



## DAILY LIVESTOCK COMMENTARY

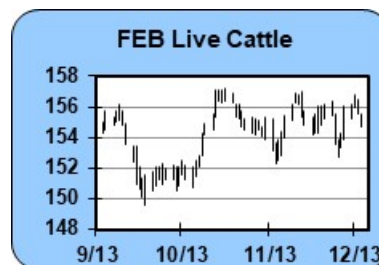
Friday December 16, 2022

### DAILY CATTLE COMMENTARY

12/16/2022

**Some demand issues but tightening supply ahead; buy breaks**

February cattle gapped lower on the opening yesterday and closed moderately lower on the day. The selling pushed the market to its lowest level since December 9. The long-term supply fundamentals remain bullish, but the short-term demand factors remain in question. The market faces a significant drop in supply for the coming year. First quarter beef production is expected to be down 5.2% from 2022, with second quarter down 6.6% and third quarter down 9.2%. The shift in beef production from the fourth quarter to the first quarter also looks supportive.



The USDA boxed beef cutout was up \$3.03 at mid-session yesterday and closed \$4.23 higher at \$254.30. This was up from \$247.28 the previous week. Cash live cattle trade was moderately active on Thursday. Prices appear to be leaning weaker, except for Texas/Oklahoma. In Kansas 5,591 head traded at \$155 versus an average of \$155.77 last week. In Nebraska 4,200 traded at \$155-\$158 with a weighted average of \$155.89 versus an average of \$156.52 last week. In Texas/Oklahoma 2,891 traded at \$155-\$155.50 with an average of \$155.02 versus \$154.31 last week. The USDA estimated cattle slaughter came in at 118,000 head yesterday. This brings the total for the week so far to 364,000, down from 382,000 last week but up from 360,000 a year ago. U.S. beef export sales for the week ending December 8 came in at 10,900 tonnes versus an average of the previous four weeks of 17,400 tonnes. Cumulative sales for 2022 have reached 1.015 million tonnes, down 34% from this time last year.

**TODAY'S MARKET IDEAS:**

Long-term supply fundamentals look bullish, but the market may see more consolidation in the near term. February cattle support levels emerge at 154.32 and 154.07. Breaks look like buying opportunities.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**CATTLE COMPLEX TECHNICAL OUTLOOK:**

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LIVE CATTLE (FEB) 12/16/2022: The major trend has turned down with the cross over back below the 40-day moving average. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The gap down on the day session chart is bearish with more selling pressure possible today. The close below the 2nd swing support number puts the market on the defensive. The near-term upside target is at 155.820. The next area of resistance is around 155.270 and 155.820, while 1st support hits today at 154.450 and below there at 154.150.

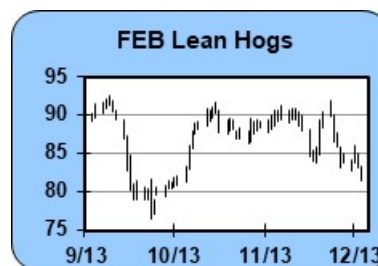
FEEDER CATTLE (MAR) 12/16/2022: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A negative signal for trend short-term was given on a close under the 9-bar moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The near-term upside objective is at 186.018. The next area of resistance is around 185.237 and 186.018, while 1st support hits today at 184.113 and below there at 183.769.

## DAILY HOGS COMMENTARY

12/16/2022

### Will need to absorb much lower-than-normal shift in production

The hog market remains in a short-term downtrend as it searches for a low enough price to spark demand. This is a difficult task in a period of sluggish pork exports. February hogs closed sharply lower yesterday after trading to their lowest level since October 14. A sharp break in the pork product market this week to the lowest level since January has left a bearish demand tilt to the hog market. The USDA pork cutout, released after the close yesterday, came in at \$83.93, up \$1.36 from Wednesday but down from \$83.95 the previous week. While producers seem current with marketings, packers realize there are plenty of market ready hogs, which suggests the cash pork market will continue to drift lower.



The CME Lean Hog Index as of December 13 was 81.68, up from 81.62 the previous session but down from 82.78 the previous week. The USDA estimated hog slaughter came in at 490,000 head yesterday. This brings the total for the week so far to 1.461 million head, up from 1.458 million last week and 1.392 million a year ago. U.S. pork export sales for the week ending December 8 came in at 14,400 tonnes versus an average of the previous four weeks at 23,700 tonnes. Cumulative sales for the 2022 marketing year have reached 1.529 million tonnes, down 5.4% from last year.

### TODAY'S MARKET IDEAS:

US pork production normally declines by 100 to 400 million pounds between the fourth and first quarters. It was down 281 million pounds last year, but this year it is expected to decline just 5 million pounds. This is a bearish set up. February Hog resistance is at 82.80, with support at 80.60 and 79.15. April hog resistance is at 90.40, with 87.30 as support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 12/16/2022: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 80.270. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 82.520 and 83.800, while 1st support hits today at 80.770 and below there at 80.270.

## 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>										
LCG23	154.820	46.96	48.94	62.17	63.69	155.75	155.05	155.31	154.90	154.07
FCH23	184.675	53.12	53.84	74.11	74.32	185.27	185.00	184.08	182.52	181.71
LHG23	81.650	29.07	34.48	20.56	10.65	83.33	85.13	86.53	87.68	86.08

Calculations based on previous session. Data collected 12/15/2022

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>						
LCG23	Live Cattle	154.120	154.420	154.970	155.270	155.820
FCH23	Feeder Cattle	183.768	184.112	184.893	185.237	186.018
LHG23	Lean Hogs	80.250	80.750	82.020	82.520	83.800

Calculations based on previous session. Data collected 12/15/2022

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