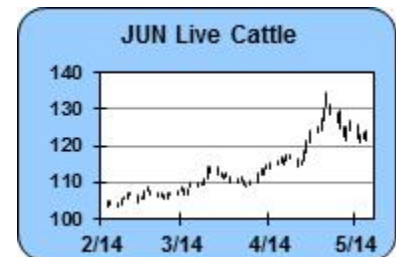




DAILY CATTLE COMMENTARY
05/19/17

In position for short-term bounce on low weights

The recent break has corrected the overbought condition seen in early May but with the sharp drop in weights and the massive discount of June to the cash, we cannot rule out a short-term recovery bounce. Cash cattle traded \$4-5 lower on the week to \$133, but this failed to attract new aggressive sellers yesterday. The jump in the stock market plus the massive basis helped to spark some short-covering support. After early weakness and a test of this week's lows, the market turned higher into the mid-day and managed to close higher. A weak US dollar and a collapse in the Brazilian currency helped to keep the trade choppy. Selling slowed after the early weakness as cash markets traded \$133-134 which is down from last week but still sharply above June futures. June normally trades at a \$5.75 discount to the cash market at this time of the year.



Average dressed steer weights for the week ending May 6th came in at 832 pounds, down from 847 the previous week and down from 868 a year ago. The 5-year average weekly weight for that week is 848.8. Slaughter for the same week was up 4.2% from last year but beef production came in at just 482.1 million pounds, up 0.46% over year ago. USDA boxed beef cutout values were unchanged at mid-session yesterday and closed 96 cents lower at \$247.21. This was up from \$246.86 the prior week. Weekly U.S. beef export sales for the week ending May 11th came in at 7,500 tonnes, compared with the prior 4-week average of 17,075. This was the lowest weekly total since January 12th. Cumulative sales for 2017 have reached 380,400 tonnes, up 16.3% from last year's pace. The USDA estimated cattle slaughter came in at 107,000 head yesterday. This brings the total for the week so far to 451,000 head, down from 461,000 last week at this time but up from 448,000 a year ago.

TODAY'S MARKET IDEAS:

While slaughter for the week ending May 6th was up 4.2% from last year, beef production came in at just 482.1 million pounds, up 0.46% over year ago. The light weights could hold short-term production down and might help narrow the basis. June cattle close-in support is at 121.75 with 125.92 and 127.55 as resistance. August cattle resistance is up at 122.12 and 123.40.

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 (AUG) 05/19/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day up is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 116.470. The next area of resistance is around 121.020 and

122.050, while 1st support hits today at 118.270 and below there at 116.470.

FEEDER CATTLE (AUG) 05/19/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 145.432. The next area of resistance is around 151.012 and 152.081, while 1st support hits today at 147.688 and below there at 145.432.

DAILY HOGS COMMENTARY

05/19/17

Overbought but short-term cash news remains supportive

The short-term cash fundamental news remains positive and this could hold the trend up but the market remains in an overbought condition after the sharp rally from the April 21st lows. USDA pork cutout values, released after the close yesterday, came in at \$86.40, up 73 cents from Wednesday and up from \$81.28 the previous week. This is the highest value since July 25th and gives packers the incentive to continue to hold the slaughter high. The data also suggests strong demand, perhaps from exports and due to the very high beef price. June hogs closed slightly higher on the session yesterday which was an impressive recovery from the lows. The market traded down as much as 97 points early in the day and managed to bounce. Talk that high beef prices have sparked better than expected demand for pork recently helped the market recover the early losses. Traders see a hefty slaughter pace recently but pork cut-out values continue to advance.

The CME Lean Hog Index as of May 16th was 74.14, up 1.13 from the previous session and up from 67.64 the previous week. The USDA estimated hog slaughter came in at 436,000 head yesterday. This brings the total for the week so far to 1.750 million head, down from 1.753 million last week at this time but up from 1.694 million a year ago. Actual US pork production for the week ending May 6th came in at 480.4 million pounds, down from 488.8 the previous week and up 5.4% from a year ago. Weekly U.S. pork export sales for the week ending May 11th came in at a sluggish 15,700 tonnes, compared with the prior 4-week average of 22,600. Cumulative sales for 2017 have reached 584,800 tonnes, up 5.5% from last year's pace.



TODAY'S MARKET IDEAS:

Once Memorial Day holiday bookings are complete, the market could set back. 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. Close-in resistance is at 79.22 and 80.35 for June hogs with 77.10 and 75.30 as support.

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 (JUL) 05/19/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 77.370. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 80.050 and 80.500, while 1st support hits today at 78.500 and below there at 77.370.

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										
LCQ7	119.650	54.16	58.04	48.27	37.51	118.88	120.14	119.78	112.94	110.29
FCQ7	149.350	50.32	53.81	37.27	28.40	148.51	150.10	151.33	142.24	138.09
LHN7	79.270	70.20	65.47	91.07	89.98	79.03	78.20	76.60	74.97	75.67

Calculations based on previous session. Data collected 05/18/2017

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						
LCQ7	Live Cattle	116.450	118.250	119.250	121.020	122.050
FCQ7	Feeder Cattle	145.431	147.687	148.756	151.012	152.081
LHN7	Lean Hogs	77.350	78.470	78.920	80.050	80.500

Calculations based on previous session. Data collected 05/18/2017

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