



DAILY LIVESTOCK COMMENTARY

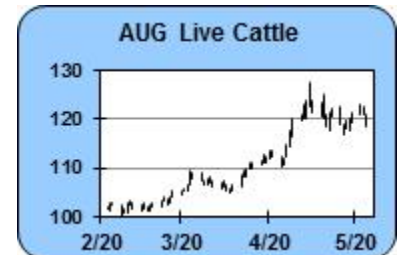
Thursday May 25, 2017

DAILY CATTLE COMMENTARY

05/25/17

High beef prices may have dented demand; supply increase ahead

August cattle closed at a \$12.00 discount to the cash market which is about the same discount of last year at this time but higher than the 5-year average basis of a \$6.25 discount. The outlook for higher placements for April and more in May could leave a significant supply of market-ready cattle for this summer. The USDA sees an increase in beef production from the second quarter to the third quarter of 325 million pounds. This would be the second highest increase on record with only 2005 higher. August, 2005 cattle hit a peak of 86.85 on May 17th and traded down to under 79.00 into early July. A large increase in production into the summer is difficult to absorb as the demand tone weakens. Another similar year was last year when August cattle posted a contract low on July 21st. June cattle closed moderately lower on the session yesterday but well up from the lows. Continued weakness in the beef market going into a key beef demand period ahead sparked aggressive selling in futures and sharply lower trade into the midday. Cash cattle in Texas traded at \$132, down \$1.00-\$2.00 from last week. The Fed Cattle Exchange had 1,333 head sold of 2,648 offered. There were 1,086 head sold for 1-9 day delivery at an average price of \$132.54.



It appears that retailers have all the beef they need for the coming weekend, and that the high retail price might discourage demand. It also appears that packers do not have much demand for live inventory after forward contracting lots of cattle for late May in the past several weeks. This could spark weakness in cash cattle next week as well. USDA boxed beef cutout values were up 18 cents at mid-session yesterday and closed 34 cents higher at \$246.08. This was down from \$248.17 the prior week. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 346,000 head, up from 344,000 last week at this time and up from 334,000 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:
With weak technical action and a hefty net long position from speculators and the outlook for big placements and higher production into the third quarter, the market trend looks down. Short-term traders can look to sell rallies or establish other bearish spread or option strategies. August cattle resistance is at the 120.87-122.12 zone, with 116.77 and 113.45 as next key support.

NEW RECOMMENDATIONS:

Sell the August/December cattle spread at 332 (Buy Dec and sell August) 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) 05/25/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 1st swing support could weigh on the market. The next downside objective is 117.550. The next area of resistance is around 121.070 and 122.170, while 1st support hits today at 118.770 and below there at 117.550.

FEEDER CATTLE (AUG) 05/25/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The gap down on the day session chart is bearish with more selling pressure possible today. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 144.975. The next area of resistance is around 150.625 and 152.775, while 1st support hits today at 146.725 and below there at 144.975.

DAILY HOGS COMMENTARY

05/25/17

Slowing China demand and jump in pork cold storage; correction

July hogs closed lower on the session yesterday after posting a contract high, and the reversal may attract some short-term selling pressures. A bearish monthly cold storage report and weakening demand for pork imports from China were seen as bearish forces this week. However, this news has been offset by strong pork cut-out values which leave packers with strong margins and the incentive to move hogs swiftly through the pipeline. As a result, a short-term correction may be just temporary. The market traded moderately higher on the session early yesterday with June pushing to a new high, but August hogs traded slightly lower on the session into the mid-day after posting a contract high early. August also experienced a key reversal. USDA pork cutout values, released after the close yesterday, came in at \$88.90, down 63 cents from Tuesday but up from \$85.67 the previous week. Weekly average weights for Iowa-Southern Minnesota as of May 20th came in at 280.8 pounds, down from 282 the previous week and down from 282.9 pounds last year.

Strong cash markets yesterday and the surge higher in pork values of the previous week have helped to support the higher trade early yesterday. Talk that packers may need less hogs for slaughter with the holiday-shortened kill schedule for next week plus a jump in cold storage plus the slowdown in pork demand from China were all seen as potential bearish forces. 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. The CME Lean Hog Index as of May 22nd was 75.94, up 5 cents from the previous session and up from 73.01 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 1.322 million head, up from 1.314 million last week at this time and up from 1.296 million a year ago.



TODAY'S MARKET IDEAS:

With a potential lull in demand just ahead and an overbought technical condition, the market looks vulnerable to a short-term correction. The uptrend in open interest is a positive force. Position traders might wait and let the break run its course. Short-term traders might consider selling July hogs near 80.32, looking for a correction to at least 76.42. Consider selling the June Hog 80.00 call near the 155-175 zone.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUL) 05/25/2017: The market rallied to a new contract high. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next downside target is 78.820. The next area of resistance is around 80.450 and 81.250, while 1st support hits today at 79.250 and below there at 78.820.

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	119.900	51.58	55.93	42.40	40.97	121.08	120.18	120.87	114.31	111.59
FCQ7	148.675	46.76	51.05	33.88	32.91	150.85	149.92	151.95	143.97	139.83
LHN7	79.850	69.79	66.03	89.41	86.28	80.03	79.42	78.06	75.21	75.83

Calculations based on previous session. Data collected 05/24/2017

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	117.520	118.750	119.850	121.070	122.170
FCQ7	Feeder Cattle	144.975	146.725	148.875	150.625	152.775
LHN7	Lean Hogs	78.800	79.220	80.020	80.450	81.250

Calculations based on previous session. Data collected 05/24/2017

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