

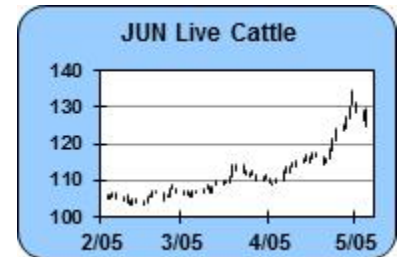


## DAILY LIVESTOCK COMMENTARY Wednesday May 10, 2017

### DAILY CATTLE COMMENTARY 05/10/17

#### Light weights and smaller showlist but more supply ahead

Follow-through selling yesterday helps confirm ideas that a major top is in place and with high open interest and producers more active sellers, the cash market may turn lower. A smaller showlist and very light average weights are potential short-term positive forces. June cattle closed 280 points lower on the session yesterday and closed 465 points off of the highs. It was an outside-day down as the market traded moderately higher on the session early in the day but sellers were active on the bounce. A surge in beef prices over the past few weeks has helped support packer margins but may not be enough to spark more buying in the cash market for live inventory. USDA boxed beef cutout values were up 45 cents at mid-session yesterday and closed 72 cents higher at \$242.16. This was up from \$229.45 the prior week. Beef prices have surged to the highest level since August 31st, 2015 and this may be high enough to pinch consumer demand.



Beef production for the second quarter is expected to be up 7.3% from last year and beef production for 2017 is expected to be up 5.1% from last year. In addition, 2nd quarter production is expected to be up 300 million pounds from the first quarter from 252 million increase last year and near 195 million up two years ago. One scatter study using 2nd quarter production shows an average cash choice steer price near \$104.00 for the 2nd quarter and near \$96.00 for the third quarter. The same study suggested a 1st quarter average steer price near \$126.50. Traders indicate a tighter showlist this week than last week and cash traded \$140-\$147 last week. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 230,000 head, up from 221,000 last week at this time and up from 223,000 a year ago.

#### **TODAY'S MARKET IDEAS:**

June cattle resistance moves down to 128.00 and 128.52, with 124.42 and 122.05 as close-in support. Look for break to 121.62. August cattle stiff resistance moves down to 123.02 with 118.90 and 116.87 as next targets.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

Short June cattle 131.00 call from 327 with an objective of zero. Risk to 447.

#### **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) 05/10/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A negative signal was given by the outside day down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 121.250. The next area of resistance is around 127.400 and 130.920, while 1st support hits today at 122.570 and below there at 121.250.

FEEDER CATTLE (MAY) 05/10/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The close below the 1st swing support could weigh on the market. The next downside target is 139.400. The next area of resistance is around 147.700 and 152.100, while 1st support hits today at 141.350 and below there at 139.400.

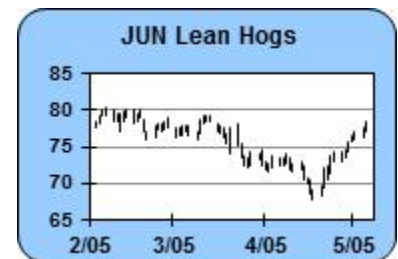
## DAILY HOGS COMMENTARY

05/10/17

### 11-day rally leaves tech indicators overbought and basis wide

There is still no technical sign of a short-term peak but indicators are showing an overbought condition. However, the short-term cash market news remains supportive led by solid gains in pork values which suggest that pork exports remain strong. USDA pork cutout values, released after the close yesterday, came in at \$80.32, up \$1.86 from Monday and up from \$75.63 the previous week. This is the highest pork value since March 21st. June hogs have now gone 12 sessions in a row without taking out the previous day low. The market traded moderately higher yesterday after speculative buying pushed the market up to the highest level since March 16th. However, the close was well off of the highs as cattle futures fell sharply late in the day. The strong trend in the cash market and a further advance in pork product prices has helped to support. The large premium of June hogs to the cash market may be seen as a limiting force for the bulls soon.

The CME Lean Hog Index as of May 5th was 64.79, up 1.24 from the previous session and up from 59.88 the previous week. This leaves June hogs at a 1,280 point premium to the cash market as compared with the 5-year average premium of 677 points. The jump in pork values could help support packer margins and a firm cash market trend. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 873,000 head, up from 838,000 last week at this time and up from 850,000 a year ago. Pork exports for the month of March hit a record high 523.8 million pounds, up 15.6% from last year. Exports represented a solid 23.1% of total production for the month. China imports were 40.7 million pounds, up 46% from last year. Mexico imported 156.9 million pounds which is down from the record 181.9 million in December but up 40% from last year. South Korea imports were 62.2 million pounds, the highest monthly total since April of 2015. With high European pork prices, the US may be in position to see solid exports to China.



### TODAY'S MARKET IDEAS:

The market looks a bit top heavy but the surge in pork values remains a bullish force. However, the wide basis is a limiting factor. Close-in resistance for June hogs is still at 77.60 with 75.55 and 74.37 as support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 05/10/2017: 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 close over the pivot swing is a somewhat positive setup. The near-term upside target is at 78.820. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 78.000 and 78.820, while 1st support hits today at 76.770 and below there at 76.350.

## 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
<b>MEAT COMPLEX</b>										
LCM7	124.970	58.51	63.33	79.63	68.05	128.09	126.57	121.30	114.68	112.45
FCK7	144.525	51.04	55.11	64.58	52.77	146.22	148.06	143.76	135.96	132.72
LHM7	77.370	71.33	63.77	88.40	92.56	76.89	75.26	72.93	74.36	75.26

Calculations based on previous session. Data collected 05/09/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>MEAT COMPLEX</b>						
LCM7	Live Cattle	121.220	122.550	126.070	127.400	130.920
FCK7	Feeder Cattle	139.400	141.350	145.750	147.700	152.100
LHM7	Lean Hogs	76.320	76.750	77.570	78.000	78.820

Calculations based on previous session. Data collected 05/09/2017

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