NESVICK
TRADING GROUP, LLC

Wednesday, October 29, 2025
NTG Morning Comments
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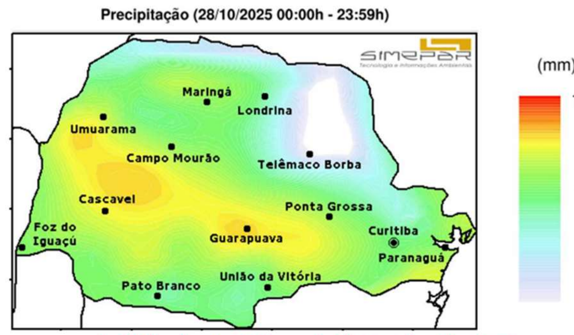
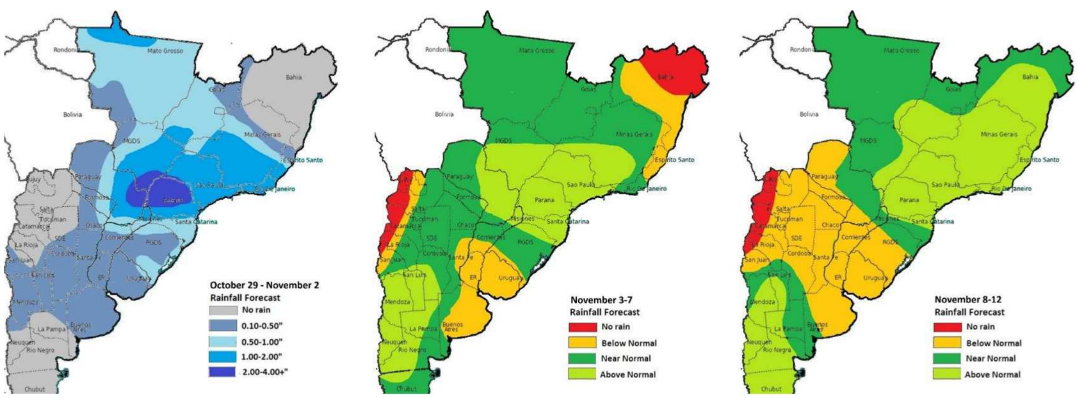
Weather

The South American forecast remains stable, centered on significant heat and dryness in northern Brazil's soybean areas which will persist into the weekend, continuing to stress early-planted crops; rains and more moderate temperatures are still expected to appear late this week, with rainfall becoming near- to above-normal in the 6-10 and 11-15 day periods. Southern Brazil and Paraguay's favorable outlook is also unchanged, with near to mostly above-normal rainfall expected, including another significant wet system for the coming weekend. In Argentina, the forecast continues to be dry, with below-normal totals expected over the next 15 days. It has been a little warmer for La Pampa and southern Buenos Aires than yesterday morning, but several spots in those areas still closed in on freezing temperatures. A new cool-down period for November 4-9 remains in the outlook.



Rainfall yesterday in Parana (values are in millimeters)

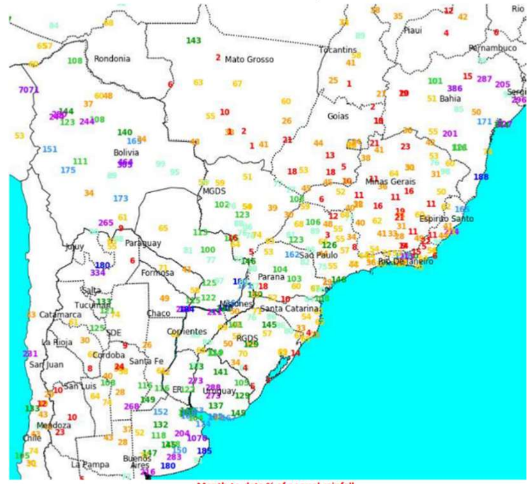


In the U.S., the dominant theme is the arrival of a long, dry period, which is now beginning. Rains will end today in the eastern Corn Belt and Mid-South, and a decidedly dry pattern is forecast to set in tomorrow for these regions, as well as the southern Plains, lasting through at least November 7. The forecast for the HRW wheat belt has firmed up to be completely dry for the entire 15-day period; fortunately, most of the soil in the region has good soil moisture that will help the crop endure the dry spell. The warmer trend in the long-range temperature forecast is holding, with a widespread warm/very warm pattern expected for the 6-10 and 11-15 day periods following a cool stretch into the weekend.

Grains

We saw follow-through strength Tues with meal leading once again (the shortest market). US meal and bean basis continued to firm. It was pretty orderly all session until Netanyahu ordered strikes on Gaza, then it turned more two-sided/choppy. Not sure if that was the catalyst for the turn, but it timed out nearly exactly. In addition to optimism about a China deal, Trump was busy over the weekend/early this week making additional deals.   A big deal with Japan (and their new Emperor) was made as well as deals with Malaysia, Vietnam, Thailand, and Cambodia. Brazil’s Lula also indicated he was interested in a trade deal. I suspect if a deal with China is actually done, most other countries may fall in line, with Canada being the possible exception. Tuesday there was talk of cutting the Fentanyl tariff, and also both the US and China reducing port fees. Anything could still happen at this point to derail a deal, but it does feel as if we are much closer. The Trump XI meeting is supposed to take place this evening our time. Not sure how late we will have to stay up. Markets have seen substantial rallies leading up to the meeting and it could end up being a “sell the fact” type of trade. I would not be surprised to see some consolidation following the meeting with direction following depending on actual purchases.

The entire bean trade matrix was being revamped this crop year and it remains to be seen how it will all play out if China does come for US beans at this point. There was talk during the session Tues that China started buying US beans, a couple of cargoes. I still think this could open the way for purchases of US corn and wheat as well (although wheat has likely priced itself out now). Trump has been on a bit of a roll recently and now he needs to get the gov't reopened so we can see what kind of business has been done in the last four weeks and where we are on US corn and bean yields.



Month-to-date % of normal rainfall

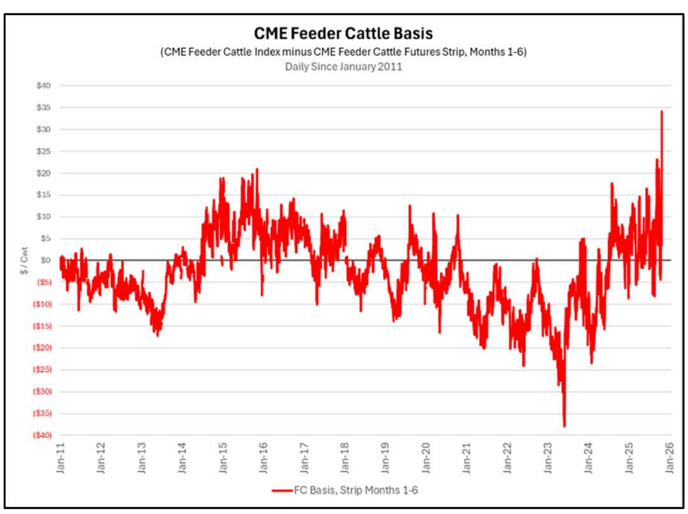
Central and northern Brazil have continued to trend dry over the last month. Craig does have better faith in a wetter period starting late this week. Southern Brazil is forecast to see numerous additional rains over the next couple of weeks while Argentina is mostly dry and cool. I am attaching the past 30 day % of normal rain map from Craig for reference.

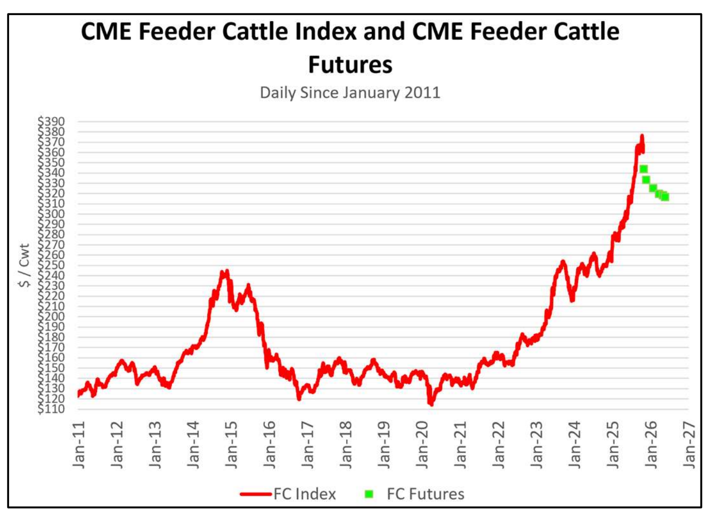
Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com *or on Trillian at megan@nesvick.com.*

Livestock

The CME Feeder Cattle strip, in 9 sessions, has lost $51.68/cwt (or down 14%). Feeders traded on- and off-limit a few times during Tuesday, but did not close limit down for the first time in several sessions. Month end is upon us and that could bring more selling. Open Interest has only ticked down slightly, leaving me wondering how much actual long liquidation there has been? Certainly, options have played a role in the exodus as well as the slosh over selling in Live Cattle when FC were locked limit down.

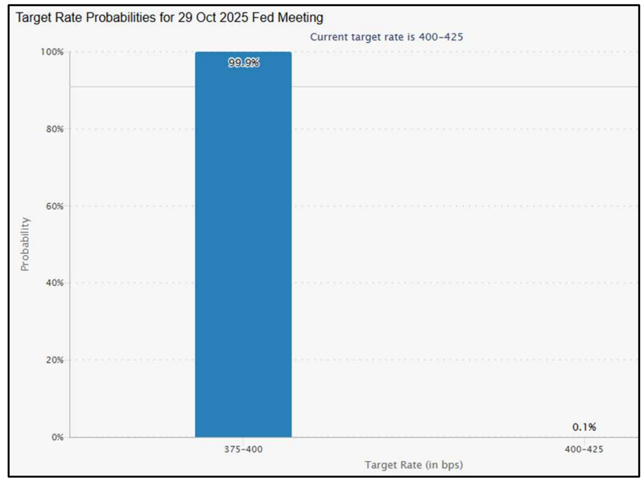
Now the question becomes, how much is enough? Feeder supply is still small, there are a lot of empty pens as the fall runs wind down, and there's skepticism about just how many cattle can cross in the event the Mexican border were to open. Maybe more important than all - purchase break-evens have plunged. $240-$250 break-evens in the cash market have quickly fallen to $210-$220, and are the most appealing from a hedge standpoint in some time. There's more commercial chatter about value in FC paper as basis has skyrocketed to record levels (all-time record high on Tuesday, reaching $34.07). Everyone is keenly aware of the gigantic MM length before the break and no one wants to step in front of that train; but at some point, value buyers will take some ownership as hedges against future empty pens.





Livestock commentary provided by David Holloway. For questions or comments, David can be reached by email at david@holloway-trading.com *or on Trillian at dholloway05@trillian.im.*

Financials



We touched on it a few days ago with the CPI numbers, but the Fed will be releasing their rate cut decision today, so let's dive into the expectations for today's announcement. A 25-basis point rate cut, which would bring the Fed Funds target range to 3.75-4.00%, is almost fully priced in; CME's FedWatch probability for a 25-point cut were at 99.9% as of yesterday afternoon, while Kalshi and Polymarket both have a 98% probability of a 25-point cut. With this in mind (and assuming that the rate cut does, in fact, occur), market volatility will be dictated by the Fed's forward guidance and Chairman Powell's press conference afterwards.

A big justification for this second consecutive cut is the pronounced softening of the labor market. August's Non-Farm Payrolls report (+22,000) and an unemployment rate that has risen to 4.3% provide a clear mandate. This, combined with moderating inflation—evidenced by the 3.0% year-over-year CPI reading for September—gives the Fed sufficient cover to address rising downside risks to employment. This easing action is not without concern or conflicting data, however. The U.S. economy is not contracting; Q2 GDP was revised up to 3.8%, and the Atlanta Fed's GDPNow model is tracking Q3 at a similarly robust 3.9%. There is also some disagreement between Fed Governors on whether or not they even have enough data to make a rate cut this month; the government shutdown, quickly approaching a month long, has delayed or canceled nearly every quantitative metric that the Fed uses to determine the current state of the economy.

The central question is whether this is a "dovish cut," where they acknowledge weakness and signal more cuts to come, or a "hawkish cut," where they are cutting now but will use strong GDP data to push back against market expectations for a December cut. Another thing to keep an eye out for is whether the Fed signals an end quantitative tightening. If they announce the actual end of the program, or signal a future date when it will cease, it will indicate a significant dovish pivot, aligning all policy tools toward an easing stance and likely amplifying any bullish market reaction.

In summary, the 25-point cut is expected. The risk is that the market is priced for a dovish stance along with the cut while the strong GDP data may push the Fed to deliver a more hawkish message, creating significant volatility in the market.

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) – Subject to Gov't Shutdown

- MBA Mortgage Applications – 6:00 AM
- Pending Home Sales – 9:00 AM
- EIA Energy Stocks – 9:30 AM
- FOMC Rate Decision – 1:00 PM

Thanks for reading,

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