

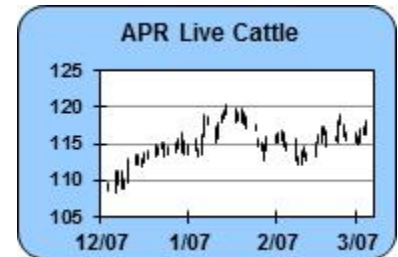


DAILY LIVESTOCK COMMENTARY
Monday March 13, 2017

DAILY CATTLE COMMENTARY
03/13/17

Surging beef prices to support better packer margins and cash

Traders expect increasing supply and a down trending cash market into the spring, but cash has remained steady over the past few weeks and beef prices continue to advance. If traders do not see more bearish cash news soon, the April contract will look too cheap. USDA boxed beef cutout values were up \$4.06 at mid-session Friday and closed \$4.27 higher at \$219.83. This was up from \$208.07 the prior week and was the highest beef market since June 17, 2016. April cattle closed 110 higher on the session Friday, and this left the market up 162 points for the week. Cash markets traded higher than expected last week, and beef prices have surged higher. This has supported solid gains in futures and much better packer margins. Cash cattle traded mostly \$124-\$126 last week from \$123-\$126 the previous week. The leaves April cattle at a 640-point discount to the cash market, compared with the 5-year average of having a 160-point discount. The buying pushed the market up to the highest level since March 1st. The USDA estimated cattle slaughter came in at 104,000 head Friday and 29,000 head for Saturday. This brought the total for last week to 587,000 head, up from 581,000 the previous week and up 8.1% from a year ago. Beef production was up 6.3% from last year. The Commitments of Traders reports as of March 7th showed Non-Commercial traders were net long 113,527 contracts, an increase of 614 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 85,642 contracts, up 1,159 contracts for the week.



TODAY'S MARKET IDEAS:

The stiff discount to the cash market and surging beef prices may keep the shorts nervous. April cattle support comes in at 116.92 and 116.45. Consider buying April cattle into support with 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.

Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Livestock							
Feeder Cattle	9,964	-745	2,721	+645	-12,685	+100	
Cattle	113,527	+614	-85,643	-1,160	-27,885	+545	

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) 03/13/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum

studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 119.370. The next area of resistance is around 118.570 and 119.370, while 1st support hits today at 116.650 and below there at 115.500.

FEEDER CATTLE (MAR) 03/13/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 129.043. The next area of resistance is around 128.437 and 129.043, while 1st support hits today at 126.513 and below there at 125.194.

DAILY HOGS COMMENTARY

03/13/17

Bounce in pork cut-out could provide some short-term bounce

The market looks to remain volatile, as June is trading at a much smaller than normal premium to the cash market, supply continues to remain high, and the shift in production into the spring is much smaller than normal. Second quarter production is expected to be up 6% from last year. China seems to be in position to import more pork, but their imports from the US in January were just 25.9 million pounds, the lowest since January 2016. April hogs closed slightly higher on the session Friday but up 110 points from the lows. The market traded moderately lower on the session into mid-day, and the selling pushed June hogs down to their lowest level since February 23rd. Lower cash market trade last week due to ample supply helped to pressure. Declining open interest suggests that there is a long liquidation selling trend from speculators. The CME Lean Hog Index as of March 8th was 72.59, down 1 cent from the previous session and down from 74.01 the previous week. The USDA estimated hog slaughter came in at 426,000 head Friday and 120,000 head for Saturday. This brought the total for last week to 2.313 million head, up from 2.311 million the previous week and up 3.4% from last year.



Pork production for the week was up 3.3% from last year. USDA pork cutout values, released after the close Friday, came in at \$81.52, up 78 cents from Thursday and up from \$80.08 the previous week. The Commitments of Traders reports as of March 7th showed Non-Commercial traders were net long 48,814 contracts, a decrease of 6,849 contracts on the week. The long liquidation selling trend is seen as a short-term negative force. Non-Commercial and Nonreportable combined traders held a net long position of 34,106 contracts, down 6,784 contracts for the week. Commodity Index traders held a net long position of 75,581 contracts, down 1,163 contracts for the week.

TODAY'S MARKET IDEAS:

The bounce in pork values and more talk that China could be a more active buyer helped to support the bounce on Friday. Downtrend channel resistance for June hogs is at 77.82 today. A push under Friday's lows could spark more selling with 74.80 as next 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.

Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Livestock						
Hogs	48,814	-6,849	-34,106	+6,785	+65	

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) 03/13/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 69.170. The next area of resistance is around 68.770 and 69.170, while 1st support hits today at 67.570 and below there at 66.700.

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	117.600	62.69	58.51	58.06	58.76	116.36	116.51	115.69	116.16	115.65
FCH7	127.475	67.61	60.73	71.96	82.57	125.49	124.81	124.43	125.54	125.63
LHJ7	68.150	48.09	48.09	31.56	34.74	68.18	67.88	68.58	69.06	68.62

Calculations based on previous session. Data collected 03/10/2017

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	115.470	116.620	117.420	118.570	119.370
FCH7	Feeder Cattle	125.193	126.512	127.118	128.437	129.043
LHJ7	Lean Hogs	66.670	67.520	67.920	68.770	69.170

Calculations based on previous session. Data collected 03/10/2017

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