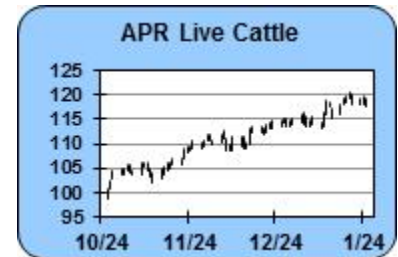




**DAILY CATTLE COMMENTARY**  
01/26/17

**Correcting the overbought condition with sideways price action**

The market continues to consolidate over the past week and the sideways action is helping to correct the overbought condition. The discount to last week's cash helped to support. Cash bids in the plains were \$120 with offers at \$124-\$125. About 700 cattle traded Tuesday at \$121.00 but volume was too low to matter as there are reports of very slow demand. Packer margins are deep in the red. The Fed Cattle Exchange sold 2,729 head of 5,462 offered with an average price of \$121.98. April cattle closed slightly lower on the session yesterday after choppy and two-sided trade. Early in the day, the market pushed down to the lowest level since January 13th. The market is struggling with news of a bearish cold storage report and continued talk of deep in the red packer profit margins.



USDA boxed beef cutout values were down 17 cents at mid-session yesterday and closed 49 cents lower at \$191.25. This was down from \$193.22 the prior week. The USDA estimated cattle slaughter came in at 112,000 head yesterday. This brings the total for the week so far to 338,000 head, up from 295,000 last week at this time and up from 333,000 a year ago. For the Cattle on Feed report on Friday, a poll from Reuters showed that traders expect placements for the month of December near 108.4% of the previous year (range 103.5-113.6) with marketings expected near 106.7% (range 104.8-109.2). Traders see January 1st On-Feed supply at 99% of last year with a range of 98.4% to 100% of last year.

**TODAY'S MARKET IDEAS:**

The open interest uptrend and discount of futures to the cash plus consumer confidence readings on the rise are seen as supportive forces. Uptrend channel support for April cattle is at 116.80 today with chart support at 117.62. Keep 120.32 and 121.72 as next stiff resistance.

**NEW RECOMMENDATIONS:**

\* Sell April cattle 115.00 put at 247 with an objective of zero. Risk a total of 97 points.

**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 (APR) 01/26/2017: 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 short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 116.900. The next area of resistance is around 119.520 and 120.270, while 1st support hits today at 117.850 and below there at 116.900.

FEEDER CATTLE (MAR) 01/26/2017: A crossover down in the daily stochastics is a bearish signal. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 128.250. The next area of resistance is around 130.699 and 131.650, while 1st support hits today at 129.000 and below there at 128.250.

## DAILY HOGS COMMENTARY

01/26/17

### Bacon demand continues to surge and should support cut-out

Some very strong demand indications including "off the charts" bacon demand helped to support the turn up in the market. Technical action shows April hogs may swing up to near 71.50 after pushing to a new high yesterday. USDA pork cutout values, released after the close yesterday, came in at \$81.62, up 69 cents from Tuesday and up from \$78.37 the previous week. This is the highest pork value since July 27th. April hogs closed sharply higher on the session and experienced the highest close since July 8th. The market gapped up thru the 5-day downtrend channel and aggressive buying emerged. A bullish Monthly Cold Storage report helped to drive the market higher. End of December frozen pork stocks were 477.2 million pounds which is down 12.5% from last year and down 8% from the previous month. Stocks typically drop 1.3% for the month so the report is considered bullish. Pork belly stocks were just 17.8 million pounds, down from 53.4 million the previous year. This is the lowest end of year stocks on record and December production of pork was likely a record.



Add snow in the Midwest and the discount to the cash and buyers were very active. The CME Lean Hog Index as of January 21st was 67.20, up 17 cents from the previous session and up from 64.84 the previous week. Weekly average weights for Iowa-Southern Minnesota as of January 21st came in at 282.4 pounds, up from 281.9 the previous week and down from 284.6 pounds last year. This is a bit negative as weights typically move down at this time of the year. The USDA estimated hog slaughter came in at 436,000 head yesterday. This brings the total for the week so far to 1.304 million head, up from 1.183 million last week at this time but down from 1.306 million a year ago. The shift down in production from the 1st quarter to the second quarter is the smallest in 14 years which should restrict the normal upward seasonal into the spring.

### TODAY'S MARKET IDEAS:

The demand factors are strong and the technical pattern turned more bullish yesterday. April hog support is at 69.15, with 71.47 as next technical target. June hogs should see support at 78.00 and 77.67, with 79.00 and 80.02 as next resistance.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

1) \* Exited long June Hog 72.00 put position for a gain of 42 points. 2) \* Short June Hog 84.00 call from 147 with an objective of \* 147. Risk to 195.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 01/26/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. There could be more upside follow through since the market closed above the 2nd

swing resistance. The next downside objective is 67.700. The next area of resistance is around 71.170 and 71.820, while 1st support hits today at 69.120 and below there at 67.700.

### 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>										
LCJ7	118.650	60.18	62.10	82.60	79.80	118.81	118.66	117.10	113.94	111.85
FCH7	129.850	58.78	59.90	84.03	83.88	130.49	129.86	127.90	125.57	123.36
LHJ7	70.150	65.27	63.42	66.25	63.54	68.51	68.97	68.53	66.21	64.97

Calculations based on previous session. Data collected 01/25/2017

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>						
LCJ7	Live Cattle	116.870	117.820	118.570	119.520	120.270
FCH7	Feeder Cattle	128.249	128.999	129.949	130.699	131.650
LHJ7	Lean Hogs	67.670	69.100	69.750	71.170	71.820

Calculations based on previous session. Data collected 01/25/2017

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