

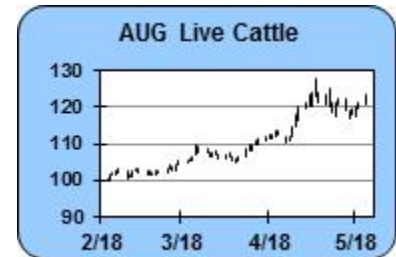


DAILY LIVESTOCK COMMENTARY Tuesday May 23, 2017

DAILY CATTLE COMMENTARY 05/23/17

Low weights may hold up cash and help support

The four day rally is helping to correct the oversold condition and with a larger supply of cattle ahead, rallies may be selling opportunities. However, sellers want more confidence that the cash market will drop significantly in the weeks ahead and many traders see short-term weights as too low to expect a sharp break. June cattle closed moderately higher on the session yesterday but well off of the mid-session peak. The market traded as much as 167 points higher on the session as buyers were active. The sharp drop in weights reported last week is still an obstacle for the bears. For example, while slaughter last week was up 2% from last year, beef production was down 0.2%. The stiff discount of futures to the cash market (\$133-\$135 last week) has helped to support the market as well. The buying pushed the market up to the highest level since May 15th.



The USDA estimated cattle slaughter came in at 114,000 head yesterday. This was down from 115,000 last week but up from 109,000 a year ago as this time. USDA boxed beef cutout values were up 64 cents at mid-session yesterday and closed 74 cents higher at \$247.88. This was down from \$249.40 the prior week. The monthly cold storage report showed frozen beef stocks at the end of April at 458.46 million pounds, down 2% from last year and down 1.2% from the previous month. Stocks typically drop 1.1% for the month so the data is considered neutral. The COT reports as of May 16th showed Non-Commercial and Nonreportable combined traders held a net long position of 126,439 contracts, up 2,862 contracts for the week. The hefty net long position leaves futures vulnerable to increased selling if support levels are violated.

TODAY'S MARKET IDEAS:

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 key resistance is at 125.92 and 127.55. Key support is at 121.62 and 118.57. August cattle resistance is 123.40 and 125.00.

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) 05/23/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 119.820. The next area of resistance is around 123.120 and 124.250, while 1st support hits today at 120.920 and below there at 119.820.

FEEDER CATTLE (AUG) 05/23/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is now at 149.232. The next area of resistance is around 154.337 and 155.481, while 1st support hits today at 151.213 and below there at 149.232.

DAILY HOGS COMMENTARY

05/23/17

Getting overbought and bearish news on cold storage and China

The short-term cash market fundamental news remains positive but a bearish tilt to the cold storage report and weak China import news may be factors which help the market put in a short-term peak. USDA pork cutout values, released after the close yesterday, came in at \$88.08, up \$1.55 from Friday and up from \$83.06 the previous week. This is the highest pork value since July 20th and may help support packer margins and support firm demand from packers for live inventory. The market closed slightly lower on the session yesterday as the mid-day rally failed to hold. A continued advance in the cash market and solid gains in pork product prices helped to support. Talk that the market was overbought after last week's rally helped to spark some early weakness. The CME Lean Hog Index as of May 17th was 75.55, up 63 from the previous session and up from 70.63 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This was up from 437,000 last week and up from 433,000 a year ago as this time.



The monthly cold storage report showed frozen pork stocks at the end of April at 599.11 million pounds, down 6% from last year but up 9% from the previous month. Stocks typically increase by 3.2% for the month so the data is considered bearish. China prices drifted lower in the spring and imports slid down from the very high levels of the past year. Total China pork imports in April were down 14.2% from March and down 10.2% from last year. While imports from Canada were up sharply, imports from the US were down 26.8% from March and down 29.4% from last year. This could help explain the jump in cold storage.

TODAY'S MARKET IDEAS:

The short-term trend is still up and the cash market news remains supportive but slower China import demand and the jump in cold storage are bearish longer-term forces. Close-in resistance for June hogs is at 79.95 and 80.72 with 77.10 and 75.30 as support. Watch for a technical sign of a peak near 80.72. Consider selling the June Hog 80.00 call near 155 points.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUL) 05/23/2017: The rally brought the market to a new contract high. The daily stochastics have crossed over down which is a bearish indication. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 79.150. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 80.500 and 81.020, while 1st support hits today at

79.570 and below there at 79.150.

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	122.020	62.81	63.41	43.78	41.51	120.39	120.05	120.68	113.67	110.96
FCQ7	152.775	58.65	58.98	34.27	33.69	150.08	149.48	152.22	143.18	139.01
LHN7	80.020	72.81	67.58	91.51	91.34	79.63	78.81	77.47	75.07	75.76

Calculations based on previous session. Data collected 05/22/2017
 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	119.800	120.900	122.020	123.120	124.250
FCQ7	Feeder Cattle	149.231	151.212	152.356	154.337	155.481
LHN7	Lean Hogs	79.120	79.550	80.070	80.500	81.020

Calculations based on previous session. Data collected 05/22/2017
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