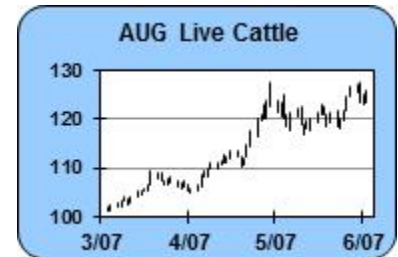




DAILY CATTLE COMMENTARY
06/09/17

Close under 126.05 would represent weekly key reversal; down

The clash of the discount of futures to the cash market against the outlook for increasing supply ahead continues. Is it possible that the drought in the Dakotas and Montana will be enough of a bump in production to tilt the scale in favor of the bears? It will take a turn down in beef prices and a significant jump in cattle weights in order to confirm a near double top. USDA boxed beef cutout values were up 42 cents at mid-session yesterday and closed 32 cents lower at \$250.39. This was up from \$245.58 the prior week. Average dressed steer weights for the week ending May 27th came in at 838 pounds, up from 836 the previous week and down from 862 pounds last year. The 5-year average weekly weight is at 850.8 pounds. While slaughter for the same week was up 5.5% from last year, beef production was up just 2.68% due to the lower weights. August cattle traded as much as 155 higher on the session yesterday before closing slightly lower. The market continues to find support from very solid packer profit margins from the huge discount of futures to the cash market and from the potential (due to strength in the beef market) to see steady the higher cash trade this week.



On Wednesday, a small number of cattle traded in the northern Plains at \$135 against \$137 last week. At the Fed Cattle exchange, a small group of cattle traded at the \$136.50 to \$137.00 zone. Weekly U.S. beef export sales for the week ending June 1 came in at 13,800 tonnes, compared with the prior 4-week average of 9,375. Cumulative sales for 2017 have reached 413,400 tonnes, up 14.9% from last year's pace. The USDA estimated cattle slaughter came in at 117,000 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. Third quarter beef production is expected to increase 5.4% from last year and also reach a nine-year high. In addition, 3rd quarter production is expected to increase by 325 million pounds from the second quarter and this is the second highest "increase" on record. The largest increase was 2005 when August cattle peaked on May 17th at 86.85 and fell to near 78.00 into July. Last year was also a similar set-up and August cattle put in a contract low on July 21st.

TODAY'S MARKET IDEAS:

Keep in mind, the COT report last week showed the "combined" spec and fund net long position at a new record high level so the market is extremely overbought. The sweeping key reversal combined with the outlook for increasing supply into the third quarter is a potential bearish set-up. If August cattle closes under 126.05, it will represent a weekly key reversal. Resistance is at 125.30, with 118.80 and 116.87 as downside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Long August cattle 123.00/117.00 bear put spread from 172 with an objective of 465. Risk to 77.

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) 06/09/2017: A crossover down in the daily stochastics is a bearish signal. Momentum

studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 122.200. The next area of resistance is around 125.100 and 126.470, while 1st support hits today at 122.970 and below there at 122.200.

FEEDER CATTLE (AUG) 06/09/2017: A crossover down in the daily stochastics is a bearish signal. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 150.650. The next area of resistance is around 155.849 and 158.249, while 1st support hits today at 152.050 and below there at 150.650.

DAILY HOGS COMMENTARY

06/09/17

Another surge up in pork cut-out values may attract more buying

The short-term cash fundamental news remains bullish and it will be hard for the market to break until pork values begin some type of seasonal decline. After weak exports in April, the weekly sales data combined with the surge in pork cut-out values suggests that pork exports have picked-up steam. USDA pork cutout values, released after the close yesterday, came in at \$91.64, up \$1.71 from Wednesday and up from \$90.48 the previous week. This is the highest since December 15th of 2014! July hogs closed moderately higher on the session yesterday after opening lower. A continued advance in the cash market led by higher pork prices has helped support the uptrend. Until the pork cut-out value market begins to decline, it will be difficult to expect cash markets to stabilize. The high pork values are helping to keep packer profit margins strong. This will help keep the pipeline active and producers current with marketings.

Weekly U.S. pork export sales for the week ending June 1st came in at 22,600 tonnes, compared with the prior 4-week average of 16,125. Cumulative sales for 2017 have reached 638,700 tonnes, up 5.3% from last year's pace. This was the highest weekly total since April 20th. The CME Lean Hog Index as of June 6th was 78.80, up 60 cents from the previous session and up from 76.53 the previous week. The USDA estimated hog slaughter came in at 440,000 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. Actual US pork production for the week ending May 27th came in at 462.2 million pounds, down from 476.4 the previous week and up 2.9% from a year ago. Slaughter for the same week was up 4.1%.



TODAY'S MARKET IDEAS:

Close-in support for July hogs is at 80.95 and 80.30, with 83.52 and 84.77 as next resistance. The short-term trend is up and the surge in pork values to the highest since 2014 is a bullish development. August hog support is at 80.27 with 83.70 as next 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:

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) 06/09/2017: 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 market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside target is 80.420. The next area of resistance is around 82.970 and 83.500, while 1st support hits today at 81.450 and below there at 80.420.

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	124.020	58.17	59.44	70.22	68.65	124.50	123.25	121.69	117.84	115.02
FCQ7	153.950	52.12	54.26	68.40	65.65	156.00	154.36	152.10	148.41	144.56
LHN7	82.200	62.61	62.79	71.17	67.17	81.27	81.68	80.66	76.84	76.47

Calculations based on previous session. Data collected 06/08/2017

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	122.170	122.950	124.320	125.100	126.470
FCQ7	Feeder Cattle	150.650	152.049	154.450	155.849	158.249
LHN7	Lean Hogs	80.400	81.420	81.950	82.970	83.500

Calculations based on previous session. Data collected 06/08/2017

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