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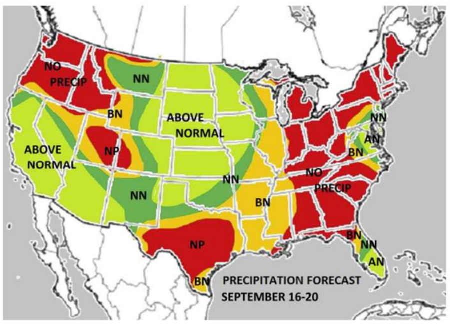
Tuesday, September 16, 2025

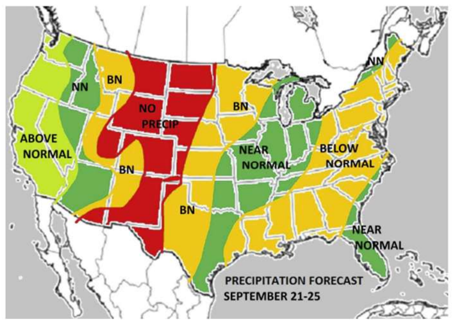
NTG Morning Comments

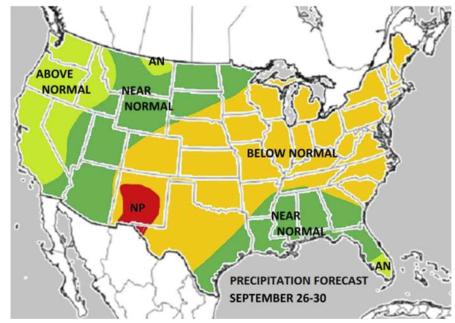
www.nesvick.com

Weather

US weather is looking, if anything, even a bit drier over the next 15 days than the forecast showed yesterday. Week one rainfall will be above-normal in the Western Corn Belt, HRW Wheat Belt, and Northern Plains, before drying out to largely below-normal rainfall for week two. Eastern Corn Belt and Mid-South are expected to be nearly dry the entire 15 day period, with some scattered areas seeing, at best, near-normal rainfall. Overall, rain levels will be good for early harvest, and for wheat planting in the HRW Belt, but will not help to improve river levels.

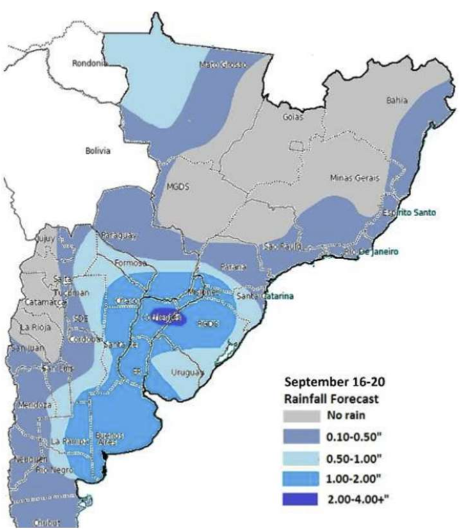


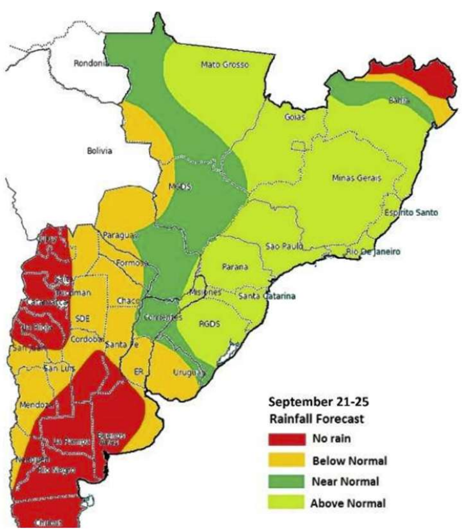


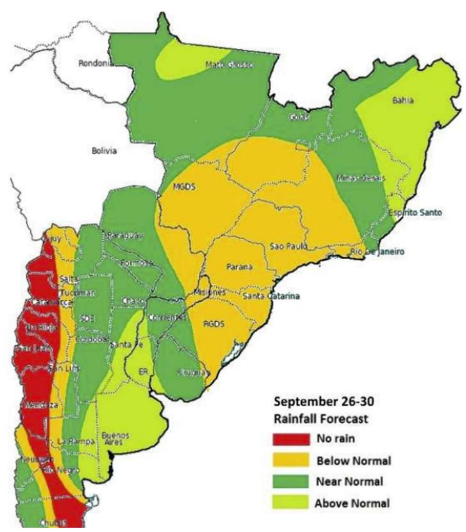


Most of the US is still expected to see consistently warm or very warm weather the entirety of this 15 day period. There is very low risk of any sub-freezing lows in any part of the nation through the end of September, and probably even into October.

South American weather is relatively unchanged from yesterday. Mato Grosso is expected to have the only "decent" amounts of rain in Northern Brazil until the 22nd, and beneficial rain falling in Parana and MGDS in the 6-10 day period. Argentina is expected to get light rains this week, followed by heavy rain on the 22nd before a dry spell for at least the following week.







Northern Brazil temperatures are expected to continue to stay in the 95-105 degree range for the rest of the week before dropping to below-normal to normal temperatures for the rest of the 15 day period. Southern Brazil, Paraguay, and Argentina expecting hot weather for the first 5 days, followed by a period of below-normal temperatures in days 6-10, and warming back up to finish the 15 day period.

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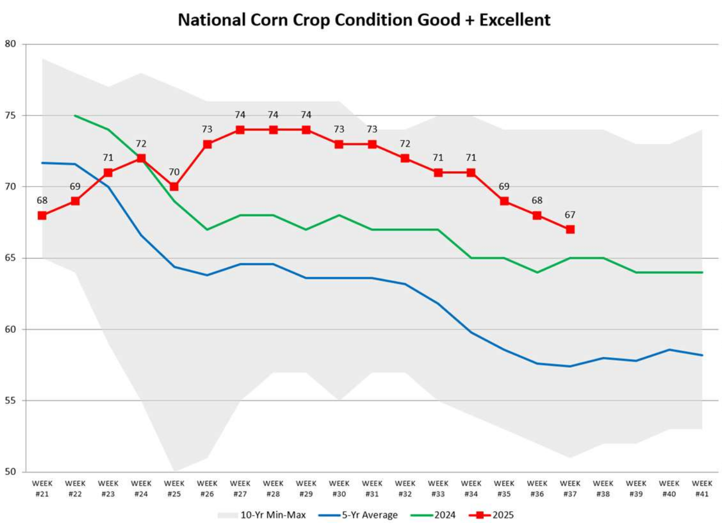
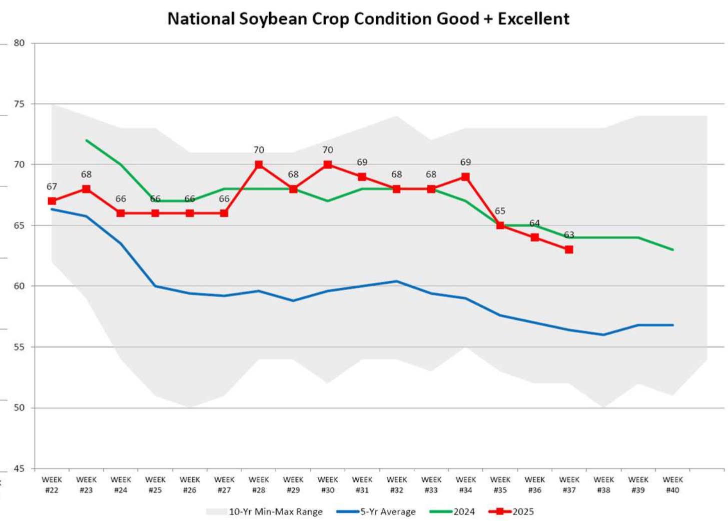
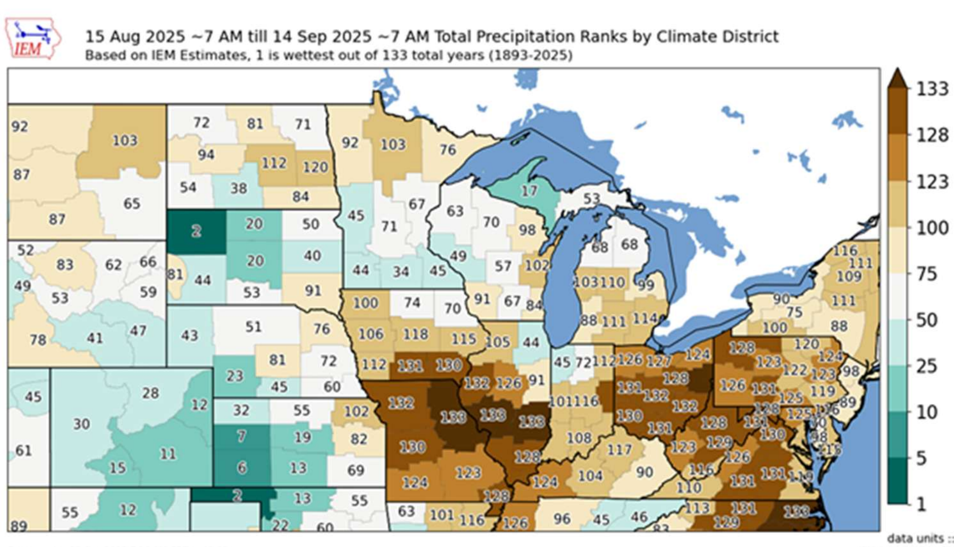
Grains

Monday's trade saw back and fill in corn and beans with wheat slightly firmer. All the bearishness could be "in" the wheat market for the moment, but will just have to watch world values. I don't think deferreds can earn the carries. We may have reached levels in corn to engage the producer interest in making sales. Maybe we just need to digest the move and wait for more harvest results. Crop ratings were down as expected, with corn down 1 in G/E to 67/24/9 vs 68/23/9 last week and 65/23/12 at the same time last year. Corn harvest is 7% done vs 8% last year and 7% average. Beans were down 1 in G/E and up one in P/VP to 63/26/11 vs 64/26/10 last week and 64/25/11 at the same time last year. Bean harvest is 5% vs 6% year ago and 3% average. Winter wheat seeding is 11% complete vs 13% last year and 13% average.

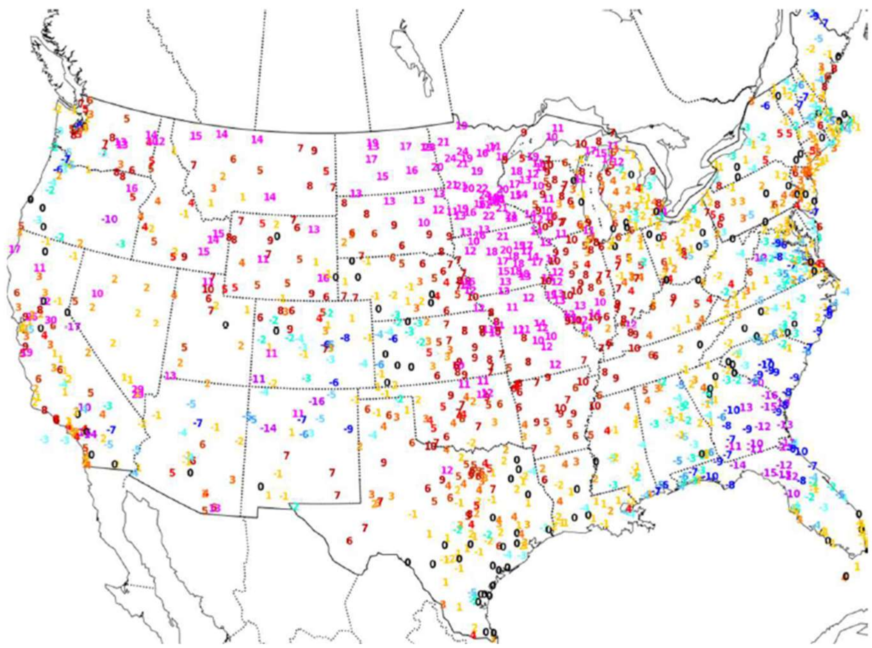




I'm attaching some charts that Craig highlighted Monday. The first one is overnight low temps from the weekend and their departure from normal. There is a large area in the Northern Plains, MN, IA, MO, and parts of IL that were 15-24 degrees above normal for the lows for this time of year. There are also three districts in MO and IL that ranked the driest in 133 years for the last month. You can see the northern half of MO, central and southern IL, and much of OH are among the driest for the 133-year period. This just doesn't spell well above record yields to me, but only time will tell.



Low temperatures through 7 AM CDT today (above) and departure from normal (below



Will touch on the Aug NOPA crush report that was released Monday during the session. It came in well above expectations at 189.8 milbus. Trade ideas were roughly 179-183. This should translate to roughly 2447 for crop year crush, above the 2430 that the USDA printed Friday. Even with the much larger crush, oil stocks were less than expected at 1245 mil lbs, which is rather impressive. If downtimes weren't as long and as deep as the market thought, it is also rather impressive for the domestic meal market and how firm it has been.

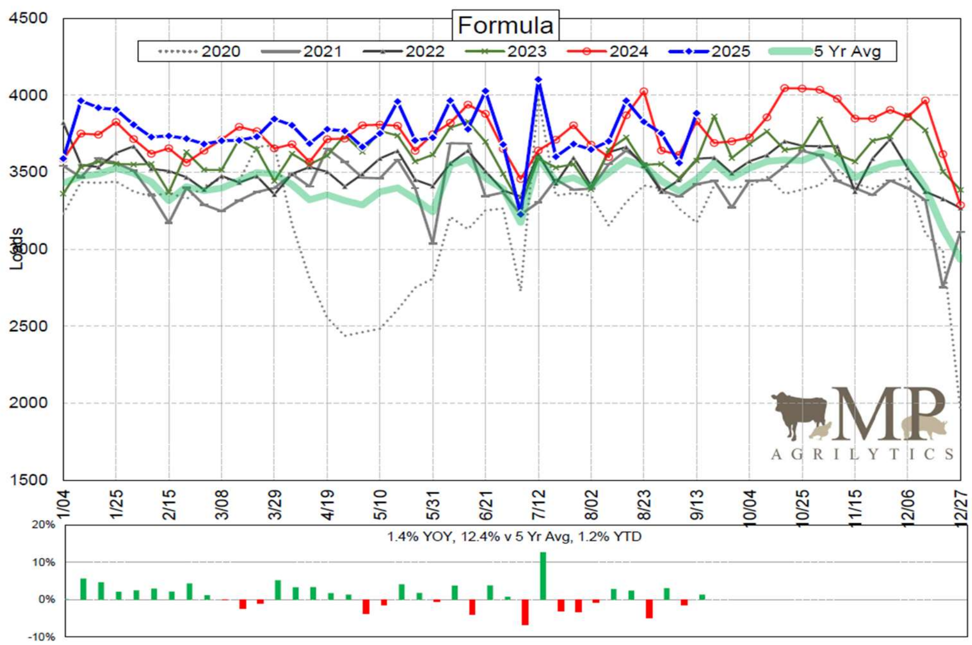
Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com or on Trillian at megan@nesvick.com.

Livestock

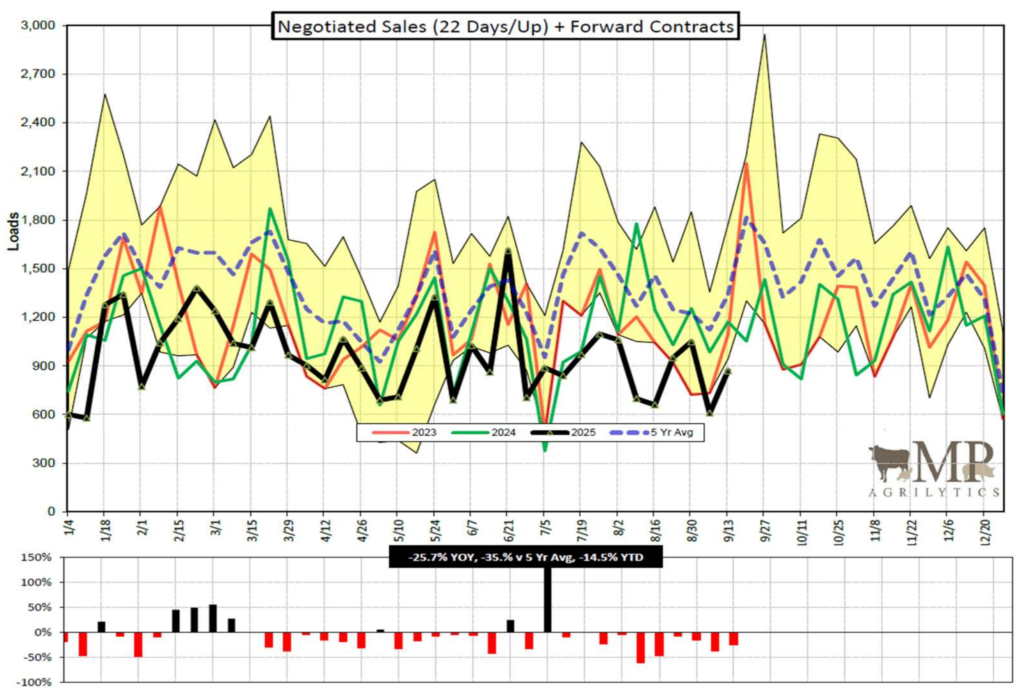
Beef prices have been resilient all year. When meet with unwilling buyers and push back from retailers on prices, packers merely pulled back kills, sending prices sharply higher, forcing buyers into higher prices than they planned. This has been a persistent pattern controlling the market all year. Choice beef prices at retail averaged $9.85 for August up 16% from a year ago. In response to sharply higher prices through August and early September retailers are expected to raise prices yet again. This is expected to be $10.25 (all-time record high) when we get the data for September.

Seasonally, back to school demands and limited travel schedules seems to limit demand and typically leads to lower prices into the fall. This year should be no different, but the effects of limited Brazilian beef imports may be supportive to normal seasonal expectations. October is also "national pork month", sponsored by National Pork Producers Council, at retail chains throughout the US. This increases retailer feature plans for pork and will add to the challenges beef will have in the coming month(s) competing for consumer dollars. This all seems to be leading to a big shift for retail demand planning from 9/15 through 11/15. We will see if packers are able to continue pulling back kills to force the market to pay these prices into the coming weeks.

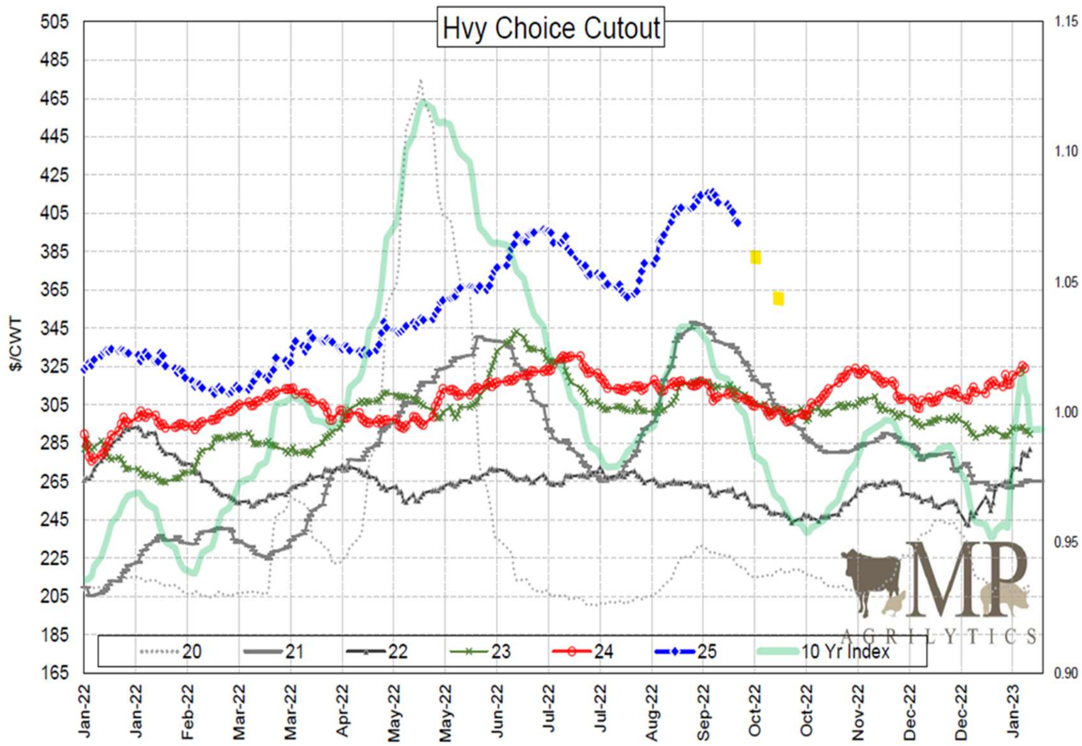
Formula buying plans jumped last week making up for the holiday slow-down from the prior week. Despite this one-week jump, average purchase patterns from mid-August through mid-September are roughly 6% lower when compared to May through July levels.



Total forward fixed price purchasing plans for domestic and export purchases have been declining. This tells us that retailers are not interested in buying at these wholesale price levels.



A “normal” decline of 7% is expected into the fall lows; this implies that $375 is the next stop for choice beef cutout value. An aggressive decline would be an 11% drop, down to $360.



Livestock commentary provided by Scott Shepard. For questions or comments, Scott can be reached by email at scott@mnrcapital.us or on Trillian at scott@nesvick.com.

Financials

Let’s take a look at various expectations for the Fed decision on Wednesday:

GS: We expect a 25bp rate cut at the September FOMC meeting to be the first of three this year.

The increase in the unemployment rate over the last two months and the decline in job growth to below the breakeven rate make supporting the labor market the Fed’s top priority. We expect 25bp cuts in September, October, and December and two more next year to 3-3.25%. We do not expect the FOMC statement to nod toward an October cut, but Chair Powell might hint softly at consecutive cuts in his press conference. “I’m pretty confident that we’ll have a 25-basis point cut. Whether or not we have a 50-basis point cut, I don’t think that’s probably in the cards,” GS CEO David Solomon told CNBC.

Morgan Stanley: Fed’s pace on cuts key for markets

Morgan Stanley says equity markets hinge on weak U.S. jobs data and whether the Fed cuts rates quickly enough. Traders expect a 25 bp cut this week, but lingering inflation may slow the Fed’s response. The bank sees short-term consolidation in stocks but remains bullish long term, targeting the S&P 500 at 7,200 by mid-2026 on strong earnings. They favor small caps and reflation plays ahead, while dip-buying into year-end.

JPMorgan: Stocks may stall on Fed cuts

JPMorgan warns U.S. stocks could cool if the Fed restarts rate cuts this week. Markets are near record highs despite weak labor data, but history shows equities often pause after easing begins. The bank stays bullish on emerging markets and mining stocks, favors long-term bonds, and expects the U.S. dollar to fall 4–5% in coming months.

BoA: Following the BLS's latest unemployment report for August, BofA analyst changed shifted from the Fed remaining on the sidelines through 2025 (no rate cut) to September rate cut.

Since summer 2024, the U.S. unemployment rate has been range-bound between 4% and 4.2%. However, that range was broken on Sept. 5, when the August jobs data landed, showing unemployment rose to 4.3%. That's the highest reading since October 2021, when it clocked in at 4.5%. The trend higher this year isn't likely lost on the Federal Reserve. "The [August] jobs report should cement a shift in the Fed's thinking from worrying about inflation to focusing on labor weakness. ... We now expect the Fed to cut by 25 basis points each in September and December," wrote the analysts in a research note shared with TheStreet.

Two groups are predicting 50bps cut:

SocGen argues that the Fed's moderately restrictive stance has overstayed its welcome and has "overshot". As such, that warrants a forceful recalibration even though there are still concerns on more stubborn inflation despite the balance of risks shifting towards the employment side of the Fed's dual mandate.

Standard Charter highlighted that Fed Chair Jerome Powell had maintained as recently as the July 30 meeting that the labor market remained "solid." However, his tone shifted during the August 22 Jackson Hole symposium, signaling greater concern about economic momentum. "We think the August labor-market data has opened the door to a 'catch-up' 50bps rate cut at the September FOMC meeting," Standard Chartered global research team indicated.

Financial commentary provided by Mark Sigman. For questions or comments, Mark can be reached by email at msigman@nesvick.com or on Trillian at msigman@nesvick.com.

Today's Calendar (all times Central)

- Retail Sales – 7:30 AM
- Import/Export Price Index – 7:30 AM
- Industrial Production – 8:15 AM
- Business Inventories – 9:00 AM
- NAHB Housing Market Index – 9:00 AM

Thanks for reading,

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