

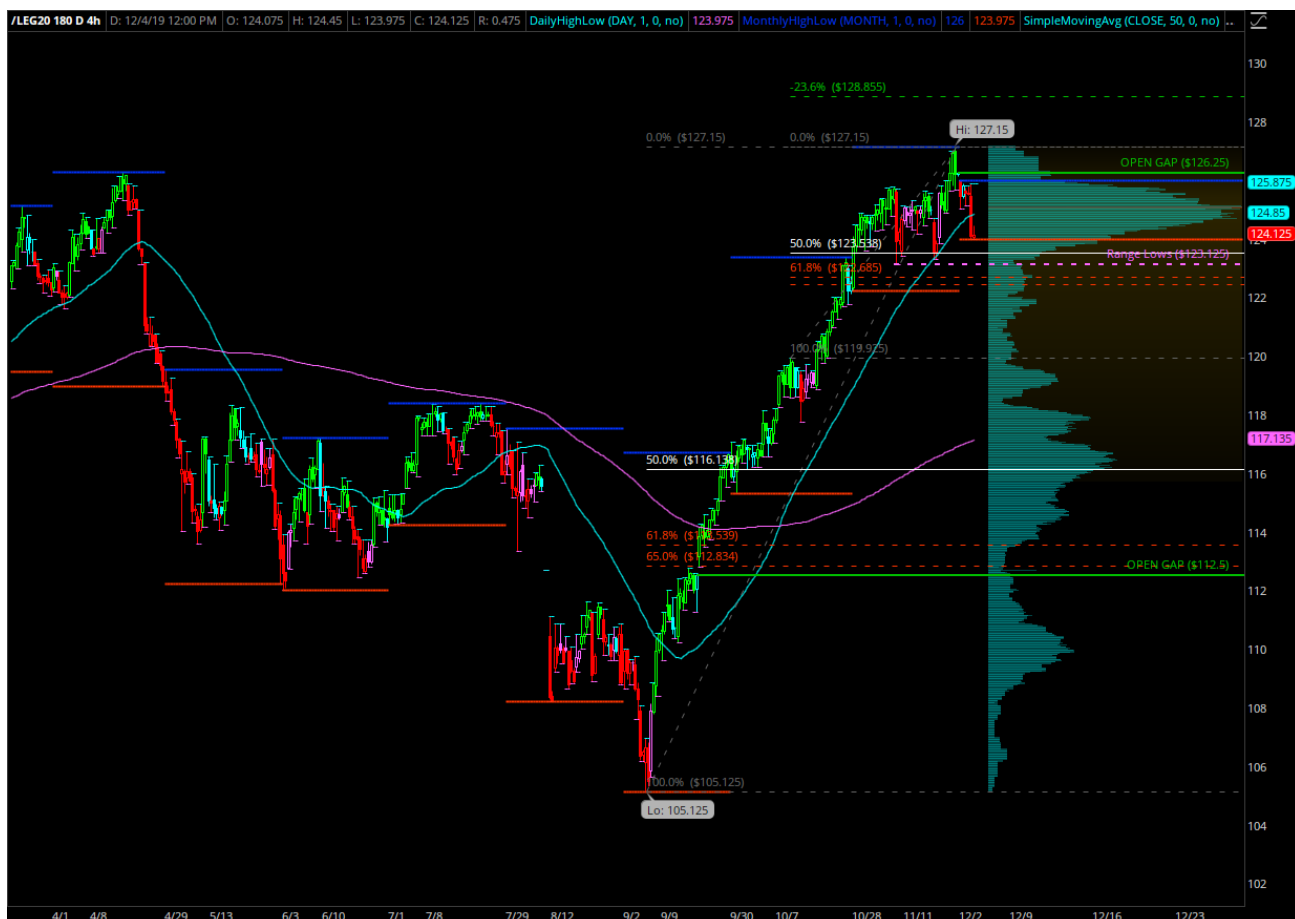
Strategy of the Day – 12.4.2019

Live Cattle Consolidation Ahead of Tyson Plant Reopening

With only days to go before Tyson is scheduled to reopen its Kansas processing facility (which has the capacity amounting to 6% of the total cattle on feed) February 2020 live cattle futures have continued to consolidate in a 4-cent trading range. With recent contract highs made at 127.15 into the end of November, December has begun with a round of profit taking and closed the day at 124.15. The commitment of traders has shown a sizable net long speculative / non-commercial position in the live cattle, and in my opinion that end of year profit taking, coupled with increased production capabilities from Tyson (buy the rumor, sell the news into the plan reopening), has started to spook traders out of their long positions. While the uptrend remains intact, a period of price discovery lower has begun.

From a technical perspective, February 2020 live cattle futures traded into new contract highs and are simply pulling back inside of their larger trend which began in early September from contract lows of 105.125. In my opinion for this trend higher to continue, the February live cattle futures will need to stay above the 122.50 level (where a break below might indicate a much larger pullback is underway). In this same area on the chart, there is also the double bottom (range lows) that created the 4-cent trading range since mid-November, and it will also be important to see this area hold to keep the trend intact. Below the 122-123 supportive inflection zone, there is a good chance the next major level of support would be found at the 50%-61.8% Fibonacci retracement of the rally since September. The 50% line is currently right around the 116.00 handle, and just below the 118.00 area where the market found tops during the summer months (broken resistance tested as support if it heads down there). The trend is up until its not, and if support can continue to prove itself the rally is the bulls to lose.

240min Chart of February Live Cattle Futures



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