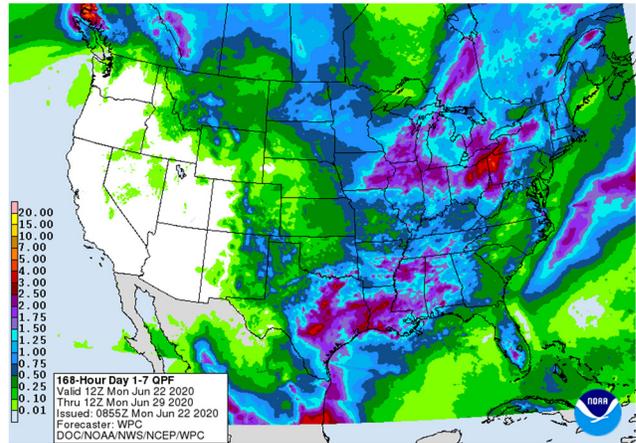
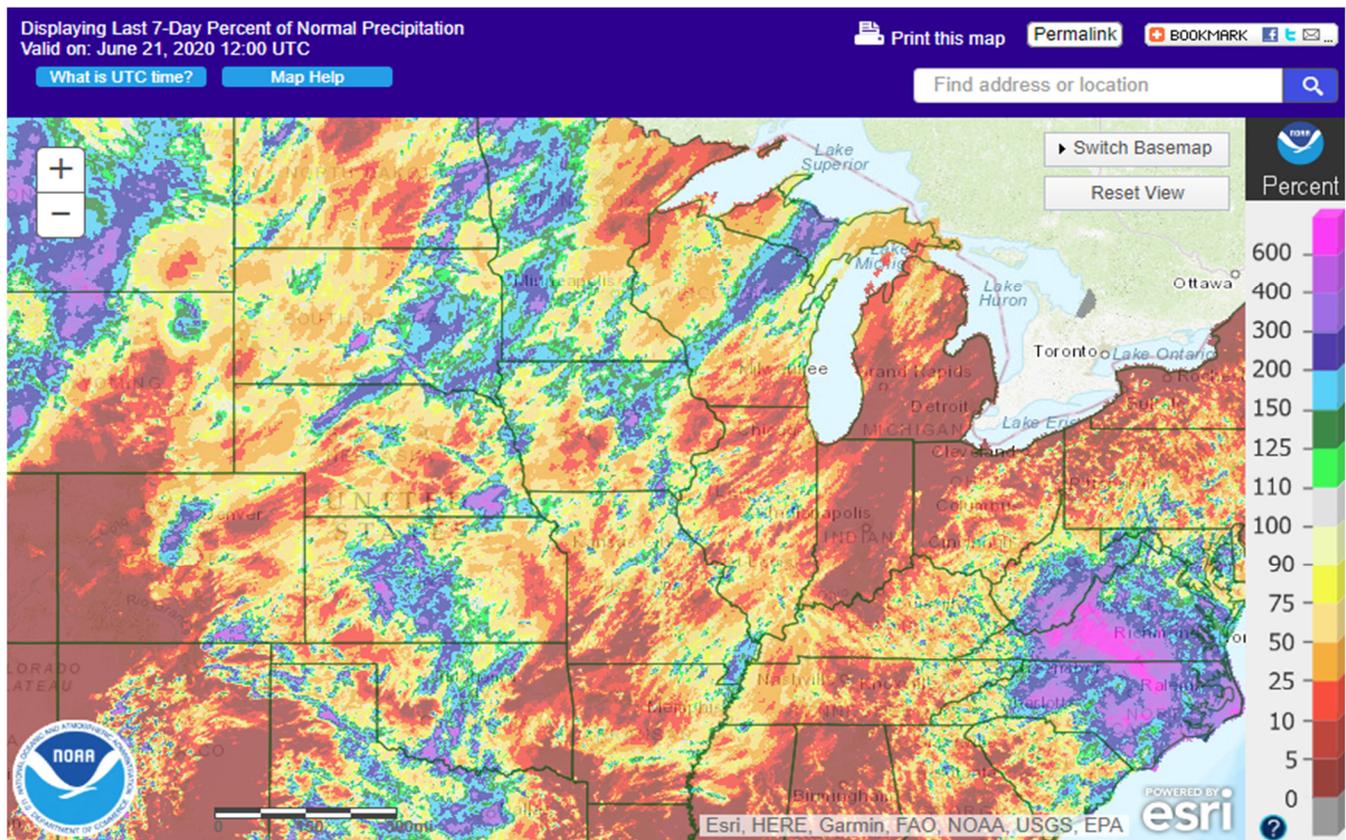


Weather

No major changes to the forecast over the weekend. We'll see some lingering showers in the Corn Belt today, mainly favoring eastern areas. Then the Corn Belt should experience several days of mostly dry weather. The big rains shown in the 7-day QPF at the right in the Corn Belt will mostly come starting Friday and continuing into the weekend. It seems likely that rainfall chances would continue into the 6-10 day period as well. Temp will be fairly mild for the next few days but will be gradually turning warmer with widespread above normal temps expected during the 6-10 day period.



The map below shows the 7-day percent of normal precipitation map. While we certainly had some good rains in spots last week, we also saw a lot of the growing region see very limited rainfall.

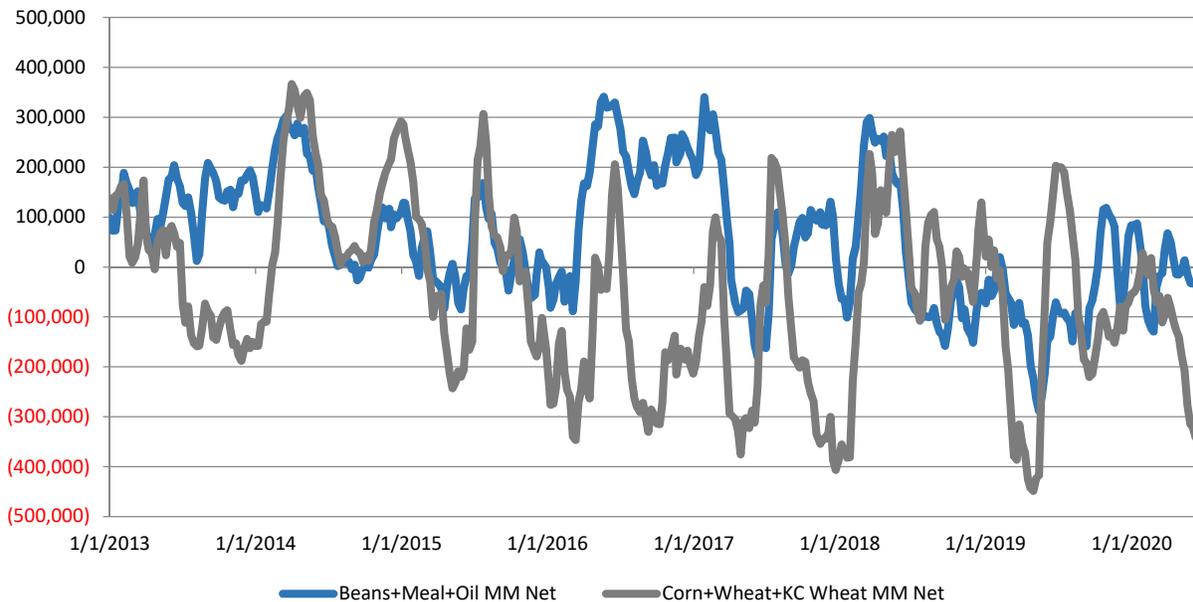


Crops

No major new information to pass along this morning. Grain and oilseed price action might be in a bit of a "holding pattern" for a minute. On one hand we have weather conditions that are "pretty good". On the other

hand we have a big USDA report at the end of the month and we have prospects for improved export demand as we have been discussing for a while now. We know that managed money is overall positioned bearishly in the complex, but I just quickly wanted to point out this morning that the bearishness is not across the board. The chart below compares the MM positioning in oilseeds vs. grains. The blue line combines the MM net position in soybeans, meal, and oil. The gray line combines the MM net position in corn and the two main wheat contracts. You can see that MM is basically flat in the oilseed complex, while the short position in grains is near record large. You can certainly bet there is a large long-beans, short-corn bias to the market right now.

**Oilseeds vs. Grains
 Managed Money Net Position**



I think the positioning is interesting ahead of the month-end USDA report that will “probably” show a reduction in corn planted area and an increase towards soybeans.

Livestock

As noted on Friday, the COF report is probably going to be slightly negative for LC futures today. While the headline figures weren’t off vs. expectations very much and while none of what the report showed was a surprise, the numbers are still viewed modestly negatively. With that in mind, most have been calling for a weaker open for LC today. I don’t have a major argument against that call either, however, I would also point out that LC futures have essentially been following around equity markets all year. I have pointed out intraday charts in the past week showing the joined-at-the-hip nature of LC vs ES futures lately. The chart on the following page compares LCQ vs ESU over the past several months. You can see that they’ve mostly done the exact same thing, though during the past month or so the two have diverged slightly. LC futures have sold off a little while ES futures have simply consolidated in a wide range lately. With ES futures higher at the time of

writing this morning, would that mean a lower opening in LC would be a buying opportunity? Or is this relationship bound to break down at some point and this might as well be it?



Financials

We spend a lot of time complaining about the FAANG stocks and how they are driving the overall indexes. However, market breadth is actually looking fairly constructive for the moment. The chart below looks at the SPX on the top panel and the second panel is the percentage of stocks within the index trading above its 50-day MA.



You can see in the chart that right now 78% of stocks in the SPX are above their 50-day MA. The total peaked just recently at around 97%. This is much better index-wide participation in the price strength than what was seen when the market peaked in early February when maybe 60% of SPX members were trading above their 50-day MA. The chart of the NASDAQ index looks fairly similar, so we can't just say it is just a handful of stocks leading the gains in the indexes right now.

Energy

This is a chart I did not expect to see. I pointed out last week that Brent crude oil futures had moved back into an inverse in the spot market. I definitely did not expect to see any US-based contracts heading in that direction but the chart below looks at the spot vs #2 contract spread in RBOB gasoline. You can see the spread is basically even money at the time of writing this morning and had briefly been inverted last week. Admittedly, the NY Harbor delivery point for RBOB is a long way away from Cushing and the WTI delivery complications. Still, I think this has to be viewed as a positive indicator for US supply and demand balances for energy. Thoughts appreciated.



Today's Calendar (all times Central)

- Chicago Fed Index – 7:30am
- Existing Home Sales – 9:00am
- Export Inspections – 10:00am
- Cold Storage – 2:00pm
- Crop Progress – 3:00pm

Thanks for reading.
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