

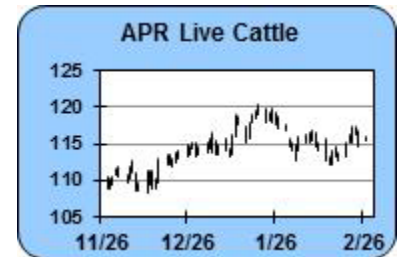


DAILY LIVESTOCK COMMENTARY Tuesday February 28, 2017

DAILY CATTLE COMMENTARY 02/28/17

Should still see some tightness in market-ready supply March

Beef prices held at the highest level since January 5th but sold off after steep gains at mid-session yesterday. USDA boxed beef cutout values were up \$2.10 at mid-session yesterday and closed unchanged at \$198.96. This was up from \$190.91 the prior week. The market opened and closed moderately higher on the session yesterday with a very small range of just 70 points for the April contract. With the cash market at \$124-\$125 last week and a neutral Cattle-on-feed report, the market found solid buying support with April cattle closing Friday under \$115. A jump in beef prices is helping packer profit margins recover and talk that short-term supply will remain relatively tight into March helped to support as well. Pork production is expected at a record high this year and beef production for 2017 is expected to be up 2.9% from last year. Poultry production in January was 4.051 billion pounds, up 7% from last year and this might be seen as a limiting factor for the upside as there is stiff competition from competing meats. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This was up from 102,000 last week and up from 104,000 a year ago as this time. The shift in production into the second quarter is a potential bearish force but the market should see tight supply into March as the market is seeing the largest drop in production on record from the 4th quarter to the 1st quarter production.



TODAY'S MARKET IDEAS:

If the market is good, April cattle should hold in the 114.72-114.10 support zone. Weight data is supportive and the short-term market-ready supply should remain fairly tight in the weeks ahead. Consider buying April cattle with 119.07 as next key resistance. Close-in resistance is at 116.20 and 117.17.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short April cattle 114.00 put from 197 with an objective of zero. Risk to 265.

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) 02/28/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 116.270. The next area of resistance is around 115.820 and 116.270, while 1st support hits today at 115.150 and below there at 114.920.

FEEDER CATTLE (MAR) 02/28/2017: The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. A positive setup occurred with

the close over the 1st swing resistance. The near-term upside target is at 125.581. The next area of resistance is around 124.862 and 125.581, while 1st support hits today at 122.838 and below there at 121.532.

DAILY HOGS COMMENTARY

02/28/17

Basis very wide and leaves market vulnerable to recovery bounce

The drop-off in production from the 1st quarter to the second quarter is expected to be just 55 million pounds which is the smallest decline since 2002 and compares with a drop of 268 million pounds last year. The bearish supply outlook into the spring has left June near the cash market as compared with the 5-year average near 1200 points. June 2002 hogs posted a contract high in early February at 68.20 and hit a contract low in late May at 45.65. April hogs closed slightly higher on the session and well off of the early highs. The market experienced some follow-through buying from Friday's impressive technical action. The early rally stalled at 69.00 for April hogs and the market pulled back to close near 68.30. The huge discount to the cash market helped to support. The CME Lean Hog Index as of February 23rd was 77.39, down 34 cents from the previous session but up from 76.66 the previous week. Even with the 2-day rally, this leaves April hogs at a 910 point discount to the cash market as compared with the 5-year average of a 380 point premium to the cash market.



Cash bellies were down \$12.25 on the mid-day pork wire to \$149.77 from \$177.81 last week and this may have helped the market set-back from the highs. USDA pork cutout values, released after the close yesterday, came in at \$79.80, down \$1.51 from Friday and down from \$84.39 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This was up from 432,000 last week and up from 404,000 a year ago as this time. EU pork exports grew by a third in 2016 led by a sharp 86% jump in exports to China to 990,000 tonnes. The USDA sees 2017 pork production at a record high and up 4.9% from last year.

TODAY'S MARKET IDEAS:

The bearish outlook from a supply perspective for the 2nd quarter is the reason for the steep discount of futures to the cash and the lack of a premium for June. The big discounts suggest that traders wait for technical recovery bounces to sell. April hogs held key support last week and looks set for a recovery bounce. Close-in support is at 67.55, with 69.32 and 70.12 as short-term resistance. June hog close-in support is at 77.05 with 78.67 and 79.75 as 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) * Long June Hog 74.00 put from 237, and short the June hog 70.00 put from or 170 points. Hold for now.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 02/28/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 67.170. The next area of resistance is around 68.670 and 69.400, while 1st support hits today at 67.570 and below there at 67.170.

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	115.500	52.50	51.44	56.44	62.84	115.76	114.88	114.78	115.79	114.77
FCH7	123.850	48.51	47.80	57.79	58.28	123.95	124.06	123.53	125.77	125.40
LHJ7	68.120	42.82	45.77	36.35	29.36	67.62	69.28	69.95	68.89	67.96

Calculations based on previous session. Data collected 02/27/2017

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	114.900	115.120	115.570	115.820	116.270
FCH7	Feeder Cattle	121.531	122.837	123.556	124.862	125.581
LHJ7	Lean Hogs	67.150	67.550	68.270	68.670	69.400

Calculations based on previous session. Data collected 02/27/2017

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