NESVICK TRADING GROUP, LLC

Tuesday, December 23, 2025
NTG Morning Comments
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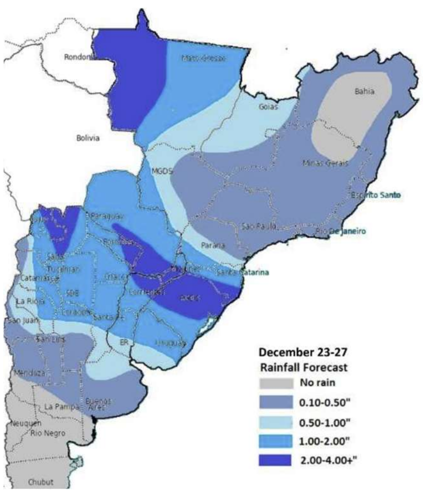
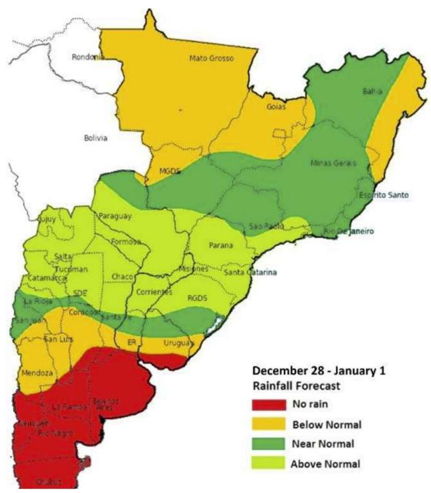
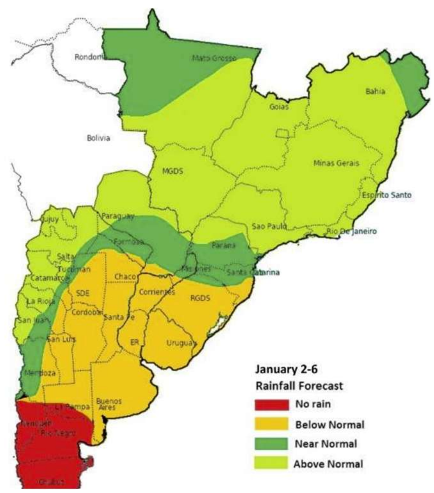
Weather

The near-term outlook for northern Brazil has intensified in severity, with central and eastern growing regions like Minas Gerais and Bahia now projected to be as dry as climatologically possible for this time of year, featuring rainfall deficits of 50% to nearly 75% alongside temperatures surging 2-6 degrees above normal through December 31; however, the long-term guidance remains firm on a crucial pattern reversal that brings heavy, above-normal rainfall back to these stressed regions in the 11-15 day period. Some of the best precipitation amounts are targeting the same areas that are especially dry in the near-term. Southern Brazil faces a continued dichotomy of extremes, with Rio Grande do Sul expecting another 2-5 inches of heavy precipitation this week before rainfall abruptly shuts off to below-normal levels in Week Two. Rainfall for the rest of the southern soybean growing areas of Brazil, as well as those in Paraguay, looks to run close to normal over the next 15 days, maintaining generally favorable growing conditions. Meanwhile, Argentina continues to see a north-south split, as favorable 1-2 inch totals target northern Cordoba and Santa Fe this week while southern growing areas will remain limited on moisture and trend drier in the 6-15 day window.

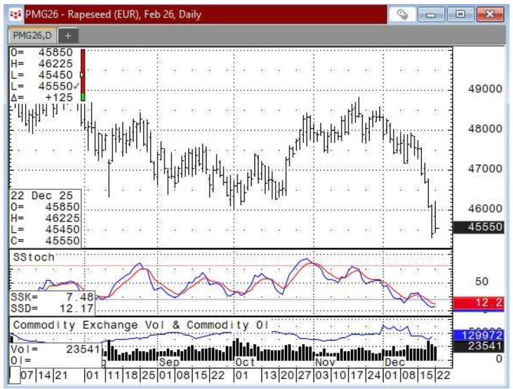


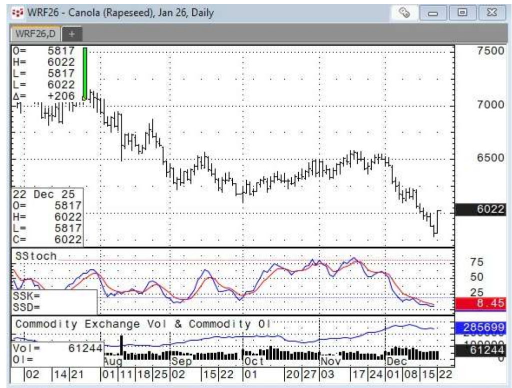




Grains

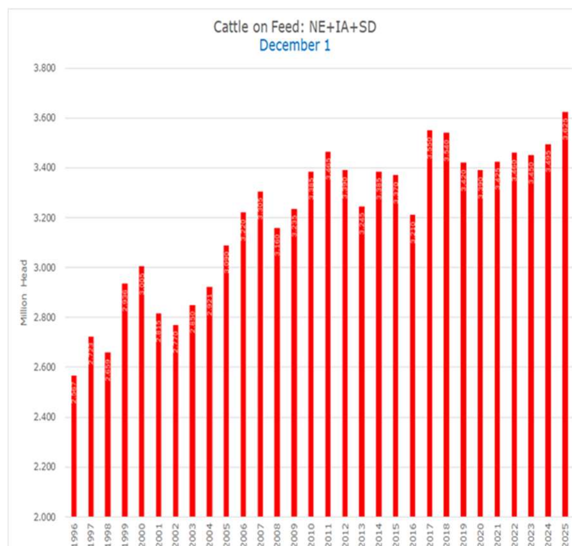
Monday was a quietly firmer session with wheat and oil leading. Strikes on sun oil port infrastructure in Ukraine and a sharp rally in palm along with strength in crude (US blocking Venezuela tankers) provided support in oil. The Ukraine strikes also supported wheat, which found technical support last week. Zelensky said Russia may be planning additional large-scale strikes over Christmas. We had another export sales report and are getting closer to being caught up. As of Dec 4, wheat commitments are 19.3 mmt vs 15.7 at the same time last year. Corn commitments are 45.8 mmt vs 35.1 and beans are 23.4 vs 37.1. Sales a/o Dec 11 will be released this am. Then we won't get the next report until Dec 31st due to the Christmas holiday on Thursday and now with the 26th also being a holiday. There was a daily sales announcement of 396 tmt beans to China. Not much going on this week and trade will be thin as participants take extra days around the holiday. Some are likely done trading for the year. Corn is caught in a tight range. Beans and wheat may be done going down for the moment, but are lacking a catalyst for sustained strength. Oil may provide leadership this week with world oils firming. US is competitive for export which is supportive, but the continued waiting on biofuels policy is a drag.

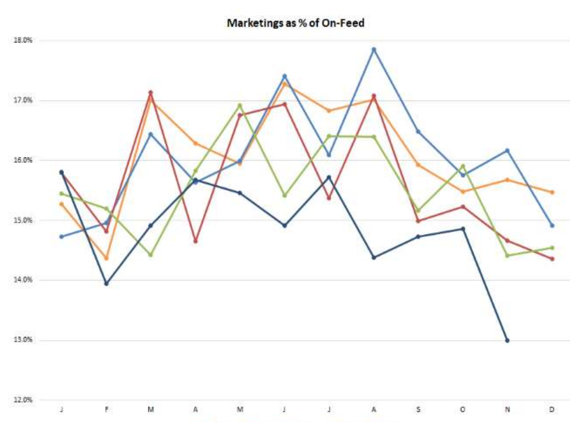




Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com *or on Trillian at megan@nesvick.com.*

Livestock





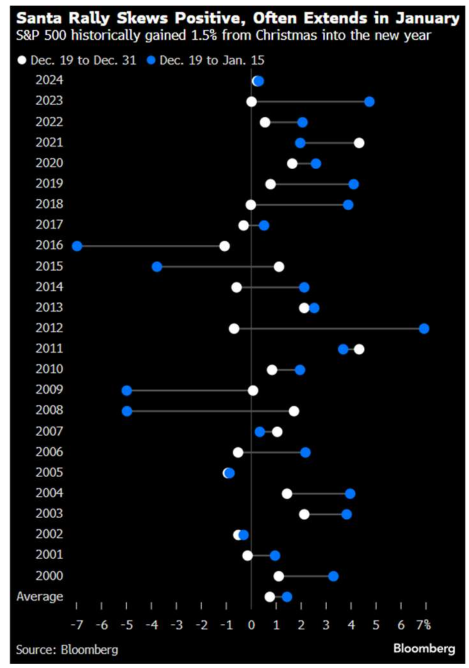
The Cattle on Feed report held no surprises to anyone, confirming that 2025 trends remain in force. Cattle on Feed in the North is at a record high, up 3.7% (130,000 head). Conversely, the loss of Mexican feeder cattle access continues to weigh on the South; Texas is down 275,000 head (-5.0%). Placements are at record lows for the past three months, trailing nearly 550,000 head versus a year ago. "Placed against" supply forecasts remain the primary focus for bullish futures and cash trade price objectives into early 2026. However, marketings continue to drop off and outpace the decline in placements. One day this will matter, but the question remains: when? There is a record number of Cattle on Feed with 150 days or more. Carryover is record large; for example, adding just 10 days to feeding regimes is equivalent to adding 15,000 head to the weekly supply. Consequently, total carryover is raising our "placed against" forecasts by 25,000 head per week compared to more elementary models.

The record Cattle on Feed supplies in the North will coincide with the closure of the Tyson plant in Lexington, Nebraska, in late January. Simultaneously, record low supplies in Texas will meet the closure of the B-shift at the Amarillo, Texas, plant. The Amarillo closure will reduce demand by roughly 7,500 head a week (200,000 head over a six-month horizon). While the Texas changes might be more of a rounding error, the closure of the Nebraska plant is the primary concern. In theory, this plant removes 25,000 head of capacity a week, but accounting for efficiency gains at other plants, the net reduction may only be 15,000 head per week (roughly 400,000 head over six months). Rumors suggest the Lexington plant is already down to one shift starting next week and will ramp down to its official closure on January 20th.

Total Cattle on Feed will sit at 11.7 million head at the end of 2025. This compares to 10.6 million head in 2016, the next lowest December 1st total of the last cycle. Notably, Beef on Dairy placements now comprise 20% of the total cattle on feed within this supply comparison, a significant shift over the last decade. Upon reflection, this "tight" supply situation looks very different than previous cycles. The extreme drop in feedyard turnover rates has forced an unprecedented slowing in the fed cattle slaughter pace through 2025. This leads us to ask: given the supply constraints, will the cattle feeding industry even "miss" the demand drop from these plant closures?

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.*

Macro/Financials



The Santa Claus Rally is statistically one of the most reliable seasonal trades; the S&P 500 has risen during the final two weeks of the year 75% of the time since 1928. Furthermore, when you extend that timeline to January 15th, the average gain pushes to 1.5%, suggesting that year-end momentum typically rolls right into the new year's allocation cycle. History clearly suggests that betting against this seasonal strength is a losing proposition.

However, the current market reality suggests the sleigh might be running on fumes. As I mentioned in the comments yesterday, the market is already very long stocks, with retail stock allocation at record highs and institutional managers at nearly 100% exposure; this reinforces the structural concern that the market appears "out of fuel." While the window for a rally remains open, the lack of conviction suggests we may drift rather than surge, as the pool of fresh buyers remains very shallow.

However, it is worth noting that heavyweights like Goldman Sachs and Citadel Securities are taking the other side of the trade, arguing that the record streak of retail call buying—now 32 of the past 33 weeks—provides a sticky floor for prices. Goldman also notes that the recent compression in volatility will mathematically force systematic funds to re-leverage their positions and push the rally forward, regardless of fundamentals.

Macro/Financials 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)

- ADP Employment Change – 7:15 AM
- Export Sales (12/11/25) – 7:30 AM
- GDP – 7:30 AM
- Richmond Fed Manufacturing/Business Conditions Index – 9:00 AM
- Consumer Confidence – 9:00 AM
- Hogs and Pigs – 2:00 PM
- Cold Storage – 2:00 PM

Thanks for reading,

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