

Miscellaneous

It has been a wild ride for commodity markets this year. The year started with crude oil making multi year lows while precious metals held a relentless bid. Both of those moves have since reversed. Late in the year following the election commodities have found fresh attention under the ideas that "Trumpflation" would support all commodity prices. Over the course of the year, the Bloomberg Commodity Index was up about 12%. This is the best year in a long time.

Still, despite the solid performance this year, note the chart to the right. It shows the BCOM with the S&P 500. The top of the chart shows the BCOM and SPX over the course of several years and the bottom of the chart shows the ratio of the two. As you can see, commodities would still appear to be "cheap" relative to stocks...at least compared to recent history.

Weather

There are no major changes in the forecast this morning. Northern Brazil is looking at below normal precipitation for at least the next 10 days. Rainfall will be especially light in eastern areas, while the extreme west will actually do ok in terms of precipitation totals. The 11-15 day maps are starting to show some signs for a return to near normal rainfall for a part of the region. The exception would be Bahia and Minas Gerais where below normal rainfall is likely to continue. Temps will be warming up in northern areas over the next several days. We will see 90s for highs become fairly common for the region and there will be some potential 100s in northeastern areas early next week.

Southern Brazil should see a lot of rainfall over the next two weeks, with the primary focus of this activity RGDS. RGDS could be on tap for a lot of 5-7" rainfall amounts while other areas could see anywhere between 1-5" during the next two weeks. As you would expect with this much rainfall in the forecast, temps should be fairly mild during this stretch.

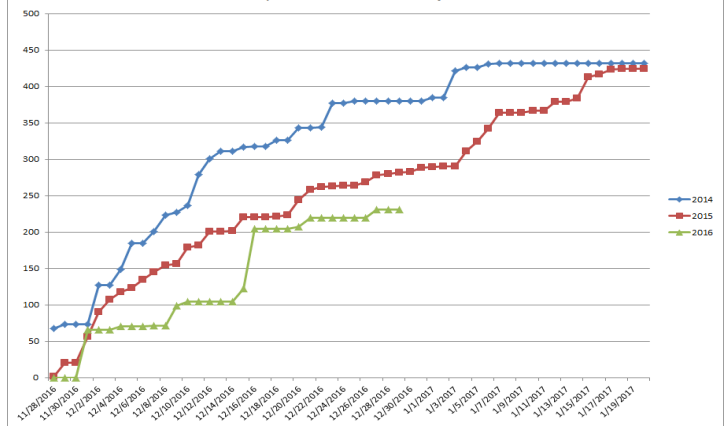
Instead of forecast maps, I am attaching precipitation totals and comparisons vs. previous years in several key spots through Brazil. This continues on the following page.

Argentina should be mostly dry today and tomorrow. We'll start to see some showers develop late tomorrow and this will kick off a period of daily scattered showers and thunderstorms through much of next week. Tues and Thus next week are probably the timeframes when the best rainfall should fall. By the end of the 10-day period, look for rainfall totals of 2-4" through much of the Argentine growing areas but with the best amounts and coverage favoring northern areas. There appears to be additional chances for rainfall in the 11-15 day period as well. It is not a very hot pattern right now, but we will see some highs in the 90s today and tomorrow.

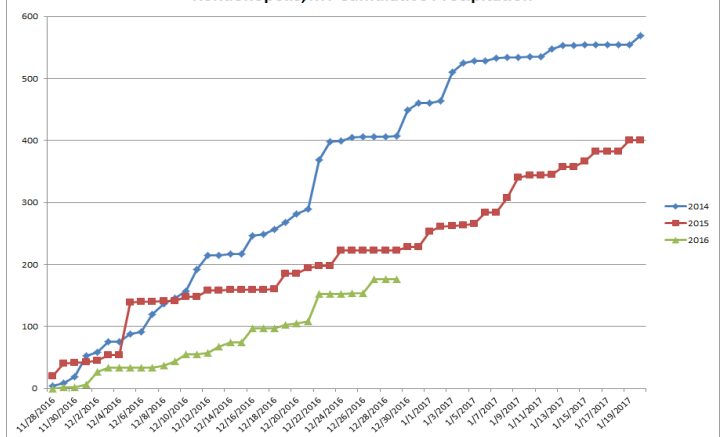
There isn't a ton of precipitation in the nearby forecast in the US, with the exception of the southeast which should see a lot of rainfall in the next 5 days. Temps over the next few days will remain warmer than normal, with temps on Monday perhaps averaging 10-20 above normal for much of the Corn Belt. That will shift considerably colder starting mid next week with much below normal readings expected for much of the country. There



Jatai, GO Cumulative Precipitation



Rondonopolis, MT Cumulative Precipitation



could be areas that see low temps 20 below normal. This cold spell is not expected to be long lasting, however, with computer models in strong agreement that a moderation is expected in the 11-15 day period.

Grains

Expectations for today export sales (k mt):

- Corn 800-1,200
- Soybeans 1,000-1,500
- Meal 40-200
- Oil 5-20
- Wheat 200-500

Here is a breakdown of the daily sales announcements last week:

- 12/19—264k soybeans to China and 128k corn to Japan
- 12/20—132k soybeans to China
- 12/22—100k corn to Mexico
- 12/23—111k corn to unknown destinations

Based on the sales announcements I'd have to think corn sales should come in on the high side of expectations. It sounds like the soybean sales pace has started to slacken off just a touch, though the range above seems pretty reasonable to me.

Calendar:

- **Friday 12/30—7:30am Export Sales**
- **Tuesday 1/3—10:00am Export Inspections, 2:00pm Fats & Oils, Grain Crushings**
- **Friday 1/5—7:30am Export Sales**

Livestock

There were no cattle deliveries yesterday. Cash cattle sales remain slow this week, but the sales we have seen are around \$118 which is up about \$2 on the week. I hear there was some \$120 trade in IA which would be up closer to \$4. We should see some asking prices as high as \$121 coming into today. Dressed sales were around \$190 yesterday afternoon which would be about \$10 higher on the week. We should see more activity today. Cutout has put in a strong performance over the past few days; seasonally we usually see a little bump in cutout as we head into the new year.

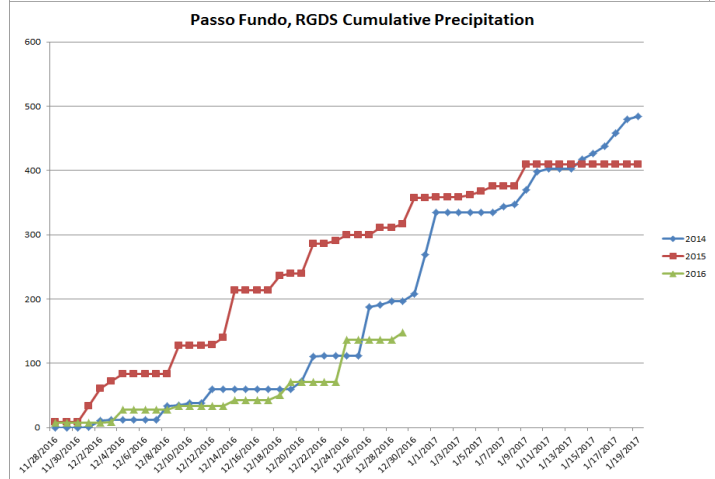
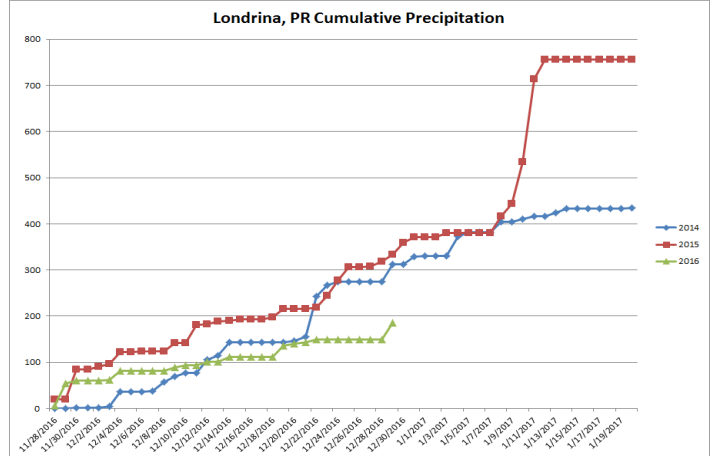
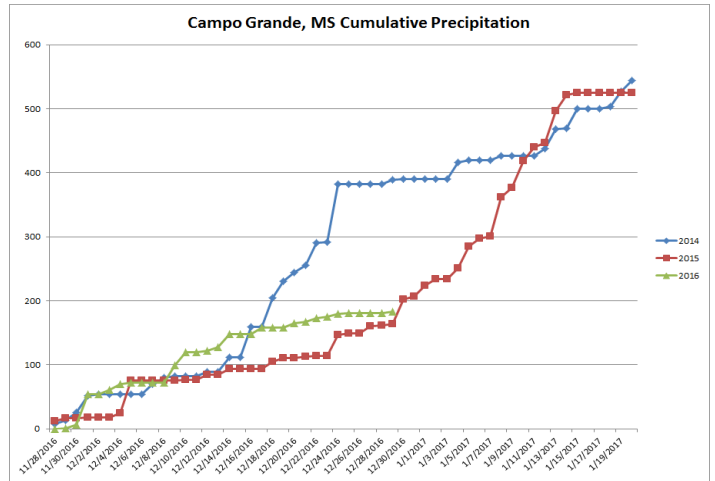
The U.S. Cattlemen's Assn. (USCA) sent a letter to Agriculture Secretary Tom Vilsack and U.S. Trade Representative Ambassador Michael Froman requesting an update on the status of trade negotiations with China in relation to the exportation of U.S. beef to China. China currently consumes around 13% of the world's beef and is expected to increase imports of red meat by nearly 24% in 2016 compared to previous years

Calendar:

- **Tuesday 1/24—2:00pm Cold Storage**
- **Friday 1/27—2:00pm Cattle on Feed**

Financials

We were probably looking for a fairly quiet session coming into today but it seems we got anything but. Last night we had some major volatility in the FX markets. The euro shot sharply higher against the dollar early in the overnight session. Some other pairs also exhibited strength against the dollar, but the euro was the primary leader. The extreme strength has subsided somewhat since that initial surge but the euro remains solidly stronger against the dollar. I don't any news to justify the surge, so it looks as if it was some algo that



US Gulf CIF Quotes

Soybeans	Bid	Δ	Offer	Δ
Dec	+46	F +1	+49	F +3
Jan	+48	F +3	+49	F +1
Feb	+33	H +1	+37	H NC

SRW	Bid	Δ	Offer	Δ
Dec	+34	H NC	+38	H +3
Jan	+40	H NC	+42	H NC
Feb	+42	H NC	+42	H NC

Corn	Bid	Δ	Offer	Δ
Dec	+39	H +1	+41	H NC
Jan	+43	H +1	+45	H -1
Feb	+43	H +1	+44	H NC

HRW	Bid	Δ	Offer	Δ
Dec	-30	H NC	-10	H NC

“popped” in a low liquidity environment. Hopefully the rest of the session today will be calmer.

Calendar:

- **Friday 12/30—7:30am Jobless Claims, 9:00am Chicago PMI**
- **Tuesday 1/3—9:00am ISM Manufacturing Index**
- **Wednesday 1/4—7:15am ADP Employment**
- **Thursday 1/5—7:30am Jobless Claims, 9:00am ISM Services Index**
- **Friday 1/6—7:30am NFP**

Energies

Bloomberg is reporting Russian oil production in December will total near 11.2 mbpd. This is basically steady with the Oct/Nov averages and right off their record highs. Recall Russian officials have pledged to cut production by 300k bpd in 2017, though they are not expected to reach that goal until Apr/May.

Calendar:

- **Thursday 1/5—9:30am Natural Gas Storage, 10:00am Petroleum Inventories**

Softs:

March cotton has seen some buying interest this week and has edged up 30 points to close at 70.50 cents, even with its 50-day moving average. Market open interest continues to be very large but we have seen it come down a bit this week. Last week the commitment of traders showed longs reducing some exposure, so it seems likely this week’s gains were caused by short covering. Export sales will be released today. In general I think the market is expecting something larger than 120K bales but anything larger than 220K would be a surprise and would likely have analysts start to question if USDA demand projections are too low. However, there are some grumblings that US export sales are being front loaded in case a trade war between the US and other countries. If this turns out to be true we could see a sharp drop in reported sales over the next couple of months.

Calendar:

- **Friday 12/30—7:30am Export Sales**

**David Zelinski
Nelson Adrian**

Cash Hog Snapshot – Carcass Base Price

<u>National</u>		<u>WCB</u>	
Base Price Range:	\$45.00 - \$53.00	Base Price Range:	\$45.00 - \$53.00
Weighted Average:	\$51.81	Weighted Average:	\$51.75
Compared to prior's day close:	-\$0.08	Compared to prior's day close:	-\$0.06

<u>IA/MN</u>		<u>ECB</u>	
Base Price Range:	\$45.00 - \$53.00	Base Price Range:	-
Weighted Average:	\$51.82	Weighted Average:	-
Compared to prior's day close:	\$0.07	Compared to prior's day close:	-

SLAUGHTER (Head)

Cattle:	12/29/2016	116,000	Last Week:	115,000	Last Yr:	87,000
			WTD:	354,000	Last WTD:	456,000
			Last Yr WTD:			395,000
Hogs:	12/29/2016	444,000	Last Week:	405,000	Last Yr:	378,000
			WTD:	1,334,000	Last WTD:	1,725,000
			Last Yr WTD:			1,666,000

USDA Estimated Boxed Beef Cut-out Values

12/29/2016	Choice 600-900	Select 600-900
Current Cutout Value	203.47	193.89
Change from Prior Day	1.63	0.74
Choice/Select Spread	9.58	
Total Load Count	103	

Wholesale Pork Trade

	12/29/2016	Change
USDA Cutout	81.08	(1.16)
Loin Primal	77.85	(1.02)
Ham Primal	72.05	(2.45)
Butt Primal	94.61	0.26
Rib Primal	112.03	(0.12)
Belly Primal	114.84	(0.52)

CME Indices

	As of	Price	Change
Feeder Index	12/28	133.04	0.68
Hog Index	12/27	57.95	(0.19)

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