



DAILY LIVESTOCK COMMENTARY

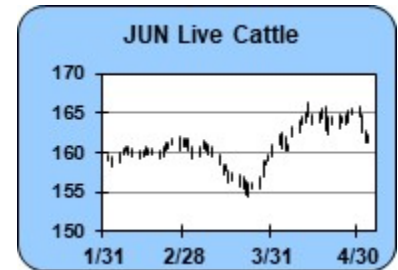
Friday May 05, 2023

DAILY CATTLE COMMENTARY

5/5/2023

Further corrective breaks may drive basis too wide

June cattle closed slightly lower on the session yesterday with an inside trading day and a small range. Sluggish cash market news may be offset by the large discount of June cattle to the cash market. Cash live cattle trade was on the light side on Thursday after heavy trade earlier in the week. As of Thursday afternoon, the five-day, five area weighted average price was 174.12, down from 176.94 for last week. This leaves June cattle trading at a discount of \$12.55 as compared with the 5-year average discount for this time of the year of \$9.84. The USDA boxed beef cutout was up 13 cents at mid-session yesterday and closed 43 cents higher at \$309.52. This was down from \$311.07 the previous week. The USDA estimated cattle slaughter came in at 120,000 head yesterday. This brings the total for the week so far to 496,000 head, unchanged from last week but up from 490,000 a year ago.



US beef export sales for the week ending April 27 came in at 20,141 tonnes, up from 9,508 the previous week and the highest since February 9. Cumulative sales for 2023 have reached 416,900 tonnes, down from 542,100 a year ago and the lowest for this point in the year since 2019. The five-year average is 463,900. The largest buyer this week was Japan at 4,729 tonnes, followed by South Korea at 3,644 and China at 3,384. South Korea has the most commitments for 2023 at 115,100 tonnes, followed by Japan at 96,300 and China at 67,700. Cash cattle prices were lower for the third week in a row and beef prices moved higher for the sixth consecutive week and this has pushed packer margins to a high level.

TODAY'S MARKET IDEAS:

June cattle resistance is at 162.92, with 160.32 support. Longer-term, breaks look like buying opportunities and the supply fundamentals suggest that the market may be in position to take out the high. August cattle close in resistance is at 161.05, with 159.00 and 158.60 as next support.

NEW RECOMMENDATIONS:

* Buy June Cattle at 160.35 with an objective of 168.47. Risk to 158.37.

PREVIOUS RECOMMENDATIONS:

Short June Cattle 162.00 put from 192 with an objective of zero. Risk a total of 75 points from entry.

CATTLE COMPLEX TECHNICAL OUTLOOK:

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LIVE CATTLE (AUG) 05/05/2023: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 158.670. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 159.870 and 160.450, while 1st support hits today at 159.000 and below there at 158.670.

FEEDER CATTLE (AUG) 05/05/2023: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 221.500. The next area of resistance is around 224.075 and 225.200, while 1st support hits today at 222.225 and below there at 221.500.

DAILY HOGS COMMENTARY

5/5/2023

Did not hold support as June premium to cash significant

June hogs closed moderately lower on the session yesterday as the weakness in pork prices yesterday plus bearish technical action helped spark follow-through selling. The close under 87.47 for June hogs is considered a bearish technical development. Weekly export sales news were considered neutral to positive, and monthly pork exports for the month of March reached the highest level since May 2021. The CME Lean Hog Index as of May 3 was 73.78, up from 73.02 the previous session and 71.31 the previous week. The USDA pork cutout, released after the close yesterday, came in at \$78.66, up 7 cents from Wednesday and up from \$77.26 the previous week. March pork exports came in at 608.12 million pounds, up 11.8% from a year ago. Exports to China remain sluggish but exports to Mexico and South Korea were strong.



The USDA estimated hog slaughter came in at 471,000 head yesterday. This brings the total for the week so far to 1.857 million head, down from 1.890 million last week and 1.914 million a year ago. US pork weekly export sales for the week ending April 27 came in at 48,994 tonnes, down from 54,018 the previous week but above the four-week average at 41,570. Cumulative sales for 2023 have reached 820,600 tonnes, up from 711,300 a year ago but below the five-year average of 842,400. The largest buyer this week was Mexico at 14,622 tonnes, followed by China at 14,233. Mexico has the most commitments for 2023 at 301,100 tonnes, followed by China at 107,100 and Japan at 105,400.

TODAY'S MARKET IDEAS:

June was holding a 16.22 premium to the cash on May 2nd as compared with a premium of 4.86 last year and the 5 year average at 5.38. This could limit buying unless the cash remains in a strong uptrend. The technical action is a bit bearish as June hogs failed to hold support in the April consolidation. Support is now at 85.02, with resistance at 89.17 and 91.75.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June Hog 84.00 put from 260 with an objective of zero. Risk to 220. 2) Long a June Hog 92.00 call, short a June Hog 99.00 call, and short a June Hog 80.00 put for a net premium paid of 20 points. Use an objective of +425 on the spread, and risk a total of 135 points from entry.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 05/05/2023: A crossover down in the daily stochastics is a bearish signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 86.070. The next area of resistance is around 87.800 and 88.650, while 1st support hits today at 86.520 and below there at

86.070.

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										
LCQ23	159.420	28.45	37.95	35.82	17.10	160.64	162.22	162.82	160.38	160.13
FCQ23	223.150	34.82	45.16	60.18	35.24	225.74	228.34	227.31	221.28	218.34
LHM23	87.150	41.94	42.08	59.29	53.16	88.70	89.03	87.82	91.89	94.68

Calculations based on previous session. Data collected 05/04/2023

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						
LCQ23	Live Cattle	158.650	158.950	159.550	159.870	160.450
FCQ23	Feeder Cattle	221.500	222.225	223.350	224.075	225.200
LHM23	Lean Hogs	86.050	86.500	87.350	87.800	88.650

Calculations based on previous session. Data collected 05/04/2023

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