

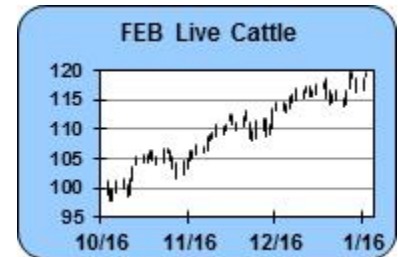


## DAILY LIVESTOCK COMMENTARY Wednesday January 18, 2017

### DAILY CATTLE COMMENTARY 01/18/17

#### Steady but volatile uptrend continues; open interest trend up

The market remains volatile but also in a steady uptrend. The strong cash market late last week in spite of weaker (negative) packer margins helped to support the strong gains yesterday. April cattle closed 107 higher on the session and experienced the highest close since March 18th. The market opened higher and traded moderately higher into the midsession. Open interest pushed up to the highest level since April of 2014. Talk that cash traded at \$119.00 last week was seen as a positive force with April futures trading as low as 118.00 early yesterday. USDA boxed beef cutout values were up 38 cents at mid-session yesterday and closed 23 cents higher at \$191.62. This was down from \$193.38 the prior week. The USDA estimated cattle slaughter came in at 111,000 head yesterday. This brings the total for the week so far to 180,000 head, down from 232,000 last week at this time and down from 219,000 a year ago. Beef production for the week last week reached 507.6 million pounds, up 6.3% from last year. Beef production in the first quarter is expected to be up 2.3% from last year. The COT reports as of January 10th showed Non-Commercial and Nonreportable combined traders held a net long position of 87,961 contracts, up 5,243 contracts for the week. Commodity Index traders held a net long position of 92,839 contracts, up 6,281 contracts in just one week.



#### TODAY'S MARKET IDEAS:

Close-in support for April cattle is at 117.45, with 120.40 as next upside swing target. The surge in open interest on the rally is positive but also leaves the market in a short-term overbought condition. June cattle next upside target is at 109.17.

#### 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) 01/18/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 120.320. The next area of resistance is around 120.020 and 120.320, while 1st support hits today at 119.150 and below there at 118.550.

FEEDER CATTLE (JAN) 01/18/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 131.637. The next area of resistance is around 131.299 and 131.637, while 1st support hits today at 130.550 and

below there at 130.138.

## DAILY HOGS COMMENTARY

01/18/17

### In position to see muted seasonal strength into spring

The market remains in a short-term uptrend and the turn back up for pork product is seen as a positive influence for cash. April hogs closed 10 higher on the session yesterday at 69.72, and the closes of the past five trading sessions have stayed in a very tight 40 point range. The market remains in an uptrend and experienced the highest close since July. Pork product prices were down \$1.70 at midsession to \$78.24. USDA pork cutout values, released after the close yesterday, came in at \$80.18, up \$1.13 from Monday and up from \$78.02 the previous week. Hams jumped to \$63.22 as compared with \$54.64 last week. The CME Lean Hog Index as of January 13th was 64.10, up 1.18 from the previous session and up from 58.86 the previous week. The USDA estimated hog slaughter came in at 428,000 head yesterday. This brings the total for the week so far to 743,000 head, down from 851,000 last week at this time and down from 815,000 a year ago. A report from the Economic Research Service indicates that China will remain the world's largest importer of pork even though they produce half of the world supply. Pork production last week was up 3% from last year and the USDA sees production up 5% from 2016.



### TODAY'S MARKET IDEAS:

There is still no technical sign of a top but short-term technical indicators are getting overbought. Watch for a technical sign of a top near 79.52 for June hogs and consider selling the June 84.00 calls and buy the June 72.00 puts on a bounce to this level.

### NEW RECOMMENDATIONS:

Sell June Hog 84.00 call at 182 with an objective of 0. Risk a total of 65 points from entry.

### PREVIOUS RECOMMENDATIONS:

Long June Hog 72.00 put from 157 with an objective of 297. Risk to 110.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (FEB) 01/18/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 66.570. The next area of resistance is around 66.250 and 66.570, while 1st support hits today at 65.350 and below there at 64.750.

### 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
<b>MEAT COMPLEX</b>										
LCG7	119.570	65.73	64.85	74.17	81.67	118.68	117.37	116.86	113.06	110.91
FCF7	130.925	55.56	56.59	59.02	60.16	130.94	130.09	130.40	127.74	125.27
LHG7	65.770	61.07	61.68	66.77	71.29	65.74	65.02	64.79	60.35	58.36

Calculations based on previous session. Data collected 01/17/2017  
Data sources can & do produce bad ticks. Verify before use.

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>MEAT COMPLEX</b>						
LCG7	Live Cattle	118.520	119.120	119.420	120.020	120.320
FCF7	Feeder Cattle	130.137	130.549	130.887	131.299	131.637
LHG7	Lean Hogs	64.720	65.320	65.650	66.250	66.570

Calculations based on previous session. Data collected 01/17/2017  
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