

Weather

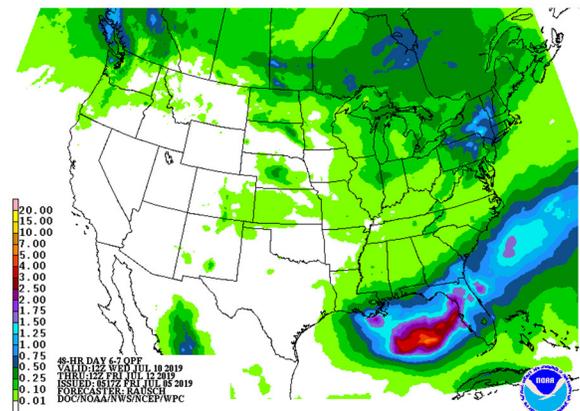
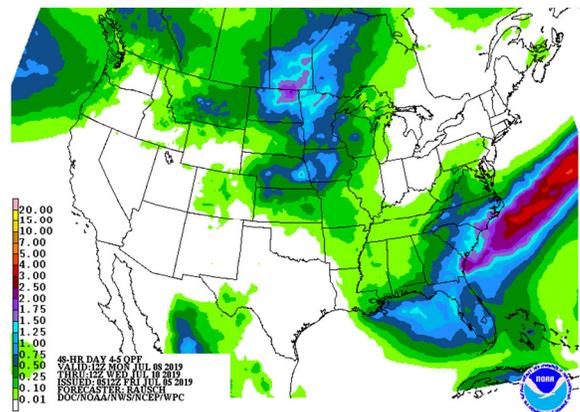
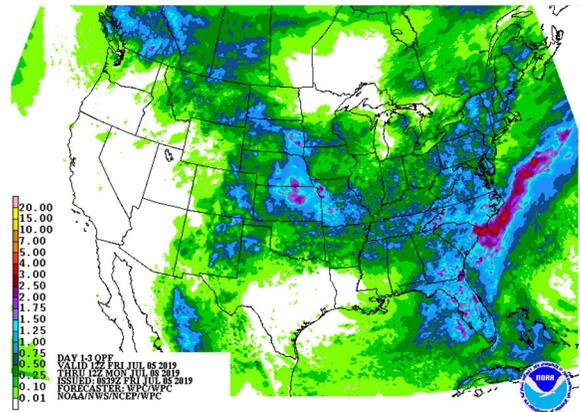
Maps to the right: Days 1-3, 4-5, and 6-7

No major changes to the forecast this morning. You can see some active shower activity in the WCB this morning and it is highly likely that rainfall chances will be possible on a daily basis in the Corn Belt through the next week. That doesn't mean everywhere will get daily rains, but rains will be falling somewhere in the Corn Belt daily. The activity currently on the radar will likely become much weaker by mid-morning. Over the next 5 days, just look for very scattered activity through the Corn Belt. The bigger amounts and best coverage will favor western portions of the region, as you can probably tell from the maps at the right. Still, given the scattered nature of the rainfall chances and the potential for any individual event to produce some locally heavy rainfall amounts, there will certainly be spots in the ECB that see "big" rainfall totals during this period. It looks like the 6-10 day period should see some briefly drier weather through the Corn Belt, though not completely dry. It is likely that rainfall chances would return in the 11-15 day period with a similar pattern set-up that we are seeing at present (scattered showers possible through a wide portion of the Corn Belt).

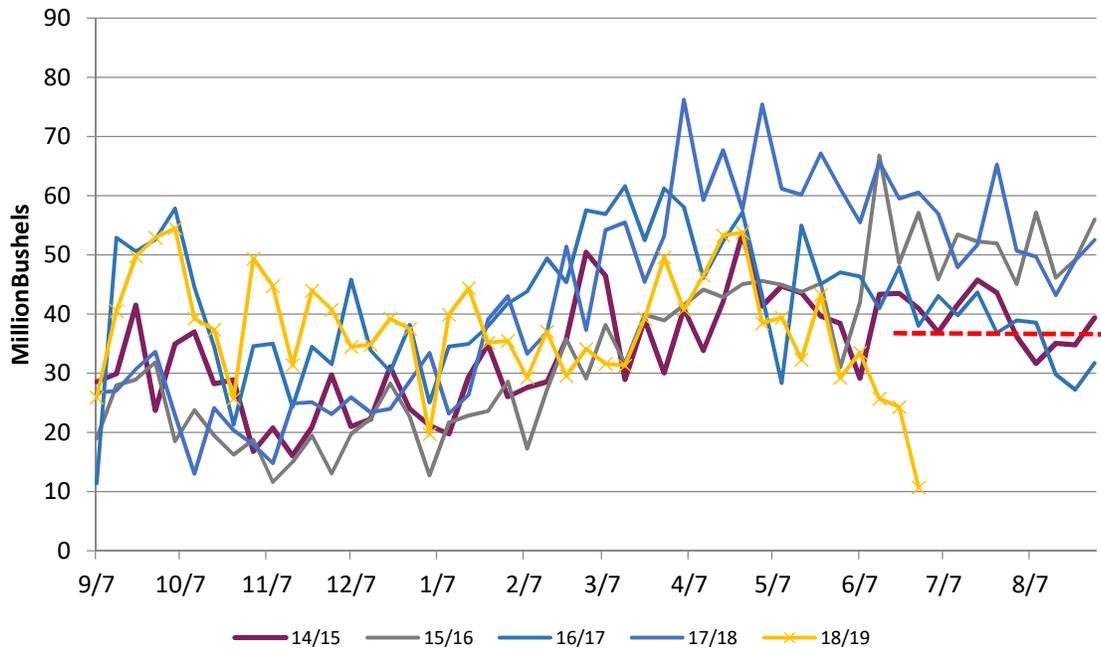
No major change in the outlook on temps. We'll see some relatively cool conditions in western portions of the region through the weekend, but we're looking at mostly near to above normal through most of the Corn Belt over the next several days. A lot of highs in the 80s and lower 90s will be seen. We'll probably see a few cooler days next week (highs mostly under 90) but warmer trends for the 11-15 day period. Keep in mind that we're not looking at any extreme heat at this time. The above normal temps will mainly be skewed to higher overnight low temps with lows a lot of times staying in the 70s.

Crops

As I was reviewing data trying to catch up from being out of the office, one chart in particular stood out to me. I show the chart directly below. This Monday's export inspection total was one of the smallest weekly totals I have in my data. You can also see that it isn't a one-off type of event as inspections have been trending weaker and weaker steadily over the spring. We'll get an update on corn export sales this morning, but considering the FOB comparisons I'm once again not looking for anything spectacular.



Weekly Corn Export Inspections



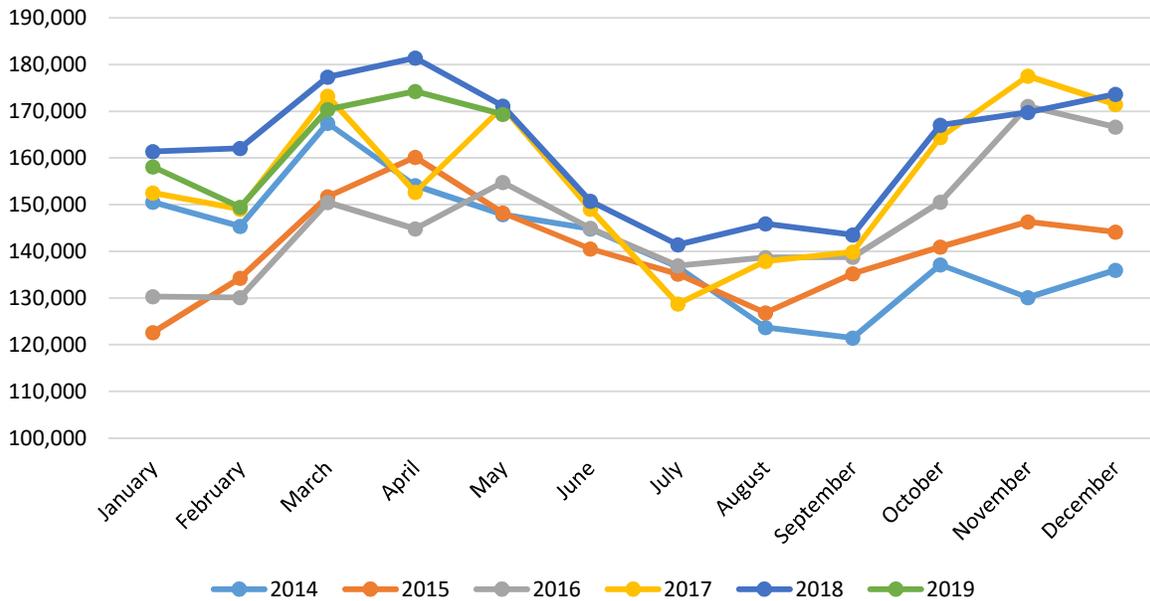
The red line in the chart above represents an approximate required pace to match the current WASDE projection. This is based on Census export data through May (updated on Wednesday) and inspections during June. Based on current trends, it seems highly unlikely that we'll be able to reach this sort of level. Look for WASDE to cut their export projection again in next week's report. My current projection calls for roughly 100-150 mil bu lower exports than WASDE is currently carrying.

Livestock

Active cash trade took place on Wednesday. Trade was still taking place even as most analysts were leaving early for the holiday, so I don't have a good feel for the volume. Still, it sounds like trade was pretty active and we might be mostly done for the week. Trade in KS was mostly 109 but there was some talk of possible 110 trade (I can't confirm). Trade in the north, and IA in particular, had a wide range of 111-115. If you throw it all in a pot you could call the weekly average somewhere between 112-113 perhaps, which is stronger than last week and obviously basis remains very wide vs. LCQ. This *might* be modestly supportive to the board as we open things up this morning following the holiday.

Official Census Trade data was released on Wednesday. US total pork exports were roughly 169k mt, which would be down slightly from last year. As you can see on the chart below, from a historical perspective US pork exports are performing fairly well...just maybe not as well as the market expected with the global ASF problems. We're entering a period of seasonal weakness in the US export program...let's see if we find some counter-seasonal strength here. Outstanding sales, on which we'll get an update this morning, remain very strong historically speaking. We'll look at the beef trade numbers on Monday.

US Total Pork Exports



Financials

The main item on tap for this morning is the NFP release. With ho-hum inflation figures thus far this will be a very key variable for the Fed to consider later this month when the market expects them to cut rates. Right now the market has priced in a 100% chance for a rate cut at their month-end 7/31 meeting. The market's guard is up for this report as May's NFP was surprisingly weak (just +75k – and after accounting for revisions in prior months you could argue job growth in May was zero). However, note that in the recent business cycle, most instances of “weak” job growth in one month have been followed by a solid rebound in the following month. Bloomberg reports: *Sub-100k payroll gains have not been unusual in this cycle, but when they occurred, robust rebounds typically exceeding 200k consistently followed. In fact, since 2014 there have been four such episodes, and the average result in the subsequent month was 239k. The weakness outcome was 196k in March of this year. (All data as first reported.)*

Of course considering weak global manufacturing PMIs and some soft economic data we've seen even in the US lately, there is reason to be concerned last month's weak number isn't just statistical “noise”. You can see many of the survey indicators are showing weaker job indications over the past month. Still, the ADP figure we got earlier this week is a good sign. Typically the ADP number under-reports the NFP in June by roughly 35k. Using this week's 102k ADP number and adding 35k to that, you come in slightly under the consensus estimate for 160k in today's NFP release. One has to wonder if this is an instance were good news might be bad

	Jun-19	May-19	Q1 Average	Latest Move
Nonfarm Payrolls, (thous.)	?	75	174	
Unemployment (U-3), %	?	3.6	3.9	
Labor Force Participation Rate, %	?	62.8	63.1	
Initial Claims, (thous.)	222	218	220	Worse
Continuing Claims, (thous.)	1682	1680	1736	Worse
Insured Unemployment Rate, %	1.2	1.2	1.2	Same
ADP Private Payrolls, (thous.)	102	41	214	Better
ISM Manufacturing Employment	54.5	53.7	55.1	Better
ISM Non-Manufacturing Employment	55.0	58.1	56.3	Worse
N. Y. Fed Empire Employment	-3.5	4.7	8.4	Worse
Philadelphia Fed Employment	15.4	18.2	11.2	Worse
Conference Board "Jobs Plentiful"	44.0	45.3	45.0	Worse
Conference Board "Jobs Hard to Get"	16.4	11.8	12.7	Worse
NFIB Small Business Hiring Plans	NA	21.0	17.3	NA

news for the market. Again, the market is currently pricing in 100% odds for a July rate cut, but if the number blows out to the upside might that deter the Fed from making a move later this month? Probably not, but worth thinking about.

Energy

Crude oil futures are slightly weaker at the time of writing this morning. I don't have any major news to pass along today. Futures have had a poor weak despite the fact that OPEC+ agreed to extend their production quotas. The very weak reaction to this by futures tells us that the market believes that OPEC's push for lower production will do little to reduce inventories. Global economic performance is arguably slowing down and US oil production continues to expand. Middle East tensions, particularly centered around Iran, remain a *potential* bullish catalyst, but President Trump has proven himself to be strongly resistant to the use of military force for now. Without such an escalation of tensions, I still feel like WTI futures are going to have a very tough time with key technical resistance around \$59-60 and I'm more inclined to think a retest of recent lows near \$50 are more likely.

Today's Calendar (all times Central)

- NFP – 7:30am
- Export Sales – 7:30am

Thanks for reading.

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