



DAILY LIVESTOCK COMMENTARY

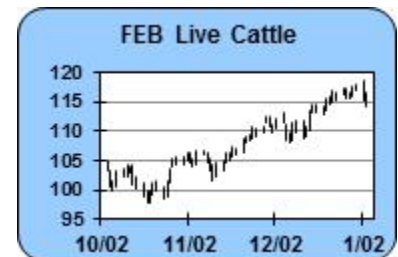
Wednesday January 04, 2017

DAILY CATTLE COMMENTARY

01/04/17

Still vulnerable to short-term set-back; too far, too fast beef

The southern plains weather outlook remains quiet and mostly a little warmer and drier than normal which is bearish. The technical action is also a short-term bearish factor with the reversal and follow-through technical selling which confirms a short-term top. After choppy and two-sided trade early yesterday, the move under Friday's lows helped to confirm Friday's technical reversal and was seen as a short-term bearish development. Sellers were active late and the market experienced the lowest close since December 15th. The USDA



estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 123,000 head, unchanged from last week at this time but down from 208,000 a year ago. USDA boxed beef cutout values were up 24 cents at mid-session yesterday and closed unchanged at \$203.33. This was up from \$198.27 the prior week. With high open interest, volatile cash market trade in recent months and a lack of confidence in predicting short-term cash market demand, the market looks vulnerable to increased selling pressures ahead. The COT reports as of December 27th showed Non-Commercial traders were net long 113,487 contracts so the market is vulnerable to some long liquidation selling ahead.

TODAY'S MARKET IDEAS:

With a turn down in hogs, high open interest and hefty short-term meat supply, the surge in beef prices recently might slow demand. Close-in technical resistance for February cattle is at 116.50 with 113.35 and 112.15 as support.

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 (FEB) 01/04/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 112.900. The next area of resistance is around 116.000 and 117.420, while 1st support hits today at 113.750 and below there at 112.900.

FEEDER CATTLE (JAN) 01/04/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 128.582. The next area of resistance is around 131.137 and 132.331, while 1st support hits today at 129.263 and below there at 128.582.

DAILY HOGS COMMENTARY

01/04/17

Bearish technical action with bearish supply/export outlook

While the supply fundamentals turned bearish in December, the market did not show a technical sign of a top until yesterday. In the short-term, the loss of a few slaughter days in the past few weeks may have left some "extra" hogs available for slaughter in the next few weeks which could pressure cash markets. USDA pork cutout values, released after the close yesterday, came in at \$80.11, down \$1.02 from Friday and down from \$80.59 the previous week. This is the lowest pork value since December 22nd. The sweeping reversal is a bearish technical signal for the market as February hogs took out three days of trade before closing sharply lower on the session yesterday. The early rally pushed the market up to the highest level since July 6th. The short-term supply fundamentals are bearish with the USDA Hogs and Pigs report showing much higher than expected short-term supply (up about 2% above expectations). In addition, the first 3 weeks of December weekly pork export sales reports showed the three smallest of the year. With the record supply flow, it will be important for the export market to remain strong or else US consumers will need to absorb the excess. This will be a difficult task given the surge in the US dollar to the highest level since March of 2003.



In addition, trade friction with Mexico and the new Administration does not help and the Mexico currency closed at the lowest level since November 11th which was an all-time low. In other words, US pork has become "very expensive" to Mexico consumers. Cash markets were steady to \$0.50 lower on the session yesterday. The CME Lean Hog Index as of December 29th was 57.76, down 22 cents from the previous session but down from 58.18 the previous week. The USDA estimated hog slaughter came in at 444,000 head yesterday. This brings the total for the week so far to 450,000 head, up from 449,000 last week at this time but down from 874,000 a year ago. The COT reports as of December 27th showed Non-Commercial traders were net long 56,589 contracts. 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.

TODAY'S MARKET IDEAS:

The longer-term supply fundamentals are burdensome if exports don't expand significantly and the short-term export outlook is very weak. Aggressive short-term traders might consider selling February hogs at 64.62 looking for a break to support at 61.80 or 59.52. Consider selling April hogs near 68.25, with 63.60 as initial support.

NEW RECOMMENDATIONS:

* Buy February Hog 60.00 put at 115 with an objective of 290. Risk 70 points from entry.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 01/04/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. 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 downside target is 60.620. The next area of resistance is around 65.320 and 67.950, while 1st support hits today at 61.670 and below there at 60.620.

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	114.870	50.19	55.86	84.80	74.41	116.56	116.34	114.68	110.54	108.34
FCF7	130.199	54.79	57.81	83.47	75.92	131.08	130.70	129.42	125.39	122.85
LHG7	63.500	52.41	57.07	78.27	71.03	64.85	64.55	63.44	58.11	56.05

Calculations based on previous session. Data collected 01/03/2017

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						
LCG7	Live Cattle	112.870	113.720	115.150	116.000	117.420
FCF7	Feeder Cattle	128.581	129.262	130.456	131.137	132.331
LHG7	Lean Hogs	60.600	61.650	64.270	65.320	67.950

Calculations based on previous session. Data collected 01/03/2017

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