NESVICK
TRADING GROUP, LLC

Wednesday, January 28, 2026
NTG Morning Comments
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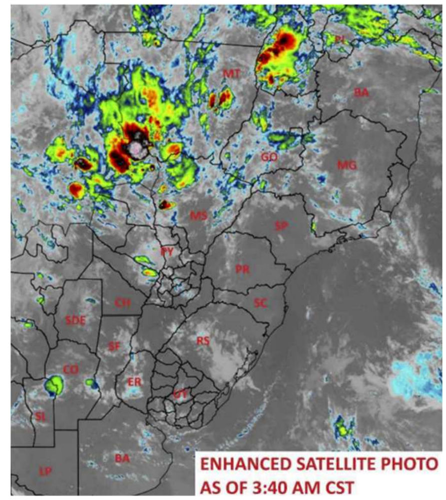
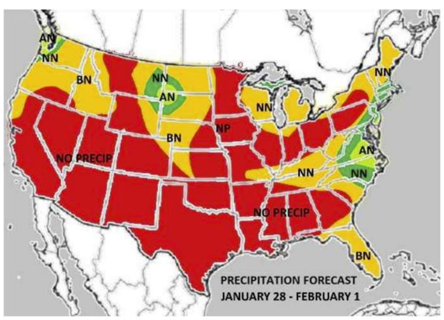
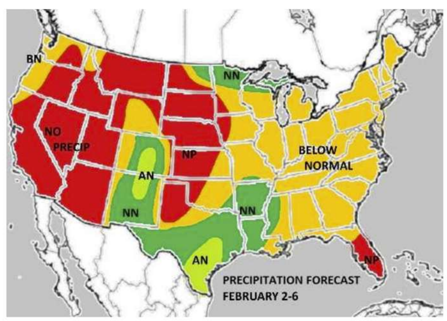
Weather

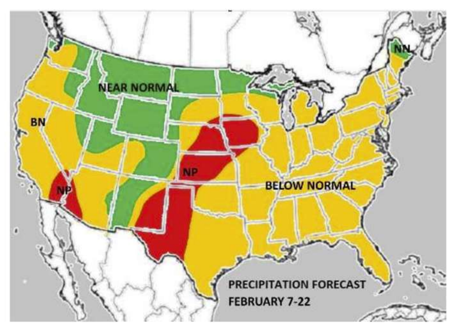


Rainfall in northern Brazil remains sufficient to hinder soybean harvest progress, with 15-day totals of 3-6 inches and the heaviest activity (2-4 inches) targeted for the February 1-5 period. In southern Brazil, while rain chances return to Rio Grande do Sul today through Saturday, the outlook for Week Two has degraded; a renewed period of dryness is now expected to dominate from Saturday through February 4, delaying the arrival of more substantial moisture until the February 5-11 timeframe. Paraguay, Southern Mato Grosso do Sul, and Parana should see regular rain chances for the entirety of the 15-day forecast, with totals running above-normal. The outlook for Argentina holds firm to the established east-west divide, where beneficial rains are restricted to far western areas through early next week, leaving key eastern growing zones dry and under the influence of 90-95 degree heat until widespread relief arrives in the February 4-8 period.

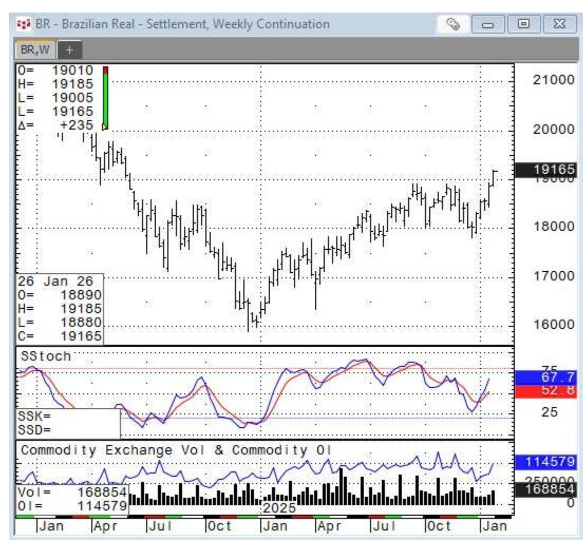
The precipitation outlook for the US growing regions remains exceptionally dry, with most of the Corn Belt and Plains forecast to receive less than half of normal moisture over the next 15 days, though a minor system targeting the February 4-5 window may bring slight relief to the middle of the country. Temperature anomalies will be sharply divided; a significant warming trend will overtake the Plains and western Corn Belt beginning February 1, whereas the eastern Corn Belt and Mid-South will endure a reinforcing blast of bitter cold this weekend—pushing readings 20-30 degrees below normal—before settling into a persistent below-normal regime that lasts through the 11-15 day period.



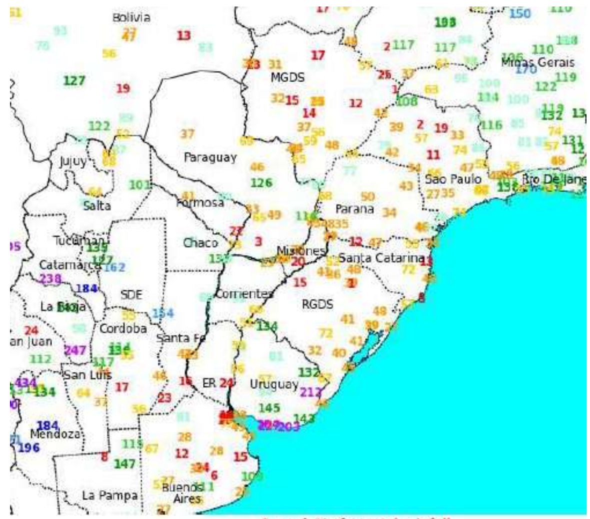




Grains



Seemed like a continuation of Monday in a way. Grains traded both sides of unchanged. Oil gained on meal again and beans mustered a small bounce. Seems like the only thing to really latch onto right now is the upcoming ruling on the RVO. This has provided support and continues to so, supporting beans as well. There are supposed to be more details out next week ahead of the early March announcement. Definitely feels like someone knows something. Another source of support for beans has been the continued strength in the Brazilian Real. The dollar has been under pressure and is at the lowest levels since early 2022. Dollar weakness and inflation talk could light a fire under commodities at some point, but so far Ags haven't participated. EU and India inked a large trade deal (in your face to the US?). Canada and China also came to an agreement and China bought 10 cargos of Canadian canola. China returned to buying Brazilian beans. The 12 mmt was fulfilled and the add'l 25 mmt (if indeed was agreed to) likely isn't going to be bought until next fall. US is priced well over SAm. Trump threatened increased tariffs on S Korea while he also said a lot of progress was being made between Ukraine and Russia. Weather is the other thing we are attempting to latch onto. US cold continuing for another week with another bitter cold event late this week may keep wheat from breaking in the near term. Southern and eastern Arg growing areas also need better rain with warm/dry conditions expected to continue for at least another week.



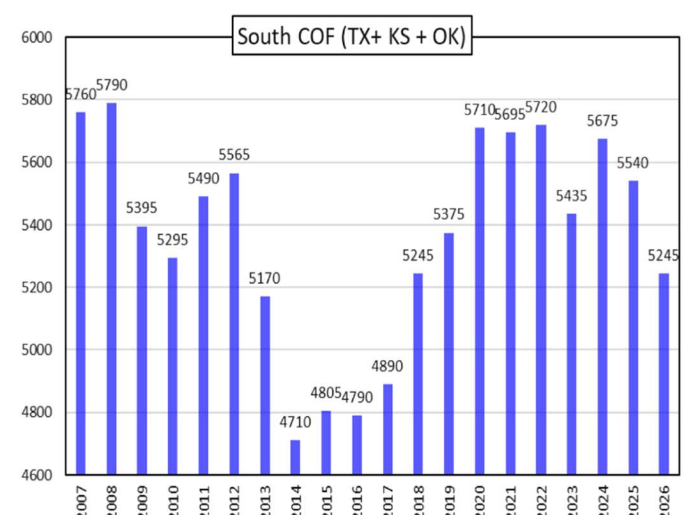
4-week % of normal rainfall

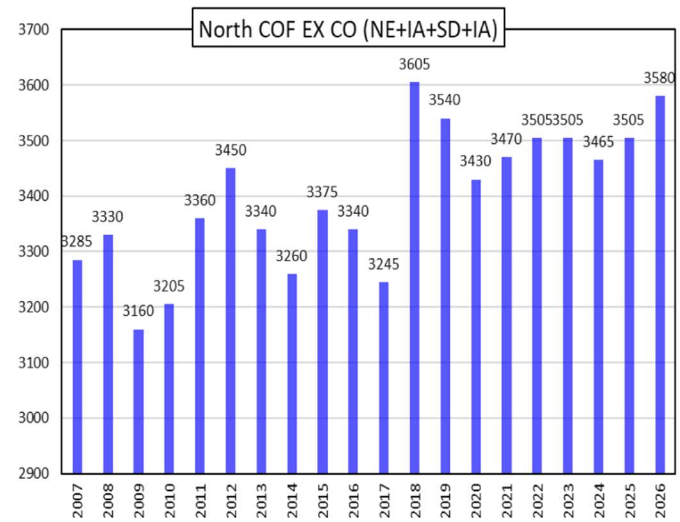
Grains commentary provided by Megan Bocken. For questions or comments, Megan can be reached by email at megan@bockentrading.com *or on Trillian at megan@nesvick.com.*

Livestock

The cattle on feed report on Friday confirmed a lot of what we already knew. Placements for 2025 were down roughly 1.5 million head which puts last year right next to 2015 as one of the lightest placement years we've ever seen. There is no sugarcoating it, feeder supply is tight and it's not getting better anytime soon whether the US-Mexican border reopens or not. This isn't a uniform story though – it's a tale of 2 cattle markets.

The South and West are absolutely gutted. They're down about 1 million head combined, the smallest inventory on record. Texas alone is off nearly 300,000 head year over year, Colorado is down hard, and Arizona/California are scraping multi-decade lows. Meanwhile, the north is near record highs due to cheap feed. Total US + Canada cattle on feed is down about 380,000 head or 3% which sounds friendly on paper, but the North is not short cattle. The South is. That regional imbalance matters for basis, spreads, packer leverage and eventually price discovery. Placements going forward? Ugly. We are at least 250,000 head lighter than we should be for the first half of the year. Whether the Mexican border reopens or not, that hole isn't going to be filled. Add in dry conditions, tax-driven cattle being pushed into 2026, and some heifer retention, you have a setup where placements stay flat at absolute best.





Now here's the part people don't want to talk about looming over the market: days on feed. Days on feed are not coming down. In fact, its growing. Fewer Mexican cattle, more dairy cross, cheap grain, it all stretches feeding days. We've got record cattle numbers in the north sitting on feed longer. Not bullish. Carryover is already building, and if we keep killing cattle at the current pace, it gets worse. Nebraska and Kansas are leading the charge, with Iowa right behind them. You can call it carryover or days on feed inflation or whatever you want but the bottom line is cattle didn't leave when the market expected them to. The thing that bothers me about the marketing numbers is they have fallen faster than placements. That imbalance will most likely not end well. When? I don't have a clue, and neither does anyone else; but, pretending it's not there is dangerous.

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.*

Macro/Financials

Before I get into the main topic for today's Macro section, I'd like to have a quick discussion about expectations for the Fed's rate decision, which will be announced at 1:00 PM Central this afternoon. The market seems to have effectively priced in a pause for today's decision, with a near-certain (99% chance on Polymarket/Kalshi) probability that the Fed will hold the target rate at 3.50%–3.75%. Coming off of three rate cuts in a row, several of the Fed Governors have stated that rates seem to be in the right spot for the time being, pointing to the stabilization of jobs data and downward pressure on CPI. One final thing to note is that much of the economic data the Fed uses in their rate decisions has only gotten back up-to-date as of last week following the prior 43-day shutdown.

That last note is especially relevant given the developing situation in DC. Just last week, I mentioned that there was almost no risk of a government shutdown at the end of the month, with members from both parties indicating a commitment to keeping the government open. However, after the second fatal incident involving federal agents in Minneapolis this weekend, Senate Democrats have insisted that DHS funding be separated from the rest of the spending package to discuss new guardrails for immigration enforcement. Several Republicans have already responded that they will not agree to split the package. There are now effectively three major paths that can be taken:

1. Senate Democrats relent, and the spending bill goes through, avoiding a shutdown entirely.
2. Senate Republicans relent, and the partial spending bill goes through. This revised bill will then have to be voted on by the House, which is not in session this week. A shutdown will occur until the House returns to DC to approve the bill without DHS funding.
3. Neither side relents before the deadline, and a major (but not full) shutdown occurs until an agreement is made.

We are suddenly looking at a much greater likelihood of a shutdown (79% chance on Polymarket/Kalshi)—so what will this look like?

- The Good News: Unlike the 2025 shutdown, USDA funding has already been secured, along with funding for the FDA, NOAA, BEA, and EIA. With the budgets for these agencies finalized, we will continue to receive all ag, energy, weather, and futures data without interruption.
- The Bad News: The portion of the spending package that has not yet passed contains roughly 75% of the overall Federal budget for the year. This includes the Department of Labor (BLS), DOT, HUD, Defense, Homeland Security,

and Financial Services (Treasury, SEC, IRS). This will put BLS economic data back on hold, and we will likely see delays and friction with imports/exports due to the loss of Customs/Border Protection pay. We could also see delays with tax filings (IRS) and airport screenings (TSA).

Somewhat ironically, ICE—despite being the center of the argument causing this potential shutdown—will not lose all its funding due to a clause in the "One Big Beautiful Bill" that grants the agency a $75 billion supplement to their normal budget. And, in a surprise to no one, Congress also voted to fund themselves for the current fiscal year, so they will not see any loss in wages while they shut down other parts of the federal government.

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)

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

Thanks for reading,

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