

Nesvick Trading Group, LLC

Monday, May 11, 2009
Morning News

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THE “**MORNING NEWS**” AN EARLY LOOK AT THE MARKETS
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ON THE PAGE BELOW IS A CURRENT ISSUE TO VIEW

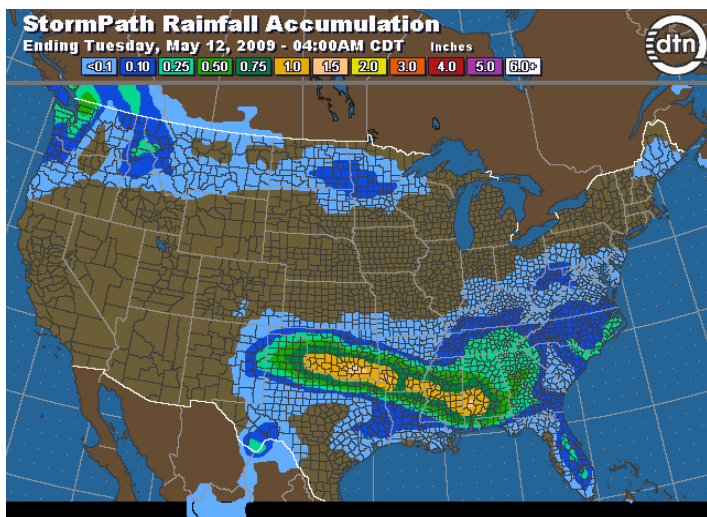
US Weather

The WCB saw showers of .25-.75" through northern areas during the weekend. Mostly dry conditions will be seen today, with scattered showers tomorrow and Wednesday bringing totals of .1-.75". The heavier totals will favor northern and eastern areas. Dry conditions will return on Thursday, but additional scattered showers will be likely on Friday into Saturday. Rainfall totals could range from .3-1.5", with the heaviest totals over southern IA and northern MO. Temps should average near to below normal today, probably warming just slightly during the course of the week.

The ECB saw showers of .25-1.0" early in the weekend. Mostly dry conditions expected today and early tomorrow. Scattered showers will develop tomorrow night and Wednesday. Rainfall totals will average .3-1.5". Additional showers and thunderstorms will be seen on Friday and Saturday. Rainfall potential during this period should average .5-1.5". Temps should average near to slightly below normal.

The Central/Southern Plains saw showers of .1-.7" through parts of OK and TX during the weekend, with lighter rainfall totals seen through KS, NE, and CO. A few thunderstorms have developed overnight in the TX Panhandle and OK. Scattered showers and thunderstorms could linger through today in TX and OK. Scattered showers will also be seen tomorrow and Wednesday favoring northern and eastern portions of the Plains. Additional showers will be seen Thursday through Saturday, and this time the heaviest activity will likely favor southern and eastern areas. Temps should average near to above normal most of the week.

The Northern Plains saw showers of .1-.75" during the weekend in SD, with lighter totals seen in surrounding areas. Temps have been well below normal, with the lows during the weekend ranging from the upper 20s to low 30s, with light frost and freeze conditions. Mostly dry conditions expected today, with showers and thunderstorms expected tomorrow night. Rainfall totals should range between .3-1.5". The next chance for showers would come on Friday. Temps should continue to average mostly below normal.



Other

Australia is expected to be mostly dry during the next several days. There might be some light rainfall in northern portions of Queensland, but southern areas will likely remain dry.

Argentina might see some light showers in southern areas early this week, but northern areas will remain mostly dry.

Grains

Overnight on the Globex, July beans closed \$10.95 ½, down 16 (vol-7,822); July corn closed \$4.17 ¼, down 3 ¾ (vol-9,606) July wheat closed \$5.88, down 3 (vol-3,104); July KC wheat closed \$6.31 ½, down 1 ½ (vol-324) July Minneapolis wheat closed \$6.95 ¾, down 4 ¼ (vol-51). Overall volume was near average.

China soybean futures markets were down 53 yuan at 3,444/mt. Corn futures were down 1 yuan at 1,658/mt. Soymeal was sharply lower while soyoil and palm oil were slightly lower. China's Ministry of Health has reported the first suspected case of AH1N1 flu.

Paris milling wheat futures were down 1.5 EU/mt (about 6 cents/bu) at 144.50 EU/mt.

Malaysian palm oil futures were down 25 ringgit at 2,660/mt. Palm oil exports were within expectations.

News

The Chinese government said earlier today it would boost spending in the next two years to increase its capacity to store more agricultural products as the country has been expanding its state reserves. The investments would create capacity to store 15 mmt of grain, 1.75 mmt of edible oils, 400 tmt of sugar and 500 tmt of cotton, according to the State Council.

The level of concern regarding dry conditions in Australia is starting to get higher. Commonwealth Bank of Australia points out in a research note the first 10 days of May have been dry for nearly all the country's wheat production areas in Western Australia. Western Australia typically accounts for 40% of the country's output. South Australia saw some good rainfall at the end of April, however, so it is off to a fairly good start. Planting will get fully underway this month and probably continue into June.

Israel has issued a tender to purchase up to 20 tmt of US corn products and 7 tmt of US soy meal. The corn products will likely be comprised of 7 tmt corn gluten feed and up to 13 tmt DDGs.

Morocco is expected to import about 600 tmt of durum wheat and 1.5 mmt of soft milling wheat in 2009 according to a representative of the Moroccan Millers Federation. Production this year is expected to be strong at 10.2 mmt (compared to 5 mmt in 2008), but it still will not be enough for self-sufficiency.

Syrian officials also say they are expecting a good wheat harvest this year, with production possibly totaling between 3-4 mmt. Syria is estimated to have bought 1.2 mmt of wheat for

import during 2009, with 800 tmt already arrived and the remainder likely coming by the end of August.

Calendar:

- **Monday 5/11 – 10:00am Export Inspections; 3:00pm Crop Progress**
- **Tuesday 5/12 – 7:30am Crop Production, WASDE**
- **Thursday 5/14 – 7:30am Export Sales, NOPA Crush**

Livestock

The cash cattle market has lost \$4 in the past two weeks due to swine flu paranoia and weaker beef prices. Look for feeders to try and dig-in for greater stability this week. That said, showlists will be larger again this week, which could weigh on prices a little. Early asking prices will probably start the week near \$86 and \$136-137. Beef sales on Friday continued lower, but at least the load count is starting to pick up, which could mean the beef market could turn around for a little while.

Cash hogs are expected to continue their correction higher this morning. Processors are still probably a little short-bought, so they'll probably continue to bid aggressively. The very impressive gains in the cutout over the past several days give the hog buyers all the ammo they need to chase hog prices higher. The carcass value is now nearing \$60 again in a sudden change in direction. Processors will look to ramp-up the kill now that their margins have improved.

Mexican officials have cleared a pig farm operated by Smithfield Foods in the state of Veracruz for any wrong-doing or for any link to the outbreak of the AH1N1 flu.

Pilgrim's Pride, which is reorganizing under bankruptcy protection, posted a smaller quarterly loss compared with a year ago. The chicken processor reported a net loss of \$58.8 million compared with a loss of \$111.5 million during the same quarter last year.

Calendar:

- **Thursday 5/14 – Last Trading Day May Hogs**

Financials

US stock index futures and European stocks are lower this morning, but news seems relatively limited. Bloomberg does note this morning the recent rally in European stocks may have become overextended at these levels. They point out that companies in the Dow Jones Stoxx 600 index of European stocks are valued at 21.4 times earnings, the most expensive level since April 2004. Bloomberg is reporting the S&P 500 is trading at 15.1 time earnings, the highest since October. This could be a sign that the equity rally has over-reached for now?

HSBC Holdings, Europe's largest bank, said its first quarter profits were "well ahead" of last year, propped up by record results in its investment bank and gains of its own debt. Charges in the US, where the bank is shutting down most of its US consumer lending business after losing billions on subprime housing loans, were also "slightly lower than expected". The bank was trading lower in European trading.

The IMF said over the weekend the global economy will likely shrink as much as 1% this year.

The market will see several key earnings figures this week, with several key retailers out. Macy's (M) will be out Wednesday, Wal-Mart (WMT) will be out on Thursday, and JC Penny (JCP) will be out on Friday. There will be several other retailers mixed in throughout the week. The retail sector EFT, XRT, has not performed very well in recent days, and probably saw some profit taking ahead of the reports.

Calendar:

- **Tuesday 5/12 – 7:30am Trade Balance**
- **Wednesday 5/13 – 7:30am Retail Sales**
- **Thursday 5/14 – 7:30am PPI, Jobless Claims**
- **Friday 5/15 – 7:30am CPI; 8:15 Capacity Utilization, Industrial Production**

Energies

Crude oil futures are down more than \$1 at the time of this writing, falling off the 2009 highs set late last week. The crude oil market continues to be very closely correlated with equity prices. There was some friendly news this morning when China reported its first monthly increase in crude oil imports this year. Chinese officials also said this morning the government's stimulus plan was working better than expected.

OPEC's next meeting will be May 28. Kuwait's oil minister said the group is very unlikely to cut production quotas due to "political reasons".

Calendar:

- **Wednesday 5/13 – Petroleum Inventories**
- **Thursday 5/14 – 9:30am Natural Gas Storage**

Softs:

There is a Financial Time story out warning that both coffee and sugar prices could be due to rise sharply in the near term. The FT interviews the CEO of Italy's leading coffee company, and she said prices could "explode" due to poor crops and strong demand.

Calendar:

- **Thursday 5/14 – 7:30am Export Sales**

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