

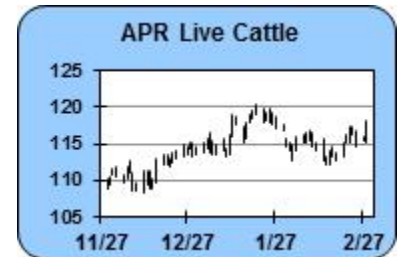


## DAILY LIVESTOCK COMMENTARY Wednesday March 01, 2017

### DAILY CATTLE COMMENTARY 03/01/17

#### Surging consumer confidence is a key demand factors for beef

With the discount of futures to the cash market and the bullish technical action, the market looks set for a test of the January 19th highs or more. The market closed sharply higher on the session yesterday as April cattle pushed up to the highest level since January 26th. Fund buyers were active across the agricultural sector yesterday and the stiff discount of futures to the cash market helped to spark aggressive buying in April cattle. The showlist is higher this week by about 10,000 head, but cash traded at \$124-\$125 last week which leaves futures at a hefty discount. The relatively tight supply of market-ready animals for March plus improving demand readings are positive forces. The Consumer Confidence Index in February hit 114.8 which is the highest reading since July of 2001. Consumer confidence is a big factor for high-end beef cut demand and for restaurant sales.



The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 231,000 head, up from 217,000 last week at this time and up from 215,000 a year ago. USDA boxed beef cutout values were up \$2.64 at mid-session yesterday and closed \$3.25 higher at \$204.73. This was up from \$191.81 the prior week and the highest beef market since July 14th! The shift in production into the second quarter is a potential bearish force but the market should see tight supply well 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:

The close above 117.17 for April cattle would indicate a test of the January 19th highs at 120.32. Consider buying April cattle with the January high and 123.47 as next upside targets. Close-in support is at 116.20 and 115.25.

#### 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) 03/01/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive signal was given by the outside day up. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 120.300. The next area of resistance is around 119.400 and 120.300, while 1st support hits today at 116.450 and below there at 114.370.

FEEDER CATTLE (MAR) 03/01/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 127.175. The next area of resistance is around 126.325 and 127.175, while 1st support hits today at 123.825 and below there at 122.175.

## DAILY HOGS COMMENTARY

03/01/17

### With wide basis, new sellers can wait for technical bounces

The supply fundamentals look bearish ahead and this seems to have been already "priced" into the futures market. The market closed moderately lower yesterday for April futures and just slightly lower for June hogs. The large discount of futures to the cash market may have supported the market early, but weakness in cash bellies late Monday and the set-back in pork values helped to pressure the market. Carcass cut-out values at mid-session were up 26 cents to \$80.71. USDA pork cutout values, released after the close yesterday, came in at \$81.67, up \$1.87 from Monday but down from \$83.86 the previous week. Belly prices were up \$7.41 to \$155.17. Some weakness in the cash market and talk that packers have plenty of inventory short-term helped to pressure. The CME Lean Hog Index as of February 24th was 76.72, down 67 cents from the previous session and down from 77.07 the previous week.



The USDA estimated hog slaughter came in at 442,000 head yesterday. This brings the total for the week so far to 883,000 head, up from 876,000 last week at this time and up from 841,000 a year ago. 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 premium of 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.

### TODAY'S MARKET IDEAS:

The big discounts might suggest that traders wait for technical recovery bounces to sell. April hog resistance is at 69.35 and 70.12. Key support levels are back at 65.95 and 63.85.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of zero. \* Risk to 225. 2) Long June Hog 74.00 put from 237, and short the June hog 70.00 put from 170 points. \* Look to buy back short June 70.00 put at 77.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 03/01/2017: The major trend has turned down with the cross over back below the 60-day moving average. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 66.500. The next area of resistance is around 68.200 and 68.870, while 1st support hits today at 67.020 and below there at 66.500.

## 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	117.900	65.01	60.16	62.55	74.79	116.23	115.31	115.02	115.86	114.87
FCH7	125.075	54.45	51.85	60.85	66.98	123.94	124.18	123.69	125.75	125.41
LHJ7	67.570	40.11	43.85	33.37	27.40	67.58	68.87	69.87	68.88	68.06

Calculations based on previous session. Data collected 02/28/2017

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	114.350	116.420	117.320	119.400	120.300
FCH7	Feeder Cattle	122.175	123.825	124.675	126.325	127.175
LHJ7	Lean Hogs	66.470	67.000	67.670	68.200	68.870

Calculations based on previous session. Data collected 02/28/2017

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