



DAILY LIVESTOCK COMMENTARY

Friday March 24, 2017

DAILY CATTLE COMMENTARY

03/24/17

Reversal from overbought needs respect given supply bulge

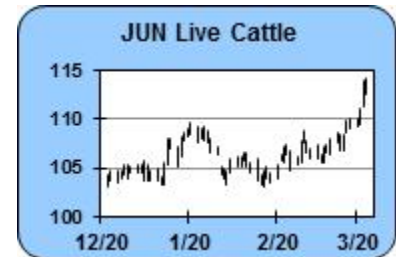
The cash and beef market are near or have put in a near-term peak and the market is seeing higher than expected production. In addition, the market faces a surge higher in production from the 1st quarter to the 2nd quarter and this may be difficult to absorb if beef demand from consumers slips into the spring.

Average dressed steer weights for the week ending March 11th came in at 881 pounds, up from 876 the previous week and down from 888 pounds last year.

Beef production for the same week came in at 487.1 million pounds, up 9.5%

over year ago. The previous four weeks were up 7.4%, 9.1%, 4.3% and up 6.6% from last year. The supply is already high and on the rise. The reversal action from an extreme overbought level yesterday might be seen as a bearish technical development. June cattle posted a new high for the move early in the day and closed moderately lower on the day. Ideas that the market is overbought (RSI at 83) and weakness in beef prices helped to pressure. USDA boxed beef cutout values were down \$1.00 at mid-session yesterday and closed 72 cents lower at \$222.28. This was down from \$222.36 the prior week.

Weekly U.S. beef export sales for the week ending March 16th came in at 14,600 tonnes, compared with the prior 4-week average of 14,700. Cumulative sales for 2017 have reached 258,900 tonnes, up 31.8% from last year's pace. The USDA monthly Cold Storage report late Wednesday showed frozen beef stocks at the end of February at 502.4 million pounds which was well below trade expectations (521.7 million) and down 0.8% from last year. Stocks were down 6.6% from the previous month and normally fall 3.4% for the month so the report is supportive. For the cattle-on-Feed report this afternoon, traders expect February placements at 98.9% of last year (range 94-103.5) and February marketings at 103.3% (102.5-104). On feed supply for March 1st is expected at 100.1% of last year with a range of 99.1 to 100.8. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 463,000 head, up from 457,000 last week at this time and up from 434,000 a year ago.



TODAY'S MARKET IDEAS:

Technical indicators are overbought and beef prices and cash markets may be peaking. With a bearish supply outlook and the huge discount, bears will need to expect a significant downtrend in the cash market in the next few months to get involved on the short side. June cattle looks vulnerable to a significant break over the near-term. Resistance is at 114.20 with support at 110.82 and 109.80.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 03/24/2017: 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. The market's

close below the pivot swing number is a mildly negative setup. The next upside objective is 123.500. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 122.520 and 123.500, while 1st support hits today at 121.020 and below there at 120.420.

FEEDER CATTLE (MAR) 03/24/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 132.594. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 134.387 and 135.343, while 1st support hits today at 133.013 and below there at 132.594.

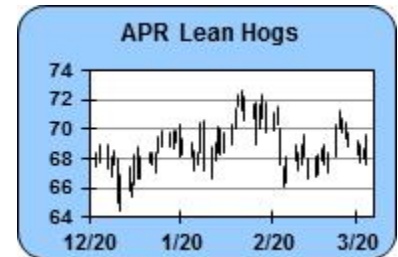
DAILY HOGS COMMENTARY

03/24/17

Very strong technical recovery bounce but pork values weak

Ideas that the market was just too cheap and that there is still a possible improvement in pork exports ahead helped to spark the turn up yesterday and short-covering emerged to support a surge higher in futures. The CME Lean Hog Index as of March 21st was 71.41 down 7 cents from the previous session and down from 71.99 the previous week. With cash near 71.40, short traders in April futures with the market down under 68.00 early yesterday became nervous and short-covering emerged.

USDA pork cutout values, released after the close yesterday, came in at \$76.83, down \$1.75 from Wednesday and down from \$80.72 the previous week and down to the lowest level since December 14th. June hogs rallied nearly 350 points in the last hour of trade yesterday to close sharply higher on the day. The bearish USDA Cold Storage report late Wednesday and the turn down in pork values helped to drive the market sharply lower on the day into the midsession. The selling drove June hogs down to the lowest level since December 29th but buyers turned active.



Weekly U.S. pork export sales for the week ending March 16th came in at 30,100 tonnes compared with the prior 4-week average of 17,200. Cumulative sales for 2017 have reached 411,600 tonnes, up 23.6% from last year's pace. This was the highest weekly sales since the week of January 19th. The USDA monthly Cold Storage report showed frozen pork stocks at the end of February at 571.9 million pounds which was well above trade expectations (545.9 million) and down 9.1% from last year. Stocks were up 9.1% from the previous month and normally increase 5.2% for the month so the report is consider bearish news. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 1.767 million head, up from 1.759 million last week at this time and up from 1.675 million a year ago. Actual US pork production for the week ending March 11th came in at 492.3 million pounds, up from 491.6 the previous week and up 4% from a year ago.

TODAY'S MARKET IDEAS:

Hope that US pork exports could improve and the oversold condition of the market and the steep discount of futures to the cash market were all factors to support the technical recovery bounce. June hog resistance is at 77.97 and 78.32, with 77.22 and 76.50 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of 67. Risk to 162. 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) 03/24/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The outside day up and close above the previous day's high is a positive signal. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is now at 66.970. The next area of resistance is around 70.350 and 71.000, while 1st support hits today at 68.350 and below there at 66.970.

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	121.770	71.32	67.12	83.26	88.09	120.76	119.26	117.88	116.60	116.48
FCH7	133.700	80.57	73.36	91.42	89.70	132.79	130.97	127.89	126.20	126.36
LHJ7	69.350	54.14	52.50	50.55	47.91	68.54	69.36	68.62	69.12	68.90

Calculations based on previous session. Data collected 03/23/2017

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	120.400	121.000	121.950	122.520	123.500
FCH7	Feeder Cattle	132.593	133.012	133.968	134.387	135.343
LHJ7	Lean Hogs	66.950	68.320	68.970	70.350	71.000

Calculations based on previous session. Data collected 03/23/2017

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