



DAILY LIVESTOCK COMMENTARY Friday April 21, 2017

DAILY CATTLE COMMENTARY 04/21/17

USDA report will need to show bearish news or more up

While extremely overbought in many measures, the short-term fundamentals for the market remain positive. Average dressed steer weights for the week ending April 8th came in at 852 pounds, down from 862 the previous week and down from 884 pounds last year. The 5-year average weekly weight for that week is 858.8 and it may be years since weights moved under the 5-year average. Beef production for the same week came in at 462.4 million pounds, up 3.5% over year ago. The previous four weeks showed beef production up 9%, up 8.6%, up 6.3% and up 9.5%. The sharp drop in weights moving from 15 pounds over the 5-year average in early March to below last year now has helped to pull production lower. June cattle closed higher for the 11th trading day in a row yesterday but remains well under cash. With cash trade at \$132-\$133 this week, June cattle rallied to a new high of 117.47 this week. The market managed to find new buying and short-covering in spite of the overbought technical condition.



Weekly U.S. beef export sales for the week ending April 13th came in at 19,700 tonnes, compared with the prior 4-week average of 15,075. Cumulative sales for 2017 have reached 324,300 tonnes, up 21.7% from last year's pace. This was the highest weekly sales total since January 26th. For the month of March, total read meat production hit a new all-time high for the month at 4.535 billion pounds, up 6% from past year. Beef production was up 7% from last year and cumulative beef production for the first quarter was up 6%. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 455,000 head, down from 460,000 last week at this time but up from 442,000 a year ago. USDA boxed beef cutout values were up 20 cents at mid-session yesterday and closed 55 cents higher at \$215.72. This was up from \$210.67 the prior week. For the Cattle on Feed report for this afternoon, 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.

TODAY'S MARKET IDEAS:

The market is extremely overbought but with the massive discount, it will take a very bearish USDA report to spark new selling interest. Close-in resistance for June cattle is at 116.70 with 114.15 as support. The next upside target is 120.82.

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) 04/21/2017: The market rallied to a new contract high. Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term

indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 118.220. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 117.300 and 118.220, while 1st support hits today at 115.650 and below there at 114.900.

FEEDER CATTLE (MAY) 04/21/2017: The market rallied to a new contract high. Momentum studies are trending higher but have entered overbought levels. 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 tilt is slightly negative with the close under the pivot. The next upside target is 143.906. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 141.437 and 143.906, while 1st support hits today at 138.063 and below there at 137.157.

DAILY HOGS COMMENTARY

04/21/17

Market oversold and probing for short-term seasonal low

The sharp break might attract increase demand from China and others. China seems to have the need for pork and have aggressively imported pork from Europe in the past year. The market traded sharply lower on the session yesterday and down for the 4th session in a row as the selling pushed the market down to the lowest level since October 20th. More talk that cash markets are weak helped to pressure. The CME Lean Hog Index as of April 18th was 61.89, down 23 cents from the previous session and down from 64.16 the previous week. While futures have collapsed over the past week, pork product prices have held steady which might indicate that export demand is much stronger than trade expectations. USDA pork cutout values, released after the close yesterday, came in at \$74.02, down 53 cents from Wednesday and down from \$74.77 the previous week.



Weekly U.S. pork export sales for the week ending April 13th came in at 36,100 tonnes, compared with the prior 4-week average of 24,300. Cumulative sales for 2017 have reached 514,800 tonnes, up 18.0% from last year's pace. This was the highest weekly sales total since January 19th. For the month of March, total read meat production hit a new all-time high for the month at 4.535 billion pounds, up 6% from past year. Pork production was up 6% from last year and cumulative pork production for the first quarter was up 3%. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 1.628 million head, down from 1.773 million last week at this time and down from 1.731 million a year ago. Actual US pork production for the week ending April 8th came in at 493.7 million pounds, down from 498.7 the previous week but up 5.7% from a year ago.

TODAY'S MARKET IDEAS:

The market is probing for a low and the sharp break is likely to attract increased demand for US pork from China. If cash markets stabilize, futures may be in position for a significant seasonal bounce. Look for support near the 68.45-68.12 zone with 71.10 and 71.82 as resistance for June hogs. Aggressive traders might consider selling the June 66.00 puts near 165 points.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 04/21/2017: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 67.320. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 69.550 and 70.850, while 1st support hits today at 67.800 and below there at 67.320.

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	116.470	81.55	75.03	81.76	86.95	115.91	114.50	112.59	109.64	108.60
FCK7	139.750	74.40	71.39	82.32	83.03	140.08	138.12	134.89	129.56	127.90
LHM7	68.650	24.14	29.19	15.53	9.37	70.62	71.92	72.47	75.56	76.24

Calculations based on previous session. Data collected 04/20/2017

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	114.870	115.620	116.550	117.300	118.220
FCK7	Feeder Cattle	137.156	138.062	140.531	141.437	143.906
LHM7	Lean Hogs	67.300	67.770	69.070	69.550	70.850

Calculations based on previous session. Data collected 04/20/2017

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