



DAILY LIVESTOCK COMMENTARY

Tuesday April 18, 2017

DAILY CATTLE COMMENTARY

04/18/17

June getting overbought after closing higher 8 days in row

Technical indicators are reaching overbought status after the recent surge. June cattle closed sharply higher on the session yesterday and has closed higher for eight sessions in a row. The market continues to attract buying interest with June at a stiff discount to last week's cash (\$128-\$129) and the beef market advance which might attract a firm tone to cash markets ahead. Feeder cattle traded sharply higher and into new contract highs. USDA boxed beef cutout values were up \$1.44 at mid-session yesterday and closed \$2.05 higher at \$214.13. This was up from \$207.46 the prior week and is the highest beef market since March 30th. Beef prices have a tendency to peak out in the first five months of the year and push lower into the 4th quarter.



The USDA estimated cattle slaughter came in at 108,000 head yesterday. This was down from 115,000 last week and down from 109,000 a year ago as this time. With recent weight data showing a sharp drop, producers appear very current with marketings and this helped to boost cash markets to \$128-\$129 last week from \$124-\$126 the previous week. Trend-following fund traders increased their net long position for the week ending April 11th by 5,790 contracts to 113,753. The record high was 137,001 on April 1st of 2014. The weight data is supportive and until the beef market tops out, the discount of futures to cash may continue to support.

TODAY'S MARKET IDEAS:

The futures discount to cash has encouraged active marketings and this has left feedlots very current. The issue is the heavy placements of the past six months which will move to the market in the months ahead. The market is a bit overbought but there is no technical sign of a top yet. Short-term resistance for June cattle comes in at 116.30 with support back at 113.40 and 112.50. After 8 days up, watch for signs of a top.

NEW RECOMMENDATIONS:

None.

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 (JUN) 04/18/2017: The market rallied to a new contract high. A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 116.550. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 116.120 and 116.550, while 1st support hits today at 115.050 and below there at 114.370.

FEEDER CATTLE (MAY) 04/18/2017: The market rallied to a new contract high. Daily stochastics have risen into

overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 141.787. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 141.099 and 141.787, while 1st support hits today at 139.200 and below there at 137.988.

DAILY HOGS COMMENTARY

04/18/17

Probing for short-term seasonal low; one more swing down?

The market may still be in a position for a recovery bounce from the oversold condition, especially in a time period when pork values have a tendency to move higher. However, the fact that production may not see the normal drop in production seen in recent years for the next few months should help to limit the advance. June hogs closed moderately lower on the session yesterday but managed to hold support at last week's lows. There was some follow-through buying from the hook reversal Thursday but with a weak cash tone and a



plentiful short-term supply, the market seems to be consolidating the recent losses. The CME Lean Hog Index as of April 13th was 63.19, down 49 cents from the previous session and down from 65.73 the previous week. This leaves June hogs at a normal 1100 point premium to the cash market for this time of the year.

Trend-following fund traders were aggressive sellers for the week ending April 11th reducing their net long position by 8,138 contracts to 7,164. USDA pork cutout values, released after the close yesterday, came in at \$74.22, down 2 cents from Friday and down from \$75.80 the previous week. The USDA estimated hog slaughter came in at 300,000 head yesterday. This was down from 442,000 last week and down from 432,000 a year ago as this time. Slaughter last week reached 2.223 million head, up just 1.3% from a year ago. Pork production for the week was up 0.8% from last year.

TODAY'S MARKET IDEAS:

The market is probing for a short-term low and Thursday's hook reversal could be a sign of a seasonal low. Ideally, new buyers could wait for a set-back to 70.85 to buy June hogs. It will take a close over 73.42 to assume a change in trend.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Long June Hog 74.00 put from 237, look to exit at 385. Stay short the June hog 70.00 put from 170 points.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 04/18/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 73.370. The next area of resistance is around 72.820 and 73.370, while 1st support hits today at 71.870 and below there at 71.400.

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										
LCM7	115.570	78.32	72.51	71.40	84.32	114.58	112.36	112.11	108.85	108.22
FCK7	140.150	79.61	74.20	76.20	86.31	138.43	135.09	133.95	128.35	127.30
LHM7	72.350	40.03	40.27	19.99	21.67	72.78	72.76	73.53	76.15	76.59

Calculations based on previous session. Data collected 04/17/2017

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						
LCM7	Live Cattle	114.350	115.020	115.450	116.120	116.550
FCK7	Feeder Cattle	137.987	139.199	139.887	141.099	141.787
LHM7	Lean Hogs	71.370	71.820	72.370	72.820	73.370

Calculations based on previous session. Data collected 04/17/2017

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