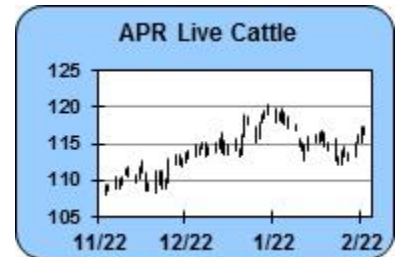




DAILY CATTLE COMMENTARY
02/24/17

Weight data suggests that producers extremely current; firm

Given the very warm winter, the sharp drop in cattle weight suggests that producers are current with marketings. The cold storage report, however, carried a bearish tilt showing record high beef stocks for this time of the year. April cattle experienced follow-through buying yesterday as the discount to the cash market and ideas that supply could remain relatively tight in the weeks ahead helped to support. The rally pushed the market up to the highest level since January 27th. The stiff discount of futures to the cash market is providing support. There is still talk of stormy conditions for the northern Plains but the higher temperatures in the forecast for next week suggest limited impact. The USDA Monthly Cold Storage report showed January 31st frozen beef supply at 537.5 million pounds which was up 0.6% from last year but down 5.3% from the previous month. Beef stocks normally increase by 1% for the month so the decline is seen as somewhat positive. Stocks, however, are at a record high for January 31st.



Average dressed steer weights for the week ending February 11th came in at 879 pounds, down from 887 the previous week and down from 899 last year. Beef production for the same week came in at 473.0 million pounds, up 6.6% over year ago. The USDA estimated cattle slaughter came in at 114,000 head yesterday. This brings the total for the week so far to 445,000 head, up from 436,000 last week at this time and up from 429,000 a year ago. USDA boxed beef cutout values were up \$1.58 at mid-session yesterday and closed \$1.66 higher at \$196.19. This was up from \$189.22 the prior week and the highest beef market since January 9th. For the Cattle on Feed report this afternoon, traders see 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).

TODAY'S MARKET IDEAS:

The weight data is supportive and the market is discount to the cash market so breaks are likely buying opportunities. Consider buying April cattle near the 115.67 to 114.72 zone with 119.07 and 123.47 as longer-term targets.

NEW RECOMMENDATIONS:

* Sell April cattle 114.00 put at 197 with an objective of zero. Risk a total of 67 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) 02/24/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 117.670. The next area of resistance is around 117.020 and 117.670, while 1st support hits today at 116.020 and below there at

115.700.

FEEDER CATTLE (MAR) 02/24/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 126.218. The next area of resistance is around 125.612 and 126.218, while 1st support hits today at 124.688 and below there at 124.369.

DAILY HOGS COMMENTARY

02/24/17

Extreme oversold basis after 3-day collapse; bounce?

April hogs closed at an 11.32 cent discount to the cash market as compared with the 5-year average of 3.15 cents discount. This may help provide some short-term support. The market has seen a very steep 3-day collapse. Follow-through selling drove April hogs down to the lowest level since December 29th early in the session yesterday as the collapse in cash belly prices has led to more and more talk that this may drive pork values and then cash markets lower. Belly prices were \$185.29 on Monday and closed at \$153.27 on Wednesday. USDA pork cutout values, released after the close yesterday, came in at \$79.55, down 21 cents from Wednesday and down from \$84.43 the previous week. This is the lowest pork value since January 23rd. The mid-day wire showed bellies back up to \$170 but the close was back at \$153.78. Packer margins were hit hard on the belly news but remain positive. Fears of record high fresh production and slowing exports added to the bearish tone.



The USDA Monthly Cold Storage report showed January 31st frozen pork supply at 526.7 million pounds which was down 15.8% from last year but up 10.8% from the previous month. Stocks normally increase by 14.2% for the month so the smaller than normal build is a bit positive. Belly stocks were just 14 million pounds which is a record low for end of January and down from 60.7 million pounds last year. The CME Lean Hog Index as of February 21st was 77.64, up 40 cents from the previous session and up from 75.31 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 1.762 million head, up from 1.710 million last week at this time and up from 1.675 million a year ago. Actual US pork production for the week ending February 11th came in at 500.8 million pounds, up from 494 the previous week and up 8.35% from a year ago.

TODAY'S MARKET IDEAS:

The market is in a short-term oversold condition and the basis is stretched to a very oversold level. The cold storage report is somewhat supportive but short-term production is high. Actual pork production for the first two weeks of February were up 6.3% and 8.3% from last year. April hog key support is at 65.92 with recovery bounce resistance at 68.55. June hog key support is at 75.02 with 77.45 resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Hit objective on short April hogs position for a 537 point gain. 2) Short June hog 84.00 call from 220 with an objective of zero. Risk to 290. 3) * Against the long June Hog 74.00 put position from 237, look to sell the June hog 70.00 put for 170 points. *

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) 02/24/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The gap lower price action on the day session chart is a bearish indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 65.200. The next area of resistance is around 67.300 and 68.120, while 1st support hits today at 65.850 and below there at 65.200.

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	116.520	60.84	56.33	48.96	65.49	115.71	114.34	114.70	115.73	114.61
FCH7	125.150	55.61	51.76	58.07	72.84	124.72	123.88	123.59	125.93	125.42
LHJ7	66.570	32.04	38.94	45.75	26.77	68.86	69.79	70.02	68.89	67.75

Calculations based on previous session. Data collected 02/23/2017

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	115.670	116.020	116.670	117.020	117.670
FCH7	Feeder Cattle	124.368	124.687	125.293	125.612	126.218
LHJ7	Lean Hogs	65.170	65.820	66.650	67.300	68.120

Calculations based on previous session. Data collected 02/23/2017

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