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Happy Friday the 13th! Of course, not having a single ounce of superstition inclinations (aside from wearing the same socks at every game 30 years ago in HS), I will probably opt for not watching anything with the hockey mask, knife wielding “Jason” from the Friday the 13th blockbuster movies tonight and instead go for something more along the lines of “Jason” Bourne.

Hog futures continued to sink yesterday, testing new life of contract low territory on most contract months. Of course the cattle and hogs have been going very decisively in opposite directions most of the time this week with cattle up and hogs down, pushing an already out of whack relationship between super high cattle and super low hogs to an even wider spread again. That cattle complex trade yesterday lost some steam though, settling mixed to mostly higher. Feeders had one contract that closed in the red and the rest positive. Live cattle had two contracts, the June and August that were lower and the rest were up mildly.

Cash feeder and calf market trade has been strong this week even with big runs in the southern plains. Perhaps futures now trading premium to the index on the spot march feeder contract is what limited the gains yesterday and slowed down the rally. Regardless, from a technical analysis standpoint, both the feeders and live markets look really good, solidly breaking out of downtrending resistance and now poised to continue testing retracement levels to the upside.

Cattle slg. ___103,000 -5k wa -11k ya
Choice Cutout ___245.98 -1.49
Select Cutout ___245.79 +.91
Feeder Index: ___213.93 +1.35
Lean Index. ___66.37 -.43
Pork cutout ___68.50 +.29
IA-S.MN direct avg ___60.90 -1.22
Hog slg. ___433,000 +25k wa +26k ya

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In the grains, corn and soybeans fell under mild pressure yesterday while the wheat market continued to claw its way up out of the cellar. Wheat fundamentals are far from being bullish, but yet the futures have been grossly oversold and due for a bounce for a long time. US wheat is still priced well over competing world export offers. Weekly export sales continue to be light to routine and crop conditions remained unchanged or improved slightly in the HRW wheat states last week. The newswires are ripe with stories that this rally is weather induced and specifically related to HRW wheat areas. With 60 and 70 degree temps following a light to moderate shot of moisture over a big portion of that wheat area before it warmed up, I'm not buying into the weather reasoning just yet. If it remains dry through the end of the month, yes I'll buy into it, but not yet. I think this rally is technical in nature more than anything else.

Export sales yesterday morning were really good in milo, poor in corn, decent in beans and very neutral and routine in wheat. Corn futures movement was in line with the sales numbers, beans were counter to their numbers and I think wheat ignored the sales report and enjoyed speculative buying based on the charts looking mildly friendly short term.

Focusing on the corn for just a moment- I'm kind of stuck riding the fence, just like the futures market. I'm certainly not bearish enough to see decisive new lows in the near term, or bullish enough to make it go up either. (Translation, this sideways range makes sense to me) US domestic ending stocks are leaking lower slowly, still burdensome by historical standards, but going down nonetheless. Secondly, IF (BIG if) we lose a couple mln planted acres of corn, which the market fully expects, corn has limited downside and a mild amount of upside potential. Of course, weather will dictate the extent of that upside potential. On the other hand though, if acres lost are 1 mln or less, or in the odd circumstance they go UP and milo acres increase considerably, corn has at least 50 cents or more downside potential barring a major weather threat this summer. At this point in time it is foolish to make a prediction which one of those scenarios is going to play out and I'm also not sure if the market will fully figure it out with just the first planting intentions numbers that come out at the end of this month. It is simply just prudent to look at the potentials on both sides of the coin and not get too married to one school of thought of the other right now. It's just too early...

Have a great weekend!!!

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