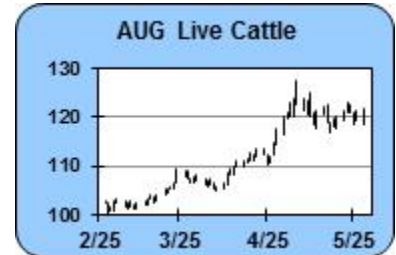




DAILY CATTLE COMMENTARY
 05/30/17

Large/small specs caught with record net long into bear report

The cattle market seems to have put in a major top on May 4th. The prospect for increasing supply plus the potential for a slowdown in consumer demand for beef due to surging prices in May could leave the cash market in a downtrend ahead. August cattle touched limit down during the session Friday after the bearish Cattle-on-Feed report. The market had remained choppy all week ahead of the report which drove the market down to a new low for the week.



Placements for the month of April came in at 111.1% of last year as compared with trade expectations at 106.8% of last year. This is bearish and suggests more cattle for late summer with placements coming in near the high end of expectations. Marketings came in at 102.7% as compared with 101.8% expected with a range of 101% to 102.7% and this is considered somewhat supportive to the cash market. On-Feed supply for May 1st came in at 102% of last year as compared with trade expectations for 100.8% of last year with a range of 98.1-102.3%. The report news is bearish and could spark additional long liquidation selling ahead. The USDA estimated cattle slaughter came in at 114,000 head Friday and 38,000 head for Saturday. This brought the total for last week to 613,000 head, up from 602,000 the previous week and up 4.6% from last year. Beef production for the week was up 2.6% from last year.

USDA boxed beef cutout values were down 67 cents at mid-session Friday and closed 51 cents lower at \$245.60. This was down from \$247.14 the prior week and the lowest since May 10th. The Commitments of Traders reports as of May 23rd showed the "combined" spec and fund net long position hit a new record level at 129,197 contracts, up 2,758 contracts for the week. Non-Commercial traders were net long a record high 161,475 contracts, an increase of 4,943 contracts for the week. With the higher placements for April (which were up 11.1% from last year) and more expected for May, there could be a significant increase in the supply of market-ready cattle 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 for that quarter on record, with only 2005 being higher. If weights turn higher and placements stay strong, beef production could be even higher. Third quarter beef production is currently expected to reach 6.82 billion pounds, up 5.4% from last year and a nine-year high. August 2005 cattle hit a peak of 86.85 on May 17th of that year and traded down to under 79.00 by early July.

TODAY'S MARKET IDEAS:

The outlooks for big placements again in May and higher production into the third quarter are negative. Short-term traders can look to sell rallies or establish other bearish spread or option strategies. August Cattle resistance comes in at the 121.50 - 122.12 zone, with 116.77 and 113.45 as the 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.

Commitment of Traders - Futures and Options - 5/16/2017 - 5/23/2017						
Net Position	Non-Commercial		Net Position	Commercial		Net Position
	Weekly	Weekly		Weekly	Weekly	
						Non-Reportable Weekly

		Net Change		Net Change		Net Change
Livestock						
Feeder Cattle	19,047	-554	-3,821	+361	-15,226	+194
Cattle	161,475	+4,943	-129,198	-2,758	-32,278	-2,185

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) 05/30/2017: The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The outside day down and close below the previous day's low is a negative signal. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 116.250. The next area of resistance is around 120.570 and 122.720, while 1st support hits today at 117.350 and below there at 116.250.

FEEDER CATTLE (AUG) 05/30/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. A negative signal was given by the outside day down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 143.075. The next area of resistance is around 149.425 and 152.975, while 1st support hits today at 144.475 and below there at 143.075.

DAILY HOGS COMMENTARY

05/30/17

Positive flow of cash market news and no technical sign of top

USDA pork cutout values, released after the close Friday, came in at \$89.72, up 40 cents from Thursday and up from \$86.53 the previous week and up to the highest level since July 19th. The market remains in a solid uptrend and cash market news remains mostly supportive. The surge in open interest is also supportive but the market is overbought. July hogs pushed to a new contract high again on Friday. Packer margins are strong and pork product values remain in an uptrend and this is keeping packer demand for live inventory strong. Pork cut-out values at mid-session were higher on Friday with bellies up 71 cents to \$146.48 from \$140.93 one week ago. The recent cold storage report showed very tight pork belly frozen supply for this time of the year. The CME Lean Hog Index as of May 24th was 76.25, up 18 cents from the previous session and up from 74.92 the previous week.



The USDA estimated hog slaughter came in at 424,000 head Friday and 6,000 head for Saturday. This brought the total for last week to 2.192 million head, down from 2.249 million the previous week but up just 0.4% from last year. Pork production for the week was up 0.3% from last year. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net long 57,006 contracts, an increase of 15,585 contracts in just one week. Non-Commercial and Nonreportable combined traders held a net long position of 42,040 contracts, up 14,901 contracts for the week. Commodity Index traders held a net long position of 73,254 contracts. This represents an increase of 1,746 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

Weekly slaughter levels should continue to decline seasonally into early July and pork product prices are strong, but it is still questionable as to whether this will be enough to hold the market in an uptrend for much longer. Exports will need to be strong to keep product prices high, and the April data from China is not promising. Short-term traders might watch for a technical sign of a top soon. July hogs show a longer-term swing objective of

83.87 with support at 80.47 and 79.67.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/16/2017 - 5/23/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	57,006	+15,585	-42,040	-14,901	-14,966	-684

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) 05/30/2017: The market made a new contract high on the rally. The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 83.150. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 82.700 and 83.150, while 1st support hits today at 81.120 and below there at 79.970.

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	118.950	46.63	51.85	42.23	39.84	120.40	120.16	120.84	114.83	112.18
FCQ7	146.950	43.12	47.88	33.35	30.47	149.56	149.58	151.33	144.56	140.64
LHN7	81.900	80.17	73.21	90.12	92.05	80.59	80.04	78.72	75.42	75.93

Calculations based on previous session. Data collected 05/26/2017

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	116.220	117.320	119.470	120.570	122.720
FCQ7	Feeder Cattle	143.075	144.475	148.025	149.425	152.975
LHN7	Lean Hogs	79.950	81.070	81.550	82.700	83.150

Calculations based on previous session. Data collected 05/26/2017

Data sources can & do produce bad ticks. Verify before use.

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