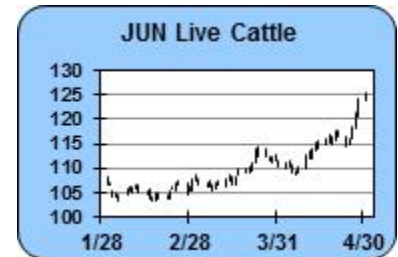




DAILY CATTLE COMMENTARY
05/02/17

Extreme overbought condition but cash to futures out of whack

With open interest at a record high and futures holding a massive discount to the cash market, finding new aggressive sellers is a difficult task. The surge in beef prices this week is a necessary move by packers who paid-up for live cattle last week. The USDA estimated cattle slaughter came in at 107,000 head yesterday. This was down from 115,000 last week and down from 109,000 a year ago as this time. USDA boxed beef cutout values were up \$2.42 at mid-session yesterday and closed \$4.49 higher at \$226.27. This was up from \$218.67 the prior week and was the highest the cutout had been since June 15, 2016. If a technical top appears along with the current overbought condition, it could spark some long liquidation selling over the near-term, especially if there is follow-through selling and supply begins to push higher. March placements onto feedlots were up 11.1% from last year, so supply looks ample into the summer. Beef production for the 2nd quarter is expected to be up 300 million pounds from the 1st quarter. This would be the highest increase for the 2nd quarter in three year. During the same period last year production increased by 252 million pounds.



The market closed slightly higher on the session yesterday but well off of the highs. June posted an early high at 125.32 and traded back to lower on the day late in the session. This compares with last week's cash trade near \$135-\$139. This discount has helped the market find underlying support. However, the market is technically overbought after a 3-day surge up, and there are developing concerns that a near-term top is close at hand.

TODAY'S MARKET IDEAS:

The muddy conditions in the plains plus low weights could keep the supply of market-ready cattle low this week. We lean bearish for the cash trend in the months ahead, but there are still no technical or even fundamental signs of a top besides the overbought condition. Watch for a sign of a top soon. June cattle resistance is at 124.62 with 121.15 and 119.87 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

CATTLE COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

LIVE CATTLE (JUN) 05/02/2017: The market rallied to a new contract high. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 125.970. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 124.950 and 125.970, while 1st support hits today at 123.300 and below there at 122.650.

FEEDER CATTLE (MAY) 05/02/2017: The market rallied to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 152.343. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 150.312 and 152.343, while 1st support hits today at 146.888 and below there at 145.494.

DAILY HOGS COMMENTARY

05/02/17

Slaughter last week higher than expected, short-term overbought

The market may have bounced too far, too fast, but pullbacks are likely buying opportunities. The hook reversal from a one month high yesterday might be seen as a short-term negative technical development. June hogs traded moderately lower on the session yesterday after the early rally to the highest level since April 3rd failed to attract new buying interest. A sluggish pork product market late Friday plus talk of the overbought condition of the market after last week's surge helped to pressure. USDA pork cutout values, released after the close yesterday, came in at \$74.96, up 93 cents from Friday and up from \$73.94 the previous week. This is the highest cutout value since April 21st. The CME Lean Hog Index as of April 27th was 59.64, down 7 cents from the previous session and down from 61.10 the previous week. The USDA estimated hog slaughter came in at 421,000 head yesterday. This was down from 442,000 last week and down from 431,000 a year ago as this time.



TODAY'S MARKET IDEAS:

Slaughter last week was a bit higher than expected. The market could see strong seasonal demand domestically at the same time that export demand is running strong, and this could rationalize the short-term uptrend. The market is a bit overbought and could use a setback to correct. If yesterday was a short-term peak, support emerges at 71.82 and 71.05 for June hogs. Resistance is at 74.05 and 75.55.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

LEAN HOGS (JUN) 05/02/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 74.720. The next area of resistance is around 73.900 and 74.720, while 1st support hits today at 72.650 and below there at 72.200.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
MEAT COMPLEX										
LCM7	124.120	86.27	82.05	90.88	93.44	122.05	118.67	115.87	111.82	110.18
FCK7	148.600	79.44	76.76	84.25	88.01	146.70	142.36	139.27	132.62	130.18
LHM7	73.270	56.10	51.71	54.69	73.05	72.71	71.02	71.86	74.52	75.55

Calculations based on previous session. Data collected 05/01/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
LCM7	Live Cattle	122.620	123.270	124.300	124.950	125.970
FCK7	Feeder Cattle	145.493	146.887	148.918	150.312	152.343
LHM7	Lean Hogs	72.170	72.620	73.450	73.900	74.720

Calculations based on previous session. Data collected 05/01/2017

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