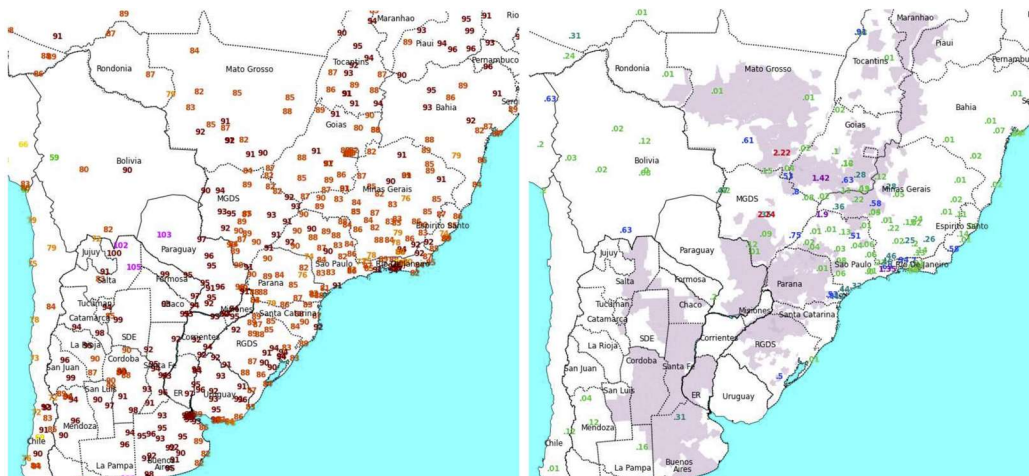
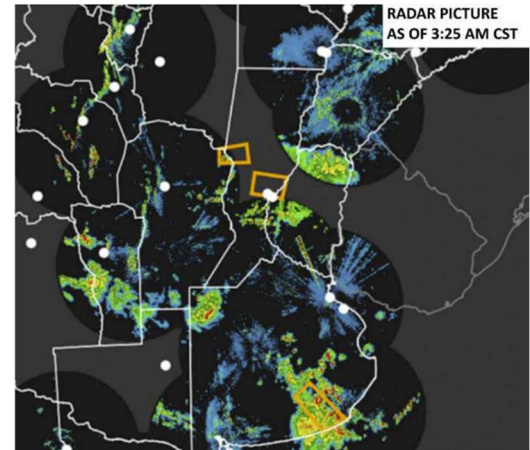


Weather

Rainfall across northern Brazil remains insignificant in the immediate term, but the forecast continues to strongly project a shift to wet/very wet conditions for the January 19-23 period where widespread 2-4" totals (with localized 4-6" amounts) will benefit crop development before moderating to near-normal levels by late January. In southern Brazil and Paraguay, the outlook features a distinct precipitation window centered on the upcoming weekend (January 16-18) followed by at least a week of dry weather; however, crop stress will be mitigated by a lack of heat and a period of below-normal temperatures specifically targeting the January 19-21 timeframe. The current rainfall event in Argentina has largely underperformed against expectations with significant totals confined to the far northern growing areas, setting the stage for a dry pattern that will dominate through January 23 before heat potentially becomes a factor during the January 25-29 window. Radar showing Argentine weather this morning attached on the right.



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

Grains

The corn market saw the biggest surprise with the yield coming in higher than Dec at 186.5 vs 186.0 in Dec and the average trade estimate of 184.0. Some including myself were thinking it could be low 180's. They also raised area by 1.3 mil acres and the crop was up 269 milbus from last month. The stocks number missed as a result and then some – was 300 milbus higher than the average trade guess. They raised crop year feed use by 100 milbus. The net was ending stocks up almost 200 milbus to 2227. The trade was braced for something in the 1900 area. The USDA left Brazil's crop at 131 mmt despite most of the trade including CONAB in the 138-140 mmt area (CONAB update this am). They did raise China in line with their gov't estimate of 301 mmt. So, between the US and China, world production and stocks were up 13 mmt and 12 mmt respectively. The market is likely working out a new range. Futures have lost 25 cents this week and the US is the most competitive by a larger margin. Spreads have narrowed after



the initial break and producer sales have shut off. Unless there is a crop issue in SAm or unexpected demand (need to keep an eye on Dalian corn as it is rallying), the market likely grinds lower from here (there is a gap on the weekly chart from 405 to 409).

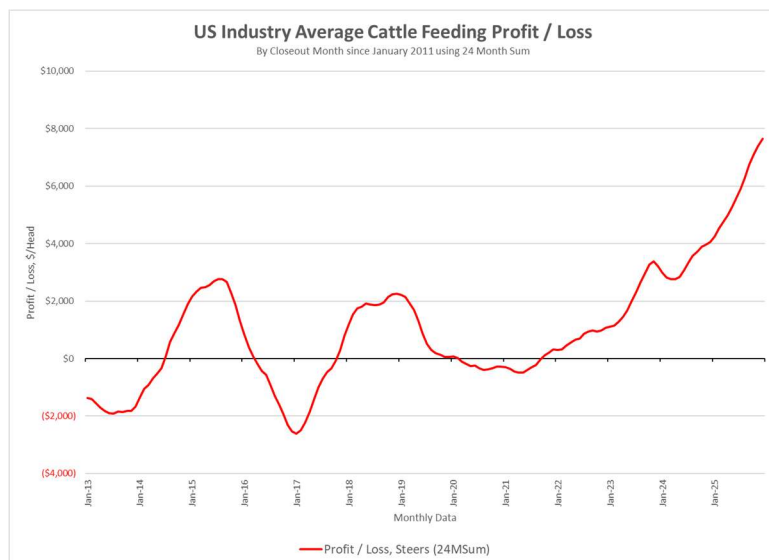
CORN : QUARTERLY SUPPLY/DEMAND (Millions of Bushels)											
			2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Begin Stocks			2,293	2,140	2,221	1,919	1,235	1,377	1,360	1,763	1,551
Production			14,609	14,340	13,620	14,111	15,018	13,651	15,341	14,892	17,021
Sep 1 Supply Incl Imports			16,913	16,487	15,859	16,036	16,259	15,034	16,710	16,661	18,578
Sep-Nov											
	Exports	S	349	632	271	449	431	283	376	517	845
	Feed		2,256	2,208	2,632	2,682	2,554	2,310	2,482	2,357	2,733
	Sweet/Starch		265	257	247	254	258	247	239	239	245
	Ethanol		1,391	1,366	1,301	1,268	1,342	1,282	1,348	1,383	1,380
	O. Dom		87	88	79	90	90	97	94	90	93
	Total Use		4,348	4,550	4,531	4,743	4,674	4,220	4,539	4,585	5,296
	12/1 Stocks		12,566	11,937	11,327	11,294	11,585	10,813	12,171	12,075	13,282

CORN: U.S. SUPPLY AND DEMAND (September - August Marketing Year)											
							12-Jan		12-Jan	Initial	Baseline
	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	25/26	26/27	26/27
							USDA	MB	USDA	MB	USDA
Planted Acres	88.9	89.7	90.7	92.9	88.2	94.6	90.9	98.8	98.8	94.0	95.0
Harvested Acres	81.3	81.3	82.3	85.0	78.7	86.5	83.0	91.3	91.3	85.0	86.9
Yield (Bu/Ac)	176.4	167.5	171.4	176.7	173.4	177.3	179.3	186.5	186.5	183.5	182.0
Begin Stocks	2140	2221	1919	1235	1377	1360	1763	1551	1551	2466	2227
Production	14340	13620	14111	15018	13651	15341	14892	17021	17021	15598	15815
Total Supply	16508	15883	16055	16277	15067	16729	16677	18596	18597	18088	18067
Exports	2066	1777	2747	2472	1662	2255	2858	3100	3200	3000	3000
Feed Use	5429	5900	5607	5671	5486	5831	5454	6100	6200	5900	6000
Food/Ind/Seed	6793	6286	6467	6757	6558	6880	6813	6930	6970	7000	6975
Ind Use-Swtmr/Star	1090										
Ind Use-Bevg/Mfg A	150										
Ind Use-Fuel Alcoh	5378	4857	5028	5320	5176	5489	5436	5550	5600	5650	5600
Food/Seed	240										
Total Usage	14288	13963	14821	14900	13707	14966	15125	16130	16370	15900	15975
End Stocks	2221	1919	1235	1377	1360	1763	1551	2466	2227	2188	2092
End Stks/Use %	15.5%	13.7%	8.3%	9.2%	9.9%	11.8%	10.3%	15.3%	13.6%	13.8%	13.1%

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

Today we are following up on Ashley's comments from Wednesday. Several reasons for the bullish feeder market were presented. One I view as critical to the continued bull market is cattle feeding profitability and the recent huge equity gains that have come with the fat cattle checks. This equity has been eagerly bid right back into the next turn of feeder cattle and the market has rewarded that risk taking. In fact, it's the been the most profitable and consistent string of winners in modern history. For example, if you had sold a fat animal each month for the last 24 months, you would have an equity gain of almost \$8,000 – something never achieved. Purchase break-evens are rocketing higher now and there will come a day when market



doesn't pay for taking the risk and a lot of equity will be given back. But until then, it's hard to make a strong bearish case – exactly Ashley's point.

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.

Metals

Lots of silver news that I haven't gotten a chance to get into the past few days, so I figured I'd stop kicking the can down the road and hit the highlights.

The BCOM rebalance is coming to an end today, and Silver was hit harder than any other commodity in the index, going from roughly 9% of the index down to a target weight of 4%; this rebalance was estimated to require selling ~\$6.8B of silver futures (12% of OI). There was a sell-off leading into the rebalancing window, but has actually rallied nearly \$17, up to ~\$91/oz, in the last 4 days.

I'm sure most of you have seen the screenshots from APMEX going around, but physical silver is now selling for over \$100/oz. The way things are looking with this rally, which has been over 20% this year, we probably won't have to wait much longer to see >\$100 silver spot prices either. The US Mint has temporarily suspended sales of any silver products due to the rapid rise in silver price.

I wrote a few weeks ago about how CME has had to adjust margins multiple times in December to keep up with the price surge in precious metals. On Tuesday after the close, CME announced that they changed their calculation system for precious metal margins; this new system moves away from fixed dollar amounts and will instead use percentage-based requirements. This allows the limits to expand and contract margin automatically with price movement.

Finally, CME also announced their intention to create a new 100 oz silver contract on Tuesday afternoon, slotting in below the standard 5000 oz contract and the 1000 oz micro contract. This move is designed to lower the barrier for entry into silver trading, with a representative from Robinhood being quoted in the CME press release about how this move helps to "democratize finance for all" and "makes it easier to participate in the silver market." One major difference with this new contract compared to the others is that it is only financially-settled, with no physical silver backing it. This contract will likely drastically inflate liquidity, but could also artificially inflate or suppress prices.

Metals 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)

- CONAB Production Estimates – 6:00 AM
- Export Sales – 7:30 AM
- Nat. Gas Storage Change – 9:30 AM
- NOPA Crush – 11:00 AM

Thanks for reading,

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Commodity	Standard Account Margin	Higher-Risk Position Margin
Gold	5.00%	5.50%
Silver	9.00%	9.90%
Platinum	9.00%	9.90%
Palladium	11.00%	12.10%

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