

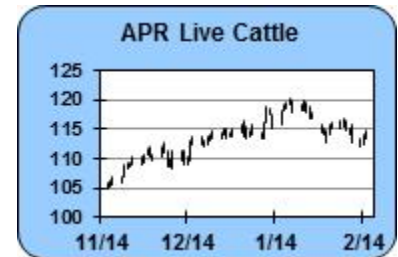


## DAILY LIVESTOCK COMMENTARY Thursday February 16, 2017

### DAILY CATTLE COMMENTARY 02/16/17

#### June low seems to be in place but sloppy cash may push April

Ideas that cash cattle will be weaker this week has helped to spark a continued long liquidation selling trend from speculators and April cattle remain in a downtrend channel off of the late January highs. It will take a move back over 114.60 today or 114.30 tomorrow to turn the short-term trend back up. For June, the downtrend channel will be penetrated at 105.05 today and 104.80 tomorrow. After bouncing to a three session high, the market closed moderately lower on the session yesterday. Follow-through technical buying after Tuesday's bullish action helped to support the early bounce. However, the market could not find new buying and traded moderately lower on the day. Ideas that the short-term cash fundamentals are weak with lower beef prices and poor margins from packers helped to pressure. The Fed Cattle Exchange saw 1,556 head selling out of 4,822 offered at a weighted average price of \$118.77.



Slaughter came in slightly lower than expected at 111,000 head yesterday. This brings the total for the week so far to 337,000 head, up from 333,000 last week at this time and up from 304,000 a year ago. USDA boxed beef cutout values were down 43 cents at mid-session yesterday and closed 2 cents lower at \$188.34. This was down from \$189.43 the prior week. Some studies would show that an average cash price for the 1st quarter of \$126 is in order. After the smaller production in the 1st quarter, production increases by 665 million pounds into the 2nd quarter as compared with 252 million pound increase last year. Some scatter studies for 2nd quarter average price would show a price of \$112 as reasonable.

#### **TODAY'S MARKET IDEAS:**

Wednesday's technical action is impressive which might have helped to forge a short-term low for June cattle. Cash news is still sloppy but futures are at a significant discount. April cattle support is back at 111.52 with 116.20 and 117.15 as upside targets. Buying support for June cattle is at 103.55, with 106.37 and 107.15 as short-term targets.

#### **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) 02/16/2017: 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 daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 112.250. The next area of resistance is around 114.050 and 115.070, while 1st support hits today at 112.650 and below there at 112.250.

FEEDER CATTLE (MAR) 02/16/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 125.600. The next area of resistance is around 124.899 and 125.600, while 1st support hits today at 123.650 and below there at 123.100.

## DAILY HOGS COMMENTARY

02/16/17

### Need good exports to Mexico/China and firm bellies to hold

The pork product market uptrend remains a key supportive force for hog futures but with the fresh belly price rally as the foundation for recent gains, the market is getting a little nervous over the impact on the market "if" bellies peak. Keep in mind; 2nd quarter pork production this year is expected to be up 6.7% from last year. USDA pork cutout values, released after the close yesterday, came in at \$85.21, up 13 cents from Tuesday and up from \$84.83 the previous week. This is the highest since July of 2016. Bellies were up \$2.77 to \$183.13 and this is up from near \$114 at the end of 2016 and \$80 in August. With record production and the surge in prices, the concern is that belly prices push lower. Weekly average weights for Iowa-Southern Minnesota as of February 11th came in at 280.6 pounds, down from 281.4 the previous week and down from 283.4 pounds last year. Given the warmer than normal weather, the data suggests that producers are current with marketings and is considered supportive. April hogs traded up as much as 102 higher on the session yesterday, before closing 52 lower on the day. A surge higher in fresh belly prices to a new high for the move helped support the early gains and a successful test of the February high. However, resistance held and the market experienced selling pressure to close lower. With very low poultry prices in China and bird flu fears spreading, traders will continue to monitor cut-out values for any signs of changes in exports. There is a concern that demand will shift away from poultry to pork and that China will be forced to import more pork. The CME Lean Hog Index as of February 13th was 74.62, up 51 cents from the previous session and up from 71.45 the previous week. The USDA estimated hog slaughter came in at 433,000 head yesterday. This brings the total for the week so far to 1.312 million head, down from 1.327 million last week at this time but up from 1.289 million a year ago.



### TODAY'S MARKET IDEAS:

Traders will monitor pork values closely over the near-term for any indications of an uptick in demand from Asia. June hog close-in resistance is at 79.80, with 75.02 and 73.37 as key support. April hog resistance is at 71.77 with 65.92 as initial key support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

1) Short April hogs from 71.40 with an objective of 66.02. Risk to 72.67. 2) Short June hog 84.00 call from 220 with an objective of zero. Risk to 290. 3) Long June Hog 74.00 put from 237 with an objective of 392. Risk to 187.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 02/16/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 69.470. The next area of resistance is around 71.600 and 72.800, while 1st support hits today

at 69.950 and below there at 69.470.

### 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	113.350	39.05	42.43	24.45	22.04	113.26	114.48	115.54	115.47	114.18
FCH7	124.275	49.57	48.03	24.38	30.91	123.04	123.27	124.84	126.03	125.12
LHJ7	70.770	54.71	56.04	72.84	70.67	70.71	71.00	69.79	68.69	67.17

Calculations based on previous session. Data collected 02/15/2017

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	112.220	112.620	113.650	114.050	115.070
FCH7	Feeder Cattle	123.100	123.649	124.350	124.899	125.600
LHJ7	Lean Hogs	69.450	69.920	71.120	71.600	72.800

Calculations based on previous session. Data collected 02/15/2017

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