



## DAILY LIVESTOCK COMMENTARY

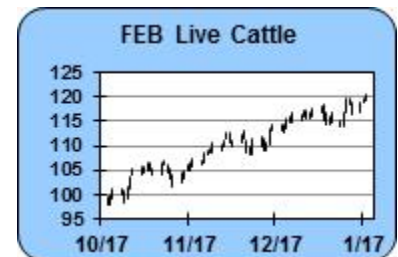
Thursday January 19, 2017

### DAILY CATTLE COMMENTARY

01/19/17

#### Solid uptrend but weaker tone for pork and poor margins

The market remains in a strong uptrend and the recent three-day surge leaves futures in an overbought condition. The reversal down in hogs and a mostly dry weather outlook for the next five days for the central and southern plains are factors which might be seen as somewhat negative. In addition, the collapse in packer margins might slow the strong demand from packers to pay up for live inventory. April cattle closed moderately higher on the session and experienced the highest close since March 18th yesterday. The Fed Cattle Exchange had offers for 4,108 head and sales reached 3,526 head at a weighted average price of \$120.52. This leaves April cattle at a discount to the cash market and helped to support. Remaining plains cattle this week are bid at \$118-\$120 with offers at \$122. Talk of the smaller showlist this week helped to support the market and also helped to offset talk of poor profit margins for packers. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 295,000 head, down from 348,000 last week at this time and down from 331,000 a year ago. USDA boxed beef cutout values were up \$1.39 at mid-session yesterday and closed \$1.60 higher at \$193.22. This was up from \$189.39 the prior week.



#### TODAY'S MARKET IDEAS:

Close-in resistance for April cattle is 120.40 and 121.50. The surge in open interest on the rally is positive but also leaves the market in a short-term overbought condition. June cattle next upside target is at 109.17.

#### 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) 01/19/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 120.320. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 119.950 and 120.320, while 1st support hits today at 118.870 and below there at 118.150.

**FEEDER CATTLE (MAR) 01/19/2017:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 131.050. The next area of resistance is around 130.300 and 131.050, while 1st support hits today at 128.800 and below there at 128.050.

## DAILY HOGS COMMENTARY

01/19/17

### Top in place after sweeping reversal; big supply ahead

The market seems to have the hefty supply situation to put in at least a near-term top and the shift in production from the first quarter to the second quarter (see weekly newsletter) is also a potential bearish force. April hogs closed sharply lower on the session yesterday with a wide range and a reversal. The early rally pushed the market up to the highest level since July 12th. The market is technically overbought but with higher open interest in last two weeks, a steady flow of speculative buying seems to have supported the recent uptrend.

USDA pork cutout values, released after the close yesterday, came in at \$78.37, down \$1.81 from Tuesday and down from \$79.90 the previous week. This is the lowest cut-out since January 10th.



The sweeping reversal which took out the ranges of the previous six trading sessions is seen as a bearish technical develop and the reversal came with technical indicators in a very overbought level. The CME Lean Hog Index as of January 16th was 64.84, up 74 cents from the previous session and up from 59.60 the previous week. The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 1.183 million head, down from 1.290 million last week at this time and down from 1.245 million a year ago. Weekly average weights for Iowa-Southern Minnesota as of January 14th came in at 281.9 pounds, down from 282.5 the previous week and down from 285.3 pounds last year. This is a normal seasonal decline.

#### TODAY'S MARKET IDEAS:

The sweeping reversal is a strong technical sign of at least a near-term top. June hog selling resistance is at 78.92 with 76.50 and 75.92 as support. April hog selling resistance is at 69.75 with 67.40 and 66.70 as support.

#### NEW RECOMMENDATIONS:

\* Sell June Hog 84.00 call at 147 with an objective of 0. Risk a total of 47 points from entry.

#### PREVIOUS RECOMMENDATIONS:

Long June Hog 72.00 put from 157 with an objective of 297. Risk to 110.

#### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 01/19/2017: The daily stochastics have crossed over down which is a bearish indication. 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 close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 66.770. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 69.950 and 71.250, while 1st support hits today at 67.720 and below there at 66.770.

#### 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>										
LCJ7	119.400	70.42	68.64	80.97	88.31	118.20	117.08	115.85	112.65	110.59

FCH7	129.550	63.29	62.21	72.42	79.41	129.16	127.70	126.83	124.34	122.06
LHJ7	68.820	56.62	59.34	88.11	86.03	69.43	69.05	68.06	65.38	64.11

**Calculations based on previous session. Data collected 01/18/2017**

**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>						
LCJ7	Live Cattle	118.120	118.850	119.220	119.950	120.320
FCH7	Feeder Cattle	128.050	128.800	129.550	130.300	131.050
LHJ7	Lean Hogs	66.750	67.700	69.000	69.950	71.250

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