

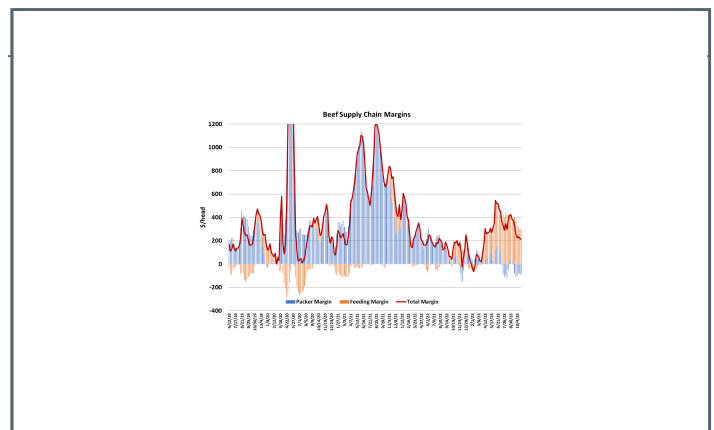
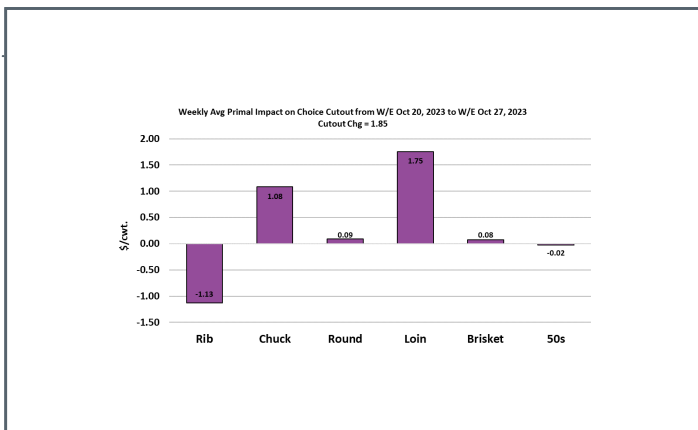
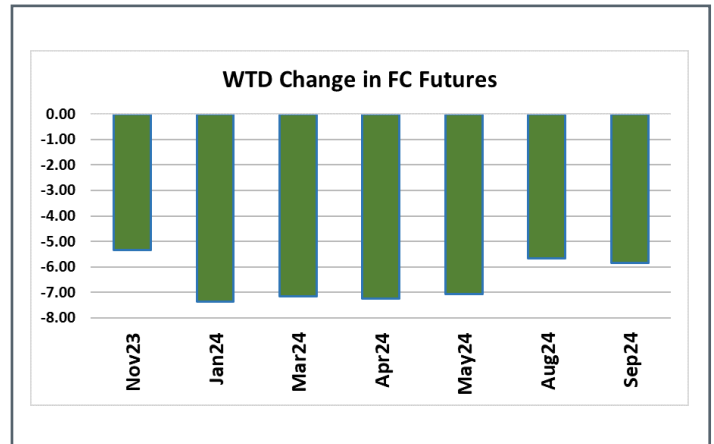
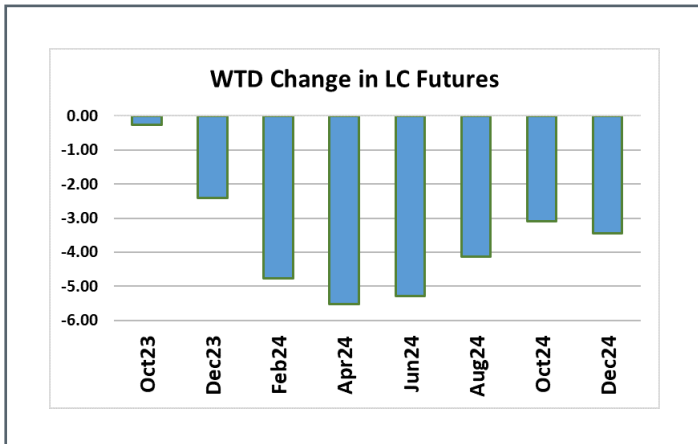


WEEK ENDING OCTOBER 27, 2023

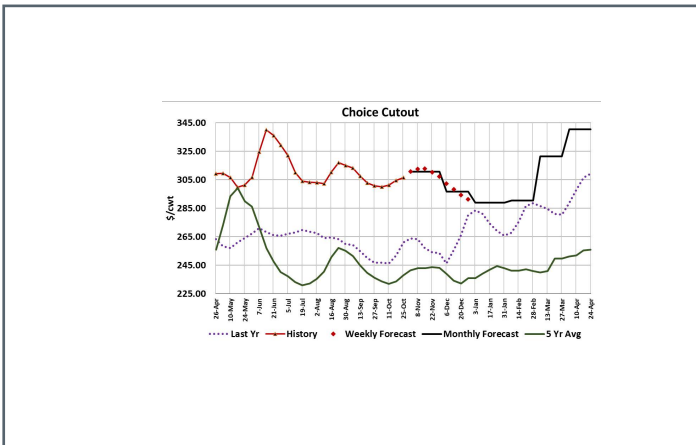
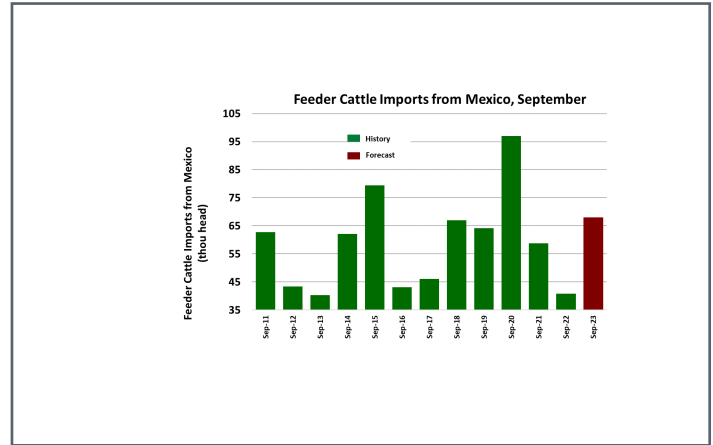
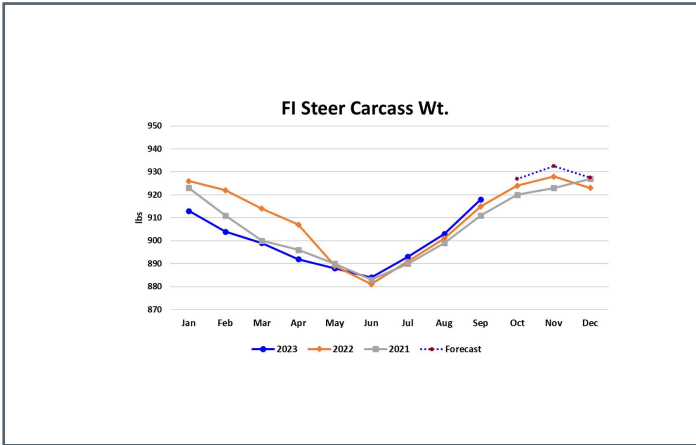
THE BEEF WRAP

This week was highlighted by a massive selloff in cattle futures. On Monday, the Dec LC contract fell below its 100-day moving average and that triggered a wave of selling that took most of the curve down \$5-6/cwt. The initial impetus for the selling was the previous Friday's Cattle on Feed report which showed September placements much larger than expected. In most situations, that would have been worth a dollar or two decline in the affected contracts, but the breakdown of important technical levels fueled a massive amount of volume, much of it likely coming from computer programs. The soon-to-expire Oct contract settled on Monday at \$178.25, which was particularly notable since the cash cattle market had averaged over \$186 the week before. Clearly, the selling was overdone and the market spent the remaining four days of the week correcting that problem. By the finish of trading today, the Oct contract was back at \$184, which was only a few cents below where it was before the COF report was released. The front of the curve had to rebound sharply because of the impending contract expiration, but the more deferred issues didn't have to obey that constraint and many of the 2024 contracts lost \$4-5 on the week. Feeder cattle futures also got slammed in the process and several of those contracts were down over \$7 Friday-to-Friday. The cattle market has been trending higher for so long that it is easy to see why some traders panicked, thinking that this was the top in the market. I see it as more of a healthy correction in an otherwise uptrending market and don't think we are anywhere near the cyclical price top. Some cattle feeders also panicked and sold cash cattle lower early in the week, but others held firm and were rewarded on Friday, when packers paid \$185 for cash cattle in the southern region. My best guess at the average for the week is \$184.60, which would be about \$1.50 below the previous week's average. The cutouts advanced a little this week, with the Choice up \$1.85 on a weekly average basis and the Select gaining \$3.23. Packer margins were similar to the week before at -\$89/head, but that could improve to -\$30/head next week as the cheaper cash cattle show up for slaughter. However, the higher late-week cash trade is a reminder to packers that the leverage meter is still favoring cattle feeders and, absent another futures market implosion, they may struggle to get cattle bought cheaper next week. This week was highlighted by a massive selloff in cattle futures. On Monday, the Dec LC contract fell below its 100-day moving average and that triggered a wave of selling that took most of the curve down \$5-6/cwt.

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