Thursday, October 23, 2025
NTG Morning Comments
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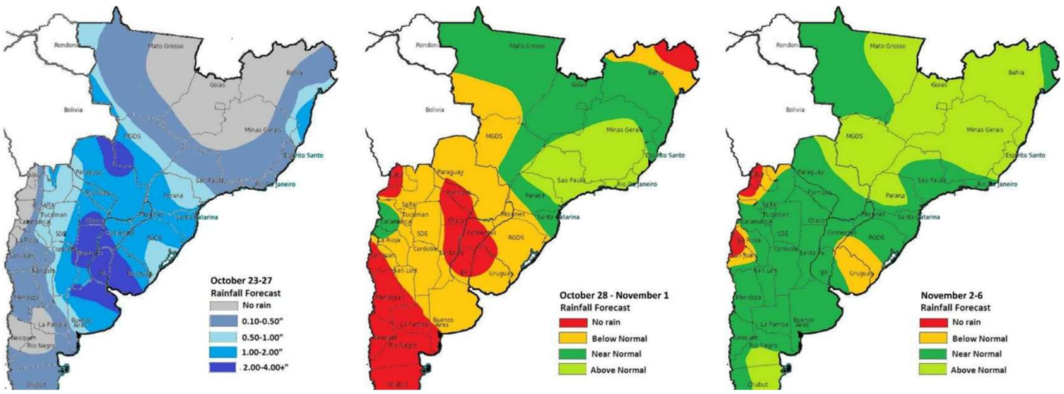
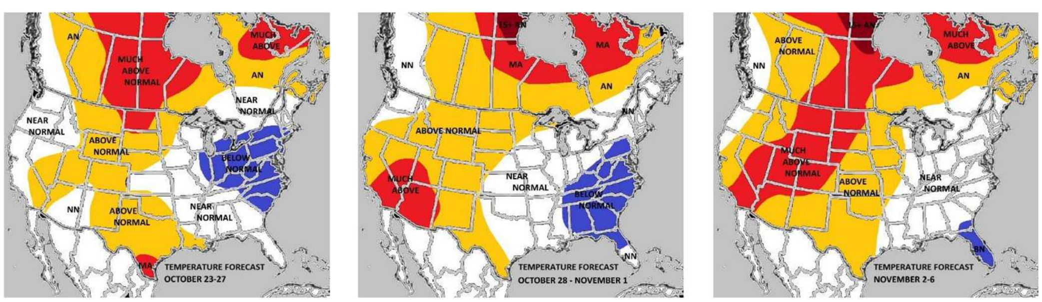
Weather

The forecast for northern Brazil's soybean areas continues to show a dry period lasting for roughly another week, forcing already-planted crops to rely on existing moisture, but the outlook for Week Two has improved with widespread rains of 1.50-2.50" now forecast to return. The situation in southern Brazil and Paraguay remains close to ideal, with a wide-open window for fieldwork continuing under dry conditions through Saturday; the next significant rain event is expected to arrive Saturday night and last through Tuesday, bringing 1-2" totals. Some reports suggest that Paraguay has already completed 90% of soybean planting. In Argentina, the ongoing significant rain event is expanding and will last through tomorrow night, delivering widespread 1.50-2.50" amounts that are beneficial to most areas but will worsen conditions in Buenos Aires, before a week-long dry period begins on Saturday.



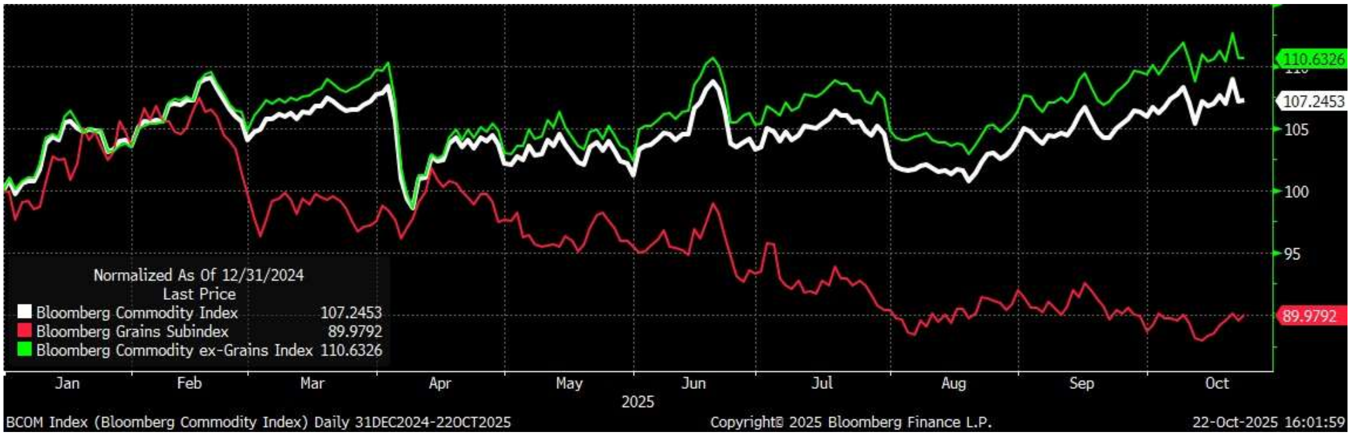
In the U.S., the harvest window for the Corn Belt remains wide open with dry conditions dominating through the weekend, and this dry weather is now accompanied by the first freeze of the season for many areas of the region, with lows of 32 degrees or lower recorded this morning as far south as central Missouri, Illinois, and Indiana. The storm system previously forecast for October 27-29 has definitively trended weaker and is no longer expected to be a major event, allowing the harvest to roll on with expectations that much of it will be wrapped up by the end of the 15-day period. The southern Plains will see rain chances begin tonight and last through October 28, spreading into the Mid-South for the weekend, with beneficial 1-2+" totals expected across southeastern Kansas, Oklahoma, eastern Texas, and the Mid-South.



Grains

I was reading The Daily Dirtnap yesterday, and Jared talked about how the Bloomberg Commodity Index (BCOM) has had a pretty good rally, so I decided to dig into the index a bit myself. While the headline BCOM index is posting a solid +7.14% YTD gain, this figure somewhat masks the ongoing bear market within the grains complex. The BCOM Grains Subindex (BCOMGR) is currently one of the worst-performing sectors of the BCOM, down -10.47% YTD. This performance positions it, alongside Energy (-10.91%), as a primary drag on the entire commodity space.

The 'Ex-Grains' index (BCOMXGR) provides the most telling data point. If the underperforming grains sector is removed from the calculation, the BCOM's performance jumps to +10.59% YTD. This quantifies the drag of the grains sector on the index – the grains complex is so weak that its inclusion is dampening the headline index's return by 3.45 percent.



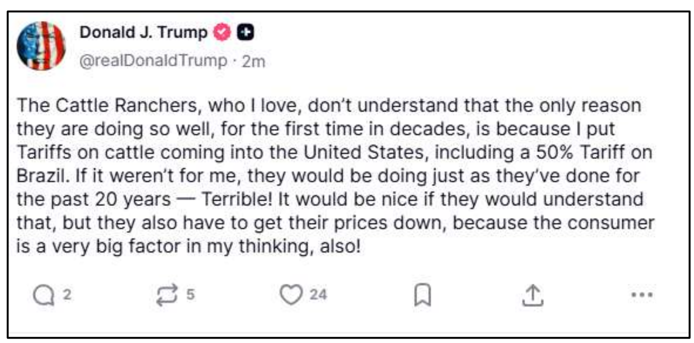
Based on this, it's clear the current commodity rally is not broad-based. It is being driven almost exclusively by the historic, inflation-hedge rally in Precious Metals (+50.61%). In fact, the BCOM Ex-Precious Metals Index is actually down 2.88%. In conclusion, the grains market is operating on its own bearish fundamentals – reflecting the very strong expected global supply – and is completely disconnected from the macro-driven strength seen elsewhere.

Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Livestock

Wednesday was defined by a series beef and cattle announcements from the US government, culminating in two major policy releases after the market close. Starting Tuesday night, at roughly 6 PM Central, Secretary of Agriculture Brooke Rollins dropped two pieces of news in an interview on NewsNation: Increased imports of beef from Argentina was still being discussed, and a "big announcement coming tomorrow" detailing the government plan to restore the beef herd in America and bring prices down. Of course, with no time of day given for this "big announcement," uncertainty had the cattle market trading strongly downward to start the day.

This uncertainty was amplified by a variety of different stories and posts through the morning and into the afternoon. Sources announced that President Trump and Brazil's President Lula will potentially meet at the end of the month to discuss the tariff situation for Brazilian coffee and meat. Trump then had a series of Truth Social posts stating that while his tariffs on beef have "saved our Cattle Ranchers," the consumer needs lower beef prices, so ranchers need to lower their prices accordingly.



After the close, the administration unveiled a dual-track strategy: a short-term plan to increase foreign supply and a long-term plan to bolster domestic producers. The first outlined a proposed 4x increase in Argentina's beef tariff rate quota (TRQ), from 20,000 MT to 80,000 MT. This will allow Argentina to export an extra 60,000 MT of beef to the US under lower tariff rates instead of the full 36.4% tariffs once the TRQ is exceeded; the hope for this change is that the increased beef supply from this deal will help to lower US beef prices. However, this extra supply only accounts for approximately 0.5% of US yearly beef demand, so it will likely do very little to meaningfully lower prices.

The other announcement detailed the USDA's plan to revitalize the US beef industry and regrow the record low national herd. The strategy is designed to make the next market cycle "less volatile for ranchers and more affordable for consumers". It is built on three coordinated priorities: protecting the business of ranching with enhanced disaster relief and increased access to federal land for grazing; expanding processing options and consumer transparency through "Product of USA" labeling; and building long-term demand alongside the growth of the domestic herd.

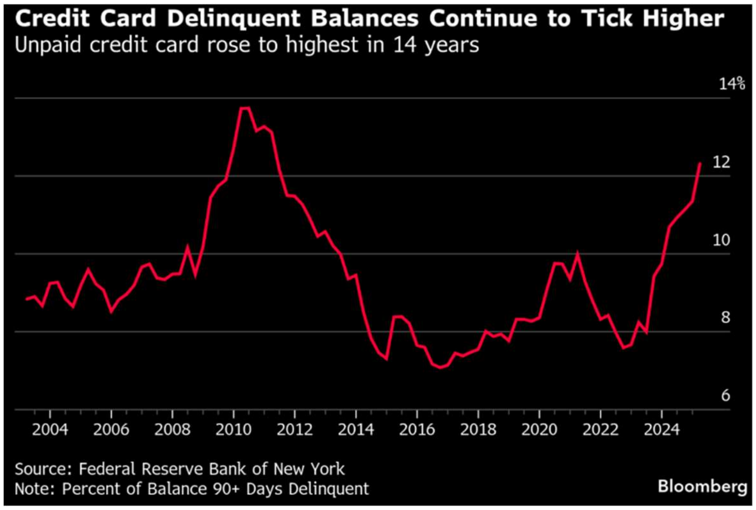
Livestock commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Financials

Today, I'll be continuing on the theme of delinquency rates. Just as a reminder, we've talked about auto loan delinquencies and multi-family mortgage delinquencies. Student loans, payments for which were paused during the COVID pandemic, were finally fully-reinstated starting October 1, 2024, and delinquency rates on these loans have quickly returned to the pre-COVID levels of 10-11%. Now, let's talk about credit card delinquency rates.

Credit card balances are the 4th highest form of debt for the American consumer, behind housing, auto, and student loans – in that order. Americans have amassed $1.21 trillion in total credit card debt, up $27 million dollars in the second quarter of the year; this accounts for approximately 6.5% of total debt and 24% of non-housing debt for the US consumer.

Credit card delinquencies hit their peak rate of 13.74% in the aftermath of the Great Financial Crisis. Approximately 14 years later, Americans are quickly accelerating closer to that peak with a current delinquency rate of 12.31%. And while credit cards only currently account for 6.5% of total debt, the high interest rates associated with them could result in delinquencies and total debt accelerating out of control faster than other categories of loans. Unlike an auto loan that carries an average 5% interest rate for prime and 18% for subprime borrowers, credit cards carry an average 18% rate for prime and 22% for subprime borrowers. The current trajectory of credit card delinquency rates, rising from a near historic low to a 14-year high in roughly three years, is a clear indicator of significant financial strain for many consumers.



Financial commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

Today's Calendar (all times Central)

- Jobless Claims – 7:30 AM
- Existing Home Sales – 7:30 AM
- Natural Gas Storage – 9:30 AM

Thanks for reading,

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