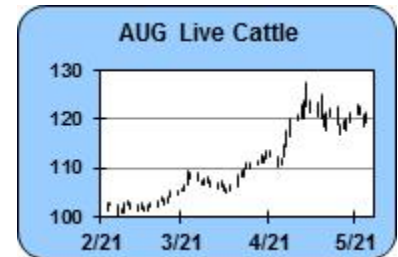




**DAILY CATTLE COMMENTARY**  
05/26/17

**Cattle-on-Feed to set tfcone; did high beef slow demand?**

Positioning ahead of the USDA Cattle-on-Feed report has helped to keep the trade choppy. There seems to be some growing concerns regarding the fate of Brazil packing firm JBS, with the political turmoil in that country and the fact that they have many operations in the US. Brazil is the world's largest beef exporter, so some traders see the possibility of higher beef exports from the US ahead. Average dressed steer weights for the week ending May 13th came in at 836 pounds, up from 832 pounds the previous week but down from 862 last year at this time. The turn higher in weights is somewhat bearish, but it comes from a very low level. While slaughter for the same week was up 5.6% from last year, beef production came in at 487.4 million pounds, up just 2.5% from year ago. June cattle closed sharply higher on the session yesterday, near the highs of the day. The futures discount to the cash market and a strong packer profit margin helped to support the market early.



U.S. beef export sales for the week ending May 18th came in at only 7,200 tonnes, compared with the prior 4-week average of 14,025. This is the lowest weekly total since January 12th. Cumulative sales for 2017 have reached 387,600 tonnes, up 14.9% from last year's pace. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 461,000 head, up from 451,000 last week at this time and up from 446,000 a year ago.

USDA boxed beef cutout values were up 7 cents at mid-session yesterday and closed 3 cents higher at \$246.11. This was down from \$247.21 the prior week. The outlook for higher placements for April and more in May could leave a significant supply of market-ready cattle for this summer. The USDA sees an increase in beef production from the second quarter to the third quarter of 325 million pounds. This would be the second highest increase for that quarter on record, with only 2005 higher. August 2005 cattle hit a peak of 86.85 on May 17th of that year and traded down to under 79.00 by early July. A large increase in production into the summer is difficult to absorb as the demand tone weakens. Another similar year was last year when August cattle posted a contract low on July 21st. For the cattle-on-feed report on Friday, traders see placements for the month of April at 106.8% of last year (103.1-112.7 range) and marketings at 101.8% (101-102.7) which would leave May 1st on-feed supply at 100.8% of last year (98.1-102.3).

**TODAY'S MARKET IDEAS:**

The outlook for big placements and higher production into the third quarter is negative. Short-term traders can look to sell rallies or establish other bearish spread or option strategies. August cattle resistance is at the 122.12 to 123.40 zone, with 116.77 and 113.45 as next key support.

**NEW RECOMMENDATIONS:**

Sell the August/December cattle spread at 332 (Buy Dec and sell August) with an objective of 77. Risk a total of 90 points from entry.

**PREVIOUS RECOMMENDATIONS:**

Long 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.

## 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 (AUG) 05/26/2017:** The daily stochastics have crossed over up which is a bullish indication. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 123.020. The next area of resistance is around 122.450 and 123.020, while 1st support hits today at 120.350 and below there at 118.800.

**FEEDER CATTLE (AUG) 05/26/2017:** The daily stochastics have crossed over up which is a bullish indication. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 153.656. The next area of resistance is around 152.787 and 153.656, while 1st support hits today at 149.463 and below there at 147.007.

## DAILY HOGS COMMENTARY

05/26/17

### With large production for 2nd half of year; need strong exports

Weekly slaughter levels should continue to decline seasonally into early July and pork product prices are strong, but it is still questionable as to whether this will be enough to hold the market in an uptrend for much longer. Exports will need to be strong to keep product prices high, and the April data from China is not promising. China pork prices drifted lower in the spring (down more than 6% since mid-March), and imports slid down from the very high levels of the past year. Total China pork imports in April were down 14.2% from March and down 10.2% from last year. While China's imports from Canada were up sharply, their imports from the US were down 26.8% from March and down 29.4% from last year. August hogs closed at a new contract high yesterday. July hogs closed sharply higher on the session yesterday but came up short of Wednesday's contract highs. The market traded as much as 50 lower on the day early in the session on follow-through technical selling from Wednesday's key reversal. However, the positive short-term cash news flow was enough to support the market to a strong rally.



USDA pork cutout values were up 55 cents at midsession yesterday and ended the day at \$89.32, up 42 cents from Wednesday and up from \$86.40 the previous week. These gains were led by bellies which have bounced to \$144.20 as compared with \$137.66 last week at this time. U.S. pork export sales for the week ending May 18th came in at 17,500 tonnes compared with the prior 4-week average of 17,500. Cumulative sales for 2017 have reached 602,300 tonnes, up 6.0% from last year's pace. The CME Lean Hog Index as of May 23rd was 76.07, up 13 cents from the previous session and up from 74.14 the previous week. The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 1.762 million head, up from 1.750 million last week at this time and up from 1.726 million a year ago. Actual US pork production for the week ending May 13th came in at 478.0 million pounds, down from 480.4 the previous week and up 0.97% from a year ago.

### TODAY'S MARKET IDEAS:

With a potential lull in demand just ahead and an overbought technical condition, the market looks vulnerable to a short-term correction. The uptrend in open interest, however, is a positive force. Position traders might wait and let the break run its course. Short-term traders might consider selling July hogs near 81.47, looking for a correction to at least 76.80. Watch for a technical sign of a top.

### 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 (JUL) 05/26/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside daily closing price reversal gives the market a bullish tilt. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 78.800. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 81.300 and 81.720, while 1st support hits today at 79.850 and below there at 78.800.

**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>										
LCQ7	121.400	57.78	59.62	43.42	45.45	121.17	120.14	120.94	114.59	111.90
FCQ7	151.125	53.34	55.03	34.79	36.61	151.02	149.84	151.81	144.30	140.26
LHN7	80.570	74.21	68.84	89.16	88.66	80.13	79.64	78.37	75.32	75.87

Calculations based on previous session. Data collected 05/25/2017

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>						
LCQ7	Live Cattle	118.770	120.320	120.900	122.450	123.020
FCQ7	Feeder Cattle	147.006	149.462	150.331	152.787	153.656
LHN7	Lean Hogs	78.770	79.820	80.250	81.300	81.720

Calculations based on previous session. Data collected 05/25/2017

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