



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

**Pete Loewen, Matt Hines,  
Doug Biswell, Matt Burgener  
866 341 6700**

**www.loewenassociates.com**

Date: November 5, 2015

In the meat complex, live cattle futures gapped lower by 1 tick on the open, leaving a big island top on the charts and speculators jumped on that gap and go and hit the sell buttons with a vengeance. Multiple live and feeder cattle contracts settled limit down, which means expanded limits today. Hogs narrowly avoided new contract lows on the front month December and hogs also somehow managed to finish only mildly lower in the face of the cattle contracts taking a beating.

To kind of attempt to paint a picture for you as to what gap I'm talking about, in mid October, the December Live Cattle futures gapped strongly above the \$140 price range. Gap meaning the high the previous day was \$139.55 and the low the next day was \$140.40, leaving an open space between the two bars on the chart. For about 2 weeks the futures trade remained at levels above that gap, testing it once on October 27<sup>th</sup> with trade down to \$140.05, but then trading higher again, not filling the gap. The market action on Tuesday took prices to within 15 cents of filling that gap, but didn't. Yesterday the futures gapped lower on the open, traded to within 2 ½ cents of the previous day's low, then took off like a bullet to the downside leaving what technicians call an island top on the chart. That's thought process #1.

Potential #2 for the selling was driven by hedge fund liquidation relating to an FCM closing its doors last Friday and those hedge funds being heavily involved in meat complex spreads, meaning live cattle, feeder cattle and lean hogs. Ironically, a week ago Wednesday the Dec Live Cattle were limit up. Yesterday on Wednesday they were limit down. Regardless, it appears that action was backed by nothing that was fundamentally driven. In fact, yesterday's product trade was sharply higher in the choice cutouts. Will cash be lower this week? Probably, or maybe I should be saying likely. How much is the question and with most of that action likely going to take place tomorrow, I'm sure the next two day's futures market action is going to help dictate the extent of the drop. Packer bids backed off dramatically yesterday. If futures stay lower today they may just stick their hands in their pockets and wait and watch with the leverage moving in their favor.

Cattle slg. \_\_\_ 111,000 +1k wa +7k ya

Copyright © Loewen and Associates, Inc.

**This does constitute a solicitation to buy or sell commodities futures and/or options.** The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**

Choice Cutout\_\_220.14 +1.74  
Select Cutout\_\_209.69 -.63  
Feeder Index:\_\_\_67.66 -1.12  
Lean Index.\_\_\_ 192.88 +.04  
Pork cutout\_\_\_76.41 -1.16  
IA-S.MN direct avg\_\_56.24 -1.61  
Hog slg.\_\_\_436,000 +4k a +7k ya

\*\*\*\*\*

Grain futures enjoyed higher trade higher trade most of the day Wednesday and it stuck pretty well everywhere except in corn that faded into the close. The corn finished fractionally mixed, while soybeans and wheat were anywhere from 3-9 cents better.

Next Tuesday is the November S&D and crop production report numbers and with a wide range of estimates for corn and bean numbers already being thrown around the potential for excitement in those reports certainly exists. FC Stone came out early this week with estimates for the fall crops that I viewed as mostly neutral to maybe a little friendly. Informa followed the next day with really bearish numbers in corn and beans and then the Linn Associates came out with bullish numbers yesterday. Average guesses from a Bloomberg survey had US corn yield at 168.2 bu/ac and production at 13.564 bln, which is up mildly from October. The survey average guess on beans was 47.5 for a yield and 3.914 bln production. That is also up slightly from October. Ending stocks guesses are 1.597 bln corn, 435 mln beans and 869 mln wheat. All of those are slightly higher than the October report and present a challenge for the bulls heading into next Tuesday's numbers.

Weekly export sales numbers this morning were bearish across the board, except in milo. Corn sales were 21.9 mln bushels old and 700,000 new crop. Milo was 6 mln old crop. Soybean sales were 24.1 mln old and zero new. This is a new marketing year low for soybean sales and is down 69% from last week and 61% below the 4 week average. Wheat sales are best described as horrible with 3.1 mln old and 800,000 new. I know that wheat "feels" cheap already, but in the scope of the world export arena the US is still way overpriced.

**Pete Loewen**

**Loewen and Associates, Inc.**

**Pete Loewen / Matt Hines / Doug Biswell / Matt Burgener**

[www.loewenassociates.com](http://www.loewenassociates.com)

[peteloewen@cox.net](mailto:peteloewen@cox.net)

**866 341 6700**

Copyright © Loewen and Associates, Inc.

**This does constitute a solicitation to buy or sell commodities futures and/or options.** The information contained herein is provided for informational purposes only. The information is not guaranteed as to its accuracy or completeness, although the information was taken from sources we believe to be reliable. The market recommendations of Loewen and Associates, Inc. are based solely on the judgment of Loewen and Associates, Inc. personnel. We do not guarantee or warranty, either expressed or implied, of success to you in the use of this information. Loewen and Associates, Inc. disclaims responsibility for or loss associated with use of information from our commentary, analysis or recommendations. **There is risk of loss in trading commodity futures and options. The risk in trading can be substantial; therefore only genuine "risk" funds should be used.**