

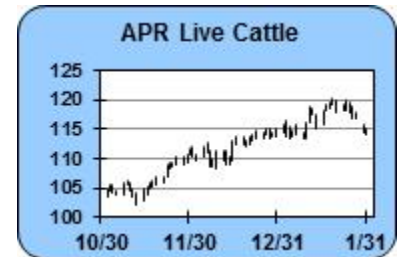


## DAILY LIVESTOCK COMMENTARY Wednesday February 01, 2017

### DAILY CATTLE COMMENTARY 02/01/17

#### Cattle Inventory report shows continued expansion

The short-term action remains bearish as a huge net long position from speculators is clashing with the bearish Cattle-on-Feed report from Friday and the bearish technical pattern as futures gapped under the key uptrend channel. Longer-term, traders were hopeful that the Cattle Inventory report would show that the industry was finished expanding for now. However, the report showed that the industry is still expanding and this is a bearish longer-term force. For example, trade estimates showed that "All heifers for beef replacement would come in at 98.8% of last year but this came in at 101.2% of last year. Calves under 500 pounds came in at 102.2% of last year from trade expectations for 100.4. Total inventory on January 1st was expected at near 93 million head or 101.1% of last year and came in at 93.585 million head or up 101.8%.



April cattle pushed moderately lower on the session yesterday and pushed down to the lowest level since January 9th. The big placements number from the USDA plus the bearish technical action from Monday helped to spark follow-through technical selling as the market gapped the long-held uptrend channel. The USDA estimated cattle slaughter came in at 113,000 head yesterday. This brings the total for the week so far to 228,000 head, up from 226,000 last week at this time and up from 189,000 a year ago. USDA boxed beef cutout values were down 7 cents at mid-session yesterday and closed 48 cents lower at \$192.87. This was up from \$191.74 the prior week.

#### TODAY'S MARKET IDEAS:

The short-term technical and fundamental news is bearish and the cattle inventory report adds a more bearish longer-term tilt to the market as the report shows that the "expansion" phase has not stopped and supply will continue to advance. April cattle looks set to test key support at 111.52. June cattle initial key support is at 102.62 and then 100.45.

#### 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) 02/01/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 113.320. The next area of resistance is around 114.700 and 115.450, while 1st support hits today at 113.650 and below there at 113.320.

FEEDER CATTLE (MAR) 02/01/2017: Momentum studies trending lower at mid-range should accelerate a move

lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next downside target is 121.088. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 123.800 and 125.187, while 1st support hits today at 121.750 and below there at 121.088.

**DAILY HOGS COMMENTARY**  
02/01/17

**Belly prices already up 49% this year; strong bacon demand**

The market rallied sharply on the session yesterday as a continued surge in pork cut-out values has helped support the steady uptrend in the cash market. USDA pork cutout values, released after the close yesterday, came in at \$83.88, up \$1.08 from Monday and up from \$80.93 the previous week. This is the highest cut-out value since July 26th. Pork bellies jumped to \$170.82 which is up from \$150.56 from last week and up 49% since December 30th. The CME Lean Hog Index as of January 27th was 68.14, up 14 cents from the previous session and up from 67.03 the previous week. The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 883,000 head, up from 868,000 last week at this time and up from 749,000 a year ago. Hormel has suspended operations at one of its pork suppliers in Oklahoma until it investigates claims that pigs were being abused at a farm where an animal rights group shows in a video. This is a sow operation and unless it begins to impact slaughter operations or the video slows demand, the impact on the market should be minimal. Iowa/Minnesota average weights declined to 282.1 pounds from 282.4 pounds last week and this is a normal seasonal decline. Some traders expected a larger drop after an increase in weights last week.



**TODAY'S MARKET IDEAS:**

Pork bellies jumped to \$170.82 which is up from \$150.56 from last week and up 49% since December 30th. The short-term demand news remains positive and a move over 70.57 for April hogs leaves 72.07 as next objective. A move over 79.00 for June hogs leaves 80.27 as next objective.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**PORK COMPLEX TECHNICAL OUTLOOK:**

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LEAN HOGS (APR) 02/01/2017: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 71.050. The next area of resistance is around 70.120 and 71.050, while 1st support hits today at 68.370 and below there at 67.520.

**DAILY TECHNICAL STATISTICS**

CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW	14 DAY SLOW	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
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<b>MEAT COMPLEX</b>										
LCJ7	114.150	31.98	41.81	56.04	34.19	115.98	117.67	117.37	114.50	112.59
FCH7	122.775	27.93	36.85	53.56	30.59	125.31	128.15	127.93	126.01	124.05
LHJ7	69.250	56.05	56.35	50.71	50.97	68.25	68.44	68.75	66.77	65.43

Calculations based on previous session. Data collected 01/31/2017

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	113.300	113.620	114.370	114.700	115.450
FCH7	Feeder Cattle	121.087	121.750	123.137	123.800	125.187
LHJ7	Lean Hogs	67.500	68.350	69.270	70.120	71.050

Calculations based on previous session. Data collected 01/31/2017

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