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The first trading day of the New Year rang in a tremendous amount of outside market volatility. Turmoil between Iran and Saudi Arabia pushed the energies. China economic troubles spilled over into active selling in US stocks. Grain trade was under pressure all day long. Livestock markets started that way, but managed to separate themselves as buying hit the feeder cattle. Feeders closed all in the green. Live cattle and lean hogs finished mixed with prices on both sides of unchanged.

The cattle complex has quite a few positives working in favor of continued gains. Product trade is on fire to the upside with \$5+ gains in both choice and select yesterday. That was the 8<sup>th</sup> consecutive day up for choice cuts and a \$26.78 rally off the lows so far. Add to that the fact the negotiated cash feedlot trade last week was up \$10+ everywhere from the previous week and the door is open to more gain potential yet in fats and feeders.

What we need to be cognizant of in cattle is that beef price doesn't push up to levels that completely price beef out of the equation from a competitive standpoint again. At the recent bottom last month it was still too high versus pork or poultry, which is a prime reason the cold storage report keeps giving us grim reminders of the sluggish demand. The short term trend and potential is still higher yet, but I don't think it's time to become a raging long term live or feeder cattle bull yet again.

Cattle slg. \_\_\_ 97,000 +7k wa -8k ya

Choice Cutout \_\_\_ 218.06 +5.47

Select Cutout \_\_\_ 211.01 +5.79

Feeder Index: \_\_\_ 163.77 +4.13

Lean Index. \_\_\_ 52.87 -.05

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Pork cutout\_\_69.73 +.90

IA-S.MN direct avg\_\_50.09 +.66

Hog slg.\_\_\_437,000 +18k wa +7k ya

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In the grains, both soybeans and wheat hit double digits lower in some contract months. Corn was actively lower as well. Wheat and corn were forging new contract lows in most trading months. Soybeans have a ways to go before they test new low territory. 25 cents or more in most contract months.

Grain trade found some redemption overnight, erasing some of yesterday's gains. Fresh news is scarce though with no new daily 8:00 am export reporting today. Yesterday there was a decent sized unknown destination sale of US beans that was changed to the Netherlands. That was an odd twist because generally unknown destination sales are all China. Total volume was 217k mt's, so it wasn't a small sale.

6-10 day weather forecasts showed below normal temps everywhere. Precip was forecast at below normal in the deep south of the Plains and the below normal crept farther north into the Southern Corn Belt progressing east. Above normal moisture was forecast for the Central and Northern Plains as well as the western US.

Commitment of Traders data shows huge shorts in the grain and oilseed trade. As we have been touting for a long time, upside potential in grains is either going to have to come from a major crop failure somewhere in the Southern Hemisphere over the next couple of months, or from fund short covering. With South American weather looking more favorable today than it did a month ago, short term potential lies in fund activity. That's anyone's guess. Unfortunately, there's more bearish fodder out there still than bullish. Rallies will be hard fought.

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