

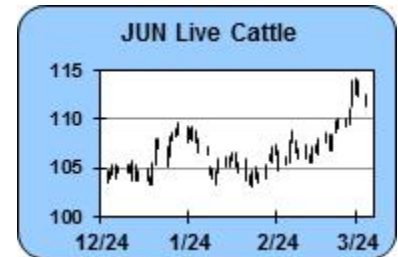


## DAILY LIVESTOCK COMMENTARY Tuesday March 28, 2017

### DAILY CATTLE COMMENTARY 03/28/17

#### Reversal top in place; big supply to pressure beef

The market appears to have put in a near-term peak and given the very high open interest and the bearish technical signals, a long liquidation selling trend could intensify. On the other hand, the steep discount to the cash market might limit the selling pressure. Ideas that packers will not bid up cash this week and will rely on contracted cattle added to the bearish tone. June cattle closed sharply lower on the session yesterday and confirmed the March 23rd reversal top with follow-through selling. Traders hopes for a jump in US exports due to problems with meat quality in Brazil faded quickly as three countries including China lifted the Brazil ban over the weekend. The stiff discount of futures to last week's cash trade helped to support. The jump in the pace of slaughter in the past month was seen as a negative force.



USDA boxed beef cutout values were down \$1.99 at mid-session yesterday and closed \$1.71 lower at \$219.91. This was down from \$223.76 the prior week and down to the lowest level since March 10th. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This was unchanged from last week but up from 98,000 a year ago as this time. A 22-trading day cycle has hit on major highs and lows on May 9th, June 9th, August 11th, October 13th, and January 19th. The cycle arrived on Thursday, March 23rd, which is the same day the market reversed. This adds credence to the idea that at least a short-term top is in place. The COT reports as of March 21st showed Non-Commercial and Nonreportable combined traders held a net long position of 99,821 contracts. The market is overbought.

#### TODAY'S MARKET IDEAS:

Production has come in well above expectations and the Brazil export scandal may not amount to much of a trade issue. With the hefty supply, beef prices could turn lower. June cattle looks vulnerable to a significant break over the near-term. Resistance is at 112.07 and 112.75, with support at 110.82 and 109.80.

#### NEW RECOMMENDATIONS:

Sell June cattle at 112.72 with an objective of 108.80. Risk 115 points from entry.

#### 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 (JUN) 03/28/2017: A bearish signal was triggered on a crossover down in the daily stochastics. 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. The close below the 1st swing support could weigh on the market. The next downside target is now at 110.520. The next area of resistance is around 112.020 and 112.850, while 1st support hits today at 110.870 and below there at 110.520.

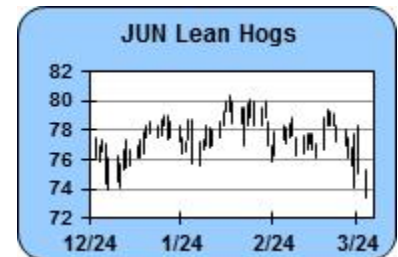
FEEDER CATTLE (MAY) 03/28/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 129.044. The next area of resistance is around 132.687 and 134.493, while 1st support hits today at 129.963 and below there at 129.044.

## DAILY HOGS COMMENTARY

03/28/17

### Pork values holding for now but big supply ahead

Positioning ahead of the key USDA quarterly Hogs and Pigs report for Thursday release and export concerns helped to keep the market on the defensive this week. June hogs are now trading near a 300 to 400 point premium to the cash market as compared with the 5-year average premium of near 1100-1200 points for this time of the year. This is not a good reason to buy the market but is a caution flag for the bears to not press the short side of the market. The shift in production from the first quarter to the second quarter would suggest that the spring premium of futures to the cash market should be well less than normal. June hogs gapped lower on the session yesterday on news that China and two other countries had already lifted their bans on imported meat from Brazil. The selling drove the market sharply lower to trade at the lowest level since December 6th.



The selling persisted into the close and the market closed near the lows and opened near the highs yesterday which is a bearish technical factor. Pork values were higher on Friday but with last week's weekly slaughter up 6.8% from last year, it will be important to see the aggressive export pace continue. USDA pork cutout values, released after the close yesterday, came in at \$78.40, up 43 cents from Friday but down from \$80.40 the previous week. The CME Lean Hog Index as of March 23rd was 70.91 down 38 cents from the previous session and down from 71.74 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This was unchanged from last week but up from 298,000 a year ago as this time.

### TODAY'S MARKET IDEAS:

The market is pricing in a weak trend for cash markets into April. April hogs experienced the lowest close since December 23rd and this leaves the technical picture bearish. The downside break-out leaves a swing target at 64.02. The head and shoulders chart pattern for June hogs leaves 71.67 as a longer-term target. Close-in resistance is at 75.22 and 75.80.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

1) \* Hit objective on short June hog 84.00 call position for a 152 point gain. 2) Long June Hog 74.00 put from 237 and short the June hog 70.00 put from 170 points.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 03/28/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 72.000. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 74.500 and 75.870, while 1st support hits today at 72.570 and below there at 72.000.

## 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>										
LCM7	111.450	61.45	61.95	84.95	80.35	112.72	111.01	108.88	107.05	106.91
FCK7	131.325	59.59	61.02	86.67	80.51	133.61	131.64	127.70	125.18	125.33
LHM7	73.520	29.57	34.26	35.89	24.16	75.66	76.79	77.15	77.71	77.65

Calculations based on previous session. Data collected 03/27/2017

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>						
LCM7	Live Cattle	110.500	110.850	111.670	112.020	112.850
FCK7	Feeder Cattle	129.043	129.962	131.768	132.687	134.493
LHM7	Lean Hogs	71.970	72.520	73.920	74.500	75.870

Calculations based on previous session. Data collected 03/27/2017

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