



DAILY LIVESTOCK COMMENTARY

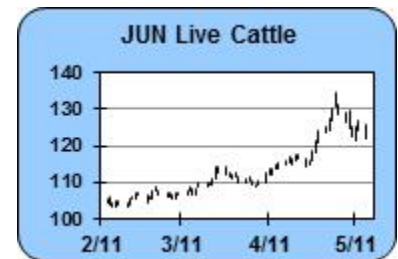
Tuesday May 16, 2017

DAILY CATTLE COMMENTARY

05/16/17

Will need to see weights on the rise to confirm bear trend

Weakness in spite of continued strong gains in beef prices plus a turn down in open interest indicates that a major top may be in place and fund traders may be in a long liquidation selling mode. Surging beef prices, especially low end 50% trimmings, has helped to provide underlying support to the market but the trade is convinced that the market will see increasing numbers ahead due to a jump in placements in the winter and talk that placements remained high in April. The market pushed sharply lower on the session yesterday and June cattle experienced the lowest close since April 27th. The market traded a bit higher early in the session, but sellers turned active. Ideas that supply is on the rise, especially if weights recover, helped to pressure the market.



Ideas that it will take time before China is an active buyer of US beef added to the bearish tone. In addition, traders see the recent surge in beef prices as a reason to suspect slower consumer demand ahead. USDA boxed beef cutout values were up \$1.66 at mid-session yesterday and closed \$1.71 higher at \$249.40. This was up from \$241.44 the prior week and the highest beef market since July 2nd of 2015. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This was unchanged from last week but up from 111,000 a year ago as this time.

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. Low weights have been especially supportive to the trimmings market as cattle have less fat and the slower imports adds to the tightness. Bears will need to see weights increase to feel a bit more confident. June cattle close-in resistance is at 124.67, with 121.62 and 118.57 as support. The next support for August cattle is down at 116.87.

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.

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) 05/16/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 119.650. The next area of resistance is around 124.220 and 126.750, while 1st support hits today at 120.700 and below there at 119.650.

FEEDER CATTLE (MAY) 05/16/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 1st swing support could weigh on the market. The next downside target is 138.625. The next area of resistance is around 144.700 and 147.325, while 1st support hits today at 140.350 and below there at 138.625.

DAILY HOGS COMMENTARY

05/16/17

Strong pork cut-out holds the cash market in solid uptrend

The market continues to consolidate recent gains and the sideways action is helping to correct the overbought condition. USDA pork cutout values, released after the close yesterday, came in at \$83.06, up 24 cents from Friday and up from \$78.46 the previous week. This is the highest pork value since February 21st. The CME Lean Hog Index as of May 11th was 70.63, up 1.51 from the previous session and up from 63.55 the previous week. This leaves June hogs at a premium of 657 points to the cash market as compared with the 5-year average for this time of the year at 500 points. At the end of April, June was trading at a 1,400 point premium to the cash. The market continues to chop sideways as the market attempts to correct the overbought condition with consolidation.



Weakness in cattle and bear spreading helped to hold nearby futures lower and deferred contracts traded moderately higher on the day. The market recovered from early moderate losses as traders see high beef prices leading to some boost in pork demand. Cash markets remain firm. The 2-day lean index is expected to increase another \$1.31 to \$71.94. The USDA estimated hog slaughter came in at 437,000 head yesterday. This was up from 430,000 last week and up from 432,000 a year ago as this time.

TODAY'S MARKET IDEAS:

There seems to be plenty of hogs around but this has been offset by very strong export market. Pork cut-out market remains strong and suggests that exports remain active. Cut-out values are at the highest since February 21st. Close-in support for June hogs is at 76.37 and 75.75 with 79.30 as resistance and 80.47 as upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 05/16/2017: The daily stochastics gave a bearish indicator with a crossover down. 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. The daily closing price reversal down puts the market on the defensive. The close below the 1st swing support could weigh on the market. The next downside objective is now at 76.400. The next area of resistance is around 77.770 and 78.550, while 1st support hits today at 76.700 and below there at 76.400.

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 | 122.450 | 47.38 | 54.18 | 58.62 | 48.62 | 123.94 | 126.46 | 123.18 | 116.22 | 113.77 |
| FCK7 | 142.525 | 46.61 | 51.08 | 44.44 | 35.53 | 143.49 | 145.79 | 144.59 | 137.73 | 134.13 |
| LHM7 | 77.250 | 64.79 | 61.00 | 89.74 | 89.33 | 77.36 | 76.95 | 74.22 | 74.38 | 75.17 |

Calculations based on previous session. Data collected 05/15/2017

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 | 119.620 | 120.650 | 123.200 | 124.220 | 126.750 |
| FCK7 | Feeder Cattle | 138.625 | 140.350 | 142.975 | 144.700 | 147.325 |
| LHM7 | Lean Hogs | 76.370 | 76.670 | 77.450 | 77.770 | 78.550 |

Calculations based on previous session. Data collected 05/15/2017

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