

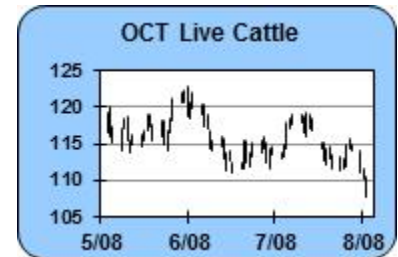


## DAILY LIVESTOCK COMMENTARY Thursday August 10, 2017

### DAILY CATTLE COMMENTARY 08/10/17

#### Big supply continues to hold beef prices in steady downtrend

With cattle feedlots full and a discount of futures to the cash, sellers were more aggressive than traders suspected as they have taken the attitude of "why wait" for cash to fall further and just sell now. Cash cattle moved at \$115.00 in Texas and Kansas yesterday which is down \$3.00 from last week. USDA boxed beef cutout values were down 8 cents at mid-session yesterday and closed 59 cents lower at \$201.66. This was down from \$205.06 the prior week and the lowest beef market since February 27th. October cattle closed sharply lower on the session yesterday and is now down as much as 772 points in just four trading sessions. Keep in mind; managed money traders were still net long 102,526 contracts in the last COT update and were already in a long liquidation selling mode. Weather is good for weight gains and slaughter last week was up 8.7% from last year. The discount encouraged increased selling in the cash market. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 353,000 head, up from 347,000 last week at this time and up from 336,000 a year ago. China demand has been slow to develop and Japan, the top buyer of US beef, has raised tariffs on US beef from 38.5% to 50% for the August 1st to March 31st, 2018 time frame.



#### TODAY'S MARKET IDEAS:

The downside break-out leaves 107.30 (50% of the Oct-June rally) as next downside target for October cattle. Resistance is at 110.22. February cattle seem to have the supply fundamentals to find some support soon. Watch the 109.40 level for signs of a low. The weak action for feeder cattle is also a concern with 133.10 as a downside target for October feeder cattle.

#### 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 (OCT) 08/10/2017:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 106.050. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 109.320 and 111.170, while 1st support hits today at 106.770 and below there at 106.050.

**FEEDER CATTLE (SEP) 08/10/2017:** Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 139.132. The next area of resistance is around 144.162 and 147.181, while 1st support hits today at 140.138 and

below there at 139.132.

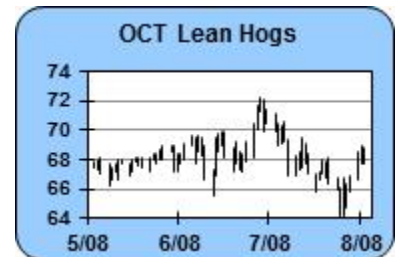
## DAILY HOGS COMMENTARY

08/10/17

### With cool weather and cheap corn, production could increase

Asia is a key export market for US pork and geopolitical issues have emerged to leave export demand suspect. China pork values seem to have finally bottomed and perhaps the export outlook may improve. October hogs closed moderately higher on the session yesterday and closed near the middle of the range with an inside-day trading session. The market found some support from noted buying of the hog/cattle spread. The discount of futures to cash helped to support and so did ideas that slaughter is running near 2% over last year recently vs. 3.5-4.0% projected after the last Hogs and Pigs report. The trend in cash is down but the market has priced-in a deeper than normal break into the fall.

The CME Lean Hog Index as of August 7th came in at 85.76, down 34 cents from the previous session and down from 87.70 the previous week. This leaves October hogs at a discount of 1,755 points as compared with the 5-year average of near 1,595. The discount was 1,055 last year. USDA pork cutout values, released after the close yesterday, came in at \$94.31, down 37 cents from Tuesday and down from \$96.55 the previous week. This is the lowest pork value since June 15th. Weekly average weights for Iowa-Southern Minnesota as of August 5th came in at 275.5 pounds, down from 275.9 the previous week and down from 275.7 pounds last year. The USDA estimated hog slaughter came in at 446,000 head yesterday. This brings the total for the week so far to 1.266 million head, down from 1.313 million last week at this time and down from 1.307 million a year ago.



### TODAY'S MARKET IDEAS:

With cheap corn and cooler weather recently and below normal temperatures in the forecast, weights could turn up sooner and jump further than the seasonality. Resistance for October hogs is at 69.15 with support at 67.25. Failure to hold this support turns the trend back down. The supply fundamentals seem to favor the February contract and October hogs have held up better than expected due to the opening of new plants. Consider buying the Feb/Oct hog spread looking for February to take a premium of near 55 points to the October.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (OCT) 08/10/2017: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 69.250. The next area of resistance is around 68.750 and 69.250, while 1st support hits today at 67.750 and below there at 67.220.

## 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>										
LCV7	108.020	25.65	32.10	19.61	10.54	110.97	112.29	114.09	114.87	115.60
FCU7	142.150	30.05	37.01	33.82	20.39	146.69	147.97	149.42	148.33	149.17
LHV7	68.250	56.71	53.10	47.04	64.06	67.73	66.62	67.11	68.32	68.23

Calculations based on previous session. Data collected 08/09/2017

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>						
LCV7	Live Cattle	106.020	106.750	108.600	109.320	111.170
FCU7	Feeder Cattle	139.131	140.137	143.156	144.162	147.181
LHV7	Lean Hogs	67.200	67.720	68.220	68.750	69.250

Calculations based on previous session. Data collected 08/09/2017

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