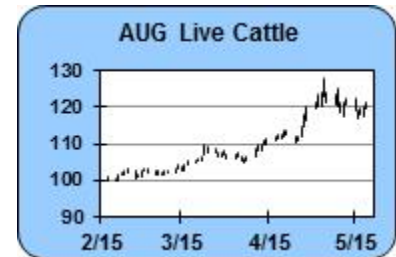




DAILY CATTLE COMMENTARY
05/22/17

Short-term oversold and optimism for better exports to China

The beef market may have seen a near-term peak as retailers are done booking holiday meat specials. In addition, traders expect a continued hefty placements pace for the Cattle-on-Feed report later this week. Short-term positive forces include expectations that China will soon begin importing US beef. Brazil is the world's largest beef exporter and is having many difficulties with recent scandals. June cattle closed 52 higher on the session Friday and closed higher for the third session in a row. The market closed down 172 points for the week.



The sharp drop in weekly steer weights reported on Thursday remains a supportive force as well as active slaughter may result in sluggish production. Short-term production could come in well below expectations and June cattle remains at a stiff discount to the cash market. As a result, it is difficult to find new aggressive sellers without good evidence that the cash market will remain in a steep downtrend.

USDA boxed beef cutout values were down 24 cents at mid-session Friday and closed 7 cents lower at \$247.14. This was down from \$247.69 the prior week. The USDA estimated cattle slaughter came in at 110,000 head Friday and 41,000 head for Saturday. This brought the total for last week to 602,000 head, down from 612,000 the previous week but up 3.1% from last year. Beef production for the week was up 0.8% from last year. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net long 156,532 contracts, an increase of 1,342 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 126,439 contracts, up 2,862 contracts for the week. Cash cattle traded \$4-5 lower on the week to \$133, but this failed to attract new aggressive sellers.

TODAY'S MARKET IDEAS:

Short-term, the market looks a bit too oversold and vulnerable to a bounce but with active placements and plenty of cattle moving off of feedlots, the trend may turn down into the summer. 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.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Livestock						
Feeder Cattle	19,601	-251	-4,182	-721	-15,420	+971
Cattle	156,532	+1,342	-126,440	-2,864	-30,093	+1,520

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) 05/22/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 118.800. The next area of resistance is around 122.000 and 122.620, while 1st support hits today at 120.100 and below there at 118.800.

FEEDER CATTLE (AUG) 05/22/2017: Momentum studies are declining, but have fallen to oversold levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 147.832. The next area of resistance is around 151.587 and 152.381, while 1st support hits today at 149.313 and below there at 147.832.

DAILY HOGS COMMENTARY
05/22/17

Still a bit overbought but short-term cash remains supportive



Until there is a short-term peak in the pork cut-out value market, the short-term cash news remains positive and the short-term trend is up. USDA pork cutout values, released after the close Friday, came in at \$86.53, up 13 cents from Thursday and up from \$82.82 the previous week. This is the highest since July 25th. June hogs closed 35 points higher on the session Friday and experienced the highest close since February 8th. This left the market up 160 points for the week. A continued advance in the cash and pork cut-out markets continues to provide underlying support. Talk of the overbought condition of the market has helped to limit new buying. However, with the strong short-term cash news, it is difficult to find new aggressive sellers. Ribs jumped to \$139.61 at mid-day Friday from \$132.51 last week.

The USDA estimated hog slaughter came in at 419,000 head Friday and 80,000 head for Saturday. This brought the total for last week to 2.249 million head, down from 2.258 million the previous week but up 6.3% from last year. Pork production for the week was up 6.4% from last year. The CME Lean Hog Index as of May 17th was 74.92, up 78 from the previous session and up from 69.12 the previous week. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net long 41,421 contracts, an increase of 8,215 contracts for the week and the buying trend is a short-term positive force. Non-Commercial and Nonreportable combined traders held a net long position of 27,139 contracts, up 8,435 contracts in just one week.

TODAY'S MARKET IDEAS:

The short-term trend is up, cash market news remains positive and speculators continue to be active buyers. Close-in resistance is at 79.95 and 80.72 for June hogs with 77.10 and 75.30 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Livestock						
Hogs	41,421	+8,215	-27,139	-8,435	-14,282	+220

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) 05/22/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 81.370. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 80.950 and 81.370, while 1st support hits today at 79.400 and below there at 78.250.

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	121.020	59.45	61.29	44.91	38.21	119.44	119.90	120.28	113.30	110.60
FCQ7	150.450	53.11	55.52	34.57	29.16	148.81	149.41	151.84	142.69	138.51
LHN7	80.150	74.42	68.45	91.60	92.65	79.48	78.53	77.01	75.01	75.72

Calculations based on previous session. Data collected 05/19/2017

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	118.770	120.070	120.700	122.000	122.620
FCQ7	Feeder Cattle	147.831	149.312	150.106	151.587	152.381
LHN7	Lean Hogs	78.220	79.370	79.800	80.950	81.370

Calculations based on previous session. Data collected 05/19/2017

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