

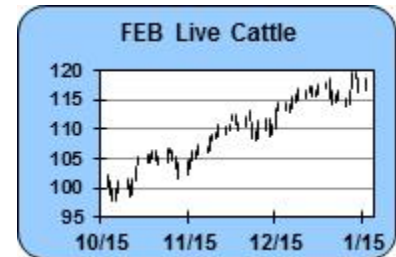


**DAILY LIVESTOCK COMMENTARY**  
**Tuesday January 17, 2017**

**DAILY CATTLE COMMENTARY**  
**01/17/17**

**Volatile trade may continue short-term; 120.40 next target**

The market remains in a strong short-term uptrend and futures are still attempting to follow the cash market. Producers seem to be current with marketings but weights pushed higher last week and the central and southern plains look dry this week. April cattle closed 145 points higher on the session Friday and this left the market up 372 points for the week. The market traded lower early in the session Friday but a firm tone to the cash market and higher beef prices helped to support. The discount of April cattle to the cash market and a steady flow of fund buying has helped to support. If the 2-day break was enough to correct the overbought, a resumption of the uptrend leaves 120.40 as next upside target. USDA boxed beef cutout values were up \$1.34 at mid-session Friday and closed \$1.70 higher at \$190.80. This was down from \$198.81 the prior week.



The USDA estimated cattle slaughter came in at 114,000 head Friday and 31,000 head for Saturday. This brought the total for last week to 609,000 head, 609,000 head, up 5.9% from last year. Beef production for the week reached 507.6 million pounds, up 6.3% from last year. The Commitments of Traders reports as of January 10th showed Non-Commercial traders were net long 121,254 contracts, an increase of 6,333 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 87,961 contracts, up 5,243 contracts for the week. Commodity Index traders held a net long position of 92,839 contracts, up 6,281 contracts in just one week. 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 close-in support moves up to 116.12 and 115.40, with 120.40 as next upside target.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
<b>Livestock</b>							
<b>Feeder Cattle</b>	13,017	+638	-495	-910	-12,522	+272	
<b>Cattle</b>	121,254	+6,333	-87,961	-5,243	-33,293	-1,090	

**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) 01/17/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 objective is 120.220. The next area of resistance is around 119.570 and 120.220, while 1st support hits today at 117.470 and below there at 116.000.

FEEDER CATTLE (JAN) 01/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 131.837. The next area of resistance is around 131.225 and 131.837, while 1st support hits today at 129.675 and below there at 128.738.

## DAILY HOGS COMMENTARY

01/17/17

### Normal seasonal strength into the spring may be muted by supply

With ample short-term supply and warmer Midwest weather this week, the market looks set to forge a short-term peak. The hog market remains in a short-term uptrend, but it will be important to see continued signs of strong export demand and a steady advance in cash markets for the market to maintain its upside momentum. In the monthly USDA Supply/Demand update on Thursday, the USDA pegged 2017 pork production at a record-high 26.221 billion pounds, up 5% from 2016. Production has a seasonal tendency to decline from the 1st to the 2nd quarters, but this year's drop in production is expected to be the smallest in 15 years at just 90 million pounds. For the same period last year, production declined 268 million pounds. This is a negative factor for June hogs, and it could offset the seasonal tendency for the market to experience an uptrend into late spring. Two other years that had similar, small declines were 2005 and 2002. In 2005, June Hogs put in a contract high of 82.20 on March 7th and fell back to the 67.00 level by June. In 2002, June hogs had a contract high of 68.20 on February 5th and fell back to 45.65 by May 29th. Pork exports to Mexico reached an all-time high in November. It will be important for exports to stay strong to hold the trend up. But with the sharp decline in the Mexican peso's value since the US election in November, down to an all-time low on January 11th, the cost of imported US pork in Mexico is soaring.



April hogs closed 7 points higher on the session Friday and this left the market up 142 points for the week. The market saw some early selling pressure but a surge in ham values on the midday wire and a jump in cattle futures helped to pull April hogs back up to higher on the day. USDA pork cutout values, released after the close Friday, came in at \$80.20, up \$1.54 from Thursday and up from \$78.51 the previous week. This is the highest pork value since December 30th. The CME Lean Hog Index as of January 11th was 61.85, up 1.17 from the previous session and up from 57.61 the previous week. The USDA estimated hog slaughter came in at 422,000 head Friday and 252,000 head for Saturday. This brought the total for last week to 2.402 million head, up 4.6% from last year. Pork production for the week reached 506.4 million pounds, up 3% from last year. The Commitments of Traders reports as of January 10th showed Non-Commercial traders were net long 57,371 contracts, an increase of 2,365 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 37,124 contracts, up 4,789 contracts for the week. Commodity Index traders held a net long position of 73,627 contracts. This represents an increase of 3,086 contracts in the net long position held by these traders.

### TODAY'S MARKET IDEAS:

There is still no technical sign of a top. June hogs have an upside swing target at 79.52 and traders could watch for a sign of a top near this level.

### NEW RECOMMENDATIONS:

1) Sell June Hog 84.00 call at 182 with an objective of 0. Risk a total of 65 points from entry. 2) Buy June Hog 72.00 put at 157 with an objective of 297. Risk a total of 47 points from entry.

### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Livestock</b>						
Hogs	57,371	+2,365	-37,124	-4,789	-20,247	+2,424

## PORK 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.

LEAN HOGS (FEB) 01/17/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 67.000. The next area of resistance is around 66.320 and 67.000, while 1st support hits today at 64.870 and below there at 64.070.

## 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	118.520	61.72	62.16	70.42	73.71	118.66	116.85	116.65	112.73	110.56
FCF7	130.449	52.98	55.04	58.44	58.82	131.38	130.01	130.39	127.49	124.93
LHG7	65.570	59.91	61.03	64.52	68.60	65.55	64.77	64.80	60.09	58.06

Calculations based on previous session. Data collected 01/13/2017

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	115.970	117.450	118.100	119.570	120.220
FCF7	Feeder Cattle	128.737	129.674	130.287	131.225	131.837
LHG7	Lean Hogs	64.050	64.850	65.520	66.320	67.000

Calculations based on previous session. Data collected 01/13/2017

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