

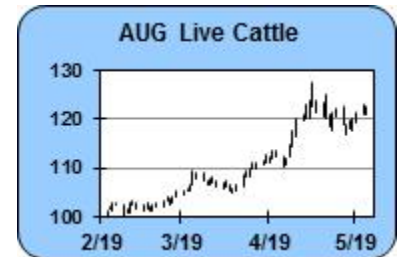


DAILY LIVESTOCK COMMENTARY Wednesday May 24, 2017

DAILY CATTLE COMMENTARY 05/24/17

Beef market looks set for more down; cash tone weak

With a very shallow bounce to the market off of the May 16th lows, the market seems poised to see a resumption of the downtrend. Low weights and a large basis are supportive forces but the surge in beef prices into the start of the main barbeque season could be seen as a bearish force for demand. Buyers are hoping to see increased demand from China ahead and some of this optimism is already priced so the market could be disappointed if sales don't meet expectations. June cattle closed moderately lower on the session yesterday as a turn down in beef prices and ideas that demand could be slow helped to pressure. The turn down occurred after a period of four days in a row of higher closes for June futures. Ideas that packers need less inventory for the 4-day slaughter week next week helped to bring about renewed talk of a downtrending cash market over the near-term.



In addition, traders do not see much interest from packers which might mean short-term needs are covered. Talk that pork is cheap relative to beef and that beef prices could remain in a downtrend next week helped to pressure. USDA boxed beef cutout values were down \$1.42 at mid-session yesterday and closed \$2.14 lower at \$245.74. This was down from \$249.88 the prior week and is the lowest beef market since May 10th. The USDA estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 231,000 head, up from 230,000 last week at this time and up from 221,000 a year ago. For the cattle-on-feed report on Friday, traders see placements for the month of April at 106.8% of last year (103.1-112.7 range) and marketings at 101.8% (101-102.7) which would leave May 1st on-feed supply at 100.8% of last year (98.1-102.3).

TODAY'S MARKET IDEAS:

The COT reports as of May 16th showed Non-Commercial and Nonreportable combined traders held a net long position of 126,439 contracts and this leaves the market vulnerable to increased selling if support levels are violated. With active placements and plenty of cattle moving off of feedlots, the trend may turn down into the summer. June cattle close-in resistance is at 123.82 and key resistance is at 125.92. Aggressive short-term traders could sell into resistance looking for key support at 121.62 and 118.57. August cattle resistance is at the 122.12-123.40 zone, with 116.77 and 113.45 as next key support.

NEW RECOMMENDATIONS:

* Sell the August/December cattle spread at 347 with an objective of 77. Risk a total of 90 points from entry.

PREVIOUS RECOMMENDATIONS:

Long 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.

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) 05/24/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The market's

close below the pivot swing number is a mildly negative setup. The next downside target is 119.620. The next area of resistance is around 122.270 and 123.400, while 1st support hits today at 120.400 and below there at 119.620.

FEEDER CATTLE (AUG) 05/24/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 154.418. The next area of resistance is around 152.712 and 154.418, while 1st support hits today at 150.288 and below there at 149.569.

DAILY HOGS COMMENTARY

05/24/17

Overbought and signs of slowing export demand; cash trend up

The market remains in a short-term uptrend and the technical action is bullish with the move to new contract highs for the August hogs. A continued sharp advance in pork values in the past week has helped to keep the short-term trend up and June hogs closed sharply higher on the session yesterday and experienced a new contract high close. Pork carcass cut-out values at mid-session showed a jump led by a \$10.07 advance in rib prices to \$150.46 as compared with \$136.64 last week. Bearish news from the monthly cold storage report and from Chinese pork import demand helped to spark a lower opening yesterday. Traders see very low pork belly stocks for this time of the year as a reason to suspect strong gains in cash belly prices as well. Cash bellies closed at \$144.08 from \$134.82 one week ago. The CME Lean Hog Index as of May 19th was 75.89, up 34 cents from the previous session and up from 71.94 the previous week.



The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 881,000 head, up from 876,000 last week at this time and up from 863,000 a year ago. USDA pork cutout values, released after the close yesterday, came in at \$89.53, up \$1.45 from Monday and up from \$84.67 the previous week. This is the highest pork value seen since July 19th. 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 soon. China prices drifted lower in the spring (down over 6% since mid-March) 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.

TODAY'S MARKET IDEAS:

Weekly average weights were down 1.2 pounds for the past week to 280.8 pounds which is somewhat supportive. In addition, the higher pork market should hold the cash market in an uptrend. The next resistance for June hogs is at 80.72 with 78.92 support. 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) 05/24/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is 78.970. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 80.520 and 81.020, while 1st support hits today at 79.520 and below there at 78.970.

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	121.320	58.87	60.83	43.12	41.80	121.01	120.15	120.88	114.02	111.30
FCQ7	151.500	54.67	56.39	34.37	34.55	151.02	149.77	152.29	143.61	139.45
LHN7	80.020	72.45	67.39	90.97	89.89	79.88	79.11	77.80	75.13	75.79

Calculations based on previous session. Data collected 05/23/2017

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	119.600	120.370	121.500	122.270	123.400
FCQ7	Feeder Cattle	149.568	150.287	151.993	152.712	154.418
LHN7	Lean Hogs	78.950	79.500	80.000	80.520	81.020

Calculations based on previous session. Data collected 05/23/2017

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