

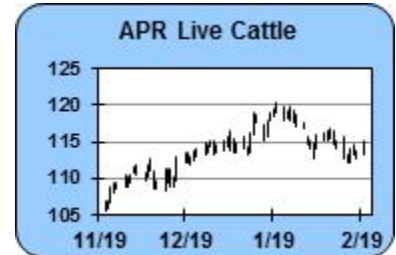


DAILY LIVESTOCK COMMENTARY
 Tuesday February 21, 2017

DAILY CATTLE COMMENTARY
 02/21/17

Enough short-term tightness to avoid big drop in cash

With cash cattle trading at \$119-\$120 on Friday, aggressive buying emerged to support the discounted futures market. Keep in mind, the market is still absorbing the huge shift in production from the 4th quarter. First quarter production is expected to be down a record 643 million pounds from the 4th quarter as compared with a decline of just 174 million pounds last year. April hogs closed 167 higher on the session Friday and this left the market up 177 points for the week. News that a few cattle traded in the cash market in Kansas at \$120 plus a continued advance in beef prices helped to support the sharply higher trade in futures. The stiff discount of futures to the cash market has helped to support the aggressive buying.



The USDA estimated cattle slaughter came in at 107,000 head Friday and 29,000 head for Saturday. This brought the total for last week to 572,000 head, down from 577,000 the previous week but up 9% from last year. Beef production for the week was up 8.8% from last year. Slaughter yesterday was 102,000 head. USDA boxed beef cutout values were up \$1.15 at mid-session Friday and closed \$1.27 higher at \$190.49. This was up from \$187.63 the prior week and the highest since February 6th. Beef prices yesterday continued to advance and gained 42 cents to \$190.91. The Commitments of Traders reports as of February 14th showed Non-Commercial traders were net long 111,845 contracts, a decrease of 6,274 contracts for the week and the long liquidation selling trend is seen as a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 81,087 contracts, down 5,034 contracts for the week.

TODAY'S MARKET IDEAS:

While we were hoping for a more significant technical sell-off to buy, the turn up on Friday points to a short-term low. Consider buying April cattle near 113.90 with 116.20 and 117.15 as initial upside targets. Support for June cattle is at 104.05, with 106.37 and 107.15 as short-term targets.

NEW RECOMMENDATIONS:

* Sell April cattle 114.00 put at 267 with an objective of zero. Risk a total of 90 points from entry.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/7/2017 - 2/14/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Livestock						
Feeder Cattle	11,161	-1,718	1,397	+1,974	-12,558	-257
Cattle	111,845	-6,274	-81,087	+5,034	-30,758	+1,240

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) 02/21/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. A bullish signal was given with an upside crossover of the daily stochastics. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 116.470. The next area of resistance is around 115.900 and 116.470, while 1st support hits today at 113.950 and below there at 112.550.

FEEDER CATTLE (MAR) 02/21/2017: 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 125.175. The next area of resistance is around 124.650 and 125.175, while 1st support hits today at 123.500 and below there at 122.875.

DAILY HOGS COMMENTARY

02/21/17

Focus is on potential drop in Mexico imports or jump from China

Export concerns persist for the bulls and the bears. The bears are concerned that the spread of the human form of bird flu in China will shift meat demand away from poultry and to pork and this will spark a temporary surge in China imports. The bulls are concerned that Mexico, who was a massive buyer of US pork over the past few months due to fears of a trade war will see imports drop off sharply. April hogs closed 95 higher on the session Friday and this left the market down 30 points for the week. The market traded moderately higher on the session into the mid-day led by strong cattle futures and ideas that the sell-off Thursday was a bit overdone. Pork cut-out values at mid-day showed a sharp drop in loin prices which was offset by another bounce in pork bellies and this may have helped to provide some support. However, USDA pork cutout values, released after the close Friday, came in at \$83.75, down 68 cents from Thursday and down from \$84.89 the previous week. This is the lowest since February 2nd. Yesterday, cut-out values were up 64 cents to 84.39.



The CME Lean Hog Index as of February 15th was 75.98, up 67 cents from the previous session and up from 72.80 the previous week. The USDA estimated hog slaughter came in at 436,000 head Friday and 217,000 head for Saturday. This brought the total for last week to 2.363 million head, down from 2.364 million the previous week but up 3.3% from last year. Pork production for the week was also up 3.3% from last year. Slaughter was 432,000 head yesterday. The Commitments of Traders reports as of February 14th showed Non-Commercial traders were net long 64,018 contracts, a decrease of 36 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 52,792 contracts, up 1,789 contracts for the week. The market may need evidence of positive export market news or else a continued sharp advance in belly prices to expect a continued advance in the cash market.

TODAY'S MARKET IDEAS:

June hog close-in resistance is at 79.80, with 75.02 and 73.37 as key support. April hog resistance is at 71.07 and 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.

Commitment of Traders - Futures and Options - 2/7/2017 - 2/14/2017

Non-Commercial

Commercial

Non-Reportable

	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	64,018	-36	-52,793	-1,790	-11,226	+1,825

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) 02/21/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is 69.350. The next area of resistance is around 71.400 and 71.900, while 1st support hits today at 70.150 and below there at 69.350.

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
MEAT COMPLEX										
LCJ7	114.900	51.08	49.82	27.30	33.98	113.88	114.14	115.02	115.53	114.34
FCH7	124.075	48.70	47.52	35.62	48.26	124.04	123.36	124.12	125.95	125.24
LHJ7	70.770	54.31	55.39	66.49	60.90	70.67	70.90	70.08	68.85	67.45

Calculations based on previous session. Data collected 02/17/2017

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	112.520	113.920	114.500	115.900	116.470
FCH7	Feeder Cattle	122.875	123.500	124.025	124.650	125.175
LHJ7	Lean Hogs	69.320	70.120	70.620	71.400	71.900

Calculations based on previous session. Data collected 02/17/2017

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