



DAILY LIVESTOCK COMMENTARY

Wednesday April 19, 2017

DAILY CATTLE COMMENTARY

04/19/17

Will need to see lower cash trade to expect correction

The market is probing for a short-term peak and while overbought technically, there is still no sign of a top and futures remain at a significant discount to last week's cash market. In addition, average weights are down and this should keep production lower than expected. June cattle pushed sharply higher on the session and challenged psychological resistance at 117.00 early yesterday and closed just slightly higher on the day at 115.65 which is the 9th day in a row of higher closes. A key upside target at 116.30 was achieved, and the close well below this level leaves the appearance that a short-term top may be in place. Strong packer margins and the discount of futures to the cash market in a period of up-trending beef prices helped to support. USDA boxed beef cutout values were up \$1.61 at mid-session yesterday and closed \$1.86 higher at \$215.99. This was up from \$209.37 the prior week and the highest since March 29th.



Traders will monitor the Fed Cattle Exchange closely today for hints on this week's cash market. For the Cattle on Feed report on Friday, traders see placements for the month of March at 106.5% of last year (range 101-109.5) and marketings at 109.4% of last year (range 108.1-110). This would leave On-Feed supply on April 1st at 99.7% with a range of 98.7 to 100.5% of last year. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 224,000 head, down from 228,000 last week at this time but up from 221,000 a year ago. Trend-following fund traders increased their net long position to 113,753 contracts in the last COT report. The record high was 137,001 on April 1st of 2014.

TODAY'S MARKET IDEAS:

Open interest is at a record high and the bull market remains intact but the market is overbought. Aggressive short-term traders might consider selling out of the money call premium. Short-term resistance for June cattle comes in at 116.30 with support at 113.77 and 112.80. After 9 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) 04/19/2017: The market rallied to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 117.420. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 116.400 and 117.420, while 1st support hits today at 114.900 and below there at 114.350.

FEEDER CATTLE (MAY) 04/19/2017: A new contract high was made on the rally. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 142.850. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 141.325 and 142.850, while 1st support hits today at 138.825 and below there at 137.850.

DAILY HOGS COMMENTARY

04/19/17

Jump in pork values and seasonal strength might support bounce

With very strong packer margins and a turn up in pork values the last few days, the market may be in position for at least a recovery bounce. USDA pork cutout values, released after the close yesterday, came in at \$75.07, up 85 cents from Monday and up from \$74.57 the previous week. June hogs closed sharply lower on the session yesterday but well up from the early lows. Talk of the oversold condition of the market and hopes of better pork demand ahead helped to support the market early. However, ideas that some hogs backed up in the country over the weekend and weakness in the cash market helped to drive the market lower. The selling pushed the market into the lowest level since October. The selling slowed on the break to key support at 70.85 for June hogs. The CME Lean Hog Index as of April 14th was 62.59, down 60 cents from the previous session and down from 65.12 the previous week. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 743,000 head, down from 885,000 last week at this time and down from 868,000 a year ago. Pork values have a tendency to move higher at this time of the year and this might be enough to support a turn up in the cash market.



TODAY'S MARKET IDEAS:

The market is probing for a short-term low and the bounce off of 70.85 support for June hogs might be seen as a signal that the selling has been exhausted; at least temporarily. It will take a close over 73.12 to assume a change in trend.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Exited long June Hog 74.00 put position for a gain of 147 points. Stay short the June hog 70.00 put from 170 points with a stop at 255.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 04/19/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next upside target is 73.370. The next area of resistance is around 72.420 and 73.370, while 1st support hits today at 70.600 and below there at 69.700.

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	115.650	78.58	72.72	75.77	84.51	115.07	113.07	112.22	109.11	108.34
FCK7	140.075	79.02	73.85	79.53	86.18	139.11	136.18	134.21	128.76	127.50
LHM7	71.500	35.33	37.26	20.58	21.77	72.16	72.71	73.29	75.98	76.49

Calculations based on previous session. Data collected 04/18/2017

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	114.320	114.870	115.870	116.400	117.420
FCK7	Feeder Cattle	137.850	138.825	140.350	141.325	142.850
LHM7	Lean Hogs	69.650	70.570	71.520	72.420	73.370

Calculations based on previous session. Data collected 04/18/2017

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