

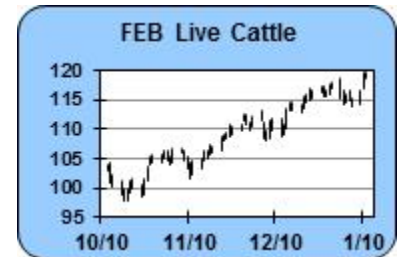


DAILY LIVESTOCK COMMENTARY Thursday January 12, 2017

DAILY CATTLE COMMENTARY 01/12/17

Futures up/beef down sharply in past week; open interest surge

While the futures market has seen a very impressive run higher, beef prices remain under heavy pressure and this may be a limiting force for the cash market and is driving packer profit margins down sharply. USDA boxed beef cutout values were down \$2.96 at mid-session yesterday and closed \$3.99 lower at \$189.39. This was down from \$203.65 the prior week and down to the lowest level since December 9th. April cattle closed moderately lower on the day with an inside trading session yesterday. The market experienced a pullback early in the session as the sharp setback in beef prices and uncertainty over the cash market helped to spark some light profit-taking selling early. April cattle traded lower the entire session with a range of 145 points. The Fed Cattle Exchange showed an average price of \$119.16 on sales of over 4,000 head. This was up from \$115.50 to \$117.25 last week. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 348,000 head, up from 239,000 last week at this time and up from 335,000 a year ago. Index fund buyers are active this week and trend-following fund traders have clearly been active ahead of this week. Open interest is up 19,704 contracts in just six trading sessions.



TODAY'S MARKET IDEAS:

Funds have been active buyers and the technical action is positive but the market may need to see strong cash markets ahead to rationalize the futures surge. With 2-3 inches of moisture across the central and southern plains in the next five days, the weather could be shifting from bearish to bullish. Beef prices are down 7% in just one week and April cattle is up 3.2%. The resumption of the uptrend leaves 120.22 as upside target for February cattle. April cattle has key retracement resistance at 118.97.

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) 01/12/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 120.270. The next area of resistance is around 119.700 and 120.270, while 1st support hits today at 118.550 and below there at 117.950.

FEEDER CATTLE (JAN) 01/12/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance 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 down puts the market on the defensive. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 133.756. The next area of resistance is around 132.837 and 133.756, while 1st support hits today at 131.263 and below there at 130.607.

DAILY HOGS COMMENTARY

01/12/17

Strong uptrend continues with record high exports; hams up

The market remains in a solid uptrend and while supply is somewhat burdensome, traders clearly believe that Mexico import demand will remain strong and that exports of US pork will stay or improve from the current record pace. A firm trend for cash markets and a jump in pork values helped to support the market yesterday with traders noting a sharp run higher in ham values.

USDA pork cutout values, released after the close yesterday, came in at \$79.90, up \$1.88 from Tuesday and up from \$78.38 the previous week. The market saw choppy and two-sided trade yesterday and set back late in the session. April hogs traded moderately higher on the session early yesterday and pushed up to the highest level since July 15th. Talk of a firm tone to the cash market helped to support. The CME Lean Hog Index as of January 9th was 59.60, up 74 cents from the previous session and up from 57.47 the previous week. Weekly average weights for Iowa-Southern Minnesota as of January 7th came in at 282.5 pounds, up from 282.1 the previous week and down from 286.3 pounds last year. Weights normally push lower at this time of the year so the news is bearish. The USDA estimated hog slaughter came in at 439,000 head yesterday. This brings the total for the week so far to 1.290 million head, up from 886,000 last week at this time and up from 1.186 million a year ago.



TODAY'S MARKET IDEAS:

February hog resistance is at 66.40 with close-in support at 64.22 and 61.80 as first key support. The technical action is positive for the April contract and open interest continues to advance which points to new fund buying. The new highs for April hogs leaves 70.62 as an upside swing target. Consider selling out-of-the-money calls on a bounce to 70.62.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 01/12/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 66.770. The next area of resistance is around 66.220 and 66.770, while 1st support hits today at 65.000 and below there at 64.300.

DAILY TECHNICAL STATISTICS

| CLOSE | 9 DAY RSI | 14 DAY RSI | 14 DAY SLOW | 14 DAY SLOW | 4 DAY M AVG | 9 DAY M AVG | 18 DAY M AVG | 45 DAY M AVG | 60 DAY M AVG |
|-------|--------------|---------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
|-------|--------------|---------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|

| | STOCH D | | | STOCH K | | | | | | |
|---------------------|---------|-------|-------|---------|-------|--------|--------|--------|--------|--------|
| MEAT COMPLEX | | | | | | | | | | |
| LCG7 | 119.120 | 68.36 | 66.71 | 67.75 | 75.71 | 117.50 | 116.63 | 116.24 | 112.08 | 109.98 |
| FCF7 | 132.050 | 62.96 | 61.57 | 56.94 | 65.04 | 130.59 | 130.19 | 130.22 | 126.93 | 124.37 |
| LHG7 | 65.570 | 61.15 | 61.76 | 60.37 | 60.47 | 64.59 | 64.68 | 64.56 | 59.58 | 57.50 |

Calculations based on previous session. Data collected 01/11/2017

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 | 117.920 | 118.520 | 119.100 | 119.700 | 120.270 |
| FCF7 | Feeder Cattle | 130.606 | 131.262 | 132.181 | 132.837 | 133.756 |
| LHG7 | Lean Hogs | 64.270 | 64.970 | 65.520 | 66.220 | 66.770 |

Calculations based on previous session. Data collected 01/11/2017

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