NESVICK TRADING GROUP, LLC

Thursday, October 30, 2025

NTG Morning Comments

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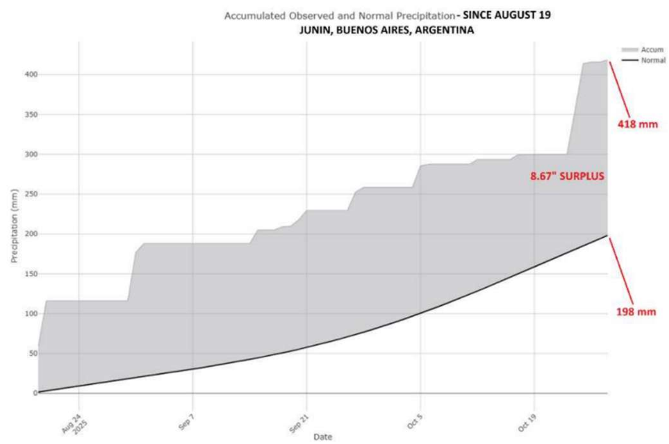
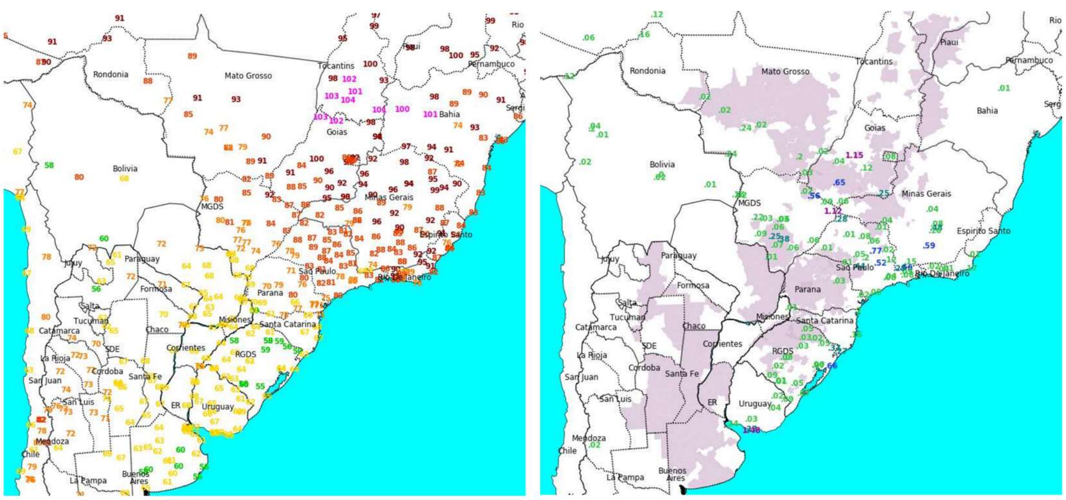
Weather

The South American forecast has seen northern Brazil's outlook gradually moderating. A more normal rainfall pattern is now expected to evolve in the near term for northern Brazil, continuing through the 6-15 day periods, though significant heat will persist into the weekend. The soybean areas of Tocantins endured their 4th straight day of 100+ degree heat, with these temperatures expected to continue for another 2-3 days. For southern Brazil and Paraguay, the forecast has trended wetter and now looks especially wet for the coming weekend and through next week, maintaining an excellent start to the season. In Argentina, the 15-day forecast has improved slightly to near to below-normal rainfall, although some 2-4" totals possible in southern Cordoba and northern La Pampa, while the cool-down period for November 4-9 remains in the outlook.





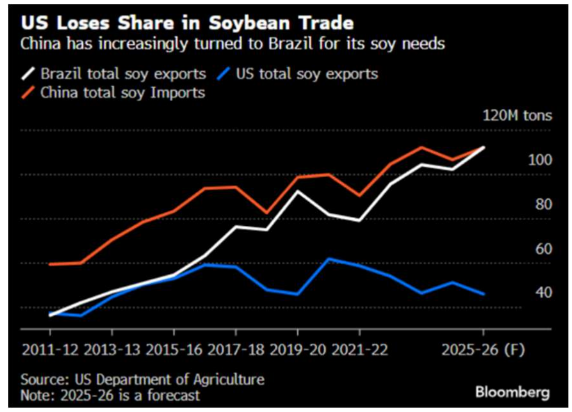
High temperatures yesterday (left) and 18-hour rainfall through 1 AM CDT (right, soybean growing areas shaded)

In the U.S., the dominant theme of a long, dry period is unchanged, though the start date has shifted by a day. Rain 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 remains completely dry for the entire 15-day period. The long-range temperature forecast continues to hold, 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

Market participants have been awaiting the results of the upcoming meeting between President Trump and Chinese President Xi on October 30. To add to the anticipation for this meeting that has built throughout the week, reports yesterday morning dropped with news of China's first U.S. soybean purchases of the season. The purchase, reported to be two to three cargoes, is not a game-changer for a trade relationship previously valued at over $12 billion, but gives some support to the thought that a completed deal could actually emerge from this meeting. The market reaction to the news of the soybean purchase was relatively muted; this suggests that the trade has priced in the need for a more substantial agreement before renewing the rally of the past few days, which was built on the news of the meeting.

China has increasingly turned to Brazil to fulfill its massive soy needs. In recent years, China has purchased record shipments from South America and has built up ample supplies. This long-term strategy by Beijing to diversify suppliers and reduce reliance on the U.S. is expected to remain in place. Consequently, any new purchase commitments are expected to be much smaller than those seen after the agreement during the last trade war, which resulted in over 36 million metric tons of U.S. exports to China in the 2020-21 season. With the normal "window" for soybean exports to China having already been largely filled by Brazilian (and Argentine, to a lesser extent) product, there are not high expectations for China to make a significant purchase of US soybeans for this crop year. Reports suggest that China has already met their demand through at least most of December, so there is only about a month worth of demand left in the normal US soybean export window.



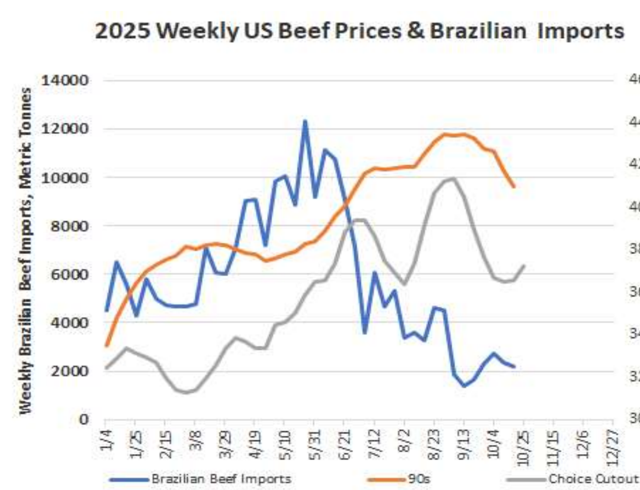
The focus now shifts entirely to the presidential meeting, where a framework for a trade deal is on the table. While a wide range of issues, including export controls and TikTok, are on the agenda , the "Potential Landing Zone" for agricultural trade appears to be an "Extension of reciprocal tariff truce" in exchange for "possibly some Chinese purchase commitments on soybeans". A significant variable in these negotiations is a potential deal on fentanyl, where China may expand enforcement in return for "partial or full fentanyl-related tariff relief" from the US.

The wait for direction concluded early this morning, as the meeting between President Trump and President Xi in South Korea resulted in an agreement to extend a tariff truce and roll back other trade barriers. For the agricultural sector, the primary outcome is Beijing's agreement to resume purchases of what President Trump termed "massive amounts" of U.S. soybeans, sorghum, and other farm products. This concession was part of a broader deal that includes the U.S. halving its fentanyl-related tariffs on Chinese goods from 20% down to 10%. The agreement also includes China pausing its sweeping controls on rare-earth magnets in exchange for the U.S. rolling back an expansion of restrictions on Chinese companies. Furthermore, the U.S. will extend a pause on some "reciprocal tariffs" for an additional year, and both nations will suspend countermeasures related to shipping and ports. President Trump also indicated that China will "begin the process of purchasing American Energy," noting a "very large-scale transaction" involving oil and gas from Alaska may take place.

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

The Senate passed legislation aimed at canceling the tariffs on Brazil. If the legislation makes it to Trump's desk before he has a deal with Brazil, he will veto it. This legislation comes the day after Trump and Brazil's President Lula met in Malaysia and Lula told the press: 'He guaranteed to me that we will reach an agreement'. Ok, so it sounds like they will have a deal, but they do not have a deal signed, sealed, or delivered yet. When will the deal be made? When will the deal be announced? What will the details of this deal be? I certainly do not know, but one must wonder if Trump will remove the 50% tariff on Brazilian beef he slapped on back in August. If that is the case it could put pressure on the Live Cattle market off of the headline alone but let's take a look at the facts. as you can see on the chart below of Brazilian beef imports vs. US price of 90s and choice cutout, it does not look like the large Brazilian beef imports at the beginning of the year stopped US prices from reaching record highs this summer. It also does not look like very small imports in the last few weeks have kept the price of

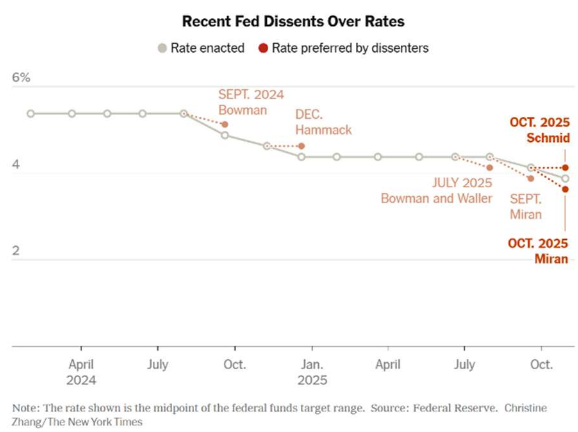


90s or the cutout from their seasonal decline due to the fall cow run either. This is just one more unknown factor hanging its head over the market right now.

Speaking of headlines and market reactions, The Mexico Secretary of Agriculture and Rural Development, Julio Berdegué Sacristán, reported that, although there has been significant progress in negotiations with the United States government, there is still no set date for the reopening of Mexican cattle exports to the United States. With all the rumors, unknowns and headlines over the past week, it was nice to get some much-needed clarity on the Mexican border situation and the feeder board reacted positively. The Mexican border will remain **closed.**

Livestock commentary provided by Ashley Lowe. For questions or comments, Ashley can be reached by email at ashley@nesvick.com *or on Trillian at ashley@nesvick.com.*

Financials



As anticipated in our commentary yesterday, the Federal Open Market Committee executed its 25-basis-point rate cut, moving the federal funds target range to 3.75% - 4.00%. The move itself was fully priced in and, therefore, not the market-moving event. However, the central question we posed—whether this would be a "dovish cut" that signaled more easing or a "hawkish cut" that pushed back on expectations—was answered decisively. The committee's message was unambiguously hawkish, with Chair Powell explicitly stating in his press conference that a further rate cut in December is "not a foregone conclusion."

This internal policy conflict, which we noted yesterday as the key tension between robust GDP and a softening labor market, was perfectly illustrated by the 10-2 vote's rare two-way dissent. Kansas City Fed President Jeffrey Schmid voted for no change, reflecting concerns over strong GDP (3.9% tracking) and elevated inflation. On the other hand, Governor Stephen Miran voted for a 50-basis-point cut, focusing on the "pronounced softening" of the labor market. This internal division was exacerbated by the "data drought" resulting from the government shutdown. Chair Powell confirmed the Fed is operating with "available indicators" rather than official BLS data, fueling uncertainty and complicating the policy debate.

The other key signal we were monitoring for also materialized: the Fed announced it will conclude its balance sheet runoff (Quantitative Tightening) on December 1. This is a significant pivot, confirming the Fed is aligning all its tools toward an easing stance.

In summary, the market volatility we flagged as a risk materialized. This hawkish interpretation was confirmed by the bond market, which saw 10-year Treasury futures sell off sharply as yields rose to reflect the new, more cautious forward guidance. While the cut was delivered as expected, the committee's forward guidance has clearly tempered market expectations for a sustained easing cycle.

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

- Jobless Claims – 7:30 AM
- GDP – 7:30 AM
- Natural Gas Storage Change – 9:30 AM

Thanks for reading,

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