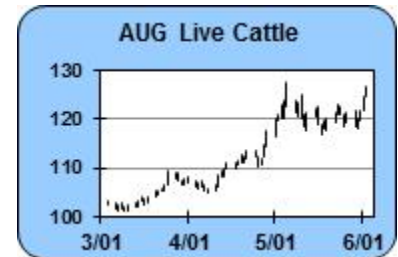




**DAILY CATTLE COMMENTARY**  
06/05/17

**Large and small specs combined hold record high net long**

Traders have been waiting for the turn down in beef prices and a significant break in the cash market but weakness is slow to develop and packers were caught short-bought again as weights are low and demand has been better than expected. Export demand has been strong and the huge discount of futures to the cash market has helped to keep producers active at selling cattle as soon as they are close to market weight. August cattle traded sharply higher on the session Friday and to the highest level since May 4th. The steep discount of futures to the cash market combined with higher cash trade last week has supported the strong 4-day buying surge, as it is difficult to find interested sellers after the strong cash trade. Weekly U.S. beef export sales for the week ending May 25th came in at 12,000 tonnes compared with the prior 4-week average of 10,525. Cumulative sales for 2017 have reached 399,600 tonnes, up 15.1% from last year's pace.



The USDA estimated cattle slaughter came in at 116,000 head Friday and 81,000 head for Saturday. This brought the total for last week to 550,000 head, down from 613,000 the previous week but up from 527,000 a year ago. USDA boxed beef cutout values were down 23 cents at mid-session Friday and closed 34 cents lower at \$245.24. This was down from \$246.11 the prior week. Beef is at the lowest level since May 10th. The Commitments of Traders reports as of May 30th showed the "combined" spec and fund net long position has hit a new record level at 131,405 contracts, up 2,208 for the week. Non-Commercial traders were net long 161,193 contracts, a decrease of 282 contracts.

**TODAY'S MARKET IDEAS:**

With strong exports, low weights and positive packer margins, it is hard to find new sellers as the cash trades well above futures. The outlook into the third quarter is bearish but the near-term news remains positive. August cattle support is at 123.42 with 127.50 resistance and then 131.57 as a swing count on the upside.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

1) \* Hit stop on Aug/Dec cattle spread for a loss of 90 points. 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.

Commitment of Traders - Futures and Options - 5/23/2017 - 5/30/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Livestock</b>						
Feeder Cattle	18,462	-585	-3,878	-57	-14,585	+641
Cattle	161,193	-282	-131,405	-2,207	-29,788	+2,490

**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) 06/05/2017:** 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. The close over the pivot swing is a somewhat positive setup. The next upside objective is 127.950. The next area of resistance is around 127.100 and 127.950, while 1st support hits today at 125.020 and below there at 123.770.

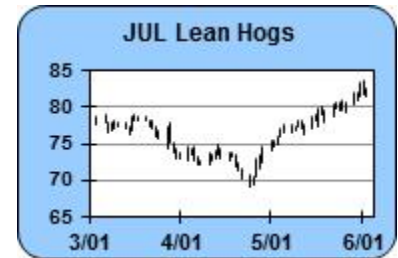
**FEEDER CATTLE (AUG) 06/05/2017:** Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 161.443. The next area of resistance is around 160.237 and 161.443, while 1st support hits today at 157.213 and below there at 155.394.

## DAILY HOGS COMMENTARY

06/05/17

### Will need to see pork prices come down soon; technical top?

With the overbought condition and expectations for a bigger supply ahead, the key reversal in summer hog futures this past week could be a signal of a near-term top. The rally into the June 1st peak was been led by strong pork exports and ideas that the US could see better demand from China. However, China's pork prices fell into the spring, and their import demand in April was down. July hogs experienced choppy and two-sided trade Friday and with the overbought condition and a key reversal on Thursday, the bulls will need a continued advance in US demand or a shift to better export news to expect a continued uptrend. Since export data is delayed, it is possible that China, the world's top importer, has picked up purchases of US pork but this is hard to determine. However, the very strong pork product market does indicate much stronger than expected short-term demand. Positive short-term cash news plus a surge in pork cut-out values to the highest since December 15th of 2014 are factors which continue to support. USDA pork cutout values, released after the close Friday, came in at \$90.76, up 28 cents from Thursday and up from \$89.32 the previous week. For the month of April, US pork exports came in at 462.9 million pounds which was down from 523.8 million in March.



Exports to China were slow at just 38.4 million pounds which is down from the May 2016 peak of 72.93 million pounds. South Korea and Canadian exports also slowed. Mexico imported just 129.3 million pounds from 181.97 million in December. Exports for April represented 23.3% of total US production. Weekly U.S. pork export sales for the week ending May 25 came in at 13,800 tonnes compared with the prior 4-week average of 16,125. There have been only three weeks so far this year with lower weekly sales. Cumulative sales for 2017 have reached 616,100 tonnes, up 4.4% from last year's pace. The CME Lean Hog Index as of May 31st was 76.79, up 26 cents from the previous session and up from 76.07 the previous week. The USDA estimated hog slaughter came in at 433,000 head Friday and 221,000 head for Saturday. This brought the total for last week to 1.972 million head, down from 2.192 million the previous week but up from 1.897 million a year ago. The Commitments of Traders reports as of May 30th showed Non-Commercial traders were net long 64,817 contracts, an increase of 7,811 contracts for the week and the buying trend is a short-term positive force. Non-Commercial and Nonreportable combined traders held a net long position of 50,208 contracts, an increase of 8,168 contracts in just one week.

### 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. Close-in resistance for July hogs is at 83.50 with key support back at 78.07 and 76.37. Watch for top soon. August hog resistance is at 82.47 with 77.72 as initial key support if the trend turns down.

### 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.

Commitment of Traders - Futures and Options - 5/23/2017 - 5/30/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Livestock</b>						
Hogs	64,817	+7,811	-50,209	-8,169	-14,609	+357

## 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) 06/05/2017: 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 close above the 9-day moving average suggests the short-term trend remains positive. The market tilt is slightly negative with the close under the pivot. The next downside objective is 80.820. The next area of resistance is around 82.570 and 83.200, while 1st support hits today at 81.400 and below there at 80.820.

## 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
<b>MEAT COMPLEX</b>										
LCQ7	126.020	69.86	67.06	61.43	78.15	123.08	121.77	120.83	116.24	113.59
FCQ7	158.725	66.99	63.78	57.05	75.77	154.58	152.15	150.78	146.37	142.66
LHN7	81.970	66.10	65.76	86.84	82.62	82.03	81.17	79.85	76.14	76.24

Calculations based on previous session. Data collected 06/02/2017

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	123.750	125.000	125.850	127.100	127.950
FCQ7	Feeder Cattle	155.393	157.212	158.418	160.237	161.443
LHN7	Lean Hogs	80.770	81.370	82.000	82.570	83.200

Calculations based on previous session. Data collected 06/02/2017

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.