



## DAILY LIVESTOCK COMMENTARY

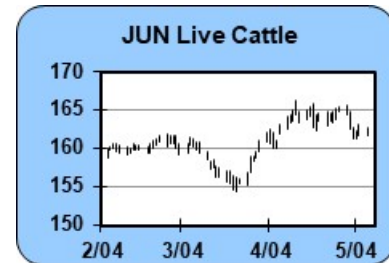
Tuesday May 09, 2023

### DAILY CATTLE COMMENTARY

5/9/2023

#### Beef production for 4th quarter expected to be down 8% from YA

June cattle closed higher on the session yesterday as the low production last week help provide some underlying support, and June cattle is still finding support from the stiff discount to the cash market. Estimated beef production last week was 508.5 million pounds, down 6.5% from a year ago. Second quarter beef production is expected to be down 5.6% from last year. The market also faces significant tightness into the fourth quarter with beef production expected to be down 8% from last year. The USDA boxed beef cutout was down 81 cents at mid-session yesterday and closed 63 cents lower at \$308.56. This was down from \$310.02 the previous week and was the lowest it had been since April 25.



Cash live cattle trade was quiet on Monday with no trades reported. The five-area weighted average steer price last week was 173.93, down from 177.15 the previous week but up from 143.42. The USDA estimated cattle slaughter came in at 126,000 head yesterday. This was up from 123,000 last week and 119,000 a year ago. The estimated average dressed cattle weight last week was 818 pounds, down from 821 the previous week and 824 a year ago. The lower weights should help keep beef production low.

#### TODAY'S MARKET IDEAS:

Consumer demand looks strong with the better jobs number last week. June cattle support is at 160.32, a 50% correction of the March 22nd to April 13th rally. Breaks look like buying opportunities and the supply fundamentals suggest that the market may be in position to rally. December cattle support is at 167.95, with 169.90 and 170.45 as resistance.

#### 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) 05/09/2023: 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 159.170. The next area of resistance is around 160.450 and 160.720, while 1st support hits today at 159.670 and below there at 159.170.

FEEDER CATTLE (AUG) 05/09/2023: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The downside crossover of the 9 and 18 bar moving average is a negative

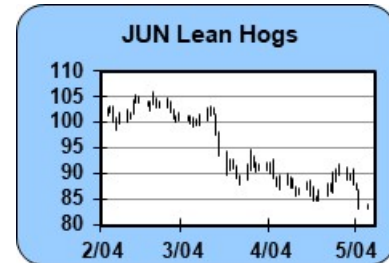
signal. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 220.513. The next area of resistance is around 224.175 and 224.812, while 1st support hits today at 222.025 and below there at 220.513.

## DAILY HOGS COMMENTARY

5/9/2023

### Probing for short-term low with fundamentals okay, 81.80 target

June hogs closed lower on the session yesterday and pushed down to a new contract low. While the range was very small, some early weakness caused the market to post a new contract low. Fears that producers are seeing some liquidation of breeding stock helped to spark more selling. If there is significant liquidation of breeding stock, there will be less hogs by the end of the year and for 2024. With hog prices under the cost of production, and elevated hog prices in Europe, and China demand for imports continuing, the export market remains a positive with year to date US pork exports up 7% from last year's pace.



With the Lean Index at 74.53, buyers are not too excited with June hogs at 83.27. With a firm export tone and average hog weights relatively low, the market may find some support soon. The USDA pork cutout, released after the close yesterday, came in at \$80.16, up 49 cents from Friday and up from \$79.27 the previous week. The CME Lean Hog Index as of May 4 was 74.53, up from 74.24 the previous session and 71.49 the previous week. The USDA estimated hog slaughter came in at 468,000 head yesterday. This was up from 449,000 last week and 459,000 a year ago. Estimated US pork production last week was 531.2 million pounds, up from 518.2 the previous week and up just 0.95% from a year ago.

### TODAY'S MARKET IDEAS:

While the technical action remains bearish, the market still faces seasonal decline in production in the next month or more, and export demand remains firm. The stiff premium of June to the cash market is still a negative force. June hog resistance is at 85.70 and 86.50, with 81.80 as next technical swing target. Watch for signs of a low soon.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

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) 05/09/2023: Momentum studies are declining, but have fallen to oversold levels. 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 now at 82.350. The next area of resistance is around 83.820 and 84.520, while 1st support hits today at 82.770 and below there at 82.350.

## 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	160.070	36.44	42.37	23.28	13.65	159.64	161.46	162.39	160.40	160.17
FCQ23	223.100	39.27	46.23	38.84	21.02	222.80	226.75	227.00	221.66	218.83
LHM23	83.270	30.10	33.76	42.09	23.59	85.56	88.22	87.35	91.14	94.07

Calculations based on previous session. Data collected 05/08/2023

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	159.150	159.650	159.920	160.450	160.720
FCQ23	Feeder Cattle	220.512	222.025	222.662	224.175	224.812
LHM23	Lean Hogs	82.320	82.750	83.420	83.820	84.520

Calculations based on previous session. Data collected 05/08/2023

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