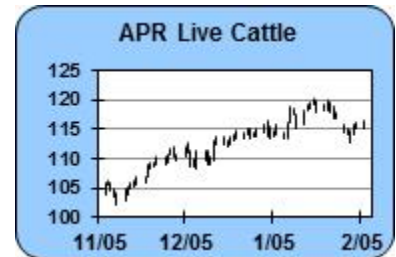




**DAILY CATTLE COMMENTARY**  
02/07/17

**Short-term weather and technicals weak but supply shift?**

With the big discount, it is difficult to find aggressive sellers short-term. However, supply is on the rise with aggressive placements of cattle in recent months. This may boost 2nd and 3rd quarter beef production but the short-term supply is NOT abundant when compared with the base of supply from the 4th quarter. Keep in mind; while 1st quarter production is expected to be up 2.3% from last year, the shift in production from the 4th quarter to the 1st quarter (down 565 million pounds) is the largest drop on record (see chart in research library in futures-research.com). June cattle closed slightly higher on the session yesterday after experiencing choppy and two-sided trade early in the day. The early weakness pulled the market under Friday's lows. Talk of mostly warm and dry weather for the Plains for the next few weeks is seen as a bearish factor but producers appear current with marketings given the weight data. A lack of new selling on the move under Friday's lows plus ideas that June is already holding a stiff discount helped to support the bounce. USDA boxed beef cutout values were up 65 cents at mid-session yesterday and closed 17 cents lower at \$191.23. This was down from \$193.35 the prior week. The USDA estimated cattle slaughter came in at 108,000 head yesterday.



**TODAY'S MARKET IDEAS:**

A bearish technical set-up clashes with the largest drop in beef production on record for the 1st quarter from the 4th quarter. April cattle short-term support zone is at 114.37 to 112.95. Resistance is at 116.55 and 117.45. A push through resistance leaves 123.22 as a longer-term upside objective. June cattle close-in support is at 104.82. A close over 107.25 leaves 112.00 as a longer-term target.

**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) 02/07/2017:** Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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 114.400. The next area of resistance is around 116.270 and 117.020, while 1st support hits today at 114.970 and below there at 114.400.

**FEEDER CATTLE (MAR) 02/07/2017:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 lower than the pivot swing number. The next downside objective is now at 122.132. The next area of resistance is around 124.287 and 125.181, while 1st

support hits today at 122.763 and below there at 122.132.

## DAILY HOGS COMMENTARY

02/07/17

### Pork cut-out values surge to highest since July

USDA pork cutout values, released after the close yesterday, came in at \$84.53, up 61 cents from Friday and up from \$82.80 the previous week. This is the highest pork value since July 26th. This has helped to support a steady uptrend in the cash market and surging pork belly prices have been the main driver. The CME Lean Hog Index as of February 2nd was 70.30, up 67 cents from the previous session and up from 68.30 the previous week. Bellies closed slightly lower at \$178.83 as compared with prices near \$114 at the end of 2016 and near \$80 last summer. April hogs closed sharply higher on the session yesterday and up to the highest level since July as pork cut-out value gains and strength in cash bellies helped to support. Yesterday's gains in cut-out values came from loins and hams. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 443,000 head, unchanged from last week at this time and up from 349,000 last year. China is a major importer of pork on the world market and the swift spread of bird flu issues which are shutting down poultry markets, could spark some jump in imports.



### TODAY'S MARKET IDEAS:

The cash trend remains up. A resumption of the uptrend for April hogs leaves 72.07 and 72.90 as next resistance with support at 69.57. June hog close-in support is at 78.40, with 80.27 as next target.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 02/07/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 72.350. The next area of resistance is around 71.920 and 72.350, while 1st support hits today at 70.550 and below there at 69.570.

### 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	115.620	45.40	49.00	36.76	34.41	115.11	115.89	117.23	114.86	113.31
FCH7	123.525	36.20	41.14	29.31	23.36	123.23	124.89	127.36	125.98	124.58
LHJ7	71.220	67.42	63.92	67.47	80.97	70.04	69.26	69.08	67.49	66.03

Calculations based on previous session. Data collected 02/06/2017

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	114.370	114.950	115.700	116.270	117.020
FCH7	Feeder Cattle	122.131	122.762	123.656	124.287	125.181
LHJ7	Lean Hogs	69.550	70.520	70.950	71.920	72.350

Calculations based on previous session. Data collected 02/06/2017

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