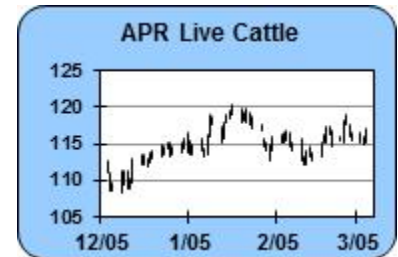




**DAILY CATTLE COMMENTARY**  
03/09/17

**Short-term tightness of market-ready cattle; surging beef**

April cattle normally trade at about a \$1.65 discount to the cash market but if we assume that cash is mostly \$124.50 this week, about steady with last week, the April discount of \$8.50 would suggest a slowdown in the selling and perhaps some increased commercial buying interest. USDA boxed beef cutout values were up \$1.67 at mid-session yesterday and closed \$1.61 higher at \$213.61. This was up from \$206.68 the prior week and is the highest beef market since June 24th, 2016. The surge in beef prices has shifted packer margins from red to black this week which adds to the short-term positive fundamental news. The market closed moderately higher on the session yesterday but well below the early peak. After a five day break, talk that the market was too cheap and a bit oversold helped to support. Surging beef prices to the highest level since June helped to support the turn up from the lows and April cattle is trying to hold a huge discount to the cash market. Only 523 head sold of 3,413 offered at the Fed Cattle Exchange. The average price was \$123.69. Bids improved in the afternoon yesterday with 7,500 head trading in Kansas near \$124.60 and 4,300 head in Texas at near \$124.50. Slaughter came in a little above trade expectations at 115,000 head yesterday. This brings the total for the week so far to 344,000 head, down from 346,000 last week at this time but up from 327,000 a year ago.



**TODAY'S MARKET IDEAS:**

The steep uptrend in beef prices and a relatively tight short-term supply of market-ready cattle are supportive forces but supply should increase into the spring. April cattle short-term support comes in at 115.50 and 114.90. Consider buying April cattle into support with 118.15 and 120.57 as next upside targets.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

1) Short April cattle 116.00 put from 265 with an objective of zero. Risk to 355. 2) 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) 03/09/2017:** The market now above the 60-day moving average suggests the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 114.050. The next area of resistance is around 116.970 and 118.070, while 1st support hits today at 114.970 and below there at 114.050.

**FEEDER CATTLE (MAR) 03/09/2017:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The upside

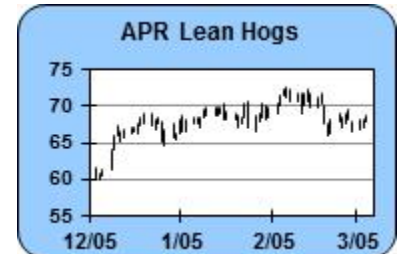
closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 122.357. The next area of resistance is around 125.362 and 126.306, while 1st support hits today at 123.388 and below there at 122.357.

## DAILY HOGS COMMENTARY

03/09/17

### 2nd quarter pork production expected to be up 6.7% from last year

With 2nd quarter pork production expected to be up 6.7% from last year and with the smallest decline in production from the 1st quarter to the second quarter since 2002, the supply fundamentals could weigh on the price outlook. April hogs closed moderately higher on the session yesterday while June closed near unchanged with a tight range. A firm tone to the cash market helped to support. Pork exports for January were just 457.96 million pounds which is down 10% from December but still up 19.5% from a year ago. Exports to Mexico were 162.3 million pounds from 181.9 million in December. China imports were just 25.9 million pounds, the lowest since January 2016. Exports to Canada were also the lowest since January, 2016. South Korea was the bright spot showing the highest since April of 2015. Slaughter came in below trade expectations at 441,000 head yesterday. This brings the total for the week so far to 1.327 million head, up from 1.326 million last week at this time and up from 1.300 million a year ago.



The CME Lean Hog Index as of March 6th was 72.69, down 23 from the previous session and down from 75.89 the previous week. USDA pork cutout values, released after the close yesterday, came in at \$80.79, down 69 cents from Tuesday but up from \$80.77 the previous week. Weekly average weights for Iowa-Southern Minnesota as of March 4 came in at 281.8 pounds, up from 281.2 the previous week and down from 282.9 pounds last year. Mild weather may have helped support the higher weight.

### TODAY'S MARKET IDEAS:

While the June contract is showing a much smaller than normal premium to the cash market, the supply outlook for the 2nd quarter is burdensome and we will need to see very strong exports to avoid the need for lower prices to move the pork. April hog resistance is at the 69.32-70.12 zone. Key support levels are back at 65.95 and 63.85. June resistance is at 78.12 with 74.80 as initial support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

1) Short June Hogs from 77.72 with an objective of 73.40. Risk the trade to close over 78.90. 2) Short June hog 84.00 call from 220 with an objective of zero. Risk to 225. 3) 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:

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) 03/09/2017: A bullish signal was given with an upside crossover of the daily stochastics. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 69.120. The next area of resistance is around 68.800 and 69.120, while 1st support hits today at 68.050 and below there at 67.600.

## 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
<b>MEAT COMPLEX</b>										
LCJ7	115.970	51.95	51.73	58.97	53.95	115.71	116.11	115.23	116.04	115.45
FCH7	124.375	51.56	49.99	63.10	62.60	124.16	123.91	123.89	125.44	125.53
LHJ7	68.400	49.80	49.14	28.52	31.01	67.60	67.87	68.83	69.03	68.56

Calculations based on previous session. Data collected 03/08/2017

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	114.020	114.950	116.050	116.970	118.070
FCH7	Feeder Cattle	122.356	123.387	124.331	125.362	126.306
LHJ7	Lean Hogs	67.570	68.020	68.350	68.800	69.120

Calculations based on previous session. Data collected 03/08/2017

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