



DAILY LIVESTOCK COMMENTARY

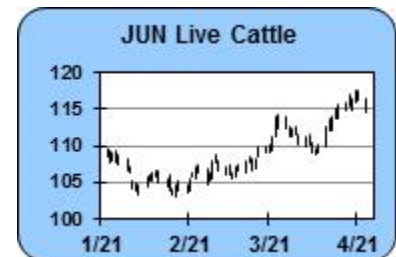
Tuesday April 25, 2017

DAILY CATTLE COMMENTARY

04/25/17

Extreme overbought but downside limited by extreme discount

Gapping the key uptrend channel of the April rally is a bearish technical development coming from an extreme overbought condition. The market is in need of a correction after closing higher for 12 sessions in a row, but the downside looks somewhat limited by the futures large discount to last week's cash market prices. With an overbought technical condition and a negative Cattle-on-Feed report on Friday, June cattle closed sharply lower on the session yesterday. March placements were a record high, and this sparked long-liquidation selling. The COT report showed an overbought condition, and traditional technical indicators are showing overbought status as well. However, in order to see more selling ahead, traders will need to be convinced that the cash market will be down sharply in the weeks just ahead. With cash cattle trading at \$132-\$133 last week, it is hard to find new interested sellers of the futures with the June contract trading down at \$114.85.



The monthly cold storage report showed frozen beef stocks at the end of March at 464.5 million pounds, down 3.6% from last year and down 7.6% from the end of February. Stocks typically drop 2% for the month, so the 7.6% drop might be considered bullish. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This was up from 108,000 last week and up from 111,000 a year ago as this time. USDA boxed beef cutout values were up 71 cents at mid-session yesterday and closed \$1.51 higher at \$218.67. This was up from \$214.13 the prior week and was the highest the cutout has been since March 28th.

TODAY'S MARKET IDEAS:

June cattle gapped the steep uptrend channel, which is a bearish technical development. The market is extremely overbought technically, but the basis is very wide. Close-in resistance for June cattle is at 116.20, with 114.17 and 113.12 as support. A further sharp correction might be a buying opportunity.

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 (JUN) 04/25/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 113.120. The next area of resistance is around 115.850 and 117.150, while 1st support hits today at 113.850 and below there at 113.120.

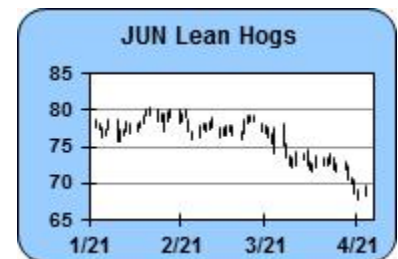
FEEDER CATTLE (MAY) 04/25/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is 135.450. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 138.550 and 139.850, while 1st support hits today at 136.350 and below there at 135.450.

DAILY HOGS COMMENTARY

04/25/17

Signs of better demand an a little less active marketings; up

The market seems to have put in a near-term low. A smaller supply flow compared with last year for the last week or so, plus seasonal demand strength into the spring, plus the possibility that China's expanding imports will include more US pork in the future are all seen as factors that could help the market bottom. China's pork imports for March reached 124,019 tonnes, which was up 12.4% from the previous month and up 8.1% from last year. June hogs closed sharply higher on the session yesterday, as production appeared to be easing up from recent large supply, while pork product prices have acted like export demand has improved. There are still no technical signs of a low, but recent cheaper prices might be attracting better demand from China. In addition, China's prices have stopped declining. Weekly export sales last week were impressive, and the fact the cash and futures have been down sharply in the past several weeks while pork cutout values are trading near last week's level could be indicating strong demand for the export market.



The monthly cold storage report showed frozen pork stocks at the end of March at 555.05 million pounds, which was down 9.6% from last year and down 3% from the end of February. Stocks typically drop 1.6% for the month, so the 3% drop might be considered supportive. The CME Lean Hog Index as of April 20th was 61.10, down 49 cents from the previous session and down from 63.19 the previous week. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This was up from 108,000 last week and up from 111,000 a year ago as this time. USDA pork cutout values, released after the close yesterday, came in at \$73.94, down \$1.04 from Friday and down from \$74.22 the previous week.

TODAY'S MARKET IDEAS:

The market is oversold and there are signs that export demand is strong. The USDA Cold Storage report was also supportive. Consider buying June hogs near 68.72, with 70.92 and 71.67 as initial resistance.

NEW RECOMMENDATIONS:

* Buy June Hogs at 68.77 with an objective of 71.57. Risk to close under 67.77.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 04/25/2017: The crossover up in the daily stochastics is a bullish signal. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 70.500. The next area of resistance is around 70.150 and 70.500, while 1st support hits today at 68.920 and below there at 68.020.

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	114.850	59.12	61.97	83.10	81.54	115.99	115.33	113.07	110.16	108.87
FCK7	137.450	56.29	60.62	78.49	72.73	139.19	138.95	135.66	130.26	128.30
LHM7	69.520	34.42	35.31	14.07	15.60	69.12	71.01	72.02	75.13	75.96

Calculations based on previous session. Data collected 04/24/2017

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	113.100	113.820	115.120	115.850	117.150
FCK7	Feeder Cattle	135.450	136.350	137.650	138.550	139.850
LHM7	Lean Hogs	68.000	68.900	69.250	70.150	70.500

Calculations based on previous session. Data collected 04/24/2017

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