

Two charts, June live cattle and November soybeans have received attention across the past several letters. The June cattle worked nicely and is shown again this week. We had a trend line under the market and resistance overhead with major resistance at the \$87.70 contract high. Last week's rally to the late April highs near \$87.40 was a short hedging chance and producers who did not opt to hedge had a safety net sell signal Friday with a close below the trend line and then a major decline Monday. Sell stop orders under the trend line work here. Short hedges as low as \$84.75 on Monday will work, I think. This market is likely to move down toward the chart gap near \$83 and the low \$80's are possible.

August feeder cattle ran to \$113.50, higher than I expected but closed on Monday over \$3.00 off that high. It is weakness in live cattle and dry weather in corn that will push feeder cattle down. The March and late April lows on the August make a useful trend line. So if you are not short or have not taken profits on long hedges, get caught up on a close below the trend line. If corn stays higher, look for \$1.25 to \$1.50 down in 700 and 800 lb. steers for each 10 cent rally in corn.

June lean hogs are near \$71.50 and over \$10 below the early March highs. This is counter to the normal seasonal pattern, but the chart picture on hogs has worried me for some time. I hope you are short at considerably higher prices and in this instance, it has paid not to be aggressive in buying back the short hedges. There is support around \$70.50 going back to last December. Let's stay short until we see some signs of a bottom. There is seasonal strength going into July, but we see no signs of it to this point.

On the November soybeans, you can now draw a relatively flat trend line across the mid-April and mid-May lows. An earlier trend line sell signal put you short above \$6.00 and the very attractive long term high at \$6.50 has been there for weeks. The weather talk last week and into this week may give us another chance at \$6.50, and you saw \$6.45 on Monday. If we have sustained dry weather this market will take out the \$6.50 high, of course, but it is too early to start writing off this crop in corn and in soybeans. I see rallies to the \$6.50 level as hedging opportunities. If you have trouble with margin calls, use cash contracts or plan to buy back the hedges on a close above \$6.50, but this weather rally should be seen as a pricing opportunity.

Monday's action was even more impressive in corn with a close above the prior highs at \$2.40 and the possibility of filling the old chart gap from mid-March if there is follow through on Tuesday. The contract high at \$2.495 is now within reach. I did not expect this so soon. This rally looks more like a July rally instead of late May when the dry weather will help finish off the planting in the western states. Then we will start to think about growing weather. It is too soon for this type of rally, and the picture in corn is quite bearish; I see a rally toward \$2.50 as a hedging opportunity. The old rule is buy back the short hedges on 2 consecutive closes above the contract high (\$2.495 here), but I do not expect to see that happen. Aggressive selective long hedgers will look at taking profits on a rally toward \$2.50 and look to replace those long hedges after the rains come at much lower prices.

Weather has a better chance to hurt the wheat crop since yields and test weights can be hurt by dry weather into June. Selective hedgers who bought back July wheat short hedges at contract lows near \$3.05 in Chicago and just above contract lows in Kansas City are pleased with their moves. It worked this time with prices Monday 30 cents or more above those buy back levels. I expect the April highs near \$3.40 on the July Chicago to be strong resistance and would look to replace short hedges. That \$3.40 level is about a 50% correction of the price plunge from the March contract high at \$3.76. The market is likely to turn lower and then rally again if the weather does stay dry and negative toward wheat yields. Remember, the Chicago contract is soft red winter, and the crop is grown in most of the same states that grow corn plus the Delta states and Southeast.

