



**Loewen and Associates, Inc.**

**Commodity Consulting/Brokerage**

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Date: December 11, 2015

A couple of major technical points are worth talking about from yesterday in the cattle complex. For starters, I talked about the June 2013 lows being the start of the biggest run-up in cattle market history and the low at that time being \$118.15 in spot futures. Wednesday's close had the market perched above that mark, but yesterday's low point traded down to \$118.10 in the Dec Live Cattle, taking that major support level out by a nickel.

Interestingly enough, the futures also turned around higher with a really strong push to the upside, posting yet another major bullish key reversal on the charts. Looking back at key reversal technical indicators though, in mid-November there was another major bullish key reversal. That one resulted in about 7-9 days of strong trade following it, but then it was blown out shortly thereafter with new contract lows and more steep drops. Yesterday's bullish key reversal was great to see. I'm just very leery about calling it a potential market bottom since the last reversal obviously meant nothing to the market. That one was nullified in a matter of days. Regardless, both the live and feeder markets are long overdue for a bounce to the upside. I just hope it is sustainable.

Cash calf and feeder market trade this week has been a major disappointment and the negotiated feedlot trade that has transpired so far is ugly as well. Kansas has seen trade at \$119, which was \$6 lower than last week. Nebraska dressed trade has ranged from \$184 up to \$188, with live trade at \$118 back on Tuesday. That live action was \$5.50 lower than a week ago.

Cattle slg. \_\_\_ 113,000 +2k wa unch ya  
Choice Cutout \_\_\_ 203.08 unch  
Select Cutout \_\_\_ 188.47 -1.53  
Feeder Index: \_\_\_ 159.35 -2.98  
Lean Index. \_\_\_ 56.60 -.06  
Pork cutout \_\_\_ 73.94 +1.28  
IA-S.MN direct avg \_\_\_ 52.11 -.31  
Hog slg. \_\_\_ 438,000 +1k wa +7k ya

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Moving on to the grains, just to give you an idea of how there is disconnect between futures price movement and fundamental indicators over short periods of time, yesterday's trade was a prime example. USDA S&D report numbers from Wednesday confirmed that domestic and world ending stocks projections of corn, soybeans and wheat were all very comfortable to instances excessive. That in itself is bearish, but what do futures do yesterday? They go up. Additionally, the weekly export sales data was very bearish wheat yesterday at only 8.3 mln bushels in old crop sales. What do wheat futures do? They post the strongest gains of the entire complex, closing just shy of double digit gains in some contract months.

A big part of my job is attempting to fundamentally analyze and explain futures market movement over short periods of time, because usually that is what people are asking for answers on... What I'm trying to convey is that often times there isn't logical explanation, which is also why I'm so adamant about people needing to stop fretting and worrying about short and intermediate term price movement and focus more on the big picture, longer term aspects of the market.

6-10's last night shows the normal to below normal temps creeping into the Plains states with above normal temps still pegged from basically the Mississippi River east. Precip over most of the Plains and Corn Belt is normal.

Brazil released monthly crop production estimates this morning. Their soybean production estimate was pegged at 102.5 mmt's, up from 102.0 in November. Corn production was increased very mildly to 82 mmt's, up from 81.9 last month. Soybean exports were raised to 57.5 mmt's up from 55 last month. Despite the report, beans still managed higher trade last night.

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