

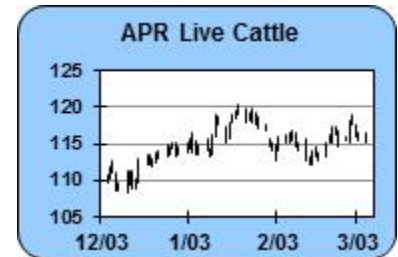


DAILY LIVESTOCK COMMENTARY Tuesday March 07, 2017

DAILY CATTLE COMMENTARY 03/07/17

Jump in beef prices to support margins; discount too wide

With higher beef prices and a huge discount of April to the cash market, the downside looks limited but the technical action remains weak and speculators seem to be lightening up on longs. Trend-following fund traders were still net long 81,180 contracts as of February 28th. USDA boxed beef cutout values were up \$1.96 at mid-session yesterday and closed \$1.53 higher at \$209.60. This was up from \$201.48 the prior week and the highest beef market since July 7th! The jump in beef prices has shifted packer margins from the red to the black this week. April cattle traded higher early in the session yesterday and managed to match Friday's high, but a lack of new buying interest and some long liquidation from speculators helped to pressure. The selling pushed the market down to the lowest level since February 24th.



While the technical action is bearish, the stiff discount of futures to the cash market might limit the downside. Cash cattle is trading at a \$10 premium to April futures as compared with a normal \$2 premium for this time of the year and the wide basis may offer some support on this break. The market is in a short-term technical correction mode as trade focus is on high winter placements which should result in a bulge in production for the April-June timeframe. News of bird flu cases in Tennessee and Wisconsin may help to pressure as this could slow meat exports and force US consumers to absorb extra meat. The USDA estimated cattle slaughter came in at 114,000 head yesterday. This was down from 116,000 last week but up from 105,000 a year ago as this time.

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TODAY'S MARKET IDEAS:

There is still talk of tight supply out of Nebraska. The jump in beef prices this week has helped to boost packer margins and the discount may support as well. April cattle short-term support came in at 114.72. Consider buying April cattle into support with 118.15 and 120.57 as next upside targets.

NEW RECOMMENDATIONS:

* Sell April cattle 116.00 put at 265 with an objective of zero. Risk a total of 90 points from entry.

PREVIOUS RECOMMENDATIONS:

Short April cattle 114.00 put from 197 with an objective of zero. Risk to 265.

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) 03/07/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 114.400. The next area of resistance is around 116.200 and 117.050, while 1st support hits today at 114.870 and below there at 114.400.

FEEDER CATTLE (MAR) 03/07/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels

are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 123.107. The next area of resistance is around 124.662 and 125.456, while 1st support hits today at 123.488 and below there at 123.107.

DAILY HOGS COMMENTARY

03/07/17

Wide basis leaves market vulnerable to choppy and volatile trade

A bounce in pork belly prices and more talk that the market may need to build up a spring premium in hog prices were factors to help support. USDA pork cutout values, released after the close yesterday, came in at \$81.90, up \$1.82 from Friday and up from \$79.80 the previous week and this was the highest cut-out since February 21st. Pork Bellies were up \$7.25 to \$144.36 which helped boost the cut-out. The CME Lean Hog Index as of March 3rd was 73.38, down 63 from the previous session and down from 77.39 the previous week. This leaves April hogs at a 565 point discount to the cash market as compared with the 5-year average premium of 500 points. The market managed to close slightly higher on the session yesterday but well off of the early highs. Ideas that the basis is too wide and that the futures market has fallen "too far, too fast" for now helped to support.



There were also ideas that the US bird flu case could slow egg exports to South Korea and leave more meat production for US consumers to absorb. On top of the Tennessee outbreak, the US reported a case of low pathogenic H5N2 bird flu in Wisconsin in a turkey flock. So far, just South Korea has banned US poultry. The USDA estimated hog slaughter came in at 443,000 head yesterday. This was up from 441,000 last week and up from 434,000 a year ago as this time. The COT report as of February 28th showed trend-following fund traders were still net long 36,693 contracts. Typically, pork production declines about 200-300 million pounds from the 1st quarter to the 2nd quarter. This year, however, the USDA projects a decline of just 55 million pounds compared to last year's decline of 268 million.

TODAY'S MARKET IDEAS:

Extra meat production if more countries ban US poultry is a potential bearish force and pork exports will need to remain strong. April hog resistance is at the 68.00-68.57 zone. Key support levels are back at 65.95 and 63.85. June resistance is at 77.72 with 74.80 as initial support.

NEW RECOMMENDATIONS:

Sell June Hogs at 77.72 with an objective of 73.40. Risk the trade to close over 78.90.

PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of zero. Risk to 225. 2) Long June Hog 74.00 put from 237, and short the June hog 70.00 put from 170 points. Look to buy back short June 70.00 put at 77.

PORK 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.

LEAN HOGS (APR) 03/07/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 65.970. The next area of resistance is around 67.850 and 68.700, while 1st support hits today at 66.500 and below there at 65.970.

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										
LCJ7	115.520	48.53	49.77	64.97	60.11	116.31	116.25	115.13	116.02	115.29
FCH7	124.075	49.40	48.71	64.34	63.81	124.06	124.13	123.76	125.52	125.50
LHJ7	67.150	40.25	43.28	27.85	23.11	67.66	67.63	69.17	68.98	68.48

Calculations based on previous session. Data collected 03/06/2017

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						
LCJ7	Live Cattle	114.370	114.850	115.700	116.200	117.050
FCH7	Feeder Cattle	123.106	123.487	124.281	124.662	125.456
LHJ7	Lean Hogs	65.950	66.470	67.320	67.850	68.700

Calculations based on previous session. Data collected 03/06/2017

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