



DAILY LIVESTOCK COMMENTARY

Tuesday April 11, 2017

DAILY CATTLE COMMENTARY

04/11/17

Correcting oversold condition and basis; top soon?

June cattle has closed higher for four sessions in a row which helps to correct the short-term oversold condition of technical indicators and helped narrow the basis some. In fact, the 5-year average basis is near an \$11 discount for June to the cash market which is about where the market is now if cash is back near \$124.00 this week. June cattle closed 50 higher on the session yesterday but down 135 from the early peak. This leaves the appearance that a short-term top may be in place. Follow-through technical buying plus talk that China and the US are working on a deal for US beef access to the China market helped to drive the market sharply higher early yesterday. The discount of futures to the cash market has helped to keep sellers on the sidelines. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This was up from 108,000 last week and up from 110,000 a year ago as this time. USDA boxed beef cutout values were up 13 cents at mid-session yesterday and closed 24 cents higher at \$207.46. This was down from \$213.43 the prior week.



TODAY'S MARKET IDEAS:

With weekly slaughter up 6.9% from last year last week, there appears to be plenty of short-term supply. With a bearish tilt to the supply fundamentals ahead, traders might watch for a technical sign of a near-term top soon. Short-term resistance for June cattle comes in at 114.40 with support back at 111.45 and 110.80.

NEW RECOMMENDATIONS:

* Sell June cattle 116.00 call at 195 with an objective of zero. Risk a total of 65 points from entry.

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) 04/11/2017: The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 near-term upside target is at 114.120. The next area of resistance is around 113.070 and 114.120, while 1st support hits today at 111.550 and below there at 111.050.

FEEDER CATTLE (MAY) 04/11/2017: A new contract high was made on the rally. The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The gap upmove on the day session chart is a bullish indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 137.737. The next area of resistance is around 136.475 and 137.737, while 1st support hits today at 134.275 and below there at 133.338.

DAILY HOGS COMMENTARY
04/11/17

Recovery bounce in pork values led by bellies helps support

The 3-day jump in pork cut-out values should be enough to support a bit of a recovery bounce which should help correct the short-term oversold technical condition. With the market in a downtrend, a corrective bounce might be seen as a selling opportunity. USDA pork cutout values, released after the close yesterday, came in at \$75.80, up 97 cents from Friday and up from \$75.08 the previous week. June Hogs closed near unchanged yesterday after choppy and two-sided trade in a similar range to Friday. The jump in pork values noted Friday continued yesterday with a \$7 jump in pork belly prices helping to support. Pork cut-out values at midsession came in at \$76.85, up \$1.57 from Friday and up from \$74.11 on Thursday. Talk of the hefty short-term supply continues to limit any advance as last week's slaughter was up 6.8% from last year. The CME Lean Hog Index as of April 6th was 65.73, down 42 cents from the previous session and down from 68.30 the previous week. The USDA estimated hog slaughter came in at 442,000 head yesterday. This was down from 443,000 last week but up from 384,000 a year ago as this time.



TODAY'S MARKET IDEAS:

The bounce in pork values continued yesterday and this might support a short-term futures rally. June hog close-in support is at 72.35, with key resistance at 75.02 and 76.05. Consider selling calls or futures on a bounce to test 76.00.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long June Hog 74.00 put from 237 and short the June hog 70.00 put from 170 points.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 04/11/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 next upside target is 74.150. The next area of resistance is around 73.800 and 74.150, while 1st support hits today at 72.750 and below there at 72.020.

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	112.270	64.58	62.45	46.34	48.96	110.91	110.81	111.09	108.07	107.83
FCK7	135.375	68.40	65.77	56.19	61.40	132.96	132.37	132.22	126.96	126.59
LHM7	73.270	43.66	42.37	15.88	18.35	72.94	73.03	74.56	76.73	76.96

Calculations based on previous session. Data collected 04/10/2017

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	111.020	111.520	112.570	113.070	114.120
FCK7	Feeder Cattle	133.337	134.274	135.537	136.475	137.737
LHM7	Lean Hogs	72.000	72.720	73.070	73.800	74.150

Calculations based on previous session. Data collected 04/10/2017

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