



DAILY LIVESTOCK COMMENTARY

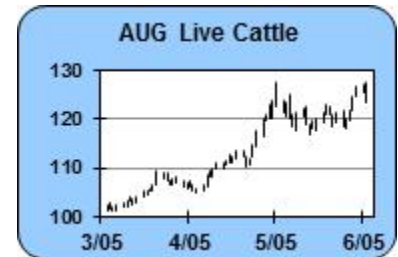
Wednesday June 07, 2017

DAILY CATTLE COMMENTARY

06/07/17

Key reversal with record spec long and 3rd quarter prod up 5.4%

The sweeping key reversal combined with the outlook for increasing supply into the third quarter is a potential bearish set-up. Third quarter beef production is expected to increase 5.4% from last year and also reach a nine-year high. In order to confirm a peak, the beef market will need to begin to push lower as high packer profit margins are holding up cash prices and futures remain at a stiff discount to the cash market. August cattle managed to trade to a new contract high yesterday and closed sharply lower on the day. The market pushed moderately higher on the session into the mid-day as the strong advance in beef prices has helped to support continued buying from speculators. Beef prices normally push lower in June and with August cattle already at a much wider than normal discount to the cash market, it is important that beef prices fall quickly. However, the jump in beef prices this week combined with strong packer profit margins is a positive set-up for the cash market. USDA boxed beef cutout values were up \$2.22 at mid-session yesterday and closed \$2.10 higher at \$250.45. This was up from \$245.25 the prior week and the highest beef market since July 1st, 2015. The USDA estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 233,000 head, up from 120,000 last week at this time and up from 223,000 a year ago. 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.



TODAY'S MARKET IDEAS:

The sweeping key reversal could be a technical sign of a near-term top. We expect beef prices and cash markets to work lower into the fall but the short-term situation remains supportive. August cattle resistance is now at 127.00, with 122.22 and 120.92 as support. With a record spec net long position, breaking support could spark aggressive selling.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 06/07/2017: The market made a new contract high on the rally. 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 outside day down is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next upside objective is 128.920. The next area of resistance is around 125.800 and 128.920, while 1st support hits today at 121.420 and below there at 120.150.

FEEDER CATTLE (AUG) 06/07/2017: 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. 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 upside target is 162.281. The next area of resistance is around 158.137 and 162.281, while 1st support hits today at 152.613 and below there at 151.232.

DAILY HOGS COMMENTARY

06/07/17

third quarter production up 4.8%; will exports be enough?

The market experienced an impressive recovery rally yesterday but "if" pork cut-out values begin to drift lower, traders will soon begin to lower price expectations. The market received bearish US export news in the past week and the sharp drop in exports to Mexico and China are seen as especially concerning to the bulls. The bull case has been that despite the increase in production, the strong export market will help clear the supply. Third quarter pork production this year is expected to be up 4.8% from last year. After a 3-day break of 327 points, the market experienced a strong recovery bounce yesterday. Early selling drove the market down to the lowest level since May 25th before the bounce. Traders may now see the break as too far, too fast and bargain hunters were active. The market closed moderately higher but well off of the highs. A firm tone to the cash market and ideas that Chinese import demand will improve in the long term helped to support. However, China pork prices were down 1.6% last week and have trended lower since March. Strong packer profit margins may be helping to support the cash market. USDA pork cutout values, released after the close yesterday, came in at \$89.34, down \$1.05 from Monday and down from \$89.53 the previous week. This is the lowest since May 25th. The CME Lean Hog Index as of June 2nd was 77.90, up 56 cents from the previous session and up from 76.34 the previous week. The USDA estimated hog slaughter came in at 435,000 head yesterday. This brings the total for the week so far to 875,000 head, up from 442,000 last week at this time and up from 841,000 a year ago.



TODAY'S MARKET IDEAS:

The market is still operating under the negative technical influence of the June 1st key reversal. If pork values continue in a short-term downtrend, this could pinch packer margins and slow movement through the pipeline. Close-in resistance for July hogs is at 81.87 and 82.27 with key support back at 78.07 and 76.37. August hog resistance is at 81.82 with 77.72 as initial key support. Consider selling a bounce.

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) 06/07/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 79.520. The next area of resistance is around 82.220 and 82.950, while 1st support hits today at 80.520 and below there at 79.520.

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
MEAT COMPLEX										
LCQ7	123.600	57.01	58.72	70.68	74.80	125.14	122.49	121.32	117.04	114.32
FCQ7	155.375	55.85	56.73	69.20	76.29	157.76	153.37	151.57	147.45	143.69
LHN7	81.370	58.43	60.32	77.34	68.56	81.48	81.36	80.24	76.43	76.37

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

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	120.120	121.400	124.520	125.800	128.920
FCQ7	Feeder Cattle	151.231	152.612	156.756	158.137	162.281
LHN7	Lean Hogs	79.500	80.500	81.220	82.220	82.950

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

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.