



DAILY LIVESTOCK COMMENTARY

Friday January 13, 2017

DAILY CATTLE COMMENTARY

01/13/17

May need to absorb sharp drop in beef price of 7% in past week

The market saw a strong recovery off of the lows yesterday but it may take more than a 2-day drop to correct the overbought condition. The market traded sharply lower on the session into the mid-day yesterday as the sharp drop in beef prices (7% in the past week) helped to spark more aggressive long liquidation selling. USDA boxed beef cutout values were down 14 cents at mid-session yesterday and closed 29 cents lower at \$189.10. This was down from \$201.55 the prior week and the lowest beef market since December 9th.

Average dressed steer weights for the week ending December 31st came in at 900 pounds, up from 897 the previous week and up from 856 pounds last year. Weights normally push lower at this time of the year so the news is a bit bearish. Beef production for the same week came in at 428.7 million pounds, up 4.18% over year ago.



The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 464,000 head, up from 354,000 last week at this time and up from 446,000 a year ago. Weekly U.S. beef export sales for the week ending January 5th came in at 39,100 metric tonnes, compared with the prior 4-week average of 1,825. Cumulative sales for 2017 have reached 111,600 metric tonnes, up 21.6% from last year's pace. For the supply/demand update, beef production for 2017 increased by 15 million pounds and imports by 20 million pounds which was partially offset by a 10 million pound increase in exports. These were very minor adjustments. Beef production in the first quarter is expected to be up 2.3% from last year.

TODAY'S MARKET IDEAS:

The surge in open interest on the rally is positive but also leaves the market in a short-term overbought condition. April cattle is showing some support at 115.40 and it will be important for the bulls to see this support hold or the market could be set for a more significant correction.

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) 01/13/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside target is at 119.750. The next area of resistance is around 118.600 and 119.750, while 1st support hits today at 116.320 and below there at 115.200.

FEEDER CATTLE (JAN) 01/13/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The gap down on the day session chart is bearish with more selling pressure possible today. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next upside target is 132.825. The next area of resistance is around 131.700 and 132.825, while 1st support hits today at 128.950 and below there at 127.325.

DAILY HOGS COMMENTARY

01/13/17

Normal seasonal strength into the spring may be muted by supply

The market remains in a short-term uptrend but with ample short-term supply of market-ready hogs, it will be important to see continued strong signs of export demand and a steady advance in cash markets. USDA pork cutout values, released after the close yesterday, came in at \$78.66, down \$1.24 from Wednesday and down from \$79.20 the previous week. In the monthly USDA supply/demand report, 2017 production was revised higher by 405 million pounds. For comparison, pork production last week was 440 million pounds. Production for 2017 is now projected at 5% over last year. The drop in production from the 1st quarter into the 2nd quarter is expected to be the smallest drop in 15 years at just 90 million pounds as compared with a drop of 268 million last year. This is a negative factor for June hogs and could mean muted support for the normal strong upward seasonal into the late spring. Similar years were 2005 and 2002. June 2005 hogs had a contract high on March 7th at 82.20 and fell back to near 67.00 into June. June 2002 hogs had a contract high on February 5th at 68.20 and fell back to 45.65 by May 29th.



April hogs traded moderately lower on the session yesterday but rallied to trade a bit higher on the day into the midsession. Talk of strong exports and relatively tight supply helped to support. Cash markets were steady to \$1.00 higher as packers push for a slaughter of near 250,000 head for Saturday. Weekly U.S. pork export sales for the week ending January 5th came in at 60,800 tonnes, compared with the prior 4-week average of 3,925. Cumulative sales for 2017 have reached 194,100 tonnes, up 54.2% from last year's pace. The CME Lean Hog Index as of January 10th was 60.68, up 1.08 from the previous session and up from 57.58 the previous week. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 1.733 million head, up from 1.320 million last week at this time and up from 1.620 million a year ago. Actual US pork production for the week ending December 31st came in at 438.0 million pounds, down from 453.6 the previous week and up 9.6% from a year ago.

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TODAY'S MARKET IDEAS:

June hog stiff resistance is at 78.17 with support back at 76.80 and 76.27. April hog resistance is at 69.57 with 67.82 and 67.17 as support. Watch for technical signs of a top and consider selling out-of-money calls on a bounce.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 01/13/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over

the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 67.070. The next area of resistance is around 66.600 and 67.070, while 1st support hits today at 65.300 and below there at 64.450.

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	117.470	57.27	59.27	68.77	70.80	118.16	116.57	116.48	112.41	110.26
FCF7	130.324	52.34	54.65	58.25	60.88	131.09	130.01	130.36	127.24	124.65
LHG7	65.950	62.83	62.78	62.47	66.67	65.09	64.83	64.75	59.85	57.78

Calculations based on previous session. Data collected 01/12/2017

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	115.150	116.300	117.450	118.600	119.750
FCF7	Feeder Cattle	127.324	128.949	130.074	131.700	132.825
LHG7	Lean Hogs	64.420	65.270	65.750	66.600	67.070

Calculations based on previous session. Data collected 01/12/2017

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