



DAILY LIVESTOCK COMMENTARY Wednesday February 22, 2017

DAILY CATTLE COMMENTARY 02/22/17

Record shift down in production from 4th to 1st quarter

Beef prices are pushing higher which will help improve packer margins and this has occurred during a period when producers are staying current with marketings. With improving beef prices and a huge discount of futures to cash and a firm demand tone, the market still feels somewhat undervalued. USDA boxed beef cutout values were up 81 cents at mid-session yesterday and closed 90 cents higher at \$191.81. This was up from \$188.36 the prior week and is the highest beef market since February 2nd. April cattle gave back most of the early gains yesterday and managed to close higher but more than 100 points off of the early highs. With cash at \$119-\$120 last week, April cattle did not want to stay under \$115.00 and the market gapped higher yesterday which is bullish. After the early jump, there was a lack of new buying interest and the market settled back and managed to fill all but 10 points of the gap.



The short-term technical indicators are a bit oversold and short-covering seemed to be more active. The discount to the cash market continues to provide good support. For the Cattle on Feed report on Friday, a Reuters poll showed traders expecting January placements at 111% of last year (range 106.8 to 118.2) and marketings for January at 109.8% of last year. This would leave February 1st On-Feed supply at 100.7% of last year (range 99.8 to 102.5). The USDA estimated cattle slaughter came in at 115,000 head yesterday. This was up from 113,000 last week and up from 111,000 a year ago as this time. 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.

TODAY'S MARKET IDEAS:

The turn up on Friday points to a short-term low. Consider buying April cattle near 114.37 with 117.15 as initial resistance and then 117.87. Support for June cattle is at 104.52, with 106.37 and 107.15 as short-term resistance.

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.

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) 02/22/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 116.700. The next area of resistance is around 115.870 and 116.700, while 1st support hits today at 114.750 and below there at 114.420.

FEEDER CATTLE (MAR) 02/22/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 126.043. The next area of resistance is around 125.187 and 126.043, while 1st support hits today at 123.913 and below there at 123.494.

DAILY HOGS COMMENTARY

02/22/17

Need strong exports or firm belly prices to stay at lofty level

The market remains in a consolidation zone at a fairly high level as significant export uncertainties persist. Some traders see china buying more pork on the world market due to bird flu issues but China hog prices as of yet have not moved to a higher price level. Other traders see a drop-off in exports as Mexico has been a very strong buyer in recent months but could see a lull in demand. Fresh production continues at a very high pace and this leaves fresh bellies vulnerable to a set-back as prices have moved from near \$80.00 in August to near \$183 last week. USDA pork cutout values, released after the close yesterday, came in at \$83.86, down 53 cents from Monday and down from \$85.08 the previous week. Cash bellies were down \$6.12 to \$176.74.



April hogs closed moderately lower on the session yesterday after giving back all of the early gains. The market traded higher into midsession, finding support from the firm trade in pork product prices and from continued strength in cattle. Cash prices were steady and the market remains nervous over the potential to hold exports at a high level ahead. The CME Lean Hog Index as of February 16th was 76.66, up 68 cents from the previous session and up from 73.51 the previous week. The USDA estimated hog slaughter came in at 444,000 head yesterday. This was up from 434,000 last week and up from 436,000 a year ago as this time.

TODAY'S MARKET IDEAS:

Uptrend channel support for April hogs is at 69.72 today and 69.90 tomorrow and a move below this level could spark a round of long liquidation selling. Weakening pork belly prices could hurt pork cut-out values. June hog close-in resistance is at 79.75, with 75.02 and 73.37 as 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) 02/22/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 69.350. The next area of resistance is around 71.000 and 71.920, while 1st support hits today at 69.720 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	115.270	53.47	51.39	33.13	44.78	114.21	114.01	114.83	115.58	114.43
FCH7	124.550	51.79	49.39	42.71	56.89	124.18	123.39	123.83	125.95	125.32
LHJ7	70.350	51.18	53.30	63.34	57.04	70.43	70.70	70.09	68.93	67.59

Calculations based on previous session. Data collected 02/21/2017

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	114.400	114.720	115.550	115.870	116.700
FCH7	Feeder Cattle	123.493	123.912	124.768	125.187	126.043
LHJ7	Lean Hogs	69.320	69.700	70.620	71.000	71.920

Calculations based on previous session. Data collected 02/21/2017

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