

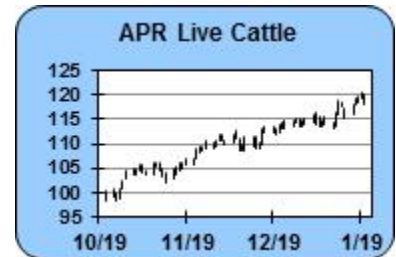


**DAILY LIVESTOCK COMMENTARY**  
Monday January 23, 2017

**DAILY CATTLE COMMENTARY**  
01/23/17

**Overbought and in need of technical correction; weak margins**

The market is overbought and due for at least a technical correction but a break to uptrend channel support at 115.97 today for April cattle would not violate any key support and hold the trend up. April cattle closed 90 lower on the session Friday and this left the market up 105 points for the week last week. The market pushed sharply lower early and managed to recover 110 points off of the lows into the close. Ideas that the packer margins have been squeezed to the point where packers may cut back on kills helped to spark the profit-taking selling.



USDA boxed beef cutout values were down \$1.36 at mid-session Friday and closed \$1.18 lower at \$190.42. This was down from \$190.80 the prior week and is the lowest since January 12th. The USDA estimated cattle slaughter came in at 112,000 head Friday and 48,000 head for Saturday. This brought the total for last week to 569,000 head, down from 609,000 the previous week and down 1% from last year.

Weekly U.S. beef export sales for the week ending January 12 came in at 3,700 tonnes, compared with the prior 4-week average of 13,375. Cumulative sales for 2017 have reached 115,300 tonnes, up 15.2% from last year's pace. The discount of April cattle to the cash market could help provide support on the further break. The Commitments of Traders reports as of January 17th showed Non-Commercial traders were net long 124,703 contracts, an increase of 3,449 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 89,700 contracts, an increase of 1,739 contracts for the week. Commodity Index traders held a net long position of 101,735 contracts, up 8,896 contracts for the week.

**TODAY'S MARKET IDEAS:**

There is still no technical sign of a top but overbought readings and divergence in RSI readings suggest a correction is in order. Close-in resistance for April cattle is 119.75 and 120.32, with 117.60 and 116.77 as support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/10/2017 - 1/17/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Weekly Net Change	Weekly Net Change	
<b>Livestock</b>						
<b>Feeder Cattle</b>	14,864	+1,847	-2,045	-1,550	-12,819	-297
<b>Cattle</b>	124,703	+3,449	-89,700	-1,739	-35,003	-1,710

**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) 01/23/2017: 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's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside target is at 120.920. The next area of resistance is around 119.970 and 120.920, while 1st support hits today at 118.000 and below there at 116.950.

FEEDER CATTLE (MAR) 01/23/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive signal was given by the outside day up. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 133.368. The next area of resistance is around 132.637 and 133.368, while 1st support hits today at 129.913 and below there at 127.919.

## DAILY HOGS COMMENTARY

01/23/17

### Bounce in pork cut-out supports; technical action weak

Fundamentally, the market will need to see pork values push lower in order to expect more than just a technical correction. USDA pork cutout values, released after the close Friday, came in at \$79.44, up \$1.44 from Thursday but down from \$80.20 the previous week. April hogs closed 50 lower on the session Friday and this was the lowest close since January 9th. This left the market down 115 points for the week after hitting the highest level since July. The sharp drop in cattle plus the weakness seen in pork values late Thursday (down to lowest since December 19th) helped to spark increased selling. The move under 77.30 for June hogs late Friday could spark additional technical selling and helps confirm the reversal top pattern from Wednesday. The USDA estimated hog slaughter came in at 417,000 head Friday and 282,000 head for Saturday. This brought the total for last week to 2.324 million head, down from 2.395 million the previous week but up 0.8% from last year.



The CME Lean Hog Index as of January 18th was 66.69, up 68 cents from the previous session and up from 61.85 the previous week. Weekly U.S. pork export sales for the week ending January 12th came in at 25,400 tonnes, compared with the prior 4-week average of 17,700. Cumulative sales for 2017 have reached 219,500 tonnes, up 55.1% from last year's pace. The Commitments of Traders reports as of January 17th showed Non-Commercial traders were net long 61,413 contracts, an increase of 4,042 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 41,481 contracts, up 4,357 contracts for the week. Commodity Index traders held a net long position of 78,099 contracts, up 4,472 contracts for the week.

### TODAY'S MARKET IDEAS:

The technical action is turning sour but the bears will need to see some follow-through weakness in pork cut-out values this week to see significant follow-through from the sweeping weekly reversal. 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.

Commitment of Traders - Futures and Options - 1/10/2017 - 1/17/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
<b>Livestock</b>						
Hogs	61,413	+4,042	-41,480	-4,356	-19,932	+315

**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) 01/23/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 67.670. The next area of resistance is around 68.920 and 69.450, while 1st support hits today at 68.050 and below there at 67.670.

**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>										
LCJ7	118.970	64.32	64.84	85.05	86.95	119.31	118.24	116.39	113.23	111.14
FCH7	131.275	69.64	66.52	80.17	88.58	130.26	129.24	127.28	124.90	122.61
LHJ7	68.470	51.57	56.33	82.04	74.11	69.00	69.15	68.16	65.71	64.49

Calculations based on previous session. Data collected 01/20/2017

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	116.920	117.970	118.920	119.970	120.920
FCH7	Feeder Cattle	127.918	129.912	130.643	132.637	133.368
LHJ7	Lean Hogs	67.650	68.020	68.550	68.920	69.450

Calculations based on previous session. Data collected 01/20/2017

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