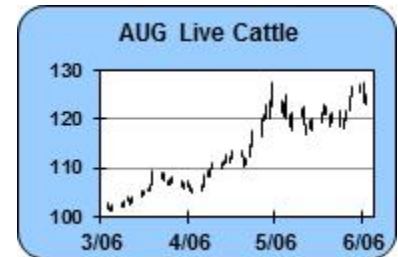




DAILY CATTLE COMMENTARY
06/08/17

Key reversal but need turn down in beef to turn trend

The bull camp is still in control but a turn down in beef prices might be all the market needs to assume a top is close at hand. The market rejected a move to a higher price level on Tuesday with a sweeping key reversal. USDA boxed beef cutout values were up 35 cents at mid-session yesterday and closed 26 cents higher at \$250.71. This was up from \$245.54 the prior week and the highest beef market since July 1st, 2015. AS long as the beef market stays high, packer margins are strong and this will keep demand for live inventory strong. This is normally not as big of an issue except for the huge discount of August cattle to the cash market. However, the discount makes sense as soon as the beef market begins to trend lower. Third quarter beef production is expected to increase 5.4% from last year and also reach a nine-year high. In addition, 3rd quarter production is expected to increase by 325 million pounds from the second quarter and this is the second highest "increase" on record. The largest increase was 2005 when August cattle peaked on May 17th at 86.85 and fell to near 78.00 into July. Last year was also a similar set-up and August cattle put in a contract low on July 21st.



The Commitments of Traders reports as of May 30th showed the "combined" spec and fund net long position has hit a new record level at 131,405 contracts. August cattle closed sharply higher on the session yesterday with aggressive buying late in the day. News that Brazil meat packer JBS indicated that no core assets in the US would be sold off may have help spark the late buying, as news of selling of Argentine assets the previous session may have helped to pressure. Talk that the market was a bit oversold given the strength seen in beef prices over the past week help to provide underlying support. Beef prices typically move lower in the month of June and August futures are trading at a stiff discount to the cash market. Traders will be monitoring the Fed Cattle Exchange for keys to the short-term cash market direction. Last week, 1,257 head sold at an average price of \$132.17 and the auction has been postponed until today due to technical issues. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 349,000 head, up from 236,000 last week at this time and up from 334,000 a year ago.

TODAY'S MARKET IDEAS:

The sweeping key reversal combined with the outlook for increasing supply into the third quarter is a potential bearish set-up. In order to confirm a peak, the beef market will need to begin to push lower. August cattle resistance is now at 125.85 and 127.00, with 118.80 and 116.87 as downside targets.

NEW RECOMMENDATIONS:

* Buy the August cattle 123.00/117.00 bear put spread for 185 with an objective of 465. Risk a total of 95 points from entry.

PREVIOUS RECOMMENDATIONS:

None.

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) 06/08/2017: 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 daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 126.120. The next area of resistance is around 125.220 and 126.120, while 1st support hits today at 123.120 and below there at 121.900.

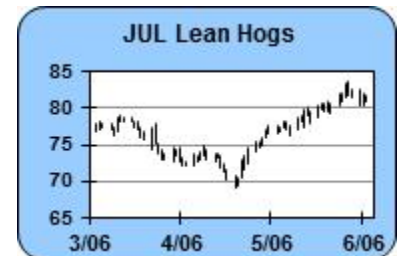
FEEDER CATTLE (AUG) 06/08/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 158.937. The next area of resistance is around 157.075 and 158.937, while 1st support hits today at 152.525 and below there at 149.838.

DAILY HOGS COMMENTARY

06/08/17

Downtrend for China prices showing up as slower imports

With plenty of optimism that China and Mexico pork imports from the US will recover from recent weak readings, the market will have a difficult time moving much lower until pork cut-out values begin a more significant decline. While production is running well above the last two years, pork cut-out values are trading well above the level of the past two years. A China commerce ministry spokesman indicated that pork prices may fall in the second half of the year. Pork prices in China fell last week and are down 22% from last year. July hogs closed slightly higher on the session yesterday after choppy and two-sided trade as a late rally in cattle helped to support. It was a quiet, inside trading day. The choppy to lower trade into the mid-day was a bit of a surprise to the bulls with cash markets trading higher and pork values strong. High pork prices have kept packer margins very strong and this has led to a gradual uptrend in the cash market. Fears of a slowdown in demand from Mexico and China for US pork may have led to the selloff off from the June 1st peak.



The CME Lean Hog Index as of June 5th was 78.20, up 30 cents from the previous session and up from 76.45 the previous week. The USDA estimated hog slaughter came in at 439,000 head yesterday. This brings the total for the week so far to 1.314 million head, up from 880,000 last week at this time and up from 1.275 million a year ago. USDA pork cutout values, released after the close yesterday, came in at \$89.93, up 59 cents from Tuesday and up from \$89.82 the previous week. Weekly average weights for Iowa-Southern Minnesota as of June 3 came in at 281.2 pounds, up from 280.8 the previous week and down from 283.1 pounds last year. Third quarter pork production this year is expected to be up 4.8% from last year.

TODAY'S MARKET IDEAS:

Pork values need to see a short-term downtrend in order to conclude that the export flow may be slowing. Declining pork values could pinch packer margins and slow movement through the pipeline. Close-in resistance for July hogs is at 81.90 and 82.27 with key support back at 78.07 and 76.37. August hog resistance is at 81.82 with 77.72 as initial key support. Consider selling a bounce.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short August Hog 84.00 call and also long August Hog 77.00 put for a net credit (premium received) of 37 points. Look for a gain of 390 points from entry and risk a total of 110 points on the entire position.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUL) 06/08/2017: Stochastics trending lower at midrange will tend to reinforce a move lower

especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 80.200. The next area of resistance is around 81.550 and 82.120, while 1st support hits today at 80.600 and below there at 80.200.

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										
LCQ7	124.150	58.94	59.94	71.01	71.67	125.01	122.96	121.57	117.43	114.67
FCQ7	154.800	54.39	55.75	69.77	70.93	157.19	154.05	151.98	147.93	144.13
LHN7	81.070	55.96	58.66	73.17	64.83	81.21	81.50	80.46	76.62	76.41

Calculations based on previous session. Data collected 06/07/2017

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						
LCQ7	Live Cattle	121.870	123.100	124.020	125.220	126.120
FCQ7	Feeder Cattle	149.837	152.525	154.387	157.075	158.937
LHN7	Lean Hogs	80.170	80.570	81.150	81.550	82.120

Calculations based on previous session. Data collected 06/07/2017

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