Today's Calendar (all times Central)

- Existing Home Sales – 9:00 am
- EIA Energy Stocks – 9:30 am

Thanks for reading.

Evan Basse

evan@nesvick.com

847-650-8002

Trillian IM: evan@nesvick.com

Bloomberg IB: ebasse3@bloomberg.net

DISCLAIMER:

This communication is a solicitation for entering into derivatives transactions. It is for clients, affiliates, and associates of Nesvick Trading Group, LLC only. The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions reflect judgments at this date and are subject to change without notice. These materials represent the opinions and viewpoints of the author and do not necessarily reflect the opinions or trading strategies of Nesvick Trading Group LLC and its subsidiaries. Nesvick Trading Group, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such.

Officers, employees, and affiliates of Nesvick Trading Group, LLC may or may not, from time to time, have long or short positions in, and buy or sell, the securities and derivatives (for their own account or others), if any, referred to in this commentary.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. Nesvick Trading Group LLC is not responsible for any redistribution of this material by third parties or any trading decision taken by persons not intended to view this material.