

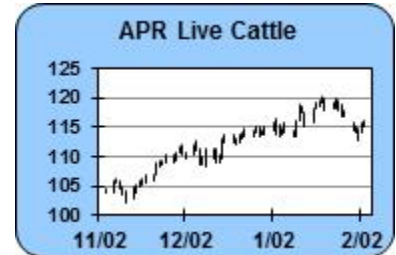


DAILY LIVESTOCK COMMENTARY
Monday February 06, 2017

DAILY CATTLE COMMENTARY
02/06/17

Short-term weather remains a bearish force; chop

June cattle seem to have already priced-in much of the recent bearish supply news but with a bearish chart pattern, a hefty net long position from speculators and bearish short-term weather, some further weakness may be in order. There is a very dry 5-day forecast for the central and southern Plains while the 6-10 and 8-14 day models are showing above-normal temperatures and below-normal precipitation.



June cattle closed 12 points higher on the session Friday but down 132 points for the week. Cash cattle traded at mostly \$119 last week from \$122 the previous week. Traders expected slaughter near 108,000 head, but that figure came in at 111,000 head which is a slight positive. Slaughter was 32,000 head for Saturday. This brought the total for last week to 593,000 head, up from 577,000 the previous week and up from 535,000 a year ago.

USDA boxed beef cutout values were down \$1.67 at mid-session Friday and closed \$1.61 lower at \$191.40. This was down from \$192.70 the prior week and the lowest since January 25th. The Commitments of Traders reports as of January 31st showed Non-Commercial traders were net long 124,030 contracts, a decrease of 998 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 89,235 contracts, up 515. Commodity Index traders held a net long position of 107,371 contracts, up 1,701 contracts for the week.

TODAY'S MARKET IDEAS:

April cattle should encounter stiff resistance at 116.52 and 117.42. Look for an eventual test of key support back at 111.52. June cattle key support is back at 102.62. Close-in resistance is at 106.52 and 107.22.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/24/2017 - 1/31/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Livestock							
Feeder Cattle	14,509	-1,825	-1,657	+1,340	-12,852	+485	
Cattle	124,030	-998	-89,235	-514	-34,795	+1,513	

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) 02/06/2017: Declining momentum studies in the neutral zone will tend to reinforce lower

price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 114.570. The next area of resistance is around 116.150 and 116.700, while 1st support hits today at 115.100 and below there at 114.570.

FEEDER CATTLE (MAR) 02/06/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 122.213. The next area of resistance is around 124.375 and 125.412, while 1st support hits today at 122.775 and below there at 122.213.

DAILY HOGS COMMENTARY

02/06/17

Strong pork belly prices and cash trend remains up

The market remains in a short-term uptrend and it will take a drop in belly prices or a significant slowdown in US pork exports to turn the trend. April hogs closed 67 higher on the session Friday and this left the market up 195 for the week. The continued surge in belly prices helped to support. Pork cut-out values on the mid-day wire were up 50 cents to 84.00 led by a continued advance for pork bellies. Cash bellies were up \$3.84 on the day to \$179.10. Pork belly prices have jumped from near \$80.00 in August to \$114.52 on December 30th and



have surged since the monthly cold storage report. USDA pork cutout values, released after the close Friday, came in at \$83.92, up 91 cents from Thursday and up from \$82.57 the previous week. This is the highest cut-out since July 26th. Traders expected to see hog slaughter near 432,000 head on Friday but that figure came in at 434,000 head which is slightly positive. Slaughter was 125,000 head for Saturday. This brought the total for last week to 2.327 million head, down from 2.367 million the previous week but up from 2.179 million a year ago.

Pork production for the week reached 496 million pounds, up 7.3% from last year. The CME Lean Hog Index as of February 1st was 69.63, up 56 cents from the previous session and up from 68.11 the previous week. The Commitments of Traders reports as of January 31st showed Non-Commercial traders were net long 63,470 contracts, an increase of 5,127 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 49,365 contracts, up 10,241 contracts for the week.

TODAY'S MARKET IDEAS:

The cash trend remains up. A resumption of the uptrend for April hogs leaves 72.07 as next target with support at 68.60. June hog close-in support is at 77.32, with 80.27 as next target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/24/2017 - 1/31/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Livestock						
Hogs	63,470	+5,127	-49,365	-10,241	-14,105	+5,114

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) 02/06/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 71.350. The next area of resistance is around 70.950 and 71.350, while 1st support hits today at 69.550 and below there at 68.520.

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	115.620	45.40	49.00	37.94	32.57	114.74	116.20	117.40	114.77	113.12
FCH7	123.575	36.40	41.28	32.28	23.52	123.04	125.63	127.72	126.00	124.45
LHJ7	70.250	62.16	60.30	60.71	71.65	69.54	68.86	68.97	67.28	65.87

Calculations based on previous session. Data collected 02/03/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
LCJ7	Live Cattle	114.550	115.070	115.620	116.150	116.700
FCH7	Feeder Cattle	122.212	122.774	123.812	124.375	125.412
LHJ7	Lean Hogs	68.500	69.520	69.920	70.950	71.350

Calculations based on previous session. Data collected 02/03/2017

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