

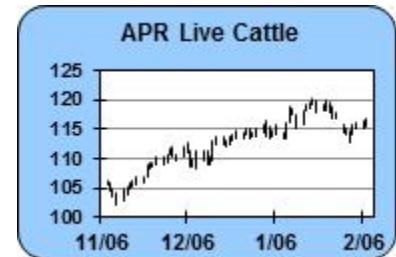


## DAILY LIVESTOCK COMMENTARY Wednesday February 08, 2017

### DAILY CATTLE COMMENTARY 02/08/17

#### Clash of bearish/bullish fundamentals to keep market volatile

The large discount of futures to the cash market and the sharp drop in production compared with the 4th quarter are supportive factors which clash with 1) a huge spec net long position, 2) an increase in production of 2.3% from last year for the first quarter, 3) a surge in placements for December and 4) the Inventory report which showed continued active expansion. This may boost 2nd and 3rd quarter beef production estimates but the short-term supply is NOT abundant when compared with the base of supply from the 4th quarter. First quarter beef production is expected to be down 565 million pounds from the fourth quarter which is the largest drop on record (see chart in research library in futures-research.com). The previous record drop was 2014 when April futures in 2014 rallied sharply from February to April.



April cattle closed moderately higher on the session yesterday and experienced the highest close since January 27th which was the day of the "bearish" Cattle-on-Feed report. The discount to the cash market plus ideas that producers are current with marketings even with good weather helped to support. A mostly warm and especially dry outlook for the central and southern plains for the next few weeks is near ideal for active weight gains. USDA boxed beef cutout values were up 12 cents at mid-session yesterday and closed \$1.27 lower at \$189.96. This was down from \$192.87 the prior week and the lowest beef market since January 12th. The USDA estimated cattle slaughter came in at 113,000 head yesterday. This brings the total for the week so far to 221,000 head, down from 228,000 last week at this time but up from 217,000 a year ago.

#### TODAY'S MARKET IDEAS:

A clash of bearish and bullish forces should keep the market volatile. Beef market weakness is a concern and initial cash bids from packers this week are down \$3.00 from last week. June cattle close-in support is at 104.82 with better support at 103.70. A close over 107.25 leaves 112.00 as a longer-term target. Given sloppy cash fundamentals and bearish weather, wait for break to buy.

#### 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) 02/08/2017: The daily stochastics have crossed over up which is a bullish indication. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 117.470. The next area of resistance is around 117.100 and 117.470, while 1st support hits today at 115.920 and below there at 115.100.

FEEDER CATTLE (MAR) 02/08/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 123.194. The next area of resistance is around 124.712 and 125.143, while 1st support hits today at 123.738 and below there at 123.194.

## DAILY HOGS COMMENTARY

02/08/17

### Tough to count on Mexico import pace of 22.6% over last year

Total US pork exports for December came in at 493.06 million pounds, down just 3.3% from November's record high and up 15% from last year. South Korea imports of US pork jumped to 47.82 million from near 20 million in the fall. China imports were about steady from the last several months at 29.45 million pounds while Mexico imports of US pork surged to a record high 181.97 million pounds, up 22.6% from last year. April hogs have rallied for four sessions in a row and closed sharply higher on the session and up to the highest level since June. The continued advance in pork cut-out values has helped to hold the cash market in a steady uptrend and this is supporting the market. In addition, cash bellies pushed to a new high at mid-session yesterday to \$181.67 from near \$114 at the end of 2016 and from \$80.00 in August.



USDA pork cutout values, released after the close yesterday, came in at \$84.72, up 19 cents from Monday and up from \$83.88 the previous week. This is the highest since July 26th. The spread of bird flu to major cities in China has closed poultry markets and this could boost Chinese imports. The CME Lean Hog Index as of February 3rd was 70.95, up 65 cents from the previous session and up from 68.44 the previous week. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 886,000 head, up from 883,000 last week at this time and up from 771,000 a year ago.

### TODAY'S MARKET IDEAS:

The turn up in open interest on the recent run to new highs is a bullish force and suggests funds and specs are strong buyers. Mexico imports of US pork surged to a record high in December to 181.97 million pounds, up 22.6% from last year. April hogs left a gap yesterday with 72.90 as next resistance. 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) 02/08/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 72.900. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 72.600 and 72.900, while 1st support hits today at 71.770 and below there at 71.220.

## 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	116.500	52.14	52.92	37.69	39.54	115.81	115.65	117.15	114.98	113.50
FCH7	124.225	41.24	44.02	28.04	25.51	123.77	124.26	127.06	125.98	124.71
LHJ7	72.150	71.72	67.06	74.12	87.43	70.81	69.48	69.23	67.75	66.21

Calculations based on previous session. Data collected 02/07/2017

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	115.070	115.900	116.270	117.100	117.470
FCH7	Feeder Cattle	123.193	123.737	124.168	124.712	125.143
LHJ7	Lean Hogs	71.200	71.750	72.050	72.600	72.900

Calculations based on previous session. Data collected 02/07/2017

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