

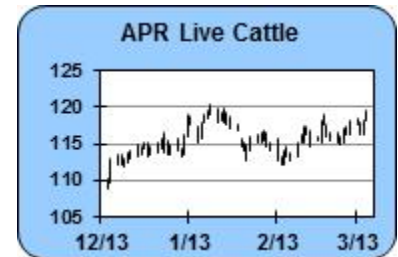


## DAILY LIVESTOCK COMMENTARY Friday March 17, 2017

### DAILY CATTLE COMMENTARY 03/17/17

#### Cash may be forming top but futures huge discount

The surge up in beef prices supported sharply higher trade in cash markets this week and this leaves June cattle at a huge discount to the cash. USDA boxed beef cutout values were up \$1.12 at mid-session yesterday and closed \$1.04 higher at \$222.36. This was up from \$215.56 the prior week and the highest beef market since June 16th of last year. Average dressed steer weights for the week ending March 4th came in at 876 pounds, down from 878 the previous week and down from 887 pounds last year. Given the weather, the lower weights suggest that producers are current with marketings. Beef production for the same week came in at 479.2 million pounds, up 7.44% over year ago. June cattle closed sharply higher on the session yesterday and traded up to the highest level since early June of 2016.



Cash cattle traded up to the \$128-\$131 level this week from \$124-\$126 last week. April cattle traded sharply higher on the session with aggressive speculative buying helping to drive the market up to the highest level since January 25th. Surging beef prices have traders concerned that consumer demand may be weak into the spring, just when market-ready supply is expected to be increasing rapidly. Weekly U.S. beef export sales for the week ending March 9th came in at 16,200 tonnes, compared with the prior 4-week average of 13,900. Cumulative sales for 2017 have reached 244,300 tonnes, up 26.9% from last year's pace. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 457,000 head, up from 454,000 last week at this time and up from 444,000 a year ago.

#### TODAY'S MARKET IDEAS:

Cash markets are likely near a peak and could begin to work lower but June is at a massive discount. The upside break-out for June cattle leaves the next upside target at 112.07. April cattle support is at 118.42 with 120.32 and 123.47 as next targets.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

1) \* Hit objective for a 175 point gain on short April cattle 116.00 put position. 2) \* Hit objective for a 155 point gain on short April cattle 114.00 put position.

#### 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) 03/17/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 120.320. The next area of resistance is around 119.850 and 120.320, while 1st support hits today at 118.570 and below there at 117.750.

FEEDER CATTLE (MAR) 03/17/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 131.475. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 131.150 and 131.475, while 1st support hits today at 129.950 and below there at 129.075.

## DAILY HOGS COMMENTARY

03/17/17

### Big supply to absorb but trade hopeful over China import demand

Some weakness for pork cut-out and talk of the short-term overbought condition has helped to spark the 2-day sell-off. Traders hope that the export market remains strong due to bird flu problems in China which could keep pork demand strong. USDA pork cutout values, released after the close yesterday, came in at \$80.72, down 96 cents from Wednesday and down from \$80.74 the previous week. This is the lowest since March 3rd. The CME Lean Hog Index as of March 14th was 71.99 up 5 cents from the previous session but down from 72.60 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 1.754 million head, down from 1.767 million last week at this time but up from 1.663 million a year ago.



Actual US pork production for the week ending March 4th came in at 491.6 million pounds, up from 481.4 the previous week and up 4.8% from a year ago. The market closed slightly lower on the session yesterday. Weekly U.S. pork export sales for the week ending March 9th came in at 13,000 tonnes, compared with the prior 4-week average of 18,575. This was the lowest weekly total for the year. The mid-day pork wire showed pork cut-out values down 72 cents as loins slipped to \$79.21 from \$82.50 just a few days ago. The USDA Foreign Agriculture service believes that China poultry production could slide to 11 million tonnes this year from 12.3 million in 2016. If demand remains depressed, China pork demand could be strong and imports turn higher.

#### TODAY'S MARKET IDEAS:

Keep in mind, the USDA sees 2nd quarter production up 6% from last year. Sluggish weight data and a sell-off in pork values might be seen as negative short-term factors. June hog support comes in at 78.15 and 77.62. April hogs may also test support levels at 69.35 and 68.57 over the near-term.

#### NEW RECOMMENDATIONS:

None.

#### 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.

#### 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) 03/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 70.950. The next area of resistance is around 70.420 and 70.950, while 1st support hits today at 69.400 and below there at 68.870.

## 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	119.200	66.88	62.36	63.15	71.34	117.74	116.88	116.55	116.34	115.97
FCH7	130.550	74.85	67.54	86.04	93.00	129.06	126.92	125.55	125.84	125.87
LHJ7	69.900	57.05	54.64	59.22	69.14	70.26	68.99	68.49	69.21	68.81

Calculations based on previous session. Data collected 03/16/2017

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	117.720	118.550	119.020	119.850	120.320
FCH7	Feeder Cattle	129.075	129.950	130.275	131.150	131.475
LHJ7	Lean Hogs	68.850	69.370	69.900	70.420	70.950

Calculations based on previous session. Data collected 03/16/2017

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