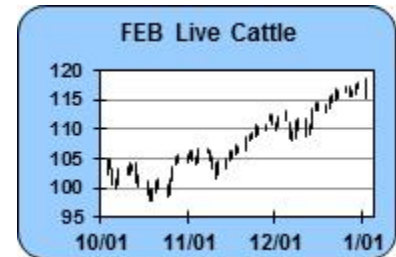




DAILY LIVESTOCK COMMENTARY
 Tuesday January 03, 2017

DAILY CATTLE COMMENTARY
 01/03/17

Short-term tech correction needed but trend up; 113.35 support



The sweeping reversal on high volume and with very high open interest is a strong signal that at least a short-term peak is in place. After trading to a new high for the move and to the highest level since June 9th, February live cattle reversed course and closed sharply lower on the session Friday with a wide-range, sweeping reversal. The pre-holiday, low-volume trade appeared to undermine the strength of the reversal indicator, but actual volume was similar to big volume days of December 12th and December 2nd. Reports that cash live cattle traded as high as \$120 in Iowa failed to hold the futures higher. Cash traded \$118 Thursday in the high Plains, \$116.75 on Wednesday and \$116.00 the previous week. The trade may be getting skeptical that this pattern will continue, especially with the holiday season coming to an end. We consider \$126.50 as a realistic value for cash cattle prices in the first quarter, but the market has clearly gotten overbought, so perhaps a correction is needed.

U.S. beef export sales for the week ending December 22nd came in at 4,200 tonnes, below the prior 4-week average of 6,775. Cumulative sales for 2016 have reached 717,300 tonnes, up 14.2% from last year's pace. The USDA estimated cattle slaughter came in at 112,000 head Friday and 41,000 head for Saturday. This brought the total for last week to 507,000 head, down from 572,000 the previous week but up from 440,000 a year ago. USDA boxed beef cutout values were down 16 cents at mid-session Friday and closed 14 cents lower at \$203.33. This was up from \$197.61 the prior week. The Commitments of Traders reports as of December 27th showed Non-Commercial traders were net long 113,487 contracts, an increase of 5,677 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 80,768 contracts, up 3,946 contracts for the week.

TODAY'S MARKET IDEAS:

Short-term, the market looks vulnerable to a correction, but the trend is up and beef production is expected to decline 385 million pounds from the 4th quarter to the 1st quarter compared with a drop of 174 million for the same period last year. Close-in resistance for February cattle is at 118.02, with 114.55 and 113.35 seen as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 12/20/2016 - 12/27/2016						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Feeder Cattle	11,826	+731	674	-272	-12,500	-459
Cattle	113,487	+5,677	-80,768	-3,946	-32,719	-1,731

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 (FEB) 01/03/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A negative signal was given by the outside day down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 113.250. The next area of resistance is around 117.650 and 119.670, while 1st support hits today at 114.450 and below there at 113.250.

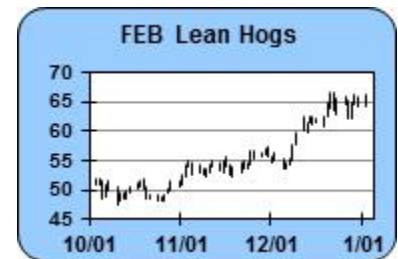
FEEDER CATTLE (JAN) 01/03/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A negative signal was given by the outside day down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 127.532. The next area of resistance is around 132.112 and 134.181, while 1st support hits today at 128.788 and below there at 127.532.

DAILY HOGS COMMENTARY

01/03/17

In position to put in short-term peak soon

We continue to believe that the market is close to putting in a near-term peak. The hog market is in a short-term overbought condition, and it seems to have the fundamentals to slide lower in early 2017. The supply being kept for market from the Hogs and Pigs report that was released in late December week was 4% above last year. Traders had been expecting the number to be closer to 2% above last year. If exports slow down (the last three weekly updates were the three lowest of the year) and pork values begin to slide, the market could be in a position to at least pull back from the recent strong gains. USDA pork cutout values, released after the close Friday, came in at \$81.13, up 63 cents from Thursday and up from \$79.91 the previous week. The USDA estimated hog slaughter came in at 439,000 head Friday and 308,000 head for Saturday. This brought the total for last week to 2.081 million head, down from 2.149 million the previous week but up from 2.038 million a year ago.



In Friday's export sales update, U.S. pork export sales for the week ending December 22nd came in at 3,900 tonnes. This was the lowest weekly figure all year, worse than the previous two weeks, which also had been the lowest to that point. Cumulative sales for 2016 have reached 1,076,300 tonnes, up 6.4% from last year's pace. The CME Lean Hog Index as of December 28th was 57.98, up 3 cents from the previous session but down from 58.18 the previous week. The Commitments of Traders reports as of December 27th showed Non-Commercial traders were net long 56,589 contracts, an increase of 1,755 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 34,631 contracts, up 506 contracts for the week. Commodity Index traders held a net long position of 70,101 contracts, up 981.

TODAY'S MARKET IDEAS:

The longer-term supply fundamentals are burdensome if exports don't expand significantly. The seasonal drop in production from the 4th quarter of 2016 into the 1st quarter of 2017 is expected to be the second smallest decline for that period in eight years, and this should mute the normal strong seasonal trend for the cash market in the first quarter. February hog resistance is seen at 66.57 with support at 61.60. The trend is up, and there is still no technical sign of a top. Wait for reversal-type action before selling.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 12/20/2016 - 12/27/2016						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	56,589	+1,755	-34,630	-505	-21,958	-1,249

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 (FEB) 01/03/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 63.670. The next area of resistance is around 67.170 and 67.800, while 1st support hits today at 65.120 and below there at 63.670.

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										
LCG7	116.020	58.27	61.43	89.99	86.82	116.84	116.46	114.47	110.34	108.15
FCF7	130.449	56.55	58.91	87.24	84.18	131.01	130.78	129.23	125.13	122.66
LHG7	66.150	69.18	68.54	81.89	81.85	65.16	64.84	63.11	57.86	55.81

Calculations based on previous session. Data collected 12/30/2016

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						
LCG7	Live Cattle	113.220	114.420	116.450	117.650	119.670
FCF7	Feeder Cattle	127.531	128.787	130.856	132.112	134.181
LHG7	Lean Hogs	63.650	65.100	65.720	67.170	67.800

Calculations based on previous session. Data collected 12/30/2016

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

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