



## DAILY LIVESTOCK COMMENTARY

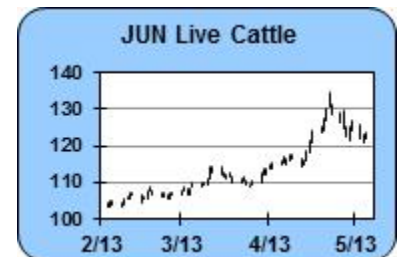
Thursday May 18, 2017

### DAILY CATTLE COMMENTARY

05/18/17

#### Economic sensitive market with huge spec long positioning; weak

With large and small speculators holding a near record high net long position in the last COT update, and a risk off mode for commodity markets and ideas that retailers are nearly finished booking Memorial Day specials, the market looks vulnerable to increased selling. While the cash trend is down, the huge premium of cash to futures could be a limiting factor for the bears. June cattle closed moderately higher on the session yesterday with a small range. The huge discount to the cash market and talk of the short-term oversold condition helped to support. The Fed Cattle Exchange showed 1,621 head sold of the 2,379 offered. There were 814 head sold for 1-9 day delivery at \$135.16, 570 head for 1-17 day delivery at \$134.28 and 237 head sold for 17-30 day delivery at \$130.84.



The USDA estimated cattle slaughter came in at 114,000 head yesterday. This brings the total for the week so far to 344,000 head, down from 345,000 last week at this time but up from 335,000 a year ago. USDA boxed beef cutout values were down 57 cents at mid-session yesterday and closed \$1.71 lower at \$248.17. This was up from \$244.58 the prior week. The surge in beef prices has traders concerned that the run up to the highest level since July 2015 could slow consumer demand. If packers sense less demand, cash bids could be much lower. Open interest is down to the lowest level since late April which might indicate a long liquidation selling trend from speculators.

#### TODAY'S MARKET IDEAS:

Speculative long liquidation selling is a threat with cattle seen as an economic sensitive market. It will be important to see lower cash and higher average weights ahead or the huge discount comes into play. June cattle stiff resistance is up at 125.92, with 118.90 as next key support. August cattle down-trending resistance is at 120.25 today with 116.25 as next key support.

#### 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) 05/18/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 120.850. The next area of resistance is around 123.300 and 124.220, while 1st support hits today at 121.620 and below there at 120.850.

FEEDER CATTLE (MAY) 05/18/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 140.075. The next area of resistance is around 142.800 and 143.375, while 1st support hits today at 141.150 and below there at 140.075.

## DAILY HOGS COMMENTARY

05/18/17

### A minor slowdown in pork demand could spark correction

With strong US pork exports at the foundation of the recent rally, increased concerns for the economy and a serious risk-off mode from money managers might spark a short-term technical correction. However, until the pork cut-out market backs down, the market is likely to find good commercial support on set-backs. Once Memorial Day holiday bookings are complete, the market could set back. June hogs closed slightly higher on the session yesterday but more than 100 points off of the highs which leaves the appearance that a short-term peak is in place. The market traded as much as 110 higher on the day early in the session and traded up to the highest level since February 21st. A continued advance in pork cut-out values late Tuesday and a firm cash market helped to support. USDA pork cutout values, released after the close yesterday, came in at \$85.67, up \$1.00 from Tuesday and up from \$80.00 the previous week. This is the highest pork cut-out value since July 25th.



The drop in weights of 1 pound for the week helped to support the bounce yesterday. Weekly average weights for Iowa-Southern Minnesota as of May 13 came in at 282.0 pounds, down from 283 the previous week and down from 283.3 pounds last year. The CME Lean Hog Index as of May 15th was 73.01, up 1.07 from the previous session and up from 65.98 the previous week. The USDA estimated hog slaughter came in at 438,000 head yesterday. This brings the total for the week so far to 1.314 million head, down from 1.315 million last week at this time but up from 1.294 million a year ago. Weakness in China pork prices is also a concern.

### TODAY'S MARKET IDEAS:

With second quarter pork production expected to be up 4.9% from last year, the surge in the pork cut-out values above last year and also above 2015 levels for this time of the year could be a sign of strong export demand. However, retailers may be done booking needs for the upcoming holiday and the risk-off mode does not help. Close-in resistance is at 79.22 for June hogs with 77.10 and 75.30 as support. Given the overbought condition and a risk-off mode, the market looks poised for at least a correction.

### 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) 05/18/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 78.000. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 79.470 and 80.270, while 1st support hits today at 78.350 and below there at 78.000.

## 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	122.450	47.85	54.04	46.19	33.22	122.99	124.57	123.80	116.88	114.32
FCK7	141.975	46.06	50.23	33.76	23.69	142.50	143.72	144.81	138.39	134.72
LHM7	78.900	72.45	66.30	89.93	89.39	78.21	77.57	75.36	74.38	75.16

Calculations based on previous session. Data collected 05/17/2017

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	120.820	121.600	122.520	123.300	124.220
FCK7	Feeder Cattle	140.075	141.150	141.725	142.800	143.375
LHM7	Lean Hogs	77.970	78.320	79.120	79.470	80.270

Calculations based on previous session. Data collected 05/17/2017

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