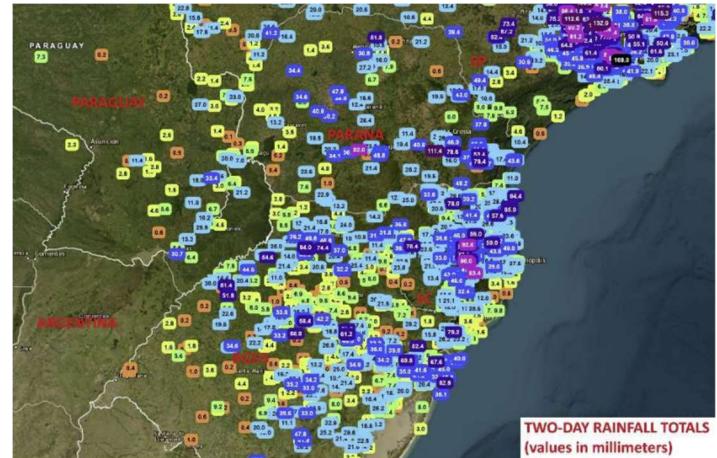
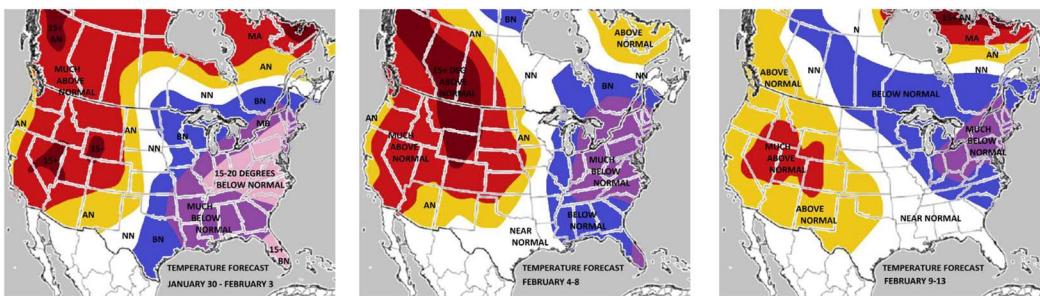


Weather

Rainfall across northern Brazil will remain near to above-normal over the next 15 days, impeding the soybean harvest and safrinha corn planting to some degree, though the most intense precipitation (with regards to normal) will shift east of the primary growing areas of Mato Grosso to target Goiás and Minas Gerais. In southern Brazil, the outlook for Rio Grande do Sul remains suboptimal; while recent rains were beneficial and additional moisture is possible through Tuesday, the state faces a renewed dry spell until the February 8-13 period, with heat returning for February 5-8. The forecast for Argentina has become more optimistic regarding a crucial rain event for the February 4-8 window, which is now expected to bring heavy, above-normal rainfall to the southern growing areas (southern Cordoba, La Pampa, southwestern Buenos Aires) where moisture is most critically needed, though heat will persist in the interim with highs of 90-95+ degrees through February 7.

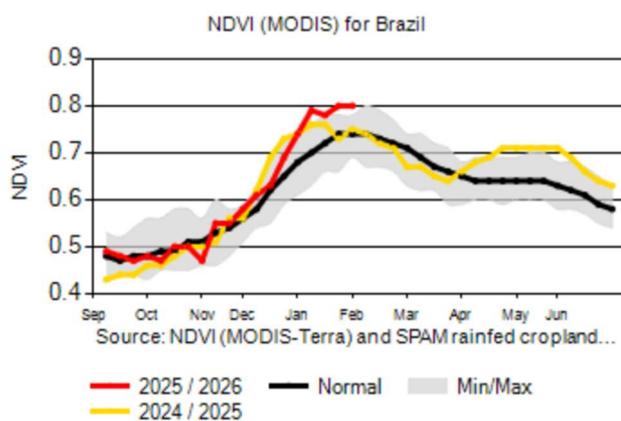


The precipitation outlook for the US remains exceptionally dry through February 9, with most of the Corn Belt and Plains expected to receive less than half of normal moisture and cattle feedlot areas of the southern Plains likely to see completely dry conditions. However, forecast models are consistently showing a pattern shift for the February 10-13 period (late 11-15 day window) that introduces near to above-normal precipitation chances for much of the nation, potentially including the dry southern Plains. Temperature trends continue to show a sharp divide: the Plains and western Corn Belt will see consistent above-normal temperatures for the first nine days of February before cooling back down, while the eastern US remains locked in a pattern where above-normal temperatures will not be recorded at any point in the next 15 days.



Grains

While production estimates fluctuate—with CONAB slightly trimming its figure to 176.1 MMT and the USDA holding firm at 178.0 MMT—the current evidence from the field suggests the higher end of these estimates is likely the reality. Reviewing NDVI satellite data reveals a crop in exceptional health, with vegetation indices tracking well above the historical average in every single major producing state. This consistency has resulted in an overall Brazil NDVI that has exceeded the previous 5-year maximum for the past 6 weeks. Mato Grosso is tracking at historical highs as harvest accelerates, while Paraná is closer to the 5-year average but still well above last year's levels. Even Rio Grande do Sul has executed a V-shaped recovery after its December stress and is now



rating well above normal, and the peripheral regions of Minas Gerais and Bahia have recovered to track above their 5-year averages. Although NDVI doesn't tell the whole story for the crop, the satellite data offers no evidence at this time to support anything other than a record crop.

The situation in Argentina presents a sharp conflict between current plant health and underlying soil moisture. The satellite data is surprisingly resilient despite the heat stress and lack-of-rainfall headlines, with NDVI values for the key provinces of Buenos Aires, Córdoba, and Santa Fe all currently tracking at or above the 5-year average. Specifically, Santa Fe is showing a vegetation index superior to the norm, suggesting the crop has effectively utilized deep soil moisture reserves to withstand the recent temperature spikes. However, the leading indicators from the Bolsa de Cereales suggest this resilience is becoming fragile; while the crop remains visibly green, the water levels are running low. Optimal-to-adequate moisture ratings have dropped to 64%, down from 67% the prior week, while the area rated as Regular/Drought has expanded to 36%. The main risk is concentrated in the second crop soybeans; while planting is 99.5% complete, it is this late-planted crop—roughly 16.4% of the total acreage—that is now entering the critical flowering period (R1) under limiting water conditions. The NDVI data confirms the primary crop has not yet broken; however, unless the forecast verifies the relief rains for early February, the excellent NDVI charts will very likely hook lower rapidly to match the soil moisture data.

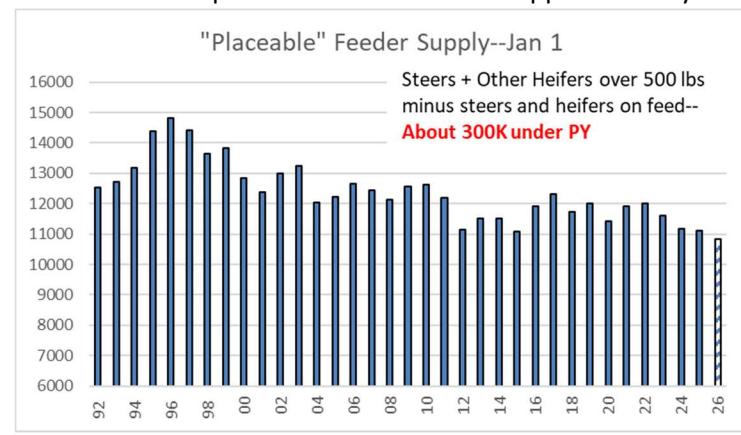
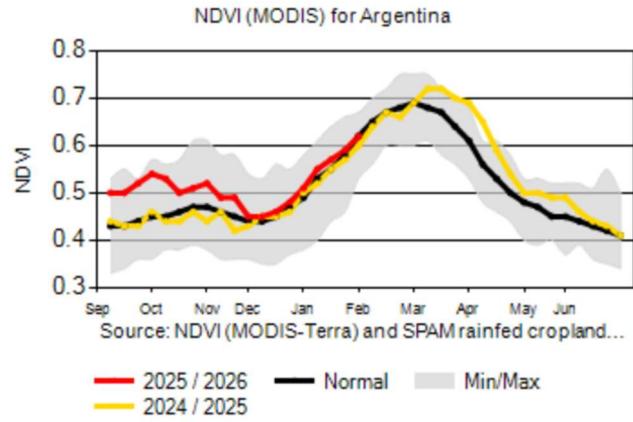
Grains commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@nesvick.com or on Trillian at zdavis@nesvick.com.

Livestock

The USDA's annual Cattle report, is expected to confirm continuing shrinkage in the total inventory during the past year, including a smaller 2025 calf crop and smaller feeder cattle supplies outside of feedyards, but a slightly larger cowherd. The sharply lower cow kill and much lower culling rates may transition into a slightly larger cow herd at the beginning of 2026 with modest additions to both the beef and dairy herds. A few more heifers likely were retained during the past year, but comparisons are against a historically small number and will do little more than add fractionally to a slightly larger beef cow herd. Along with the smaller 2025 calf crop, feeder cattle imports from Mexico were stalled in late 2024 and dropped far off the historical pace, further curtailing the feeder cattle supply at the beginning of 2025.

Using an estimate of steers and other heifers over 500 pounds on January and subtracting an estimate of the total cattle on feed (both over and under 1000 head capacity yards) is one estimate of "placeable" feeder cattle supplies. Surely that estimate can/will be adjusted over time—for example, more or less heifers might actually be retained or more lighter weight cattle might be placed. At any rate, this "placeable" supply is record small—dipping below the previous cyclical lows in 2014/15.

That small "placeable" supply will reinforce notions of fewer feeder cattle likely to move into feedyards during the year ahead. Certainly, actual placements will be affected by many factors other than just an estimate of supply, including feed costs, projected feeding margins, and deferred fed cattle prices. Overall feedlot



placements in 2025 were much smaller than this simple supply estimate would have suggested—plunging nearly 1.5 mln head below a year earlier—the result of the Mexican border closure and far fewer feeder cattle imports, which limited placements, but not the January 1 estimated “placeable” feeder supply. Current 2026 feedlot placements are projected near 20.1 mln head, down about 650,000 from last year and historically small, but likely represents a “lower bound” estimate.

One thing that does seem more certain, however, is that fair value for the smaller “placeable” feeder supply in 2026 is likely higher than 2025. In years when the estimated supply was around 11 mln head on January 1, it took much higher prices to ration that tight supply among competing buyers—cattle feeders, backgrounders, and cow herd owners. Last year’s slightly smaller supply averaged nearly \$75 per cwt higher than a year earlier. This year’s smaller “placeable” supply likely will carry an even higher price. The current feeder index is near \$367 and is merely plotted as a place holder on the following chart—recognizing that feeder cattle prices typically do not peak in January.

Livestock commentary provided by Mike Sands. For questions or comments, Mike can be reached by email at msands@neswick.com or on Trillian at miksan66@trillian.im.

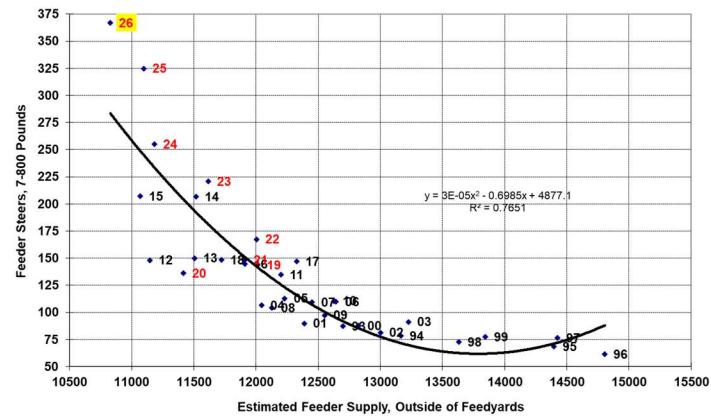
Macro/Financials

We are currently witnessing a level of U.S. corporate bankruptcies that has soared past those during Covid to highs we haven’t seen since 2010, in the immediate aftermath of the Great Recession. After a decade of suppressed volatility, the “maturity wall” is finally forcing a clearing event that has trended worse over the last few years, driven by the collapse of “zombie companies”—companies that simply cannot survive in a normalized interest rate environment.

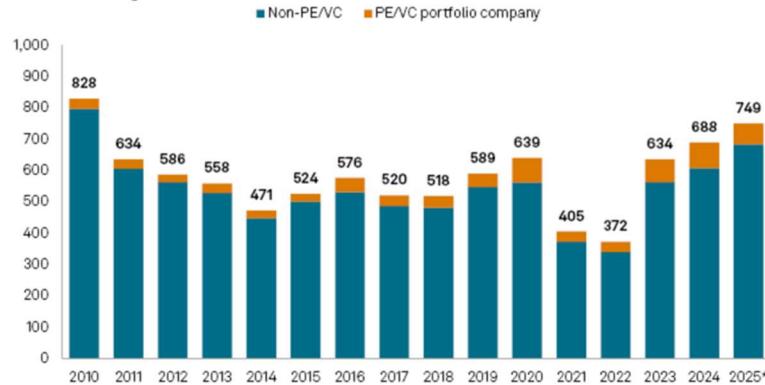
What makes this cycle distinct—and perhaps more dangerous—is that it is not being led by the usual suspects. Historically, bankruptcy waves are defined by the retail consumer cracking. This time, however, retail’s share of filings has actually declined to just 10%. Instead, the distress has rotated into the “hard asset” and essential service sectors: Manufacturing, Healthcare, Real Estate, and Energy. Manufacturing bankruptcies have surged to account for 30% of all large filings—the highest share recorded in twenty years. Similarly, the healthcare sector is buckling under labor costs and leveraged buyouts, while commercial real estate delinquencies, particularly in the office sector, have spiked to levels surpassing the Global Financial Crisis.

A major driver of this acceleration is the increasing demise of zombie companies. What is finally killing them isn’t just interest rates, but a brutal combination of headwinds. Among the “mega bankruptcies” (assets >\$1 billion), 61% cited inflation and cost pressures as the primary driver, while 48% explicitly blamed regulatory and policy challenges. This is evident in the skyrocketing rate of “Chapter 22” filings, where companies are returning to be restructured in bankruptcy

Feeder Cattle Price vs: Jan 1 Feeder Cattle Supply

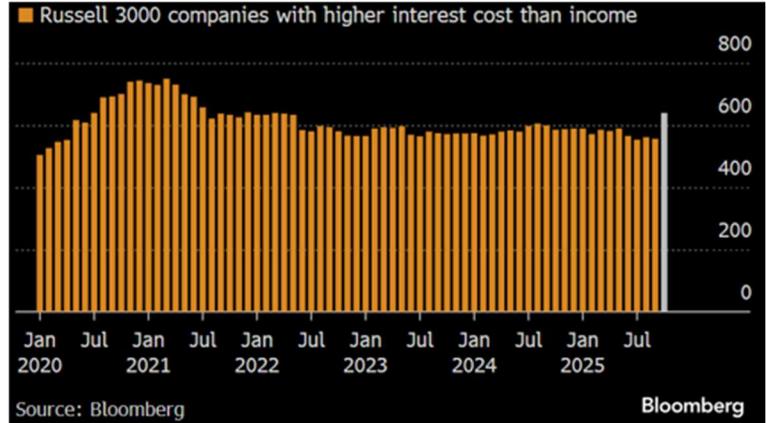


US PE/VC portfolio company and total bankruptcy filings, 2010–2025*



court for a second or third time. The data indicates that 41% of defaults in 2025 were actually re-defaults, proving that the "extend and pretend" financial engineering of the last two years has failed.

Crucially, the situation is likely even worse than the headline numbers suggest due to an "optical illusion" in the Private Equity (PE) space. While filings for PE-backed companies technically declined to 66 in 2025 (down from 81 in 2024), this signals opacity, not health. Sponsors are using private credit and out-of-court settlements to manage distress away from the public eye. This means a significant portion of the "zombie" class hasn't actually been cleared yet; it has simply moved into the shadows. Since the market is no longer offering these companies a lifeline, the era of the "soft landing" for distressed corporates looks like it could come to an abrupt end when PE money dries out for these repeatedly failing companies.



Macro/Financials commentary provided by Zachary Davis. For questions or comments, Zachary can be reached by email at zdavis@neswick.com or on Trillian at zdavis@neswick.com.

Today's Calendar (all times Central)

- PPI – 7:30 AM
- Cattle Inventory – 2:00 PM

Thanks for reading,

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