



## DAILY LIVESTOCK COMMENTARY

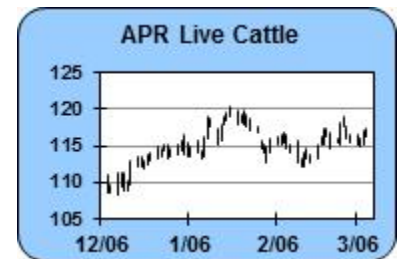
Friday March 10, 2017

### DAILY CATTLE COMMENTARY

03/10/17

#### Already priced bear trend for cash into spring; confirmation?

The market seems to have priced-in a steady drop in cash markets in the weeks ahead and traders will be wanting to see the cash weakness or buyers could be active. USDA boxed beef cutout values were up 82 cents at mid-session yesterday and closed \$1.95 higher at \$215.56. This was up from \$208.35 the prior week and is the highest beef market since June 22nd. Average dressed steer weights for the week ending February 25th came in at 878 pounds, down from 881 the previous week and down 0.9% from a year ago. While weights typically fall at this time of the year, the abnormally warm weather this year should have kept weights up so the data suggests that producers are very current with marketings. Beef production for the same week came in at 470.0 million pounds, up 9.1% over year ago.



For the second day in a row, the market closed moderately higher on the session but well off of the highs. The market experienced strong gains early and set back into the mid-day. Talk that cash cattle trade this week was a little better than expected helped to support the jump. Weekly U.S. beef export sales for the week ending March 2 came in at 16,800 tonnes, compared with the prior 4-week average of 13,750. Cumulative sales for 2017 have reached 228,100 tonnes, up 28.1% from last year's pace. The USDA Supply/demand update indicated a jump of 250 million pounds of beef for 2017 from last month and exports were up just 10 million. These are very minor revisions. The USDA estimated cattle slaughter came in at 110,000 head yesterday. This brings the total for the week so far to 454,000 head, down from 461,000 last week at this time but up from 435,000 a year ago.

#### TODAY'S MARKET IDEAS:

The market seems to be pricing in a steady drop in cash cattle prices in the weeks ahead. Bears will need to be fed a steady diet of bearish cash news to stay short and a move in beef prices to the highest level since June 22nd this week is NOT the kind of news they want to see. April cattle 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) 03/10/2017: The major trend could be turning up with the close back above the 40-day moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 115.550. The next area of resistance is around 117.020 and 117.700, while 1st support hits today at 115.970 and below there at 115.550.

**FEEDER CATTLE (MAR) 03/10/2017:** The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. A bullish signal was given with an upside crossover of the daily stochastics. 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 127.331. The next area of resistance is around 126.862 and 127.331, while 1st support hits today at 125.438 and below there at 124.482.

## DAILY HOGS COMMENTARY

03/10/17

### 2nd quarter pork production expected to be up 6% from last year

While the basis is out of whack, June hogs have seen a series of lower highs since the February 8th peak. The normal seasonal decline in production from the 1st quarter to the 2nd quarter this year is lacking and this has pulled the premium of futures to cash out of the market. Cash markets were lower yesterday. Second quarter pork production is expected to be up 6% from a year ago which suggests that the market may need to see solid export activity to avoid further weakness. With bird flu and a smaller hog herd, China pork imports are likely on the rise but China imports from the US in January were just 25.9 million pounds, the lowest since January 2016. The market closed moderately lower on the session yesterday as the mid-session bounce to a bit higher on the day failed to attract new buying interest. Weaker pork values from Wednesday helped to pressure the market early yesterday but a jump in cattle may have helped to support the bounce. Weekly U.S. pork export sales for the week ending March 2nd came in at 18,100 tonnes, compared with the prior 4-week average of 17,475 tonnes. Cumulative sales for 2017 have reached 368,500 tonnes, up 28.7% from last year's pace.



The USDA Supply/Demand update indicated a slight drop of 65 million pounds of pork production from last month for all of 2017, which was mostly offset by a drop in imports of 40 million pounds. These are very minor revisions. Exports for 2017, however, were revised up by 4.2% to 5.670 billion pounds. The CME Lean Hog Index as of March 7th was 72.60, down 9 from the previous session and down from 74.77 the previous week. The USDA estimated hog slaughter came in at 440,000 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 1.736 million a year ago. Actual US pork production for the week ending February 25 came in at 481.4 million pounds, down from 500 the previous week and down -1.1% from a year ago. USDA pork cutout values, released after the close yesterday, came in at \$80.74, down 5 cents from Wednesday but up from \$79.64 the previous week.

### TODAY'S MARKET IDEAS:

While a bit oversold, the market technical action looks bearish and without help from lower than expected production or improving exports, the market looks poised for further weakness. June hog close-in resistance is at 77.75 and 78.12, with 74.80 as initial downside target.

### 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) 03/10/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day 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 upside objective is 69.570. The next area of resistance is around 68.770 and 69.570, while 1st support hits today at 67.370 and below there at 66.750.

## 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	116.500	55.74	54.04	57.71	55.19	115.84	116.28	115.41	116.10	115.56
FCH7	126.150	61.84	56.57	66.66	73.79	124.64	124.41	124.12	125.46	125.59
LHJ7	68.070	47.22	47.58	29.97	32.86	67.93	67.88	68.67	69.05	68.59

Calculations based on previous session. Data collected 03/09/2017

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	115.520	115.950	116.620	117.020	117.700
FCH7	Feeder Cattle	124.481	125.437	125.906	126.862	127.331
LHJ7	Lean Hogs	66.720	67.350	68.150	68.770	69.570

Calculations based on previous session. Data collected 03/09/2017

Data sources can & do produce bad ticks. Verify before use.

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.