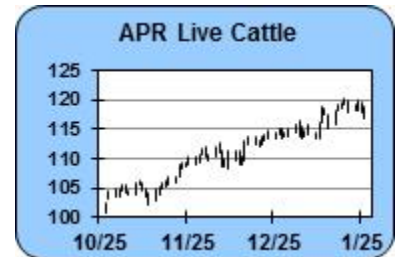




DAILY CATTLE COMMENTARY
01/27/17

Trade war fears drive April cattle to steep discount to cash

With high open interest and an overbought condition and fears of Mexico trade wars driving pork values lower, the market looks vulnerable to some further back-and-fill type action. April cattle closed sharply lower on the session yesterday and pushed down to the lowest level since January 13th. Fears of trade wars with Mexico and Canada and ideas that the market is too overbought helped to pressure. Kansas cash cattle traded at \$122.00, steady with last week and the lack of new buying interest after this news sparked aggressive long liquidation selling. Average dressed steer weights for the week ending January 14th came in at 898 pounds, down from 905 the previous week and down from 902 pounds last year. Beef production for the same week came in at 505.1 million pounds, up 10.1% over year ago. The USDA estimated cattle slaughter came in at 113,000 head yesterday. This brings the total for the week so far to 451,000 head, up from 409,000 last week at this time and up from 445,000 a year ago.



USDA boxed beef cutout values were up \$1.36 at mid-session yesterday and closed \$1.75 higher at \$193.00. This was up from \$191.60 the prior week and the highest since January 18th. The jump in beef prices should help ease deep in the red packer margins. For the Cattle on Feed report this afternoon, 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. For the Cattle Inventory report next week is expected to show total cattle and calves near 99.9-101.8 with the Reuters average at 101.1% of last year. Weekly U.S. beef export sales for the week ending January 19th came in at 21,800 tonnes, compared with the prior 4-week average of 12,175. Cumulative sales for 2017 have reached 137,100 tonnes, up 14.4% from last year's pace.

TODAY'S MARKET IDEAS:

Uptrend channel support for April cattle is at 117.07 today and a close below this level might suggest that the market is poised for a more significant sell-off. For now, the market does not seem to have the cash fundamental news to drive the market sharply below the cash market. It will take a move over 118.62 to spark renewed speculative buying interest. A resumption of uptrend would leave 121.62 as next upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Short April cattle 115.00 put from 247 with an objective of zero. Risk to 345.

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) 01/27/2017: 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. The market's close below the 1st swing support number

suggests a moderately negative setup for today. The next downside target is 115.970. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 118.420 and 119.400, while 1st support hits today at 116.720 and below there at 115.970.

FEEDER CATTLE (MAR) 01/27/2017: 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 close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 124.194. The next area of resistance is around 128.762 and 130.843, while 1st support hits today at 125.438 and below there at 124.194.

DAILY HOGS COMMENTARY

01/27/17

Surging bacon demand but fears of Mexico trade war dominates

The knee-jerk reaction to the appearance of the start to a trade war with Mexico sparked the sweeping reversal and the weak technical action could spark follow-through selling. USDA pork cutout values, released after the close yesterday, came in at \$82.40, up 78 cents from Wednesday and up from \$78.00 the previous week. This is the highest cut-out value since July 26th. Demand news from the cold storage report and the surge in pork belly prices are supporting the pork value but traders are fearful that Mexico will slow or stop imports of US pork. Frozen pork belly stocks in the Monthly update were just 17.8 million pounds, down from 53.4 million the previous year. This is the lowest end of year stocks on record. Pork belly prices jumped to \$158.09 from \$137.54 just one week ago. April hogs pushed up to the highest level since July 11th early yesterday before pushing sharply lower and closed nearly limit down on the session. Talk of increased trade frictions, especially with Mexico, helped to spark aggressive selling and the market experienced the lowest close since January 3rd.



The pork belly cold storage news was extremely bullish this week but with Mexico representing 1/3rd of the total US pork exports, the market remains sensitive. Weekly U.S. pork export sales for the week ending January 19th came in at 36,200 tonnes, compared with the prior 4-week average of 22,600. Cumulative sales for 2017 have reached 255,700 tonnes, up 48.8% from last year's pace. The CME Lean Hog Index as of January 24th was 67.73, up 53 cents from the previous session and up from 66.01 the previous week. The USDA estimated hog slaughter came in at 436,000 head yesterday. This brings the total for the week so far to 1.729 million head, up from 1.625 million last week at this time but down from 1.738 million a year ago. Actual US pork production for the week ending January 14 came in at 507.9 million pounds, up from 445.3 the previous week and down 0.65% from a year ago.

TODAY'S MARKET IDEAS:

Fear of losing the Mexico pork market was enough to spark aggressive selling, and this clashes with the short-term cash market news. The demand factors are strong but the uncertainty should be enough to spark follow-through selling. April hog close-in resistance is at 68.47 and 68.87, with first key support is at 64.65.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Exited short June Hog 84.00 call position for a scratch at 147.

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 (APR) 01/27/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The outside day down and close below the previous day's low is a negative signal. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 64.620. The next area of resistance is around 68.920 and 71.450, while 1st support hits today at 65.520 and below there at 64.620.

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										
LCJ7	117.570	51.12	56.20	79.57	73.52	118.46	118.78	117.20	114.13	112.07
FCH7	127.100	42.35	48.87	79.88	71.57	129.45	129.79	127.91	125.71	123.60
LHJ7	67.200	42.98	47.82	59.31	45.43	68.19	68.71	68.59	66.34	65.06

Calculations based on previous session. Data collected 01/26/2017

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						
LCJ7	Live Cattle	115.950	116.700	117.670	118.420	119.400
FCH7	Feeder Cattle	124.193	125.437	127.518	128.762	130.843
LHJ7	Lean Hogs	64.600	65.500	68.020	68.920	71.450

Calculations based on previous session. Data collected 01/26/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.