NESVICK TRADING GROUP, LLC

Tuesday, January 13, 2026

NTG Morning Comments

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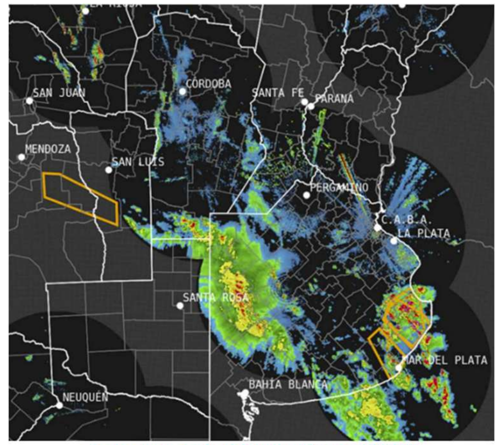
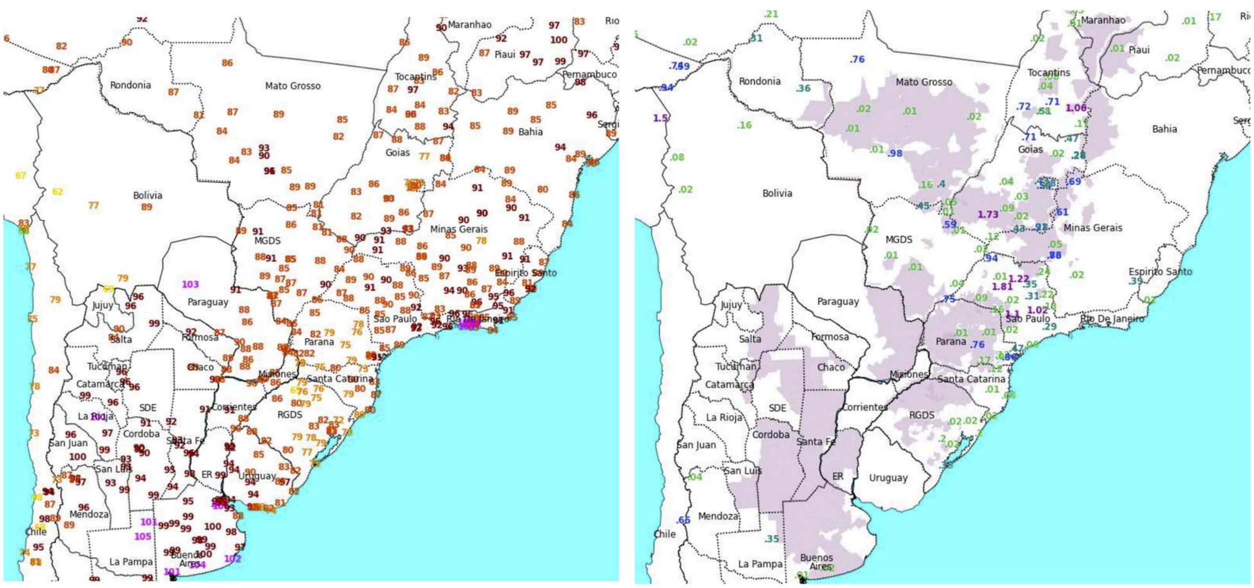
Weather

The forecast for northern Brazil remains consistent regarding the heavy rainfall expected for the January 19-23 period, where widespread 2-4" totals (with localized amounts of 4-6 inches) will effectively provide the "finishing touch" for the soybean crop in key states like Mato Grosso and Goiás; subsequently, the forecast drying trend for late January and February will be viewed as operationally favorable for soybean harvesting and Safrinha corn planting. Southern Brazil and Paraguay face a largely drier-than-normal 15-day forecast with the only notable precipitation centered on the upcoming weekend, yet the risk to crops is minimal as temperatures are forecast to run below normal for the January 19-22 window. In Argentina, a significant precipitation event is confirmed for tomorrow night through Thursday, favoring northern areas with 1+ inch totals, which will be followed by a week of dry, cooler weather before moisture chances increase again during the January 23-27 timeframe.



Argentina radar picture as of 3:35 AM CST



High temperatures yesterday (left) and 18-hour rainfall through midnight CST (right, soybean areas shaded)

Grains

Monday had a massive data inflow from the USDA, with the release of the WASDE, the final Crop Production summary for 2025, the Quarterly Grain Stocks report, and the Winter Wheat and Canola Seedings report; if there was any lingering hope that the USDA would release a last-minute rescue for the 2025/26 balance sheet, yesterday's report dismantled them. The January reports delivered a comprehensive supply-side surprise, confirming that the U.S. farmer produced more with better efficiency than the trade had priced in. The oversupply is no longer a theory; it is the market's new baseline, and the market's strong repricing in Corn yesterday (-22 ½ cents) reflects this new reality.

The corn data was unequivocally bearish. The trade had positioned for a yield reduction; instead, the USDA raised the national yield to a record 186.5 bpa (vs. 184.0 expected). This adjustment pushed total production over the 17B bushel threshold to 17.021 billion—a figure that fundamentally alters the carryout math. With ending stocks now pegged at 2.227 billion bushels (up from the 1.972 billion guess), we are swimming in inventory. The market's reaction was swift, with March futures plummeting ~5.5% to settle at 421 ¾, erasing recent premiums. The immediate pivot from industry groups like the RFA calling for expanded E15 access highlights the urgency: without a significant demand shock or a South American weather disaster, the supply burden will act as an anchor on any rallies.

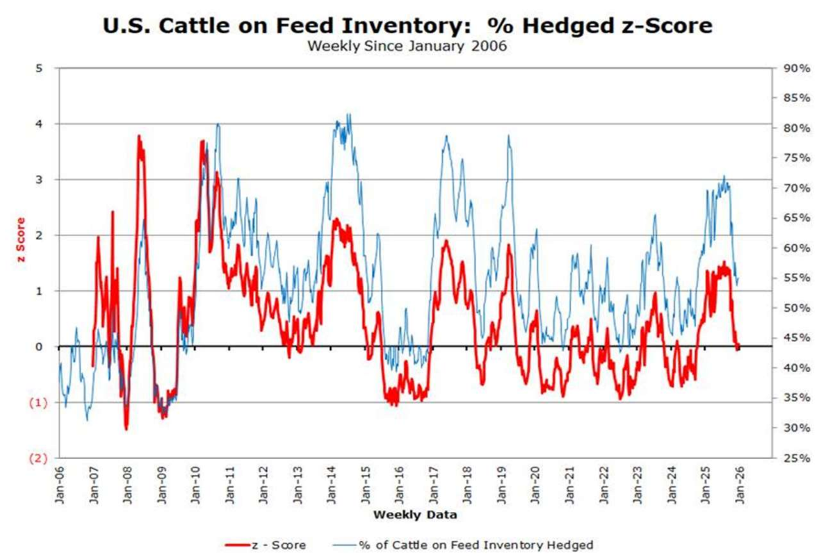
Soybeans didn't escape the bearish news either. While the market attempted a brief bounce off the initial lows, it failed to sustain any momentum and finished firmly lower (-12 cents). The realization that a 350 milbus carryout offers little buffer against a record Brazilian crop proved too heavy to overcome. Critically, the USDA specifically cited "strong use of tallow" as a driver for cutting soy oil biofuel demand. This signals a structural shift in feedstock competition that further limits upside. With the domestic balance sheet loosening, the market is now entirely dependent on late-season weather issues in South America to generate any genuine risk premium.

Wheat followed the other row crops lower as well. The specific bearish catalyst here was acreage: despite suppressed prices, winter wheat seedings came in at 32.99 million acres—well above the 32.4 million trade guess and nearly flat year-over-year. This confirms that low prices have not yet done enough to curb production, adding to the already-large global inventory.

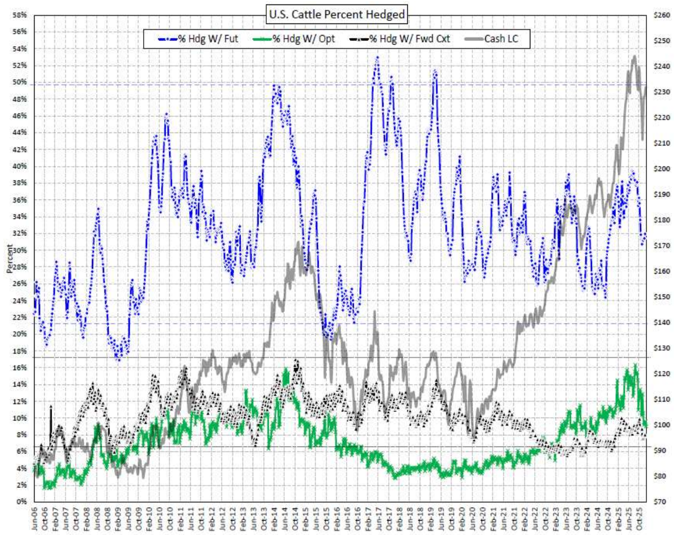
Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com *or on Trillian at zdavis@nesvick.com.*

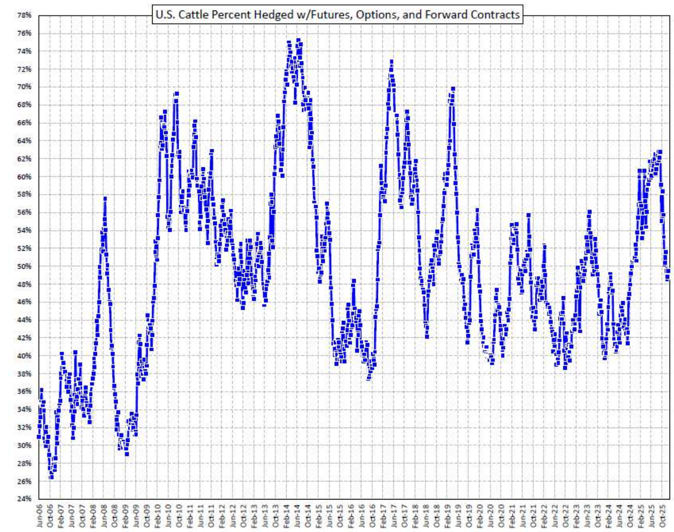
Livestock

The chart below indicates that hedging positions for commercial short hedgers in futures and options are at a historical low. At first glance, this is logical given that recent cash break-evens are running $250-$260, while futures are $228 at best. Quite simply: 'you can't hedge them.' When overlaying the LRP contracts, we see that the hedging percentage mirrors the futures and options products: currently at 806,000 head versus 1,400,000 head last year, a decline of 43%.



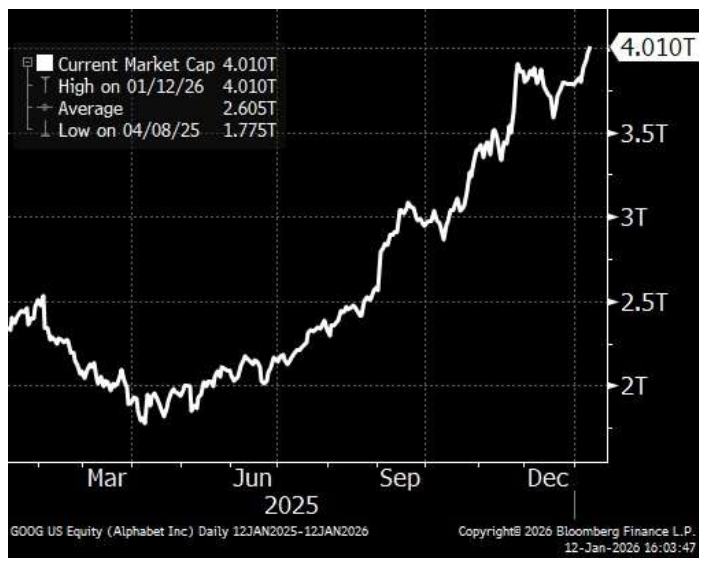
I am presenting this data to the group for discussion, as the implications are notable. Typically, when hedging percentages fall this significantly, it is a reaction to a sharp drop in prices—such as in the fall of 2023, the onset of Covid in spring 2020, or the liquidation/fire events of 2016-2019. However, the current environment is distinct: cash prices are $232, with futures ranging from $236 upfront to $228 in the back months.





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



We're less than two weeks into the new year, but Alphabet is kicking off 2026 in a league of its own. Today, the company officially crossed through the $4 trillion market cap barrier, joining the very exclusive club alongside Nvidia, Apple, and Microsoft. This isn't merely speculative momentum; the rally is underpinned by significant institutional conviction, including a rare nod of approval from Warren Buffett, whose Berkshire Hathaway stake suggests that even the most value-conscious investors see something durable here. The market is effectively waking up to the reality that Google is transitioning from its primary business as an ad-seller to the essential utility provider for the entire AI economy.

The biggest signal that Google is becoming the "electric grid" of the tech world is the massive multiyear deal to power Apple's Siri and intelligence features. By locking in the iPhone ecosystem, Google has ensured that its Gemini models are the foundational infrastructure for the world's most valuable consumer hardware. They aren't just building a chatbot; they're securing the pipes that the rest of the industry runs on. On top of that, the new "Universal Commerce Protocol" push with Walmart shows they're playing serious defense against Amazon, turning their AI into a point-of-sale terminal rather than just a search bar.

Perhaps the most interesting piece of this puzzle is how heavily the company is leaning into the physical world. The partnership with NextEra Energy to build 15 gigawatts of power—and even restart a nuclear plant in Iowa—is a clear admission that the constraint on growth is no longer code, but actual electricity. The sector is moving from the "discovery phase" of AI to the "industrial phase," where the winners are the ones with the capital to buy the power plants and the distribution networks to keep the lights on. Google is proving it has both.

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 Weekly Employment Change – 7:15 AM
- CPI – 7:30 AM
- New Home Sales – 9:00 AM

Thanks for reading,

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