



DAILY CATTLE COMMENTARY
03/03/17

Correcting overbought technical condition; basis stretched

The short-term cash fundamental news is supportive but trader focus is on the surge in production expected into the 2nd quarter. USDA boxed beef cutout values were up 44 cents at mid-session yesterday and closed \$1.67 higher at \$208.35. This was up from \$196.19 the prior week and the highest beef market since July 11th of 2016. April cattle closed sharply lower on the session yesterday and back down to \$116.15, down nearly \$10.00 from cash trade in Nebraska. Follow-through technical selling after Wednesday's hook reversal helped to pressure the market. Signs of a strong cash market and a big jump in beef prices over the past week have failed to provide support. Cash cattle at the Fed Exchange were up near \$3.00 from last week and Nebraska cattle traded at \$126.00, up \$1.00-\$2.00 from last week. Weekly U.S. beef export sales for the week ending February 23 came in at 15,400 tonnes, compared with the prior 4-week average of 14,700. Cumulative sales for 2017 have reached 211,300 tonnes, up 24.1% from last year's pace. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 461,000 head, up from 445,000 last week at this time and up from 429,000 a year ago. Average dressed steer weights for the week ending February 18th came in at 881 pounds, up from 879 the previous week and down 1.1% from a year ago. Beef production for the same week came in at 472.1 million pounds, up 4.3% over year ago.



TODAY'S MARKET IDEAS:

The market is in a short-term technical correction mode as trade focus is on high winter placements which should result in a bulge in production for the April-June time frame. The discount to the cash market may limit the intensity of the technical correction. April cattle short-term support levels come in at 115.55 and 114.72. Consider buying April cattle into secondary support with 118.15 and 120.32 as next upside targets.

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) 03/03/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next upside objective is 118.020. The next area of resistance is around 116.920 and 118.020, while 1st support hits today at 115.400 and below there at 114.950.

FEEDER CATTLE (MAR) 03/03/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning

down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 124.881. The next area of resistance is around 124.087 and 124.881, while 1st support hits today at 122.813 and below there at 122.332.

DAILY HOGS COMMENTARY

03/03/17

The lack of a significant dip in production into spring pressures

The short-term oversold condition and wide basis helped to support the bounce yesterday but bearish longer-term fundamentals helped to pressure. The lack of much of a decline in pork production into the second quarter is helping to pull out the typical premium of spring futures to the cash market. The CME Lean Hog Index as of February 28th was 74.77, down 1.12 from the previous session and down from 77.64 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 1.767 million head, up from 1.762 million last week at this time and up from 1.707 million a year ago. USDA pork cutout values, released after the close yesterday, came in at \$79.64, down \$1.13 from Wednesday but up from \$79.55 the previous week. This is the lowest since February 23rd.



Actual US pork production for the week ending February 18th came in at 500.0 million pounds, down from 500.8 the previous week and up 3.26% from a year ago. April hogs were trading moderately higher on the session into the mid-day yesterday but closed lower on the day and down sharply from the highs. The early rally pushed the market up to the highest level since February 22nd. Weekly U.S. pork export sales for the week ending February 23rd came in at 16,900 tonnes, compared with the prior 4-week average of 19,450. Cumulative sales for 2017 have reached 350,400 tonnes, up 29.6% from last year's pace.

TODAY'S MARKET IDEAS:

Very strong pork exports, especially to Mexico, has been a key supportive force so far this year and so has the strength in bellies. If these positive forces ease, the hefty supply could weigh on the cash market. April hog resistance is at the 69.35-70.12 zone. Key support levels are back at 65.95 and 63.85. June resistance is at 78.67.

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) 03/03/2017: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 67.050. The next area of resistance is around 69.020 and 70.070, while 1st support hits today at 67.520 and below there at 67.050.

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	116.150	52.49	52.30	68.33	70.39	116.79	116.10	115.16	115.97	115.09
FCH7	123.450	45.91	46.45	63.94	64.46	124.22	124.16	123.73	125.62	125.45
LHJ7	68.270	45.20	46.96	32.56	32.55	68.11	68.43	69.69	68.95	68.33

Calculations based on previous session. Data collected 03/02/2017

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	114.920	115.370	116.470	116.920	118.020
FCH7	Feeder Cattle	122.331	122.812	123.606	124.087	124.881
LHJ7	Lean Hogs	67.020	67.500	68.550	69.020	70.070

Calculations based on previous session. Data collected 03/02/2017

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