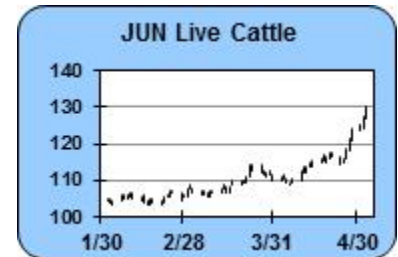




DAILY CATTLE COMMENTARY
05/04/17

Low weights in period of active consumer demand

There is no sign of a top yet as the surge in cash cattle has forced shorts out and has attracted buying due to massive discount of futures to the cash market. Traders had believed cash cattle would be headed lower by now but the winter storm and very low weights going into the storm suggests that some processors are caught short on inventory after selling product ahead to retailers. June cattle closed limit-up at 130.05 as cash cattle in Texas traded at \$145-\$146 from \$137-\$138 last week. Nebraska cattle traded \$146 and Kansas at \$145. August cattle experienced choppy trade early, but news of the cash rally helped to drive the market up the limit as well. The discount to the cash market and surging beef prices has helped drive the market higher and there is still no sign of a peak. Traders suspect higher production ahead and also believe the surge in beef prices could slow consumer demand. USDA boxed beef cutout values were up \$2.46 at mid-session yesterday and closed \$3.14 higher at \$232.59. This was up from \$219.18 the prior week and the highest beef market since March 17th of 2016. The USDA estimated cattle slaughter came in at 114,000 head yesterday. This brings the total for the week so far to 335,000 head, down from 347,000 last week at this time but up from 330,000 a year ago.



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. June is trading at a discount of \$16 to the cash as compared with the 5-year average of \$6.75.

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) 05/04/2017: The market rallied to a new contract high. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 132.320. The market is giving an extremely overbought indicator with the RSI over 90. The next area of resistance is around 131.570 and 132.320, while 1st support hits today at 128.550 and below there at 126.250.

FEEDER CATTLE (MAY) 05/04/2017: The market rallied to a new contract high. 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. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 157.674. The market is becoming somewhat overbought now that the RSI is over 70. The next area of

resistance is around 155.950 and 157.674, while 1st support hits today at 150.650 and below there at 147.075.

DAILY HOGS COMMENTARY

05/04/17

June hogs finding overflow support from cattle; too far, too fast

The market remains in a short-term uptrend with hopes for declining supply emerging at the same time that pork demand gets a boost from high beef prices and pork exports benefit from China import demand. China's policy shift this year away from a focus on self-sufficiency to a move better meet consumer demand has helped to keep China import demand strong. China pork imports hit a record high last year and the surge came in the April to July time frame. Cofco indicated that the company plans to continue to expand pork production rapidly to increase pig farm capacity to 5 million hogs per year by 2020 from near 3 million now. June hogs closed sharply higher on the session yesterday and finding overflow support from the limit-up advance from the cattle market. Buyers were active on the session as the surge in cattle futures, ideas that supply is seasonally tightening and talk of firming pork product prices helped to support. With strong packer margins, cash markets are likely to work higher over the near-term if supply tightens slightly.



Funds were active buyers with June hogs pushing up to the highest level since March 24th. The CME Lean Hog Index as of May 1st was 60.29, up 41 cents from the previous session and up from 60.16 the previous week. The USDA estimated hog slaughter came in at 442,000 head yesterday. This brings the total for the week so far to 1.280 million head, down from 1.323 million last week at this time and down from 1.294 million a year ago. USDA pork cutout values, released after the close yesterday, came in at \$75.21, down 42 cents from Tuesday but up from \$72.84 the previous week. Weekly average weights for Iowa-Southern Minnesota as of April 29 came in at 284.5 pounds, down from 284.9 the previous week and up from 284.3 pounds last year.

TODAY'S MARKET IDEAS:

The short-term cash fundamental news is slowly turning more positive and this clashes with the surge higher in futures. This leaves June hogs at a 15.40 premium to the cash market as compared with a 5-year average of 6.75. Basis is too wide and technical indicators are also a bit overbought so new buyers can be patient and wait for correction. Initial support is back at 74.07 and 72.75 for June hogs with 78.25 as next key resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (JUN) 05/04/2017: The major trend could be turning up with the close back above the 60-day moving average. The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 76.750. The next area of resistance is around 76.250 and 76.750, while 1st support hits today at 74.820 and below there at 73.870.

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	130.050	91.70	87.56	94.11	97.39	126.31	121.41	117.95	112.79	110.94
FCK7	153.300	85.04	81.38	85.80	88.59	150.27	144.90	141.51	133.85	131.14
LHM7	75.520	65.51	58.89	71.16	86.78	74.24	72.25	72.08	74.40	75.42

Calculations based on previous session. Data collected 05/03/2017

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	126.220	128.520	129.270	131.570	132.320
FCK7	Feeder Cattle	147.075	150.650	152.375	155.950	157.674
LHM7	Lean Hogs	73.850	74.800	75.300	76.250	76.750

Calculations based on previous session. Data collected 05/03/2017

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