

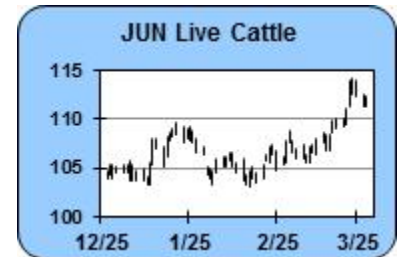


## DAILY LIVESTOCK COMMENTARY Wednesday March 29, 2017

### DAILY CATTLE COMMENTARY 03/29/17

#### Once short-term needs are met, packer demand to collapse

The cash market tone is not quite as weak as anticipated given the huge slaughter pace of the past month but with the beef market sell-off, packer demand should drop off just when short-term needs are filled. June cattle managed to hold onto a slight gain on the session even with aggressive selling late in the day in the hog pit. The market opened lower yesterday but failed to find new selling interest due to the steep discount and this supported a recovery bounce into the mid-session. The market also failed to fill the gap at 111.20 from March 22nd. A gap lower opening through this same level today would sour the chart pattern. The sharp drop in beef prices Monday helped to pressure but with cash cattle trading at \$130 last week, traders are reluctant to sell June cattle under \$112. Traders will monitor cash markets and the Fed Cattle Exchange auction closely today. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 231,000 head, down from 232,000 last week at this time but up from 210,000 a year ago. USDA boxed beef cutout values were up 29 cents at mid-session yesterday and closed 34 cents lower at \$219.57. This was down from \$224.93 the prior week and the lowest beef market since March 9th.



#### TODAY'S MARKET IDEAS:

The massive discount to the cash market might support a bounce today and it will be important to see significant weakness in the cash market soon. Technical chart resistance for June cattle comes in at 112.37 and 112.72. Production has come in well above expectations in recent weeks and the Brazil export scandal may not amount to much of a trade issue. June cattle looks vulnerable to a significant break over the near-term. Support is at 110.82 and 109.80.

#### NEW RECOMMENDATIONS:

Sell June cattle at 113.22 with an objective of 108.80. Risk 120 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) 03/29/2017: 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 market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 110.700. The next area of resistance is around 112.070 and 112.620, while 1st support hits today at 111.120 and below there at 110.700.

FEEDER CATTLE (MAY) 03/29/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative

short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 130.569. The next area of resistance is around 132.087 and 132.518, while 1st support hits today at 131.113 and below there at 130.569.

## DAILY HOGS COMMENTARY

03/29/17

### Steep downtrend into key USDA report; cash weakness

The weekly average weight data showed a significant uptick this week jumping from 281.6 pounds last week to 282.4 pounds this week and pork values also took another hit. USDA pork cutout values, released after the close yesterday, came in at \$77.03, down \$1.37 from Monday and down from \$80.41 the previous week. The market experienced choppy to mostly lower trade early in the session yesterday, but traded sharply lower into the close. The early selling pushed the market down below Tuesday's lows as June pushed to the lowest level since December 2nd. The steep discount of futures to cash and a bounce in pork values late Monday helped to hold the market up near unchanged early, but long liquidation selling ahead of the quarterly USDA update helped to spark selling late in the day.



For the USDA Hogs and Pigs report on Thursday, traders see March 1st supply at 103.9% of last year (range of 102.6-105) with Kept for Breeding supply at 101.8% (range of 101.4-102.3) and Kept for Market supply at 104% of last year (range of 102.7-105.1). The mid-day pork cut-out values were down \$1.18 to \$77.94 led by a \$6.42 drop in pork bellies to \$130.64. The CME Lean Hog Index as of March 24th was 70.24 down 67 cents from the previous session and down from 71.61 the previous week. The USDA estimated hog slaughter came in at 445,000 head yesterday. This brings the total for the week so far to 886,000 head, up from 885,000 last week at this time and up from 732,000 a year ago.

### TODAY'S MARKET IDEAS:

The market remains in a steep downtrend and is already pricing in a weak trend for cash markets for April. April hogs have closed lower in nine of the past ten trading sessions. The downside break-out leaves a swing target at 64.02. The head and shoulders chart pattern for June hogs leaves 71.67 as target. Close-in resistance is at 74.57 and 75.22.

### 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) 03/29/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 71.370. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 73.120 and 74.120, while 1st support hits today at 71.770 and below there at 71.370.

## 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	111.600	62.20	62.44	81.90	75.81	112.18	111.38	109.16	107.12	107.02
FCK7	131.600	60.62	61.68	82.97	75.57	132.69	132.07	128.25	125.26	125.44
LHM7	72.450	26.14	31.35	28.85	14.76	74.83	76.09	76.85	77.62	77.60

Calculations based on previous session. Data collected 03/28/2017

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	110.670	111.100	111.650	112.070	112.620
FCK7	Feeder Cattle	130.568	131.112	131.543	132.087	132.518
LHM7	Lean Hogs	71.350	71.750	72.750	73.120	74.120

Calculations based on previous session. Data collected 03/28/2017

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