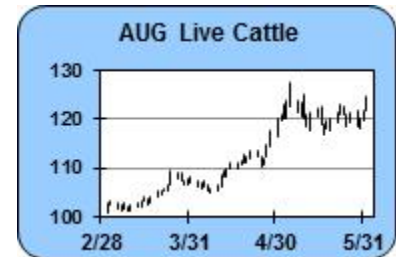




**DAILY CATTLE COMMENTARY**  
06/02/17

**Short-term cash news plus big discount; hard to find sellers**

With a \$4 jump in the cash market, August cattle jumped the \$3 limit and could not keep up with the cash market advance. Funds are buying the huge discount, the beef market has held up better than expected and packer demand for live inventory has been strong enough to support the cash market. Until the basis is more in line, it will be difficult to find new sellers. The market opened slightly higher on the session yesterday and experienced a steady flow of buying to drive the market up the 300 point limit. The market experienced a new contract high close and pushed up to the highest level since May 9th. Strong packer profit margins, a lack of weakness in beef prices and talk of firm cash cattle trade this week in spite of the huge discount of futures to the cash market helped to support. A small number of cattle traded in Kansas at \$136.00, up \$4 from last week and this helped to drive shorts out. Nebraska cash cattle traded at \$134-\$135.



In the actual slaughter report for the week ending May 20th, steer weights came in at 836 pounds which was unchanged from the previous week but down from 863 pounds last year and still well below the 5-year average of 850.8 pounds. While slaughter for the same week was up 2.3% from last year, beef production came in at 481.9 million pounds, down .64% over year ago. USDA boxed beef cutout values were up 4 cents at mid-session yesterday and closed 4 cents higher at \$245.58. This was down from \$246.08 the prior week. The USDA estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 353,000 head, down from 461,000 last week at this time but up from 341,000 a year ago.

**TODAY'S MARKET IDEAS:**

The outlook into the third quarter is bearish but the near-term news remains positive and the massive discount of futures to the cash market leaves the market void of aggressive sellers. August cattle resistance comes in at 125.00 and 127.50. Close-in support is at 123.40 and 122.15.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

- 1) Short the August/December cattle spread from 332 with an objective of 77. Risk a total of 90 points from entry.
- 2) 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) 06/02/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 126.870. The next area of resistance is around 126.120 and 126.870, while 1st support hits today at 123.250 and below there at 121.070.

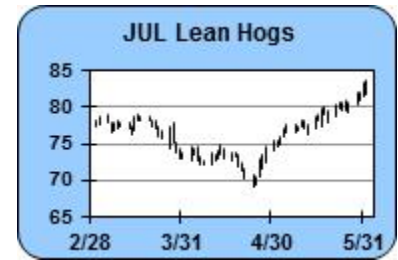
FEEDER CATTLE (AUG) 06/02/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 160.168. The next area of resistance is around 159.137 and 160.168, while 1st support hits today at 155.013 and below there at 151.919.

## DAILY HOGS COMMENTARY

06/02/17

### Short-term surge in pork values to highest since 2014 supports

With the overbought condition and expectations for a bigger supply ahead, the key reversal could be a signal of a near-term top. With sluggish demand from China in April with trade data showing a drop off in imports, we are not too optimistic that the US trade data will support. Both July and August hogs closed moderately lower on the session yesterday after first posting contract highs and the key reversal might attract some selling over the near-term. The market found early support from news of strong pork cut-out this week with pork prices at the highest level since December 15th of 2014!. USDA pork cutout values, released after the close yesterday, came in at \$90.48, up 66 cents from Wednesday and up from \$88.90 the previous week. Packer margins remain strong and the cash market continues to advance. The CME Lean Hog Index as of May 30th was 76.53, up 8 cents from the previous session and up from 75.94 the previous week. Slaughter came in below trade expectations at 438,000 head. This brings the total for the week so far to 1.318 million head, down from 1.762 million last week at this time but up from 1.304 million a year ago. Actual US pork production for the week ending May 20th came in at 476.4 million pounds, down from 478 the previous week and up 3.66% from a year ago. Slaughter the same week was up 4.76% from last year.



### TODAY'S MARKET IDEAS:

The key reversals for July and August hogs could be a sign of a top and production into the 3rd quarter looks somewhat burdensome. Traders will monitor pork values and monthly export sales news short-term. Close-in resistance for July hogs is at 83.50 with key support back at 78.07 and 76.37. Watch for top soon.

### 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:

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) 06/02/2017: The market made a new contract high on the rally. A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 80.520. The next area of resistance is around 83.020 and 84.200, while 1st support hits today at 81.200 and below there at 80.520.

## 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
<b>MEAT COMPLEX</b>										
LCQ7	124.700	66.66	64.73	53.07	68.41	121.30	121.21	120.68	115.82	113.19
FCQ7	157.075	64.49	61.96	47.68	65.11	151.63	151.23	150.67	145.84	142.09
LHN7	82.120	67.60	66.71	88.95	86.62	82.01	80.97	79.58	75.94	76.17

Calculations based on previous session. Data collected 06/01/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>MEAT COMPLEX</b>						
LCQ7	Live Cattle	121.050	123.220	123.950	126.120	126.870
FCQ7	Feeder Cattle	151.918	155.012	156.043	159.137	160.168
LHN7	Lean Hogs	80.500	81.170	82.350	83.020	84.200

Calculations based on previous session. Data collected 06/01/2017

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.