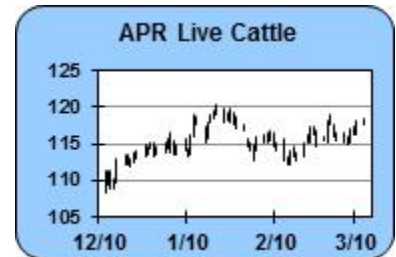




**DAILY CATTLE COMMENTARY**  
03/14/17

**Surging beef prices has traders nervous over weaker demand**

The surging beef market has traders nervous over the possibility that consumer demand maybe lower than expected in the spring, and at the same time, market ready supply is growing. Futures remain at a major discount to the cash market, as cash prices are expected to peak and push lower into the spring. Second quarter beef production is expected to be up 520 million pounds from the first quarter, compared with increased of 252 million pounds for the same period last year and 195 million for 2015. April cattle traded to its highest level since March 1st yesterday but traded back down into Friday's range and closed only slightly higher on the day. April cattle came into the week at a 640-point discount to the cash market, which lends support to the futures as well. Cash cattle traded mostly \$124-\$126 last week versus \$123-\$126 the previous week, and packers are reportedly upping their bids this week. Surging beef prices have supported big profit margins for packers. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This was up from 114,000 last week and up from 111,000 a year ago as this time. USDA boxed beef cutout values were down 69 cents at mid-session yesterday but closed 72 cents higher at \$220.55. This was up from \$209.60 the previous week and was the highest the cutout had been since June 17th. The weather looks bearish for demand on the east coast, and the dry conditions on the plains look bearish for supply.



**TODAY'S MARKET IDEAS:**

The weather seems to be a short-term bearish force, and the increasing supply into the spring coupled with very high beef prices seems to be a bearish set-up for the cash market. With cash at \$125 and futures at 117.75, the extent of the pullback will be a key factor. April cattle support comes in at 116.92 and 116.45. Watch for choppy to lower trade short-term.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

1) \* Short April cattle 116.00 put from 265 with an objective of 97. Risk to 220. 2) \* Short April cattle 114.00 put from 197 with an objective of 42. Risk to 117.

**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) 03/14/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 118.650. The next area of resistance is around 118.120 and 118.650, while 1st support hits today at 117.370 and below there at 117.120.

FEEDER CATTLE (MAR) 03/14/2017: Daily stochastics have risen into overbought territory which will tend to

support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 130.112. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 129.375 and 130.112, while 1st support hits today at 127.825 and below there at 127.013.

## DAILY HOGS COMMENTARY

03/14/17

### Basis and technical indicators oversold and specs buy

A combination of the abnormal basis levels and a continued concern that China and other countries become aggressive importers seems to be a key factor for the surge yesterday. The CME Lean Hog Index as of March 9th was 72.51 down 8 cents from the previous session and down from 73.38 the previous week. The USDA estimated hog slaughter came in at 440,000 head yesterday. This was down from 443,000 last week but up from 429,000 a year ago as this time. USDA pork cutout values, released after the close yesterday, came in at \$81.85, up 33 cents from Friday but down from \$81.90 the previous week. April Hogs had a big range-up day yesterday, following Friday's spike down and reversal higher. The market traded to its highest levels since February 22nd, as the discount to the cash market lent support. The market may have received some support as well from the snowstorm moving across the country on ideas that it could delay some hog shipments. Demand on the East Coast, however, could take a hit. According to a senior industry official, China is seen importing nearly 3 million tonnes of pork this year, about the same as last year.



### TODAY'S MARKET IDEAS:

The continued advance in pork values and more talk that China could be a more active buyer ahead has helped to support. If the (deadly to human) bird flu continues to spread, Chinese consumers may shift away from poultry to more pork. The market's technical action is impressive, and the lack of much premium to the cash market for June hogs opens the door for more buying. Resistance for June hogs is at 79.75 and 80.35, with support at 78.15 and 77.62.

### 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) 03/14/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 71.920. The next area of resistance is around 71.320 and 71.920, while 1st support hits today at 69.120 and below there at 67.500.

## 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	117.750	63.57	59.09	59.57	62.58	116.96	116.49	115.90	116.24	115.72
FCH7	128.600	71.70	63.89	76.70	86.17	126.65	125.20	124.69	125.65	125.67
LHJ7	70.220	62.32	57.23	38.32	51.84	68.73	68.18	68.52	69.10	68.67

Calculations based on previous session. Data collected 03/13/2017

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	117.100	117.350	117.870	118.120	118.650
FCH7	Feeder Cattle	127.012	127.824	128.562	129.375	130.112
LHJ7	Lean Hogs	67.470	69.100	69.700	71.320	71.920

Calculations based on previous session. Data collected 03/13/2017

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