



**DAILY LIVESTOCK COMMENTARY**  
**Monday April 24, 2017**

**DAILY CATTLE COMMENTARY**  
**04/24/17**

**Extreme overbought but also extreme basis; back and fill**

Outside market forces carry a positive tilt to start today but with the extreme overbought condition of the market basis traditional technical indicators and bearish news from the USDA, the market is vulnerable to some back and fill type action. However, the massive discount of futures to cash could keep the correction shallow until more is known on the cash market trend. June cattle has closed higher for 12 days in a row with RSI at 82. The Cattle on Feed report was considered bearish against trade expectations as placements were much higher than expected. Placements during March came in at 111.1% of last year as compared with trade expectations at 106.5%. These are cattle which can move on the market in the summer. Marketings in March came in right on trade expectations. The data leaves April 1st On-Feed supply at 100.5% of last year compared with trade expectations for 99.7%. The report is bearish to August cattle and mostly neutral for the June. June cattle managed to gain 200 points for the week last week. The market posted another new high for the move Friday but closed well off of the highs.



With cash at \$132-\$133 last week, it is hard to find new interested sellers with June trading at \$116.70. The USDA estimated cattle slaughter came in at 104,000 head Friday and 36,000 head for Saturday. This brought the total for last week to 595,000 head, up from 590,000 the previous week and up 1.7% from last year. Beef production for the week reached 480.1 million pounds, up 0.8% from last year. USDA boxed beef cutout values were up \$1.97 at mid-session Friday and closed \$1.44 higher at \$217.16. This was up from \$212.08 the prior week and is the highest beef market since March 28th. The Commitments of Traders reports as of April 18th showed Non-Commercial traders were net long 156,432 contracts, an increase of 8,634 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 119,709 contracts, up 6,951 contracts for the week.

**TODAY'S MARKET IDEAS:**

The market is extremely overbought but speculators remain active buyers and the massive discount is supportive. In addition, average dressed steer weights are at 852 pounds, down from 862 the previous week and down from 884 pounds last year which means feedlots are extremely current. Close-in resistance for June cattle is at 116.85 with 114.17 and 113.12 as support. Consider buying corrective breaks with next upside target at 120.82.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 4/11/2017 - 4/18/2017						
Livestock	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Feeder Cattle	22,811	+53	-5,313	-433	-17,499	+378
Cattle	156,432	+8,634	-119,710	-6,952	-36,723	-1,683

## 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) 04/24/2017:** The market rallied to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 118.100. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 117.320 and 118.100, while 1st support hits today at 116.070 and below there at 115.520.

**FEEDER CATTLE (MAY) 04/24/2017:** A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 137.419. The next area of resistance is around 140.337 and 141.768, while 1st support hits today at 138.163 and below there at 137.419.

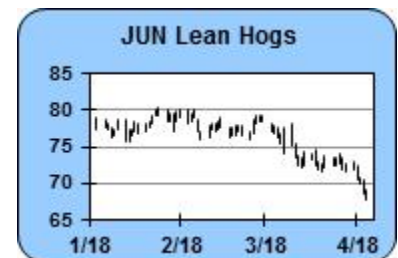
## DAILY HOGS COMMENTARY

04/24/17

### Probing for short-term seasonal low; watch for tech signal

The market is probing for a low, and the recent sharp break is likely to attract increased demand. If cash markets stabilize, futures may be in position for a significant, seasonal bounce. June hogs closed 35 lower on the session Friday and this left the market down 417 point, (down 5.7%) for the week. The market closed lower for the 5th session in a row. Cash markets were down sharply over the past few weeks and this has helped spark aggressive long liquidation selling in the past few days. The CME Lean Hog Index as of April 19th was 61.59,

down 30 cents from the previous session and down from 63.68 the previous week. While futures and cash markets are down recently, the pork product market is holding up well and this might indicate better demand than expected; both US and for export. USDA pork cutout values, released after the close Friday, came in at \$74.98, up 96 cents from Thursday and up from \$74.24 the previous week. China has been an aggressive importer of pork over the past six months but much has come from Europe and Canada. The sharp drop in US prices might be attracting increased demand. In fact, weekly pork export sales last week were the highest since January 19th.



The USDA estimated hog slaughter came in at 443,000 head Friday and 216,000 head for Saturday. This brought the total for last week to 2.287 million head, up from 2.223 million the previous week and up 2.4% from last year. Pork production for the week reached 486.5 million pounds, up 1.9% from last year. The Commitments of Traders reports as of April 18th showed Non-Commercial traders were net long 23,840 contracts, a decrease of 2,674 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 9,143 contracts, down 3,257 contracts for the week and the long liquidation selling trend is seen as a bearish force.

### TODAY'S MARKET IDEAS:

While futures and cash markets have declined, the pork product market has held up well and is higher than one week ago. This might be an indication that demand is better than expected, both within the US and for export. Look for support near the 67.20-66.40 zone with 71.15 and 71.92 as resistance for June hogs.

### NEW RECOMMENDATIONS:

Buy a June Hog 69.00 call and selling a June Hog 65.00 put for a net premium paid of 110 points. Use an objective of 490 on the spread, and risk a total of 110 points on the spread.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 4/11/2017 - 4/18/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Livestock</b>						
Hogs	23,840	-2,674	-9,143	+3,258	-14,697	-583

**PORK 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.

LEAN HOGS (JUN) 04/24/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 66.950. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 69.050 and 69.870, while 1st support hits today at 67.600 and below there at 66.950.

**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
<b>MEAT COMPLEX</b>										
LCM7	116.700	82.33	75.66	83.87	88.10	116.19	115.04	112.89	109.92	108.74
FCK7	139.250	69.95	68.88	81.37	79.47	139.85	138.72	135.33	129.93	128.09
LHM7	68.320	23.06	28.34	13.30	8.84	69.61	71.43	72.18	75.32	76.07

Calculations based on previous session. Data collected 04/21/2017

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

**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>MEAT COMPLEX</b>						
LCM7	Live Cattle	115.500	116.020	116.800	117.320	118.100
FCK7	Feeder Cattle	137.418	138.162	139.593	140.337	141.768
LHM7	Lean Hogs	66.920	67.570	68.400	69.050	69.870

Calculations based on previous session. Data collected 04/21/2017

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