



## DAILY LIVESTOCK COMMENTARY

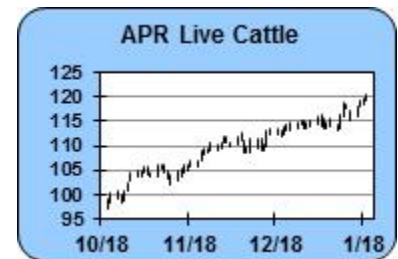
Friday January 20, 2017

### DAILY CATTLE COMMENTARY

01/20/17

#### Overbought but April still discount; no sign of top yet

With an overbought technical condition and packer margins moving deeper in the red this week, traders might be cautious of a short-term peak soon. Average dressed steer weights for the week ending January 7th came in at 905 pounds, up from 900 the previous week and up from 904 pounds a year ago. The 5-year average weekly weight for that week is 880.8 pounds. Beef production for the same week came in at 453.7 million pounds, up 23.1% over year ago. USDA boxed beef cutout values were down 89 cents at mid-session yesterday and closed \$1.62 lower at \$191.60. This was up from \$189.10 the prior week. April cattle has closed higher for four sessions in a row and pushed moderately higher on the session yesterday going into the close. The market has pushed to a new high for the move for the third session in a row.



Kansas cash market trade developed at \$122.00, up \$3.00 from last week. Plains cattle traded \$122-\$123 this week as compared with \$118-\$120 last week. This leaves April cattle at a significant discount to the cash market which is a positive factor. Talk that the showlist is down more than 20,000 head this week helped to support. Ideas that packers may cut kills next week is seen as a possible bearish force for the cash market next week. The USDA estimated cattle slaughter came in at 114,000 head yesterday. This brings the total for the week so far to 409,000 head, down from 464,000 last week at this time and down from 444,000 a year ago.

#### TODAY'S MARKET IDEAS:

There is still no technical sign of a top and April cattle is still at a big discount to the cash market. Close-in resistance for April cattle is 120.40 and 121.50.

#### 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 (APR) 01/20/2017:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 121.020. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 120.470 and 121.020, while 1st support hits today at 119.250 and below there at 118.550.

**FEEDER CATTLE (MAR) 01/20/2017:** Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has

a slightly positive tilt with the close over the swing pivot. The next upside objective is 131.531. The next area of resistance is around 130.912 and 131.531, while 1st support hits today at 129.388 and below there at 128.482.

## DAILY HOGS COMMENTARY

01/20/17

**In position to see trend shift to short-term downtrend**

The market consolidated the Wednesday losses with an inside trading session and we see increased supply ahead and a muted seasonal decline in supply into the spring (see weekly newsletter) as potential short-term bearish forces. USDA pork cutout values, released after the close yesterday, came in at \$78.00, down 37 cents from Wednesday and down from \$78.66 the previous week. This is the lowest pork value since December 19th. The CME Lean Hog Index as of January 17th was 66.01, up 1.17 from the previous session and up from 60.68



the previous week. A continued firm tone to the cash market helped to support the hog market yesterday to a slightly higher close with an inside trading session. Ideas that the sharp break Wednesday may have been overdone helped to support the market. Cash markets were higher and this has helped the market (so far) avoid follow-through selling from the sweeping reversal.

April needs to move under 68.05 and June under 77.30 to spark new selling. To experience a weekly reversal, April needs to close under 69.32 and June under 77.32. The USDA estimated hog slaughter came in at 442,000 head yesterday. This brings the total for the week so far to 1.625 million head, down from 1.728 million last week at this time and down from 1.685 million a year ago. Actual US pork production for the week ending January 7th came in at 445.3 million pounds, up from 438 the previous week and up 2% from a year ago.

### TODAY'S MARKET IDEAS:

The market seems to be in position to turn the short-term trend down. June hog selling resistance is at 78.92 with 76.50 and 75.92 as support. April hog selling resistance is at 69.75 with 67.40 and 66.70 as support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

1) Long June Hog 72.00 put from 157 with an objective of 297. Risk to 110. 2) Short June Hog 84.00 call from 147 with an objective of 0. Risk to 195.

## 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 (APR) 01/20/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 objective is now at 67.770. The next area of resistance is around 69.520 and 70.020, while 1st support hits today at 68.420 and below there at 67.770.

## 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									

LCJ7	119.870	72.10	69.82	84.09	90.33	119.05	117.71	116.15	112.95	110.88
FCH7	130.150	65.60	63.75	75.96	83.05	129.76	128.41	127.05	124.62	122.34
LHJ7	68.970	58.08	60.10	86.00	81.79	69.29	69.12	68.11	65.54	64.31

Calculations based on previous session. Data collected 01/19/2017

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>						
LCJ7	Live Cattle	118.520	119.220	119.770	120.470	121.020
FCH7	Feeder Cattle	128.481	129.387	130.006	130.912	131.531
LHJ7	Lean Hogs	67.750	68.400	68.870	69.520	70.020

Calculations based on previous session. Data collected 01/19/2017

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.