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Cattle complex futures got a little good news on Thursday and a little bad news as well. The bad news was that both the live and feeder markets were in deep, deep red ink at one point around midsession. Both markets also tried hard to rally into the close of the session, but still couldn't manage to pull more than a couple of contracts up beyond triple digits lower. Hog futures found the same fate as the cattle, sinking deep in the red. Product trade in both markets was very actively lower as well.

The good news centered around the negotiated cash feedlot trade. Expectations early in the week were for another sharp drop in prices as futures continued to fall. However, as the week progressed, it appeared more and more apparent that packers were in need of cattle badly. Yesterday the trade broke loose and the result of the active packer appetite for numbers was a mixed bag of trade that ranged from mildly lower than a week ago to instances of a little higher. Texas reported $159, Kansas $159-$160 and Nebraska $159-$160.50 live. After falling $4-$5 per week through every other round of trade in January, steady should be viewed as minor victory and also hope that it could end up being supportive to futures. Basis versus the futures close ranged from positive $5.50-$7.00.

This afternoon we get annual Cattle Inventory numbers from USDA. Average guesses for that report are looking for a total inventory of 99.9% of a year ago. The calf crop is expected to be down 1 ½% from a year ago. Herd expansion is also expected with beef cows and heifers that have calved along with dairy cows and heifers calved estimated at 100.6% and 100.5% respectively. Beef replacement heifer numbers are pegged at 102.7%.

Cattle slg.___110,000 +11k wa -8k ya

Choice Cutout__244.59 -2.70

Select Cutout___238.34 -2.00

Feeder Index:___213.90 -1.35

Lean Index.__71.73 -.41

Pork cutout___78.30 -2.03

IA-S.MN direct avg__67.45 -.10

Hog slg.___435,000 -1k wa   +57k ya

In the grains, there was a pretty good round of export sales in the weekly numbers with corn at 42.1 mln, beans 32.6 mln, milo at 9.1 mln and wheat 20 mln.   Despite the respectable numbers, corn and soybeans still closed lower, wheat was higher.

I have spent some time this week talking about chart technicals in all three of these markets. One important factor I want to continue to emphasize is that corn was the lone market that had been holding support, right up until two nights ago when futures broke through the bottom of that support. Corn was very resistant to any buying yesterday and it happened again last night with beans and wheat up and corn not able to sustain any rally attempts.   Soybeans and wheat already looked ugly on the charts and now corn has joined that crowd as well.

Evaluating the bull and bear points of the fundamentals, world ending stocks forecasts are bearish in all three markets, although reductions in Brazil bean crop estimates could tame that bearishness some.   Domestically we're still working with bearish corn and soybean ending stocks numbers and wheat is in the comfortable category, not excessive and not tight either. Bullish news is kind of confined to scattered dry pockets in HRW wheat country, thoughts we'll see a reduction in corn planted acres this spring and the Brazil soybean production drop for the bean market. Indications that the US will increase soybean acreage offsets a huge part of the Brazil concerns though. So, given that mixed bag of fundamentals and knowing there are more bearish factors than bullish, the current snapshot of influence is negative and of course the charts are negative.   You have to feed a bull market with a consistent flow of bullish news and that's just not out there at the moment and the markets need that bullish catalyst to go up.

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