



DAILY LIVESTOCK COMMENTARY

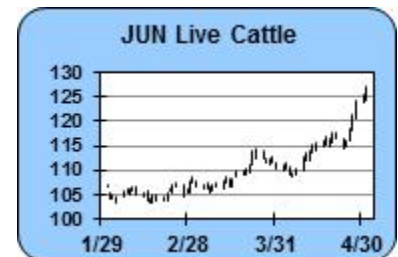
Wednesday May 03, 2017

DAILY CATTLE COMMENTARY

05/03/17

Extreme weather helped to drive overbought readings to extreme

While the winter storm did not last long, the high winds and heavy snows were enough to slow performance for cattle and even spark reports of death loss to very young cattle. June cattle opened near unchanged on the session yesterday and closed near limit-up on the day with a high of 127.12 as speculative buyers remain active and shorts are forced from the market. USDA boxed beef cutout values were up \$2.50 at mid-session yesterday and closed \$3.18 higher at \$229.45. This was up from \$219.01 the prior week and beef prices pushed up to the highest since March 21st, 2016. The surge in beef prices might slow consumer demand at a time when supply is supposed to be on the rise. Packer margins have been pinched to deep in the red and technical indicators are extremely overbought.



The buying yesterday pushed the market up to a new high for the move as the discount to the cash market continues to support buying. Cold and snowy weather in the Plains may have set performance back a bit but warmer and drier weather this week should help to dry out feedlots. Slaughter was 114,000 head yesterday. This brings the total for the week so far to 221,000 head, down from 231,000 last week at this time but unchanged from a year ago. With open interest at a record high and futures holding a massive discount to the cash market, finding new aggressive sellers is a difficult task. Beef production for the 2nd quarter is expected to be up 300 million pounds from the 1st quarter. This would be the highest increase for the 2nd quarter in three years. During the same period last year, production increased by 252 million pounds.

TODAY'S MARKET IDEAS:

We lean bearish for the cash trend in the weeks ahead, but there are still no technical or even fundamental signs of a top besides the overbought condition. Watch for a sign of a top soon with slow stochastics at 89.9 and 94.5. August cattle closed well off of the highs yesterday.

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) 05/03/2017: The rally brought the market to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 129.370. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 128.550 and 129.370, while 1st support hits today at 125.520 and below there at 123.270.

FEEDER CATTLE (MAY) 05/03/2017: The market rallied to a new contract high. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 155.224. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 152.199 and 155.224, while 1st support hits today at 147.050 and below there at 144.925.

DAILY HOGS COMMENTARY

05/03/17

Unable to take out previous days lows for 7 sessions in a row

The market remains in a short-term rally and has not been able to take out the previous session lows for seven trading days in a row. Strong gains in cattle and ideas that all meat exports from Brazil were disrupted in April which may have helped to support stronger meat exports for the US helped to support. Beef exports from Brazil in April were down 18.9% from last year and poultry exports were down 22.5%. China is also in need of extra pork during their expansion phase. June hogs traded up to the highest price level since April 3rd yesterday and experienced the highest close since March 24th as speculative buyers were active. A bounce in pork product prices late Monday and another jump in cattle futures yesterday helped to support the rally.



USDA pork cutout values, released after the close yesterday, came in at \$75.63, up 67 cents from Monday and up from \$73.29 the previous week. This is the highest pork value since April 10th. Traders suspect a firming tone to the cash market ahead as supply seasonally declines. The CME Lean Hog Index as of April 28th was 59.88, up 24 cents from the previous session and down from 60.49 the previous week. The USDA estimated hog slaughter came in at 417,000 head yesterday. This brings the total for the week so far to 838,000 head, down from 881,000 last week at this time and down from 864,000 a year ago.

TODAY'S MARKET IDEAS:

The jump in pork values and a seasonal drop in supply might be enough to turn the cash market trend up over the near-term. Packer margins are strong. The market could see strong seasonal demand domestically at the same time that export demand is running strong. The market is a bit overbought and could use a setback to correct. Support for June hogs comes in at 72.60 and 71.92, with 75.55 as next target. Consider buying breaks.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 05/03/2017: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 75.120. The next area of resistance is around 74.700 and 75.120, while 1st support hits today at 73.620 and below there at 72.950.

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	127.020	89.47	85.17	92.47	95.66	124.18	119.90	116.85	112.29	110.53
FCK7	149.625	80.86	77.89	84.41	84.72	148.59	143.39	140.34	133.21	130.63
LHM7	74.150	60.00	54.63	63.35	80.68	73.56	71.48	71.98	74.44	75.48

Calculations based on previous session. Data collected 05/02/2017

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	123.250	125.500	126.300	128.550	129.370
FCK7	Feeder Cattle	144.925	147.049	150.075	152.199	155.224
LHM7	Lean Hogs	72.920	73.600	74.020	74.700	75.120

Calculations based on previous session. Data collected 05/02/2017

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