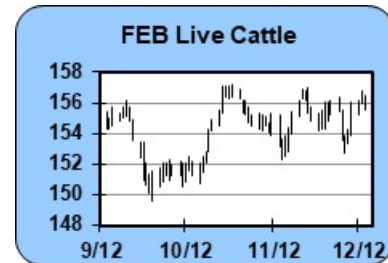




**DAILY CATTLE COMMENTARY**  
12/15/2022

**Bullish supply outlook for 2023 may keep long term trend up**

The cattle market appears to have put in a short-term peak as demand may not be quite as strong as expected. The market faces a significant drop in supply for the coming year. First quarter beef production is expected to be down 5.2% from the previous year with second quarter down 6.6% and third quarter beef production down 9.2%. The shift in beef production from the fourth quarter to the first quarter also looks supportive. Beef production normally declines from the fourth quarter to the first quarter from 150 million pounds to 350 million pounds. For this year, production is expected to decline 520 million pounds which should be the second biggest drop on record. Similar years to this year include 2019, 2014 and 2003. In 2019, December cattle was trading near 121.50 at this time of the year and went off the board at 129.95. In 2014, February cattle were trading near 132.85 at this time of the year and went off the board at 151.95. In 2003, February cattle were trading near 77.82 at this time of the year and managed to trade up to 82.85 by February 4 before going off the board at 79.12.



February cattle opened near steady on the session yesterday and the market closed moderately lower on the day. The beef market could not hold the strong gains earlier this week and the market closed lower Tuesday, and beef prices were lower again yesterday. The USDA boxed beef cutout was down \$5.96 at mid-session yesterday and closed \$4.88 lower at \$250.07. This was up from \$248.96 the previous week. Cash live cattle traded in light volume on Wednesday, with just 276 head reported in Iowa/Minnesota at \$148-\$155 with an average price of \$151.45. This is down from \$155.97 last week, but the volume is too small for an adequate test. That being said, the low price last week was \$153. Talk of the short-term overbought condition of the market helped to spark some selling. In addition, the forecast does not look as cold and threatening as compared with earlier this week. The USDA estimated cattle slaughter came in at 118,000 head yesterday. This brings the total for the week so far to 364,000 head, down from 382,000 last week but up from 360,000 a year ago.

**TODAY'S MARKET IDEAS:**

The longer-term supply fundamentals look quite bullish but the market may see more consolidation trade short-term. February cattle close in resistance is at 156.35, with support at 154.75 and 154.17. April cattle posted a contract high on Tuesday with close in resistance now at 160.00, and support at 159.05 and 158.62. Break's look like buying opportunities with 162.02 as next upside target for April cattle.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CATTLE COMPLEX TECHNICAL OUTLOOK:**

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

LIVE CATTLE (FEB) 12/15/2022: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 156.770. The next area of resistance is around 156.150 and 156.770, while 1st support hits today at 155.250 and below there at 154.950.

FEEDER CATTLE (JAN) 12/15/2022: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 184.993. The next area of resistance is around 184.212 and 184.993, while 1st support hits today at 182.988 and below there at 182.544.

## DAILY HOGS COMMENTARY

12/15/2022

### Sluggish demand, ample supply; pork cutout lowest since Jan12

The market is attempting to price in a bearish set up for the first quarter. Pork production from the fourth quarter to the first quarter normally declines by 100 to 400 million pounds and was down 281 million pounds last year. This year, pork production is expected to decline just 5 million pounds which compares with 2015 when production increased slightly. This would be the second most bearish set up for the market on record. First quarter production is expected to be up 1.1% from a year ago. In 2015 (a similar year), February hogs were at 82.85 at this time of the year and went off the board at 62.05. Another comparable year was 2020 when production declined by just 55 million pounds. February 2020 hogs were trading near 70.52 on December 15 and went off the board at 55.82. The USDA pork cutout, released after the close yesterday, came in at \$82.57, down \$6.66 from Tuesday and down from \$82.84 the previous week. This was the lowest the cutout had been since January 12.



The average hog weight for Iowa-Southern Minnesota as of December 10 was 285.5 pounds, down from 286.4 pounds the previous week and 290.8 a year ago. February hogs opened near steady on the session yesterday and the market closed sharply lower on the day. A bounce in pork product markets helped support the bounce this week, but there was no follow-through to the upside and packers seem confident that there are plenty of hogs available for slaughter. This may keep the cash market in a steady downtrend. The CME Lean Hog Index as of December 12 was 81.62 up from 81.47 the previous session but down from 82.94 the previous week. The USDA estimated hog slaughter came in at 490,000 head yesterday. This brings the total for the week so far to 1.461 million head, up from 1.458 million last week and 1.392 million a year ago.

### TODAY'S MARKET IDEAS:

Producers seem current with marketing's as average weights remain well below year ago levels and below the five-year average. February hog resistance is at 84.45, with support at 82.87 and then 80.60. April hog resistance is at 92.17, with 89.70 and 88.05 as next support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 12/15/2022: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 81.900. The next area of resistance is around 84.320 and 85.570, while 1st support hits today at 82.500 and below there at 81.900.

### 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>										
LCG23	155.700	54.64	53.88	61.41	69.26	155.93	155.17	155.37	154.84	154.07
FCF23	183.600	58.98	57.28	80.64	84.72	183.85	183.09	181.49	180.13	179.48
LHG23	83.400	34.52	38.55	25.51	16.16	83.92	86.10	86.97	87.68	86.23

Calculations based on previous session. Data collected 12/14/2022  
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>						
LCG23	Live Cattle	154.920	155.220	155.850	156.150	156.770
FCF23	Feeder Cattle	182.543	182.987	183.768	184.212	184.993
LHG23	Lean Hogs	81.870	82.470	83.720	84.320	85.570

Calculations based on previous session. Data collected 12/14/2022  
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