



## DAILY LIVESTOCK COMMENTARY

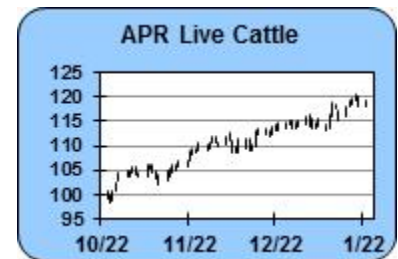
Tuesday January 24, 2017

### DAILY CATTLE COMMENTARY

01/24/17

#### Overbought but consolidating to correct; demand strong

April cattle is consolidating in the 118-120 level and may be working off of an overbought condition with the consolidation but the market remains well under the cash market and unless there is cash market weakness just ahead, there could be another leg up ahead. April cattle closed slightly higher on the session yesterday and up more than 100 points from the early lows. The cattle market pushed lower on the session early yesterday as weakness in hogs and talk of the overbought condition helped to pressure. Ideas that packers will cut back on slaughter helped to pressure as well. Packer margins pushed deeper in the red and this could lead to a cut-back in slaughter, and perhaps a set-back in the cash. Cash traded \$121-\$123 last week. Support held above Friday's lows yesterday as there is some talk of hefty snow in the forecast for South Dakota and parts of Nebraska. USDA boxed beef cutout values were up 58 cents at mid-session yesterday and closed \$1.35 higher at \$191.77. This was up from \$191.39 the prior week. Slaughter came in at 115,000 head which was slightly above trade expectations. This was up from 69,000 last week and up from 111,000 a year ago as this time.



#### TODAY'S MARKET IDEAS:

The market is correcting the overbought condition by consolidation. The open interest uptrend and discount of futures to the cash plus consumer confidence readings on the rise are seen as supportive forces. Support for April cattle is at 117.62 and 116.77, with 120.32 and 122.47 as next stiff resistance.

#### 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) 01/24/2017:** 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 120.020. The next area of resistance is around 119.700 and 120.020, while 1st support hits today at 118.650 and below there at 117.850.

**FEEDER CATTLE (MAR) 01/24/2017:** Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 132.087. The next area of resistance is around 131.274 and 132.087, while 1st support hits today at 130.075 and below there at 129.688.

## DAILY HOGS COMMENTARY

01/24/17

### Storm could spark some support but trend turning down

Some weakness in cash and product prices sparked a sharp sell-off in the market as the long liquidation selling seemed to have intensified on the break. Heavy snow into the weekend in the forecast for Minnesota and parts of Iowa might support the market if marketings are disrupted. However, supply is not tight and the impact could be minimal. First quarter pork production is expected to be up 3.6% from last year. April hogs last year ended up near 66.80 and with the extra production, it may take stronger export demand this year to rationalize this year's price much above 70.00. USDA pork cutout values, released after the close yesterday, came in at \$78.97, down 47 cents from Friday and down from \$79.05 the previous week. The CME Lean Hog Index as of January 19th was 67.01, up 32 cents from the previous session and up from 62.92 the previous week. The market closed sharply lower on the session yesterday and pushed down to the lowest level since January 6th. The market saw some strength early due to bounce in pork values Friday. However, mid-day pork was lower and traders are more and more concerned with the new Administration's trade policy; especially with Mexico. Slaughter came in at 440,000 head which was slightly above trade expectations. This was up from 315,000 last week and up from 430,000 a year ago as this time.



### TODAY'S MARKET IDEAS:

The technical action is bearish but the market will need to contend with a Midwest snow storm just ahead. June hog resistance is 77.97 with 75.92 as support. April hog resistance is at 68.72 with 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:

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LEAN HOGS (APR) 01/24/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 66.450. The next area of resistance is around 68.470 and 69.220, while 1st support hits today at 67.100 and below there at 66.450.

### 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										
LCJ7	119.150	65.26	65.43	85.31	85.84	119.36	118.60	116.66	113.51	111.39
FCH7	130.675	65.06	63.73	82.94	88.49	130.41	129.82	127.50	125.17	122.88
LHJ7	67.770	43.83	51.47	75.44	62.26	68.51	69.09	68.26	65.88	64.64

Calculations based on previous session. Data collected 01/23/2017

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	117.820	118.620	118.920	119.700	120.020
FCH7	Feeder Cattle	129.687	130.074	130.887	131.274	132.087
LHJ7	Lean Hogs	66.400	67.070	67.820	68.470	69.220

Calculations based on previous session. Data collected 01/23/2017

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