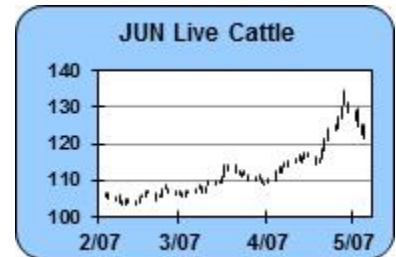




DAILY CATTLE COMMENTARY
05/12/17

US exports to fast growing China market may support

The short-term news flow is turning bullish as news of China importing US beef by July 16th may help support the market. Average weights continue to decline which may slow down the short-term beef production. China has not allowed beef imports from the US since 2003 and the China beef market has grown significantly over the past 10 years. Average dressed steer weights for the week ending April 29th came in at 847 pounds, down from 849 the previous week and down from 870 pounds last year. While slaughter for the same week was up 7.8% from last year, beef production came in at 502.1 million pounds, up 5.4% over year ago. June cattle closed just slightly lower on the session yesterday and up sharply from the lows. The market traded as much as 87 higher on the session early in the day but pushed sharply lower on the day into the mid-session and was down as much as 287 lower on the day and the selling pushed the market down to the lowest level since April 28th.



News that cash is trading near \$138.00 in the Plains from near \$145 last week added to the negative tone. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 345,000 head, up from 335,000 last week at this time and up from 335,000 a year ago. USDA boxed beef cutout values were up \$2.81 at mid-session yesterday and closed \$2.28 higher at \$246.86. This was up from \$235.58 the prior week and is the highest beef price since July 6th of 2015! Traders believe that the surge in beef prices could eventually hurt demand. Weekly U.S. beef export sales for the week ending May 4th came in at 10,800 tonnes, compared with the prior 4-week average of 18,250. Cumulative sales for 2017 have reached 372,900 tonnes, up 21.2% from last year's pace.

TODAY'S MARKET IDEAS:

After the sharp sell-off from the May 4th peak, the China news and a continued sharp drop in steer weights are factors which could fuel an advance. June cattle looks set to challenge resistance at 127.92 and 129.47. August cattle resistance is at 122.57 and 123.72.

NEW RECOMMENDATIONS:

Buy August Cattle 119.00/112.00 bear put spread and also sell the August cattle 129.00 call for even money. Look for a gain of 750 points on the spread, and risk a total of 180 points from entry.

PREVIOUS RECOMMENDATIONS:

* Hit objective on short June cattle 131.00 call for a gain of 230 points.

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) 05/12/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 119.700. The next area of resistance is around 125.870 and 127.520, while 1st support hits today at 121.970 and below there at 119.700.

FEEDER CATTLE (MAY) 05/12/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 138.169. The next area of resistance is around 144.562 and 146.918, while 1st support hits today at 140.188 and below there at 138.169.

DAILY HOGS COMMENTARY

05/12/17

Demand news remains strong with further advance in pork and cash

While overbought and holding a large premium to the cash market, the short-term cash news flow remains supportive. USDA pork cutout values, released after the close yesterday, came in at \$81.28, up \$1.28 from Wednesday and up from \$76.38 the previous week. This is the highest pork cut-out since March 15th and could help support better packer margins and also the cash market. The CME Lean Hog Index as of May 9th was 67.64, up 1.66 from the previous session and up from 61.14 the previous week. This leaves the premium of June to the cash market at 958 points as compared with the 5-year average of 617 points. June hogs closed near unchanged on the session yesterday and up sharply from the lows. Selling emerged to push the market moderately lower on the day into the mid-session but the market experienced a strong recovery off of the lows into the close.



Cash news remains mostly firm but the market is overbought technically and June is holding a higher than normal premium to the cash market. However, the premium is down from levels seen last week as the cash trend is strong. Weekly U.S. pork export sales for the week ending May 4 came in at 17,500 tonnes, compared with the prior 4-week average of 24,350. Cumulative sales for 2017 have reached 569,100 tonnes, up 4.2% from last year's pace. Pork cut-out values at mid-session were down 29 cents to 80.83. The USDA estimated hog slaughter came in at 442,000 head yesterday. This brings the total for the week so far to 1.315 million head, up from 1.280 million last week at this time and up from 1.284 million a year ago. Actual US pork production for the week ending April 29th came in at 488.8 million pounds, down from 490.3 the previous week and up 2.4% from a year ago.

TODAY'S MARKET IDEAS:

With the solid uptrend in the cash market of the past week and a continued advance in pork cut-out to the highest level since mid-March, corrective breaks look like buying opportunities. The market is technically overbought. Close-in resistance for June hogs is still at the 77.60-77.77 zone with 75.55 and 74.37 as support.

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) 05/12/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside target is 78.200. The next area of resistance is around 77.620 and 78.200, while 1st support hits today at 76.450 and below there at 75.820.

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	123.900	54.21	59.99	67.82	56.44	125.22	126.86	122.29	115.48	113.12
FCK7	142.375	46.10	51.26	53.11	41.24	144.93	147.03	144.22	136.90	133.44
LHM7	77.020	68.06	62.03	89.35	89.47	77.25	76.09	73.45	74.35	75.20

Calculations based on previous session. Data collected 05/11/2017

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	119.670	121.950	123.600	125.870	127.520
FCK7	Feeder Cattle	138.168	140.187	142.543	144.562	146.918
LHM7	Lean Hogs	75.800	76.420	77.000	77.620	78.200

Calculations based on previous session. Data collected 05/11/2017

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