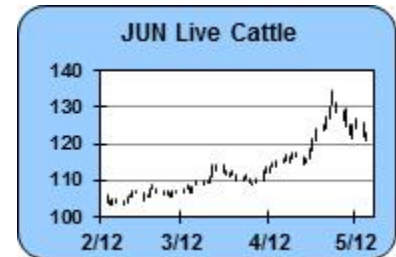




DAILY CATTLE COMMENTARY
05/17/17

With cash near \$138, hard to find aggressive buyers; firm

The market saw a strong recovery off of the lows yesterday which might suggest a short-term low is in place. Shorts are nervous as cash markets were \$137-\$138 last week and June cattle closed at \$121.90. With the surge in beef prices, packer margins are deep in the black and this might signal firm demand for fresh cattle this week. There are 2,300 head for sale at auction today at the Fed Cattle Exchange. The market closed slightly lower on the session yesterday and near the highs of the day. A turn higher and sharp rally in hogs plus talk that the market is a bit oversold helped to support the strong recovery from the lows. The early selling drove the market lower and down to the lowest level since April 28th. The surge in beef prices has traders concerned that the run up to the highest level since July 2015 could slow consumer demand. If packers sense less demand, cash bids could be much lower. Open interest is down to the lowest level since late April which might indicate a long liquidation selling trend from speculators who held a very high net long position in the last COT update. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 230,000 head, unchanged from last week at this time but up from 223,000 a year ago. USDA boxed beef cutout values were up 80 cents at mid-session yesterday and closed 48 cents higher at \$249.88. This was up from \$242.16 the prior week and is the highest beef market since July 2nd, 2015.



TODAY'S MARKET IDEAS:

Increasing placements and increasing market-ready supply into the summer are bearish forces but the sharp discount of futures to the cash market and talk of the oversold condition might spark some bounce until more is known about the cash market. Bears will need to see weights increase and a steep cash downtrend to feel a bit more confident. June cattle close-in support is at 121.62 and 118.57, with 125.92 and 127.55 as resistance. August cattle held support at 116.87. Resistance is at 120.87 and 122.12.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

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

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) 05/17/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 119.520. The next area of resistance is around 123.020 and 124.100, while 1st support hits today at 120.770 and below there at 119.520.

FEEDER CATTLE (MAY) 05/17/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 now at 138.257. The next area of resistance is around 142.187 and 143.206, while 1st support hits today at 139.713 and below there at 138.257.

DAILY HOGS COMMENTARY

05/17/17

More signs of strong exports and pork prices highest since Feb

With second quarter pork production expected to be up 4.9% from last year, the surge in the pork cut-out values above last year and also above 2015 levels for this time of the year could be a sign of strong export demand. USDA pork cutout values, released after the close yesterday, came in at \$84.67, up \$1.61 from Monday and up from \$80.32 the previous week. This is the highest level since February 15th. The highest close since mid-March for June hogs leaves the bulls in control. The market traded sharply lower early in the session yesterday and challenged last week's lows but support held and buyers turned active. The market traded sharply higher on the day as the seasonally tightening supply plus solid advance in cash and pork cut-out values has helped to support. The market consolidated recently which helped to correct some of the overbought technical condition. The CME Lean Hog Index as of May 12th was 71.94, up 1.31 from the previous session and up from 64.79 the previous week. The lean index looks to increase to 73.01. The USDA estimated hog slaughter came in at 439,000 head yesterday. This brings the total for the week so far to 876,000 head, up from 873,000 last week at this time and up from 864,000 a year ago.



TODAY'S MARKET IDEAS:

Weekly average weights fell to 282 pounds from 283 the previous week which is a positive. Cut-out values continue to advance and this suggests that the export market remains very strong. Cut-out values are at the highest since February 15th. Close-in support for June hogs is at 77.10 with 79.30 and 80.47 as next resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUN) 05/17/2017: A bullish signal was given with an upside crossover of the daily stochastics. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day up is a positive signal. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 80.900. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 80.050 and 80.900, while 1st support hits today at 77.400 and below there at 75.570.

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	121.900	45.40	52.63	52.68	40.79	123.36	125.56	123.48	116.53	114.05
FCK7	140.950	43.06	48.40	38.80	27.50	142.60	144.42	144.66	138.04	134.43
LHM7	78.720	71.73	65.77	90.19	91.11	77.74	77.30	74.78	74.38	75.16

Calculations based on previous session. Data collected 05/16/2017

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	119.500	120.750	121.800	123.020	124.100
FCK7	Feeder Cattle	138.256	139.712	140.731	142.187	143.206
LHM7	Lean Hogs	75.550	77.370	78.220	80.050	80.900

Calculations based on previous session. Data collected 05/16/2017

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