



DAILY LIVESTOCK COMMENTARY

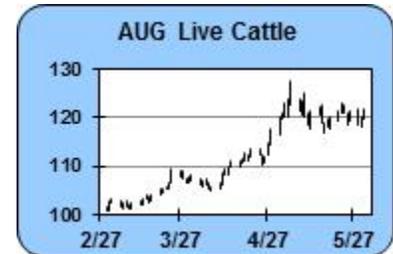
Thursday June 01, 2017

DAILY CATTLE COMMENTARY

06/01/17

Short-term news remains positive and basis too wide

A steadier tone for both the beef market and the cash market this week plus profitable packer margins plus the stiff discount of futures to the cash market has sparked the short-term positive action. August cattle closed sharply higher on the session yesterday and experienced the highest close since May 22nd. The market traded moderately higher on the session into the mid-day as a firm tone to the cash market has developed this week as packers are thought to need cattle for a full week of slaughter next week. The big discount of futures to the cash market has discouraged the shorts as the 5-year average basis for August is a \$5 discount compared with near \$10 for this week. Big packer profit margins combined with "less" weakness than expected in beef over the past week helped to support. The market may have also seen some support from news of a slowdown in meat exports out of Brazil. Brazil is the world's largest meat exporter so any problems could send some business to the US. The Fed Cattle Exchange yesterday showed an average selling price of \$132.24 from \$132.54 last week.



With the large discount, trade focus today may be on the weekly weight data provided in the actual weekly livestock and production report. Steer weights started to recovery last week from a very low level so a confirmation of this turn up might be seen as a negative factor. The USDA estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 120,000 head, down from 231,000 last week at this time but up from 117,000 a year ago. USDA boxed beef cutout values were up 54 cents at mid-session yesterday and closed 29 cents higher at \$245.54. This was down from \$245.74 the prior week. Big placements so far this year leave a bearish supply set-up for the summer. Third quarter beef production is currently expected to reach 6.82 billion pounds, up 5.4% from last year and a nine-year high.

TODAY'S MARKET IDEAS:

Rallies still look like selling opportunities but there are plenty of short-term positive factors to support. August cattle resistance comes in at 122.12 and 123.37, with 116.77 and maybe 113.45 as longer-term downside targets.

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) 06/01/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. The daily stochastics have crossed over up which is a bullish indication. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market's close above the 2nd swing

resistance number is a bullish indication. The near-term upside target is at 123.220. The next area of resistance is around 122.670 and 123.220, while 1st support hits today at 120.750 and below there at 119.350.

FEEDER CATTLE (AUG) 06/01/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 155.600. The next area of resistance is around 154.399 and 155.600, while 1st support hits today at 150.750 and below there at 148.300.

DAILY HOGS COMMENTARY

06/01/17

Pork cut-out at highest level since August and trend still up

The short-term cash news remains positive and another jump in open interest suggests an aggressive buying pattern from speculators. Short-term demand indicators remain positive and Iowa/Minnesota cash late yesterday was \$73.07, up \$1.27. USDA pork cutout values, released after the close yesterday, came in at \$89.82, up 29 cents from Tuesday and up from \$89.53 the previous week. This is the highest pork cut-out since July 19th and the pork strength should help support strong packer margins and an uptrending cash market. In a shipment of Canadian pork, China officials found ractopamine, a feed additive which is banned in China. August hogs closed moderately higher on the session but off of the mid-session peak. Talk of seasonally tightening slaughter supply plus firm cash markets were seen as supportive forces.



The CME Lean Hog Index as of May 26th was 76.45, up 11 cents from the previous session and up from 75.89 the previous week. Weekly average weights for Iowa-Southern Minnesota as of May 27th came in at 280.8 pounds, unchanged from the previous week and down from 282.2 pounds last year. The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 442,000 head, down from 881,000 last week at this time but up from 436,000 a year ago. While traders see a seasonal decline in slaughter as a positive force short-term, the USDA sees pork production for the 3rd quarter to increase by 140 million pounds from the 2nd quarter. This would be the largest increase for the quarter since 2009 and just a bit higher than last year. In 2009, August hogs were in a steep downtrend and posted contract lows on August 12th.

TODAY'S MARKET IDEAS:

For now, there is no sign of a technical top as August hogs showed no follow-through selling. Short-term traders might watch for a technical sign of a top soon. Close-in support for August hogs is at 80.45 with 83.47 as next upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short August Hog 84.00 call and also long August Hog 77.00 put for a net credit (premium received) of 37 points. Look for a gain of 390 points from entry and risk a total of 110 points on the entire position.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (JUL) 06/01/2017: The rally brought the market to a new contract high. 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 market's short-term trend is positive on the close above the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd

swing resistance. The near-term upside target is at 84.720. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 84.050 and 84.720, while 1st support hits today at 82.020 and below there at 80.650.

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	121.700	57.78	58.70	45.40	51.90	120.48	120.65	120.48	115.43	112.80
FCQ7	152.575	56.50	56.39	38.97	48.29	150.14	150.37	150.46	145.32	141.54
LHN7	83.020	76.91	72.58	90.12	91.21	81.63	80.65	79.29	75.74	76.10

Calculations based on previous session. Data collected 05/31/2017

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	119.320	120.720	121.270	122.670	123.220
FCQ7	Feeder Cattle	148.299	150.749	151.950	154.399	155.600
LHN7	Lean Hogs	80.620	82.000	82.670	84.050	84.720

Calculations based on previous session. Data collected 05/31/2017

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