

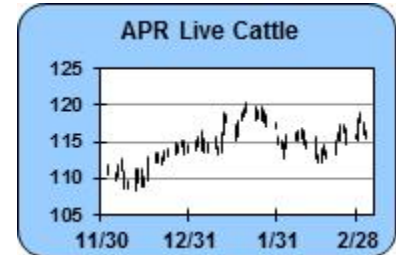


DAILY LIVESTOCK COMMENTARY Monday March 06, 2017

DAILY CATTLE COMMENTARY 03/06/17

Correcting overbought technical condition; basis stretched

The 3-day break has helped to correct the short-term overbought condition. Cash cattle is trading at a \$10 premium to April futures as compared with a normal \$2 premium for this time of the year and the wide basis may offer some support on this break. April cattle closed 17 points lower on the session Friday and this left the market up 102 points for the week. Cash news remains supportive but traders are fearful that the huge placements of cattle into feedlots in the winter will drive beef production higher in the April-June timeframe. The USDA estimated cattle slaughter came in at 101,000 head Friday and 19,000 head for Saturday. This brought the total for last week to 581,000 head, up from 575,000 the previous week and up 8.2% from last year. Beef production was up 6.9% from last year. USDA boxed beef cutout values were up 64 cents at mid-session Friday and closed 28 cents lower at \$208.07. This was up from \$198.96 the prior week. The Commitments of Traders reports as of February 28th showed Non-Commercial traders were net long 112,913 contracts, an increase of 2,974 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 84,483 contracts, an increase of 6,588 contracts for the week.



TODAY'S MARKET IDEAS:

The stiff discount of futures to the cash market might limit the downside. 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. April cattle short-term support come in at 115.55 and 115.25. Consider buying April cattle into 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.

	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Livestock						
Feeder Cattle	10,709	-574	2,076	+1,039	-12,785	-465
Cattle	112,913	+2,974	-84,483	-6,587	-28,430	+3,614

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) 03/06/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The

market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 114.820. The next area of resistance is around 116.550 and 117.150, while 1st support hits today at 115.400 and below there at 114.820.

FEEDER CATTLE (MAR) 03/06/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The upside daily closing price reversal gives the market a bullish tilt. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 125.612. The next area of resistance is around 125.100 and 125.612, while 1st support hits today at 123.350 and below there at 122.113.

DAILY HOGS COMMENTARY

03/06/17

Big discount already but plenty of reasons for cash to fall

The technical action turned sour on Friday in spite of the steep discount to the cash market and a ban on US poultry from South Korea comes at a time when South Korea has been a very active importer of eggs. "Extra" poultry in the US is a negative force as the US exports near 30% of poultry production and 20% of pork production. April hogs closed 152 lower on the session Friday and this leaves the market down 127 points for the week. The market traded sharply lower as weakness in fresh belly prices pressured pork cut-out and this may help pull cash markets lower over the near-term. The CME Lean Hog Index as of March 1st was 74.01, down 76 from the previous session and down from 77.73 the previous week. This leaves April at a 715 point discount to the cash as compared with the 5-year average premium of 500 points. The USDA estimated hog slaughter came in at 419,000 head Friday and 130,000 head for Saturday. This brought the total for last week to 2.311 million head, up from 2.268 million the previous week and up 3.9% from last year. Pork production for the week was up 3.7% from a year ago.



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USDA pork cutout values, released after the close Friday, came in at \$80.08, up 44 cents from Thursday but down from \$81.31 the previous week. The Commitments of Traders reports as of February 28th showed Non-Commercial traders were net long 55,663 contracts, a decrease of 6,568 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 40,890 contracts, down 8,186 contracts for the week. Typically, pork production declines about 200-300 million pounds from the 1st quarter to the 2nd quarter. This year, however, the USDA projects a decline of just 55 million pounds compared to last year's decline of 268 million. The seasonal decline is one of the main reasons pork values usually climb in the spring. Other years with similar setups are 2005 and 2002. In 2005, June Hogs peaked on March 7th at 82.20 and then fell below 68.00 into expiration. In 2002 June Hogs peaked in February at 68.20 and traded down to 45.65 by May 29th. Given the outlook for 2nd quarter pork production to reach a record high (up 6.7% from last year), the pork market will need to see strong exports continue in order to avoid a significant break in cutout values.

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 68.00-68.57 zone. Key support levels are back at 65.95 and 63.85. June resistance is at 77.72.

NEW RECOMMENDATIONS:

Sell June Hogs at 77.72 with an objective of 73.40. Risk the trade to close over 78.90.

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.

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	55,663	-6,568	-40,891	+8,186	-14,773	-1,618

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) 03/06/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. More selling pressure is likely given yesterday's gap lower price action on the day session chart. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 65.600. The next area of resistance is around 67.450 and 68.420, while 1st support hits today at 66.050 and below there at 65.600.

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	115.970	51.37	51.58	67.41	65.56	116.91	116.22	115.18	116.01	115.21
FCH7	124.225	50.27	49.24	64.61	65.96	124.31	124.18	123.77	125.58	125.50
LHJ7	66.750	36.74	41.19	30.22	25.54	67.76	67.99	69.44	68.95	68.42

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

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	114.800	115.370	115.970	116.550	117.150
FCH7	Feeder Cattle	122.112	123.350	123.862	125.100	125.612
LHJ7	Lean Hogs	65.570	66.020	67.020	67.450	68.420

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

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