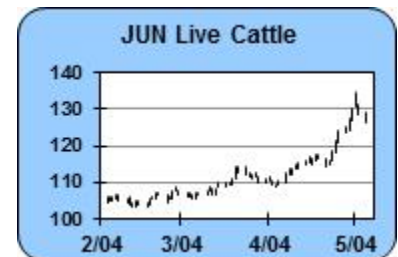




DAILY CATTLE COMMENTARY
05/09/17

In position to trend lower into early summer; overbought

The technical action suggests a major top is in place and with high open interest and producers more active sellers, the cash market may turn lower. Beef production for the second quarter is expected to be up 7.3% from last year and beef production for 2017 is expected to be up 5.1% from last year. In addition, 2nd quarter production is expected to be up 300 million pounds from the first quarter from 252 million increase last year and near 195 million up two years ago. One scatter study using 2nd quarter production shows an average cash choice steer price near \$104.00 for the 2nd quarter and near \$96.00 for the third quarter. The same study suggested a 1st quarter average steer price near \$126.50. June cattle closed 52 lower on the session yesterday but above the opening and up 172 from the session lows. The market experienced further selling pressures early after the limit-down move on Friday as traders remain concerned with increasing supply ahead coming just as retail demand might ease off some due to the surge in beef prices.



Given the sharp selloff from last week's high, the trade clearly expects lower cash cattle trade this week. Cash traded \$140-\$147 last week. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This was up from 107,000 last week and up from 110,000 a year ago as this time. USDA boxed beef cutout values were up \$1.61 at mid-session yesterday and closed \$2.57 higher at \$241.44. This was up from \$226.27 the prior week and is the highest beef market since August 31st, 2015. The surge in beef prices could slow consumer demand for beef. The COT reports as of May 2nd showed Non-Commercial traders were net long 155,719 contracts, a decrease of 4,155 contracts for the week. The long liquidation selling trend is bearish, especially with specs holding a hefty net long position.

TODAY'S MARKET IDEAS:

August cattle should see stiff resistance at 125.00, with 118.90 and 116.87 as support. Aggressive short-term traders might consider selling out-of-money calls on a bounce. June cattle close-in resistance is at 130.15 and 131.22. Key support levels are 124.70 and 122.27.

NEW RECOMMENDATIONS:

* Sell June cattle 131.00 call at 327 with an objective of zero. Risk to 447.

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) 05/09/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 124.770. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 129.200 and 130.500, while 1st support hits today at 126.350 and below

there at 124.770.

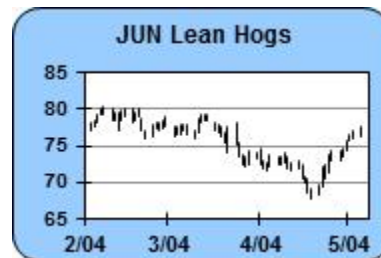
FEEDER CATTLE (MAY) 05/09/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 142.294. The next area of resistance is around 150.762 and 152.143, while 1st support hits today at 145.838 and below there at 142.294.

DAILY HOGS COMMENTARY

05/09/17

11-day rally leaves tech indicators overbought and basis wide

Technical readings are overbought and this leaves futures vulnerable to short-term corrective breaks but the short-term cash news flow remains supportive. USDA pork cutout values, released after the close yesterday, came in at \$78.46, up 97 cents from Friday and up from \$74.96 the previous week. This is the highest pork value since March 22nd and could help support packer margins and a firm cash market. The CME Lean Hog Index as of May 4th was 63.55, up 1.31 from the previous session and up from 59.64 the previous week. This



leaves June hogs at a 1,372 point premium to the cash market as compared with the 5-year average premium of 677 points. June hogs closed moderately higher on the day and have now gone 11 trading sessions in a row without taking out the previous day's lows. The renewed buying interest led by higher pork values and a strong rally in cattle helped to push the market up to the highest level since March 24th.

The jump in pork cut-out values on Friday and yesterday helped to support packer margins and leaves traders believing that cash markets could stay firm early this week. Pork exports for the month of March hit a record high 523.8 million pounds, up 15.6% from last year. Exports represented a solid 23.1% of total production for the month. China imports were 40.7 million pounds, up 46% from last year. Mexico imported 156.9 million pounds which is down from the record 181.9 million in December but up 40% from last year. South Korea imports were 62.2 million pounds, the highest monthly total since April of 2015. With high European pork prices, the US may be in position to see solid exports to China. The USDA estimated hog slaughter came in at 430,000 head yesterday. This was up from 421,000 last week and up from 418,000 a year ago as this time.

TODAY'S MARKET IDEAS:

The rally is impressive but leaves the market in a short-term overbought status with slow stochastics at 93.7 and 87.1 but there is still no technical sign of a top. The wide basis is a limiting force for the bulls. Close-in resistance for June hogs is at 77.60 with 75.55 and 74.07 as support. Wait for correction to buy.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 05/09/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 78.470. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 78.050 and 78.470, while 1st support hits today at 76.700 and below there at 75.750.

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	127.770	71.56	73.23	85.42	76.71	129.36	125.85	120.71	114.26	112.11
FCK7	148.300	59.95	62.18	70.49	60.15	148.41	147.79	143.39	135.46	132.34
LHM7	77.370	71.33	63.77	86.32	94.03	76.43	74.53	72.65	74.35	75.29

Calculations based on previous session. Data collected 05/08/2017

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	124.750	126.320	127.620	129.200	130.500
FCK7	Feeder Cattle	142.293	145.837	147.218	150.762	152.143
LHM7	Lean Hogs	75.720	76.670	77.100	78.050	78.470

Calculations based on previous session. Data collected 05/08/2017

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