



DAILY LIVESTOCK COMMENTARY

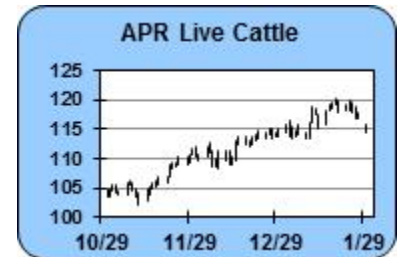
Tuesday January 31, 2017

DAILY CATTLE COMMENTARY

01/31/17

Big Dec placements but big discount and firm beef market

The technical action is very bearish so it is easy to see why the market might see a further sharp break. However, the big December placements will be spread out over many months as many lighter weight animals were placed and some of the best pasture and range conditions in the past decade helped to hold placements down in the late fall. In addition, if a trade war heats up with Mexico, a drop in trade would support cattle and pressure hogs. The gap and go sell-off which gapped the uptrend channel leaves the charts very bearish. The market closed sharply lower on the session yesterday and experienced the lowest close since January 6th. The wide gap seemed to attract aggressive selling from speculators. Open interest is very high and the COT report showed a hefty net long position so the market seems to have plenty of selling fuel.



Placements during December came in at a whopping 117.6% of last year as compared with trade expectations 108.4% which was well outside of the range of estimates of 103.5%-113.6%. This is a six year high in placements and this pushed heifer on-feed supply to 5% over last year. The USDA estimated cattle slaughter came in at 115,000 head yesterday. This brings the total for the week so far to 115,000 head, unchanged from last week at this time and up from 111,000 head last year. USDA boxed beef cutout values were up 50 cents at mid-session yesterday and closed 65 cents higher at \$193.35. This was up from \$191.77 the prior week and the highest beef market since January 10th.

TODAY'S MARKET IDEAS:

Non-Commercial and Nonreportable combined traders held a net long position of 88,720 contracts as of last Tuesday. April cattle looks set to test key support 112.97. With cash at \$122.00 and a significant import of feeder cattle from Mexico, the market should see good support emerge. June cattle support is at 103.70.

NEW RECOMMENDATIONS:

Buy June cattle 110.00 call at 160 with an objective of 455. Risk a total of 80 points from entry.

PREVIOUS RECOMMENDATIONS:

* Hit stop on short April cattle 115.00 put position for a loss of 142 points.

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) 01/31/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The gap lower price action on the day session chart is a bearish indicator for trend. 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 113.750. The next area of resistance is around 115.420 and 116.170, while 1st support hits today at 114.220 and below there at 113.750.

FEEDER CATTLE (MAR) 01/31/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The gap lower price action on the day session chart is a bearish indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 122.519. The next area of resistance is around 124.712 and 125.768, while 1st support hits today at 123.088 and below there at 122.519.

DAILY HOGS COMMENTARY

01/31/17

Pork belly prices already up 42% this year; strong demand

The big hog supply situation continues to clash with the strong demand situation. It remains very important that exports remain strong in order to avoid burdensome per capita supply in the US. Exports have been strong recently and pork demand, especially bacon, has been historically strong. USDA pork cutout values, released after the close yesterday, came in at \$82.80, up 23 cents from Friday and up from \$78.97 the previous week. This is the highest pork value since July 26th and continues to support the cash market trend. The CME Lean Hog Index as of January 26th was 68.30, up 19 cents from the previous session and up from 67.01 the previous week. April hogs closed slightly lower on the session yesterday after choppy and two-sided trade. Pork bellies were up \$1.20 yesterday to \$162.72 which is up from \$148.19 one week ago and up from \$114.52 on December 30th. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 443,000, from 440,000 last week and 438,000 last year.



TODAY'S MARKET IDEAS:

Fear of losing the Mexico pork market is clashing with some very positive short-term demand forces. Cash belly prices are already up 42% this year and this has kept pork values up at the highest since July. June hog resistance is at 77.70 with support at 75.92. A move outside of this range could set the next short-term direction.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 01/31/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under 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 downside objective is now at 67.150. The next area of resistance is around 68.820 and 69.520, while 1st support hits today at 67.650 and below there at 67.150.

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
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MEAT COMPLEX

LCJ7	114.820	34.73	44.12	66.96	49.54	117.10	118.25	117.40	114.42	112.45
FCH7	123.900	30.97	39.51	65.05	45.43	127.08	128.90	127.98	125.97	123.97
LHJ7	68.200	49.55	52.10	50.58	43.07	68.48	68.40	68.68	66.61	65.30

Calculations based on previous session. Data collected 01/30/2017

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	113.720	114.200	114.950	115.420	116.170
FCH7	Feeder Cattle	122.518	123.087	124.143	124.712	125.768
LHJ7	Lean Hogs	67.120	67.620	68.320	68.820	69.520

Calculations based on previous session. Data collected 01/30/2017

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