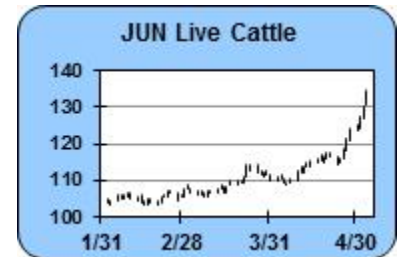




DAILY CATTLE COMMENTARY
05/05/17

Showing technical sign of top; producer selling might pressure

With a stochastic crossover from above 90, the market overbought condition is at an extreme. Traders expected lower cash markets this week so the \$8-\$9 rally caught traders off-guard and sparked panic buying. Average dressed steer weights for the week ending April 22nd came in at 849 pounds, up from 848 the previous week and down from 878 pounds a year ago. With the snowstorm, traders are concerned that weights could drop further. While weekly slaughter for the same week came in at up 9.1% from last year, beef production was 479.9 million pounds, up 6.2% over year ago. June cattle closed 125 higher on the session yesterday but well off of the early peak. The early high was 134.50, and the market closed at 131.30. August cattle hit a high early in the session at 127.50 and closed at 124.17. Short-hedgers have frantically exited futures in the past week and are likely to be aggressive sellers in the cash market over the near-term.



USDA boxed beef cutout values were up \$1.25 at mid-session yesterday and closed \$2.99 higher at \$235.58. This was up from \$219.15 the prior week and the highest beef market since September 11th, 2015. Weekly U.S. beef export sales for the week ending April 27th came in at 16,600 tonnes, compared with the prior 4-week average of 18,950. Cumulative sales for 2017 have reached 362,100 tonnes, up 23.1% from last year's pace. The USDA announced that Brazil imported some US beef for the first time since 2003. The USDA estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 452,000 head, down from 464,000 last week at this time but up from 438,000 a year ago.

TODAY'S MARKET IDEAS:

The contract high and lower close (key reversal) for October cattle is a sign of a top. Resistance for October cattle is at 120.00 with 115.42 and 113.97 as support. August cattle should see stiff resistance at 125.00, with 120.92 and 118.90 as support. Aggressive short-term traders might consider selling the June cattle 141.00 call near 160.

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) 05/05/2017: The market rallied to a new contract high. A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 127.970. Caution is warranted with the RSI over 90, as the market may be limited on further gains. The next area of resistance is around 133.270 and 135.900, while 1st support hits today at 129.320 and below there at 127.970.

FEEDER CATTLE (MAY) 05/05/2017: A new contract high was made on the rally. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The outside day down is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 141.388. The next area of resistance is around 152.725 and 159.187, while 1st support hits today at 143.825 and below there at 141.388.

DAILY HOGS COMMENTARY

05/05/17

Nine day rally of 13% and has yet to take out previous day low

The market is now up as much as 13% in just nine trading sessions off of the April 21st lows and this leaves the market in a short-term overbought status. This leaves June hogs at a 15.27 premium to the cash market as compared with a 5-year average of 6.75. USDA pork cutout values, released after the close yesterday, came in at \$76.38, up \$1.17 from Wednesday and up from \$73.12 the previous week. This is the highest pork values since March 28th and should help to hold packer margins in the black. June hogs closed moderately higher on the session yesterday and experienced the highest close since March 23rd. This was the ninth day in a row that the market has been unable to take out the previous session lows.



Talk of seasonally tightening pork supply has helped to support and traders are also optimistic that the surge in beef prices to a 14-month high might help support improved pork demand from retailers. Weekly U.S. pork export sales for the week ending April 27th came in at 13,800 tonnes, the lowest in five weeks and compares with the prior 4-week average of 28,525. Cumulative sales for 2017 have reached 551,600 tonnes, up 4.5% from last year's pace. The CME Lean Hog Index as of May 2nd was 61.14, up 85 cents from the previous session and up from 59.93 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 1.721 million head, down from 1.765 million last week at this time and down from 1.726 million a year ago. Actual US pork production for the week ending April 22nd came in at 490.3 million pounds, up from 473.8 the previous week and up 4.6% from a year ago.

TODAY'S MARKET IDEAS:

The rally is impressive but leaves the market in a short-term overbought status. Basis is too wide and technical indicators are also a bit overbought so new buyers can be patient and wait for correction. Initial support is back at 74.40 and 74.07 for June hogs with 78.25 as next key resistance. Aggressive short-term traders could consider selling out-of-the-money calls.

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) 05/05/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 77.170. The next area of resistance is around 76.900 and 77.170, while 1st

support hits today at 76.050 and below there at 75.450.

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	131.300	92.45	88.40	93.28	91.62	128.13	123.03	119.04	113.31	111.35
FCK7	148.275	63.66	66.03	82.76	76.67	149.95	145.90	142.31	134.39	131.56
LHM7	76.470	68.71	61.47	77.92	91.44	74.86	73.15	72.29	74.36	75.36

Calculations based on previous session. Data collected 05/04/2017

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	127.950	129.300	131.920	133.270	135.900
FCK7	Feeder Cattle	141.387	143.825	150.287	152.725	159.187
LHM7	Lean Hogs	75.420	76.020	76.300	76.900	77.170

Calculations based on previous session. Data collected 05/04/2017

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