



DAILY LIVESTOCK COMMENTARY

Wednesday January 11, 2017

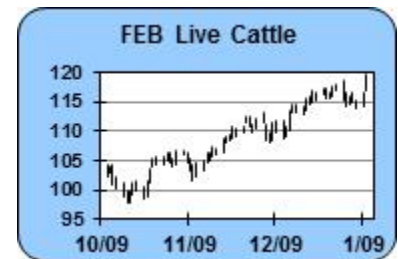
DAILY CATTLE COMMENTARY

01/11/17

Futures suggests higher cash trade while beef lower; volatility

With the limit-up advance in futures yesterday and the surge off of the lows this week, the sharply lower trade in beef prices is a bit puzzling. Packer margins will be squeezed as the surging futures tempt packers to pay up in the cash market while the beef price collapse encourages packers to cut-back on slaughter in an attempt to support the beef market. Perhaps sellers are just being patient given the index fund buying (rebalancing) this week. USDA boxed beef cutout values were down \$1.68 at mid-session yesterday and closed \$3.97 lower at \$193.38.

This was down from \$203.33 the prior week and is the lowest beef market since December 14th. February cattle closed at 113.70 on December 14th. February cattle closed sharply higher on the session and traded at limit-up into the close which leaves expanded trading limits today. Strong follow-through buying after Monday's strong technical action helped to drive the market sharply higher. Talk that April cattle would normally trade at a premium to the cash market at this time of the year helped to spark some support. The market remains in a short-term overbought condition basis the COT report and basis traditional technical indicators. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 232,000 head, up from 123,000 last week at this time and up from 223,000 a year ago.



TODAY'S MARKET IDEAS:

The resumption of the uptrend leaves 120.22 as upside target for February cattle. April cattle has key retracement resistance at 118.97. The market is still overbought basis the COT report but the surging open interest leaves the trend decisively higher. Longs should be very cautious with the rally and while the market does not appear overvalued, the short-term surge leaves futures overbought. Either adverse weather or cash market trade will be needed to rationalize the move.

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) 01/11/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. 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 objective is 121.570. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 120.900 and 121.570, while 1st support hits today at 118.170 and below there at 116.100.

FEEDER CATTLE (JAN) 01/11/2017: The daily stochastics gave a bullish indicator with a crossover up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 135.450. The next area of resistance is around 134.474 and 135.450, while 1st support hits today at 130.925 and below there at 128.350.

DAILY HOGS COMMENTARY
01/11/17

Pork values continue to slide but spec buying continues

The technical action is positive and traders see the strong cattle market as a reason to suspect better demand for pork ahead. USDA pork cutout values, released after the close yesterday, came in at \$78.02, down \$1.38 from Monday and down from \$80.11 the previous week. This is the lowest pork market since December 19th. February hogs closed moderately higher on the session yesterday but well off of the highs. The market found good support from the jump in cattle prices and from limited marketings in the Eastern US due to storms. Talk of solid index fund buying this week plus a general perception that world money managers want to own commodity markets this year has helped to drive the market sharply higher. Open interest jumped to the highest level since December 14th. A firm tone to the cash markets in Iowa/Minnesota late Monday plus talk of record exports of pork for the month of November helped to support new buying as well. The CME Lean Hog Index as of January 6th was 58.86, up 1.17 from the previous session and up from 57.76 the previous week. The USDA estimated hog slaughter came in at 431,000 head yesterday. This brings the total for the week so far to 857,000 head, up from 445,000 last week at this time and up from 751,000 a year ago.



TODAY'S MARKET IDEAS:

February hog resistance is at 66.40 with close-in support at 64.22 with 61.80 as first key support. The technical action is positive and funds appear comfortable in buying meat markets. New highs for the move for April hogs leaves 70.57 as an upside swing target. Consider selling out-of-money calls on a bounce to 70.57.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Hit stop on February Hog 60.00 put position for a 70 point loss.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 01/11/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 62.920. The next area of resistance is around 66.070 and 67.020, while 1st support hits today at 64.050 and below there at 62.920.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

		RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG
MEAT COMPLEX										
LCG7	119.520	71.34	68.65	63.77	68.41	116.49	116.43	115.94	111.75	109.65
FCF7	132.700	67.56	64.42	52.89	56.55	129.64	130.15	129.98	126.62	124.04
LHG7	65.020	58.52	60.17	60.33	54.98	64.41	64.63	64.34	59.30	57.24

Calculations based on previous session. Data collected 01/10/2017

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						
LCG7	Live Cattle	116.070	118.150	118.820	120.900	121.570
FCF7	Feeder Cattle	128.349	130.924	131.899	134.474	135.450
LHG7	Lean Hogs	62.900	64.020	64.950	66.070	67.020

Calculations based on previous session. Data collected 01/10/2017

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