



## DAILY LIVESTOCK COMMENTARY

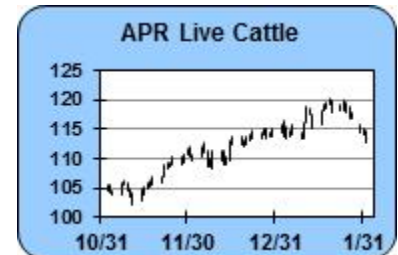
Thursday February 02, 2017

### DAILY CATTLE COMMENTARY

02/02/17

#### June may have fully discounted bear news at \$16.80 under

June cattle seems to have found support on the break yesterday and seems to have also discounted much of the recent bearish news. With June near 104 and cash near 119, it will not take much in the way of positive news to turn the trend up. June is at a \$16.80 discount to last week's cash market as compared with the 5-year average of a \$7.60 discount. April cattle closed lower yesterday but well up from the lows while June cattle closed higher on the day. The market pushed sharply lower on the session into the midday as a bearish Cattle



Inventory report plus the very bearish chart action this week plus the overbought condition basis the COT were all factors to contribute to the renewed long liquidation selling. The report showed that the industry is still expanding and this is a bearish longer-term force. For example, trade estimates forecast 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%. USDA boxed beef cutout values were up 65 cents at mid-session yesterday and closed 88 cents higher at \$193.75. This was up from \$191.25 the prior week. This is the highest beef market since January 9th. The USDA estimated cattle slaughter came in at 109,000 head yesterday. This brings the total for the week so far to 337,000 head, down from 338,000 last week at this time but up from 282,000 a year ago. The Fed Cattle Exchange had an average sales price this week at \$118.82 as compared with \$121.98 last week.

#### TODAY'S MARKET IDEAS:

A 50% correction of the Oct-Jan rally for May Feeder Cattle leaves 118.85 as next key support. If trade issues develop with Mexico, feeder cattle should be supported. The next key support for April cattle is at 111.52. June cattle has some support at 103.70 and a move over 104.82 would be seen as positive. Key support is back at 102.62.

#### NEW RECOMMENDATIONS:

\* Sell June cattle 102.00 put at 342 with an objective of zero. Risk a total of 105 points from entry.

#### 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) 02/02/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 111.650. The next area of resistance is around 114.750 and 115.850, while 1st support hits today at 112.650 and below there at 111.650.

**FEEDER CATTLE (MAR) 02/02/2017:** The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 119.625. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 123.374 and 124.824, while 1st support hits today at 120.775 and below there at 119.625.

## DAILY HOGS COMMENTARY

02/02/17

### Drop in hams may spark concerns for Mexico demand

While the cash belly market is up 49% since December 30th, the turn down in the ham market helped to push pork values lower. USDA pork cutout values, released after the close yesterday, came in at \$82.32, down \$1.56 from Tuesday but up from \$81.62 the previous week. Hams traded at \$58.67 which is down from \$63.38 last week. If pork exports to Mexico slow, it may show up first in slow demand for hams. With US pork production this year expected to jump to a new record high and up 5% from last year, the jump in belly prices already should go a long way in curtailing demand. April hogs closed slightly higher on the session yesterday.



The market traded as much as 67 higher on the session early but further weakness in cattle and talk of a short-term overbought condition helped to push the market lower on the day into the midsession. Weekly average weights for Iowa-Southern Minnesota as of January 28th came in at 282.1 pounds, down from 282.4 the previous week and down from 284.1 pounds last year. This was considered slightly negative as seasonally, weights drop at this time of the year but were higher last week and not down much this week. The CME Lean Hog Index as of January 30th was 68.61, up 17 cents from the previous session and up from 67.20 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 1.323 million head, up from 1.293 million last week at this time and up from 1.150 million a year ago. China imported 113,352 tonnes of pork in December, up 0.3% from the previous month and up 18.3% from last year.

### TODAY'S MARKET IDEAS:

The sharp drop in ham values might be a concern for the bulls. Recent short-term positive demand news has helped support but if pork values begin to slide, cash markets should weaken. Short-term resistance for April hogs is at 70.02 with 66.47 and 65.22 as first key support levels. June hog resistance is at 78.27 with 76.25 as 1st key support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### 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) 02/02/2017:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 70.850. The next area of resistance is around 69.950 and 70.850, while 1st support hits today at 68.220 and below there at 67.350.

## 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	113.700	30.02	40.16	46.09	26.21	115.01	116.98	117.35	114.55	112.73
FCH7	122.075	26.14	35.25	43.24	22.58	124.05	127.25	127.83	125.98	124.15
LHJ7	69.100	54.89	55.58	52.10	54.90	68.72	68.46	68.79	66.91	65.57

Calculations based on previous session. Data collected 02/01/2017

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	111.620	112.620	113.750	114.750	115.850
FCH7	Feeder Cattle	119.625	120.774	122.225	123.374	124.824
LHJ7	Lean Hogs	67.320	68.200	69.070	69.950	70.850

Calculations based on previous session. Data collected 02/01/2017

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.