



## DAILY LIVESTOCK COMMENTARY

Thursday December 29, 2016

### DAILY CATTLE COMMENTARY

12/29/16

#### Short-term overbought but solid uptrend and tighter supply

The market remains in a solid uptrend and the big picture fundamentals into the first quarter remain supportive. February cattle closed sharply higher on the session yesterday and managed to push through last week's highs and up to the highest level since June. The market surged higher led by optimism that the cash market could trade steady to higher this week. The Fed Cattle Exchange showed slaughter ready cattle trading in a range of \$115.00-\$116.75 this week and cattle in the plains last week brought \$114-\$116. The data would suggest that cash cattle can trade firm this week. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 238,000 head, down from 341,000 last week at this time and down from 308,000 a year ago. USDA boxed beef cutout values were up \$2.90 at mid-session yesterday and closed \$3.30 higher at \$201.84. This was up from \$197.63 the prior week and is the highest beef market since July 19th and the strong beef market could help packers rationalize "paying up" in the cash market this week. Beef prices typically work lower just after holiday bookings are complete but the continued, contra-seasonal advance into the end of the year is a bullish indicator for 1st quarter price action.



#### TODAY'S MARKET IDEAS:

As laid out in the latest newsletter, our studies suggest that \$126.50 is a realistic value into the first quarter. February cattle close-in support is at 116.02, with 118.15 and 119.87 as next upside targets.

#### 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 (FEB) 12/29/2016:** The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 118.600. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 118.150 and 118.600, while 1st support hits today at 116.600 and below there at 115.420.

**FEEDER CATTLE (JAN) 12/29/2016:** The crossover up in the daily stochastics is a bullish signal. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 133.424. The next area of resistance is around

132.799 and 133.424, while 1st support hits today at 130.650 and below there at 129.125.

## DAILY HOGS COMMENTARY

12/29/16

### Bearish supply news to weigh on April and deferred

The longer-term supply fundamentals are burdensome if exports don't expand significantly but the short-term trend remains up. February hogs closed moderately higher on the session yesterday while April closed moderately lower. A continued strong advance in pork product prices helped to support the nearby futures (pork at highest since July 27th), but deferred contracts are seeing increased selling pressure due to the supply outlook from USDA. In addition to the strong trend in pork values, the nearby futures found good support from average weight data from Iowa/Minnesota which showed weights as of December 24th came in at 279.2 pounds, down from 279.8 the previous week and down from 283.1 pounds last year. The data suggests that producers are current with marketings. Cash markets were mostly steady as supply is high, but strong packer margins have helped to support. The CME Lean Hog Index as of December 23rd was 58.14 down 4 cents from the previous session but up from 58.05 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 890,000 head, down from 1.320 million last week at this time and down from 1.288 million a year ago. USDA pork cutout values, released after the close yesterday, came in at \$81.04, down 50 cents from Tuesday but up from \$78.72 the previous week.



### TODAY'S MARKET IDEAS:

The Hogs and Pigs report news from Friday was bearish and beginning to weigh on April futures. Consider selling April hogs near 66.77, looking for a break to key support back at 63.62 and 61.97. There is still no technical sign of a top for February hogs with close-in support at 63.85. Next resistance is at 65.85 and next upside swing target is at 68.27.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 12/29/2016: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 63.520. The next area of resistance is around 65.920 and 66.850, while 1st support hits today at 64.270 and below there at 63.520.

### 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>										
LCG7	117.370	73.67	70.80	90.07	92.07	116.62	115.86	113.57	109.80	107.70

FCF7	131.725	67.22	65.23	86.94	89.42	130.88	130.25	128.49	124.55	122.28
LHG7	65.070	66.68	67.03	83.71	80.66	64.44	64.43	61.89	57.24	55.26

**Calculations based on previous session. Data collected 12/28/2016**

**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>						
LCG7	Live Cattle	115.400	116.570	117.000	118.150	118.600
FCF7	Feeder Cattle	129.124	130.649	131.274	132.799	133.424
LHG7	Lean Hogs	63.500	64.250	65.170	65.920	66.850

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