

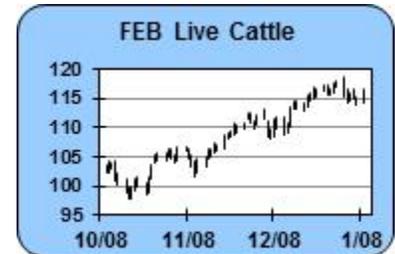


DAILY LIVESTOCK COMMENTARY Tuesday January 10, 2017

DAILY CATTLE COMMENTARY 01/10/17

A smaller beef supply into the 1st quarter leaves trend up

We had expected to see some back and fill type action in cattle this week as a warmer weather trend in the plains and a lull in demand after the holidays were factors which could pressure cash and beef prices short-term. However, fund buyers turned active on the shallow break and the market was uncomfortable with April cattle at a discount to the cash market in a period when April cattle typically trades at a premium to the cash. USDA boxed beef cutout values were down \$1.11 at mid-session yesterday and closed \$1.46 lower at \$197.35. This was down from \$203.33 the prior week and is the lowest beef market since December 21st. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This was up from 6,000 last week and up from 110,000 a year ago as this time. Talk of discount to cash and talk of downshift in production for the 1st quarter helped to support the market after the early sell-off failed to find new selling interest. Ideas that index funds will be buying this week and a continued bullish tone for consumer spending in the months ahead helped to support the market to a sharply higher close yesterday. Choppy to lower trade occurred early as the market sees weak beef prices short-term and warmer weather in the Plains as potentially bearish forces.



TODAY'S MARKET IDEAS:

The market is still overbought technically basis the COT report but the discount of futures to the cash market and supportive supply data helped to turn the market higher after a very shallow correction. Beef production for the 1st quarter is expected to come in at 385 million pounds below the 4th quarter as compared with a drop of just 174 million pounds last year. April cattle support is at the 115.22 to 114.45 zone, with 117.65 as next upside target. A resumption of the uptrend leaves 120.22 as upside target for February 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 (FEB) 01/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is now at 113.400. The next area of resistance is around 117.800 and 118.520, while 1st support hits today at 115.250 and below there at 113.400.

FEEDER CATTLE (JAN) 01/10/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A positive signal was given by the outside day up. The market setup is supportive for early gains with

the close over the 1st swing resistance. The next downside target is now at 126.500. The next area of resistance is around 130.450 and 131.200, while 1st support hits today at 128.100 and below there at 126.500.

DAILY HOGS COMMENTARY

01/10/17

Warmer weather fails to slow buying interest from fund traders

The market experienced a strong recovery from the lows yesterday as speculative and fund trader buying emerged in spite of bearish short-term weather trends. Storms on each coast could slow demand and warmer weather in the central US could bring out a larger short-term supply. The market managed to recover about 125 points off of the lows to close just slightly lower on the session for February hogs and higher on the session for April hogs. The market traded sharply lower early in the session and the selling drove the market down to the lowest level since December 27th. Warmer weather and talk of a jump in marketings early this week helped to drive the market lower. US pork exports for the month of November came in at 509.92 million pounds which is up 18% from last year and up to a new all-time record high. A surge in exports to Mexico to a record high 168.85 million pounds helped to push the total to a new high. China imports were just 33.4 million pounds from 72.93 million in May of 2016. The CME Lean Hog Index as of January 5th was 57.69, up 8 cents from the previous session but down from 57.98 the previous week. The USDA estimated hog slaughter came in at 426,000 head yesterday. This was up from 6,000 last week and up from 313,000 a year ago as this time. USDA pork cutout values, released after the close yesterday, came in at \$79.40, up 89 cents from Friday but down from \$81.13 the previous week.



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TODAY'S MARKET IDEAS:

The technical action is positive and funds appear comfortable in buying meat markets. February hog resistance is at 65.22 and 66.50, with support at 61.80 or 59.52. April hog resistance is at 68.90 with 66.70 and 66.17 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long February Hog 60.00 put at 112 with an objective of 290. Risk to 42.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 01/10/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 61.970. The next area of resistance is around 64.520 and 65.100, while 1st support hits today at 62.970 and below there at 61.970.

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									

LCG7	116.520	59.61	60.69	61.45	52.79	115.53	116.04	115.63	111.44	109.29
FCF7	129.275	50.71	53.98	51.06	37.72	128.59	129.84	129.77	126.31	123.69
LHG7	63.750	51.66	56.17	63.00	52.37	64.30	64.59	64.16	59.04	57.01

Calculations based on previous session. Data collected 01/09/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
LCG7	Live Cattle	113.370	115.220	115.950	117.800	118.520
FCF7	Feeder Cattle	126.500	128.100	128.850	130.450	131.200
LHG7	Lean Hogs	61.950	62.950	63.520	64.520	65.100

Calculations based on previous session. Data collected 01/09/2017

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