



DAILY LIVESTOCK COMMENTARY

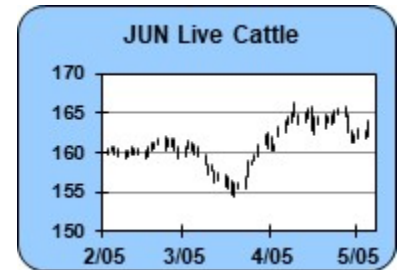
Thursday May 11, 2023

DAILY CATTLE COMMENTARY

5/11/2023

Choppy/lower trade on sluggish beef market but tightness ahead

The technical action has turned negative with the hook reversal yesterday. A sluggish tone for the beef market and a continued decline in the cash cattle market this week has put pressure on prices. Longer-term, the tightening supply situation should help support the market on breaks. Fourth quarter US beef production looks especially tight (with a decline of 8% from last year), and this should support December cattle. June cattle remains at a significant discount to the cash market, and this may provide support on a corrective break. The market closed lower yesterday after an early rally to the highest level since May 2 failed to attract new buying interest. Traders remain concerned about the high price of beef and the willingness of consumers to pay for it. Traders see cheaper pork as another a reason to expect beef demand to soften. The USDA boxed beef cutout was up 58 cents at mid-session yesterday, but it closed 51 cents lower at \$306.87. This was down from \$309.09 the previous week and was the lowest it had been since April 21. Cash live cattle trade volume picked up a bit on Wednesday, and prices were lower from last week. There were 4,206 head reported across four of the five areas at an average price of \$171.51, down from an average of \$173.91 last week. The USDA estimated cattle slaughter came in at 126,000 head yesterday. This brings the total for the week so far to 380,000, up from 376,000 last week and 365,000 a year ago.



TODAY'S MARKET IDEAS:

Low weights suggest production may come in lower than expected over the near term. Sluggish beef prices may spark more of a correction. June cattle support comes in at 162.50 and 161.75, with 163.72 and 164.32 as resistance. Key support levels for December cattle include 168.87 and 167.92, with resistance at 170.45 and 171.02.

NEW RECOMMENDATIONS:

None.

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:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

LIVE CATTLE (AUG) 05/11/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 162.650. The next area of resistance is around 161.820 and 162.650, while 1st support hits today at 160.550 and below there at 160.070.

FEEDER CATTLE (AUG) 05/11/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-

bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 223.169. The next area of resistance is around 226.187 and 227.318, while 1st support hits today at 224.113 and below there at 223.169.

DAILY HOGS COMMENTARY

5/11/2023

Key reversal and seasonal decline in production

June hogs closed slightly lower yesterday, but they did find some support from follow-through buying after the key reversal on Tuesday. The cash index worked higher yesterday, packer margins were in the black, and weekly average weights dropped from last week were down sharply from a year ago. A seasonal decline in production in the weeks ahead should help provide some support as well. The average hog weight for Iowa-Southern Minnesota as of May 6 was 285.6 pounds, down from 285.9 the previous week and 288.5 a year ago. The 5-year average for that week is 287.2 pounds.



June hogs remain at a premium to the cash market, which may be a limiting factor for rallies. The CME Lean Hog Index as of May 8 was 74.64, up from 74.42 the previous session and 73.02 the previous week. The USDA pork cutout, released after the close yesterday, came in at \$79.50, down \$1.51 from Tuesday but up from \$78.59 the previous week. The USDA estimated hog slaughter came in at 465,000 head yesterday. This brings the total for the week so far to 1.384 million head, down from 1.386 million last week and 1.412 million a year ago. The export market is a positive influence, with year-to-date US pork exports up 7% from last year through March. Traders will monitor the weekly US Export Sales report today.

TODAY'S MARKET IDEAS:

US March pork exports were up 11.8% from a year ago and the highest for any month since May 2021. The key reversal for June hogs is a bullish technical development, but the premium to the cash market is a limiting force. June hog close-in support is at 83.30, with 86.27 and 87.35 as resistance.

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:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

LEAN HOGS (JUN) 05/11/2023: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. 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 market could take on a defensive posture with the daily closing price reversal down. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 82.850. The next area of resistance is around 84.950 and 86.020, while 1st support hits today at 83.400 and below there at 82.850.

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	161.170	47.63	48.97	25.90	30.09	160.58	160.96	162.21	160.45	160.24
FCQ23	225.150	48.47	51.66	34.33	31.65	223.95	225.50	227.13	222.03	219.41
LHM23	84.150	35.73	37.29	30.00	19.49	83.91	86.91	87.13	90.42	93.45

Calculations based on previous session. Data collected 05/10/2023

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	160.050	160.520	161.350	161.820	162.650
FCQ23	Feeder Cattle	223.168	224.112	225.243	226.187	227.318
LHM23	Lean Hogs	82.820	83.370	84.420	84.950	86.020

Calculations based on previous session. Data collected 05/10/2023

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.