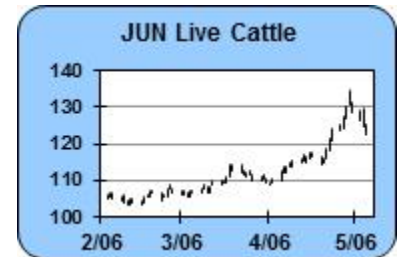




DAILY CATTLE COMMENTARY
05/11/17

Weights keep short-term production down but big slaughter ahead

Traders are more and more convinced that a major peak is in place. Speculative long liquidation seems active and this pushed the market down to the lowest level since April 28th yesterday. However, the market is already down as much as 9.1% from the May 4th peak. Ideas that the surge in beef prices to the highest level since August 21st, 2015 may be enough to considerably dent consumer beef demand at the same time that cattle supply is increasing helped to pressure. USDA boxed beef cutout values were up \$2.21 at mid-session yesterday and closed \$2.42 higher at \$244.58. This was up from \$232.59 the prior week. The USDA monthly update showed 2017 beef production revised down by 187 million pounds and exports up by 81 million pounds and both are supportive. Beef production for 2018 is expected to be up 2.2% from this year. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 345,000 head, up from 335,000 last week at this time and up from 335,000 a year ago. At the Fed Cattle Exchange, 1,287 head sold from 1,993 offered with most of the cattle delivered in the next 17 days trading at \$137.88 to \$138.72.



Beef production for the second quarter is expected to be up 5.0% from last year. A scatter study comparing second quarter production with the average price of choice steers suggests that the current production forecast of 6.495 million pounds should put the cash steer price down near \$101.40, roughly \$24 below the current June futures prices of around \$125. A similar study shows that the current production forecast of 6.820 million pounds for the third quarter should put cash prices for that period down near \$96.57, some \$24 below the current price of the August futures. We had a similar study in the December 16th issue of The Hightower Report's Weekly Market Letter, and it suggested a first-quarter average steer price near \$126.50. The futures were trading at 112.07 when the study was done, and they eventually rallied to \$127.12.

TODAY'S MARKET IDEAS:

June cattle resistance moves down to 126.92 and 128.37, with 121.62 and 118.57 as next support. August cattle resistance moves down to 121.95 and 123.00 with 118.90 and 116.25 as next support. Consider selling August Cattle near 121.95. Use an initial objective of 113.57, but don't rule out an eventual break to 108.70.

NEW RECOMMENDATIONS:

* Buy August Cattle 119.00/112.00 bear put spread and also sell the August cattle 129.00 call for even money. Look for a gain of 750 points on the spread, and risk a total of 180 points from entry.

PREVIOUS RECOMMENDATIONS:

* Short June cattle 131.00 call from 327 with an objective of 97. Risk to 252.

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) 05/11/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is

now at 121.050. The next area of resistance is around 125.620 and 126.820, while 1st support hits today at 122.770 and below there at 121.050.

FEEDER CATTLE (MAY) 05/11/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside target is 141.157. The next area of resistance is around 146.037 and 147.306, while 1st support hits today at 142.963 and below there at 141.157.

DAILY HOGS COMMENTARY

05/11/17

Demand for exports strong but hefty supply to absorb; correction

The market may have moved up too far, too fast in recent weeks as the futures premium to the cash market is a bit rich. The CME Lean Hog Index as of May 8th was 65.98, up 1.19 from the previous session and up from 60.29 the previous week. This leaves June at a premium of 1,137 points to the cash market as compared with the 5-year average of 617 points. In addition, technical indicators like the stochastics have given off a sell signal from an overbought reading. It took 13 trading sessions for June hogs to break below the previous session lows and the market traded down as much as 82 lower on the session yesterday before buying emerged. A drop in weekly average weights of 1.5 pounds in just one week might have helped to support. Weekly average weights for Iowa-Southern Minnesota as of May 6th came in at 283.0 pounds, down from 284.5 the previous week and down from 283.2 pounds last year. USDA pork cutout values, released after the close yesterday, came in at \$80.00, down 32 cents from Tuesday but up from \$75.21 the previous week. The USDA monthly update showed 2017 pork production revised down by 41 million pounds but is still up 4.4% from last year. Pork production for 2018 is expected to be up 3.2% from this year. Exports for 2017 were revised up 77 million pounds and exports are now expected to jump 9.8% from last year. The USDA estimated hog slaughter came in at 442,000 head yesterday. This brings the total for the week so far to 1.315 million head, up from 1.280 million last week at this time and up from 1.284 million a year ago.



TODAY'S MARKET IDEAS:

Strong export news has helped to support the recent rally but the basis seems too wide and the market is technically overbought. Close-in resistance for June hogs is still at the 77.60-77.77 zone with 75.55 and 74.37 as support. Watch for correction short-term.

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) 05/11/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 78.450. The next area of resistance is around 77.770 and 78.450, while 1st support hits today at 76.620 and below there at 76.120.

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	124.200	55.37	60.88	73.51	61.27	126.31	126.87	121.83	115.09	112.80
FCK7	144.500	50.98	55.06	59.04	47.97	145.28	147.83	144.10	136.46	133.11
LHM7	77.200	69.62	62.85	89.29	91.08	77.07	75.75	73.19	74.36	75.24

Calculations based on previous session. Data collected 05/10/2017

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	121.020	122.750	123.920	125.620	126.820
FCK7	Feeder Cattle	141.156	142.962	144.231	146.037	147.306
LHM7	Lean Hogs	76.100	76.600	77.270	77.770	78.450

Calculations based on previous session. Data collected 05/10/2017

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