



DAILY LIVESTOCK COMMENTARY

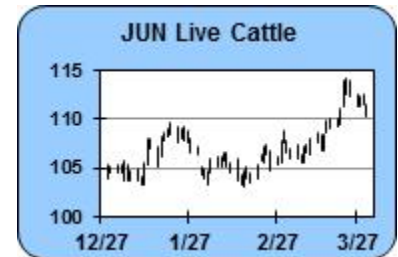
Friday March 31, 2017

DAILY CATTLE COMMENTARY

03/31/17

Increasing supply ahead and high beef discourages demand

The weak technical action and the further sharp drop in beef prices helps to confirm a major top last week and besides the discount of futures to cash, most of the short-term fundamentals point lower. USDA boxed beef cutout values were down 80 cents at mid-session yesterday and closed \$1.71 lower at \$215.21. This was down from \$222.28 the prior week and is the lowest beef market since March 8th. Average dressed steer weights for the week ending March 18th came in at 872 pounds, down from 881 the previous week and down from 896 pounds last year. Weights drop seasonally but the drop is more than expected given the mild weather so the news is somewhat supportive. However, beef production for the same week came in at 480.0 million pounds, up 6.3% over year ago. June cattle closed moderately lower on the session yesterday but managed a strong rally off of the early lows.



The sharp drop in beef prices and ideas that packers will draw on contracted cattle next week are factors which contributed to the more aggressive selling. June cattle traded down to the lowest level since March 21st. Weaker beef prices and the high cash cattle market is pressuring packer profit margins from deep in the black levels of the past several weeks. 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 estimated cattle slaughter came in at 111,000 head yesterday. This brings the total for the week so far to 456,000 head, down from 463,000 last week at this time but up from 429,000 a year ago.

TODAY'S MARKET IDEAS:

The supply outlook in the weeks ahead should continue to weigh on beef and cash cattle markets but the trade is still attempting to deal with a massive discount of futures to the cash market. Selling resistance for June cattle comes in at 112.17 and 112.67. Support is at 109.97 and 108.67. Sell rallies.

NEW RECOMMENDATIONS:

Sell June cattle 113.00 call at 287 with an objective of zero. Risk 95 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) 03/31/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 109.470. The next area of resistance is around 111.570 and 112.300, while 1st support hits today at 110.170 and below there at 109.470.

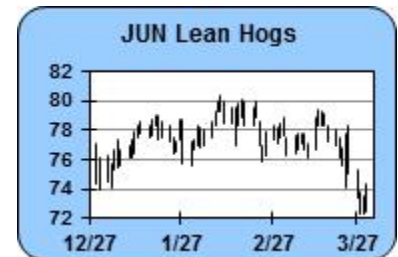
FEEDER CATTLE (MAY) 03/31/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is 129.769. The next area of resistance is around 132.362 and 133.518, while 1st support hits today at 130.488 and below there at 129.769.

DAILY HOGS COMMENTARY

03/31/17

USDA report sharply neutral but pork value trend weak

The report news was very neutral and focus of attention will be on a weaker cash tone due to weaker pork values. For the USDA Hogs and Pigs report, March 1st supply came in at 104.2% of last year as compared with trade expectations for 103.9% of last year (range of 102.6-105). Kept for Breeding supply was at 101.5% from trade expectations for 101.8% (range of 101.4-102.3) and Kept for Market supply came in at 104.4% of last year from trade estimates for 104% of last year (range of 102.7-105.1). The data is slightly bearish for the nearby contracts and slightly supportive for deferred contracts. USDA pork cutout values, released after the close, came in at \$74.55, down \$1.28 from Wednesday and down from \$76.83 the previous week. This is the lowest cut-out since December 14th. With a mostly neutral report data and the reversal action from a deeply oversold level, we cannot rule out a bounce but the short-term cash fundamentals remain bearish which could limit the upside on any recovery bounce. June hogs closed sharply higher on the session yesterday. The market opened lower, but positioning ahead of the USDA report helped spark a moderate short-covering rally.



Weekly U.S. pork export sales for the week ending March 23 came in at 12,100 tonnes, compared with the prior 4-week average of 19,525. Cumulative sales for 2017 have reached 423,700 tonnes, up 18.5% from last year's pace. The CME Lean Hog Index as of March 28th was 69.40 down 38 cents from the previous session and down from 71.41 the previous week. The USDA estimated hog slaughter came in at 437,000 head yesterday. This brings the total for the week so far to 1.770 million head, up from 1.767 million last week at this time and up from 1.605 million a year ago. Actual US pork production for the week ending March 18th came in at 495.2 million pounds, up from 492.3 the previous week and up 4.12% from a year ago. The first two weeks in March showed production up 4.8% and up 4.04%.

TODAY'S MARKET IDEAS:

With the large supply, a steady flow of export activity will be necessary for the market to avoid more weakness in pork values ahead. Cut-out is already at the lowest since December 14th. June hog stiff resistance is at 75.25 and 75.95, with support 73.37 and then 71.72.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

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) 03/31/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is now at 71.920. The next area of resistance is around 75.200 and

75.750, while 1st support hits today at 73.300 and below there at 71.920.

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										
LCM7	110.870	55.00	57.78	75.44	67.91	111.44	111.78	109.69	107.26	107.25
FCK7	131.425	56.20	58.63	77.01	69.91	131.89	132.61	129.36	125.46	125.74
LHM7	74.250	40.48	40.95	21.35	17.75	73.24	75.09	76.50	77.43	77.51

Calculations based on previous session. Data collected 03/30/2017

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						
LCM7	Live Cattle	109.450	110.150	110.870	111.570	112.300
FCK7	Feeder Cattle	129.768	130.487	131.643	132.362	133.518
LHM7	Lean Hogs	71.900	73.270	73.820	75.200	75.750

Calculations based on previous session. Data collected 03/30/2017

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