

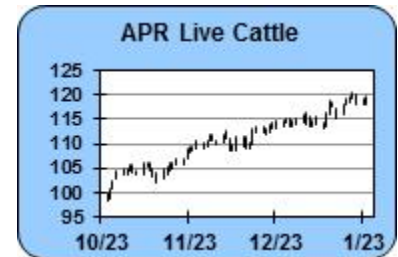


## DAILY LIVESTOCK COMMENTARY Wednesday January 25, 2017

### DAILY CATTLE COMMENTARY 01/25/17

#### May be overbought but big discount to cash to support

The short-term technical action soured yesterday and the market looks a bit top heavy. Packer margins are deep in the red but there was talk that packers were bidding \$124 in the plains with offers at \$125 or higher. If cash trades \$124, April futures might feel a bit too cheap. April cattle closed sharply lower on the session yesterday and experienced the lowest close since January 13th. Long liquidation selling helped to drive the market lower. Talk of poor packer margins and talk of the overbought condition helped pressure. The downside seems somewhat limited due to the discount of futures to the cash market. The monthly cold storage report showed end of December frozen beef stocks at an all-time record high at 567 million pounds which is up 10.6% from last year and up 6.8% from the previous month. Stocks typically increase 2% for the month so the report is considered bearish.



For the Cattle on Feed report on Friday, a poll from Reuters showed that traders expect placements for the month of December near 108.4% of the previous year (range 103.5-113.6) with marketings expected near 106.7% (range 104.8-109.2). Traders see January 1st On-Feed supply at 99% of last year with a range of 98.4% to 100% of last year. The USDA estimated cattle slaughter came in at 111,000 head yesterday. This brings the total for the week so far to 226,000 head, up from 180,000 last week at this time and up from 223,000 a year ago. USDA boxed beef cutout values were up \$1.50 at mid-session yesterday and closed 3 cents lower at \$191.74. This was up from \$191.62 the prior week.

#### TODAY'S MARKET IDEAS:

The market seems to be in the process of 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. If cash trades \$124, the futures will look too cheap. Uptrend channel support for April cattle is at 116.60 today with chart support at 117.62. Keep 120.32 and 121.72 as next stiff resistance.

#### NEW RECOMMENDATIONS:

\* Sell April cattle 115.00 put at 277 with an objective of zero. Risk a total of 110 points.

#### 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) 01/25/2017: The daily stochastics have crossed over down which is a bearish indication. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. The close below the 1st swing support could weigh on the market. The next downside target is 116.850. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 119.270 and 120.420,

while 1st support hits today at 117.520 and below there at 116.850.

FEEDER CATTLE (MAR) 01/25/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 132.362. The next area of resistance is around 131.250 and 132.362, while 1st support hits today at 129.100 and below there at 128.063.

## DAILY HOGS COMMENTARY

01/25/17

### Strong demand signals from cut-out and cold storage plus snow

The market seems to have the supply set-up to roll-over to the downside but a jump in pork values and a sharp drop in cold storage are pointing to better than expected short-term demand indicators. USDA pork cutout values, released after the close yesterday, came in at \$80.93, up \$1.96 from Monday and up from \$80.18 the previous week. This is the highest pork cut-out since December 30th. The monthly cold storage report showed end of December frozen pork stocks at 477.2 million pounds which is down 12.5% from last year and down 8% from the previous month. Stocks typically drop 1.3% for the month so the report is considered bullish. April hogs closed slightly lower on the session yesterday after an inside trading day. Talk of snow for the northern Midwest and ideas that the break Monday was overdone helped to support. The CME Lean Hog Index as of January 20th was 67.03, up 2 cents from the previous session and up from 64.10 the previous week. The USDA estimated hog slaughter came in at 428,000 head yesterday. This brings the total for the week so far to 868,000 head, up from 743,000 last week at this time but unchanged from a year ago.



### TODAY'S MARKET IDEAS:

The turn down in cattle may have added to the bearish tone yesterday but April and June hogs held above Monday's lows and the news out after the close was supportive. Key uptrend channel support for June hogs is at 76.20 with some light chart support at 75.96.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

1) \* Exit long June Hog 72.00 put from 157 at the market. 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) 01/25/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 67.000. The next area of resistance is around 68.020 and 68.570, while 1st support hits today at 67.250 and below there at 67.000.

## 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	118.400	58.55	61.15	84.00	81.37	119.11	118.57	116.90	113.72	111.62
FCH7	130.175	61.28	61.42	84.11	86.46	130.57	129.84	127.73	125.37	123.12
LHJ7	67.620	42.30	50.46	67.60	51.92	68.21	68.90	68.31	66.01	64.79

Calculations based on previous session. Data collected 01/24/2017

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	116.820	117.500	118.620	119.270	120.420
FCH7	Feeder Cattle	128.062	129.100	130.212	131.250	132.362
LHJ7	Lean Hogs	66.970	67.220	67.770	68.020	68.570

Calculations based on previous session. Data collected 01/24/2017

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