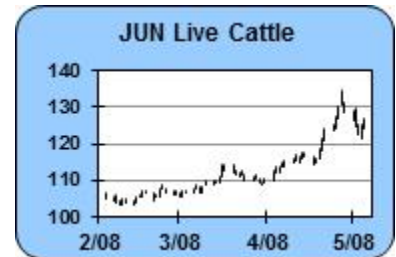




**DAILY CATTLE COMMENTARY**  
 05/15/17

**Tight short-term supply of trimmings helping to support**

The China deal is a longer-term supportive force but it will take time to have a significant impact. Low weights are holding production down but traders see increasing supply ahead and "if" the surge in beef prices to the highest level since July of 2015 slows consumer demand, the cash market may have hit a near-term peak. Average dressed steer weights for the week ending April 29th are 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. The sharp drop in weights has been especially supportive to the low end of the market as 50% trim beef has soared to record highs as the smaller supply plus continued strong consumer demand for hamburger plus lower imports are all seen as supportive forces. June cattle closed 125 higher on the session Friday and this left the market down 312 points for the week. The market pushed sharply higher early Friday and gave back much of the gains. News that China will allow US beef for import no later than July 16th helped to support. China has grown to a major importer of beef over the past decade but US beef has been banned since 2003. While it may take time for significant exports to develop, the news is a bullish longer-term development.



The USDA estimated cattle slaughter came in at 114,000 head Friday and 34,000 head for Saturday. This brought the total for last week to 609,000 head, down from 612,000 the previous week but up 1.8% from last year. Beef production reached 486.5 million pounds which is up just 0.3% from last year. USDA boxed beef cutout values were up 36 cents at mid-session Friday and closed 83 cents higher at \$247.69. This was up from \$238.87 the prior week and is the highest beef market since July 2nd of 2015! The Commitments of Traders reports as of May 9th showed Non-Commercial traders were net long 155,190 contracts, a decrease of 529 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 123,577 contracts, up 1,677 contracts for the week. This is not far off from the record high 129,164 contracts. Commodity Index traders held a net long position of 125,454 contracts, down 288.

**TODAY'S MARKET IDEAS:**

Increasing placements and increasing market-ready supply into the summer are bearish forces but the low weight issue is a bullish short-term force. 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 a short-term advance. Bears will need to see weights increase to feel a bit more confident. June cattle looks set to challenge resistance at 127.92 and 129.47. August cattle resistance is 123.72.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

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

Commitment of Traders - Futures and Options - 5/2/2017 - 5/9/2017						
	Non-Commercial			Commercial		Non-Reportable
	Weekly			Weekly		Weekly
	Net Position	Net Change	Net Position	Net Change	Net Position	Net Change

Livestock						
Feeder Cattle	19,852	-915	-3,461	+641	-16,391	+273
Cattle	155,190	-529	-123,576	-1,676	-31,613	+2,206

## 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) 05/15/2017:** 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 close over the pivot swing is a somewhat positive setup. The next downside objective is now at 122.700. The next area of resistance is around 126.500 and 128.020, while 1st support hits today at 123.850 and below there at 122.700.

**FEEDER CATTLE (MAY) 05/15/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 140.663. The next area of resistance is around 146.350 and 147.862, while 1st support hits today at 142.750 and below there at 140.663.

## DAILY HOGS COMMENTARY

05/15/17

### Solid speculative buying and 11% jump in cash last week; firm

The short-term cash news remains positive and the wide basis is being corrected from the jump in lean values. More talk of strong export demand has helped to support. June hogs closed 90 higher on the session Friday and this left the market up 162 points for the week. Seasonally tightening supply plus a jump in pork values late Thursday plus the recent strong uptrend for cash are all factors which helped to support the rally on Friday. In addition, a jump in cattle futures helped to support. USDA pork cutout values, released after the close Friday, came in at \$82.82, up \$1.54 from Thursday and up from \$77.49 the previous week. This is the highest pork value since February 21st. The USDA estimated hog slaughter came in at 418,000 head Friday and 87,000 head for Saturday. This brought the total for last week to 2.258 million head, down from 2.262 million the previous week but up 4.4% from last year. Pork production reached 480.8 million pounds which is up 4.6% from last year.



The CME Lean Hog Index as of May 10th was 69.12, up 1.48 from the previous session and up from 62.24 the previous week. The Commitments of Traders reports as of May 9th showed Non-Commercial traders were net long 33,206 contracts, an increase of 14,777 contracts for the week and the buying trend is a short-term supportive force. Non-Commercial and Nonreportable combined traders held a net long position of 18,704 contracts, up 13,161 contracts in just one week. Commodity Index traders held a net long position of 71,945 contracts, up 1,771 contracts for the week and also a supportive force.

### TODAY'S MARKET IDEAS:

The CME lean index is in a solid uptrend and jumped 11% in the last week. Cut-out values are at the highest since February 21st. With the solid uptrend in the cash market, it is difficult to fight the short-term uptrend. Close-in support for June hogs is at 76.30 with 79.30 as resistance.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/2/2017 - 5/9/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Livestock</b>						
Hogs	33,206	+14,777	-18,704	-13,161	-14,502	-1,616

## 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) 05/15/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 79.020. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 78.600 and 79.020, while 1st support hits today at 77.320 and below there at 76.450.

## 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
<b>MEAT COMPLEX</b>										
LCM7	125.150	58.65	62.65	63.63	55.24	124.57	126.97	122.82	115.89	113.47
FCK7	144.550	51.45	54.71	48.90	40.48	143.99	146.58	144.47	137.36	133.80
LHM7	77.950	72.27	64.99	89.94	91.12	77.39	76.61	73.81	74.38	75.19

Calculations based on previous session. Data collected 05/12/2017

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	122.670	123.820	125.350	126.500	128.020
FCK7	Feeder Cattle	140.662	142.750	144.262	146.350	147.862
LHM7	Lean Hogs	76.420	77.300	77.720	78.600	79.020

Calculations based on previous session. Data collected 05/12/2017

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