

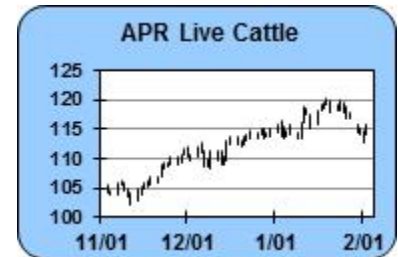


DAILY LIVESTOCK COMMENTARY Friday February 03, 2017

DAILY CATTLE COMMENTARY 02/03/17

Stiff discount supports; weather looks a bit bearish; chop

June cattle may have already discounted much of the recent bearish news and the stiff discount to the cash market may support. June is near a \$14 discount to the cash market as compared with the 5-year average of a \$7.90 discount. The market opened slightly higher on the session yesterday and pushed sharply higher on the session into the close. Ideas that the futures are discount to the cash market and talk that the market is oversold helped to support. Average dressed steer weights for the week ending January 21st came in at 889 pounds, down from 898 the previous week and down from 898 a year ago. The data is supportive and shows that producers are current with marketings. Beef production for the same week came in at 468.3 million pounds, down 1.9% over year ago. USDA boxed beef cutout values were up 40 cents at mid-session yesterday and closed 74 cents lower at \$193.01. This was up from \$193.00 the prior week.



Weekly U.S. beef export sales for the week ending January 26th came in at 19,200 tonnes, compared with the prior 4-week average of 16,575. Cumulative sales for 2017 have reached 156,300 tonnes, up 21.0% from last year's pace. The USDA estimated cattle slaughter came in at 113,000 head yesterday. This brings the total for the week so far to 450,000 head, down from 451,000 last week at this time but up from 394,000 a year ago. The short-term weather outlook is bearish with no moisture for the central or southern plains in the 5-day forecast. The Fed Cattle Exchange had an average sales price this week at \$118.82 as compared with \$121.98 last week.

TODAY'S MARKET IDEAS:

The next resistance for April cattle is at 116.52 and 117.42. June cattle support is at 104.45 and 103.70 and the turn up yesterday leaves 106.52 and 107.22 as stiff resistance.

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 (APR) 02/03/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 113.470. The next area of resistance is around 116.350 and 117.000, while 1st support hits today at 114.600 and below there at 113.470.

FEEDER CATTLE (MAR) 02/03/2017: Momentum studies are still bearish but are now at oversold levels and will

tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 121.250. The next area of resistance is around 124.774 and 125.350, while 1st support hits today at 122.725 and below there at 121.250.

DAILY HOGS COMMENTARY

02/03/17

Pork belly prices \$80 in August, \$114.52 Dec 30th, now \$174.86

The jump in belly prices continues to support the market but with traders seeing pork production up 3-5%, and total pork exports representing 20% of total production, there seems to be ample supply. If exports slow (Mexico takes near 30% of total exports) then the US consumer will be forced to absorb a significant jump in supply. Pork belly prices have jumped from near \$80.00 in August to \$114.52 on December 30th to \$174.86 yesterday. The surging belly price has supported pork cut-out values. USDA pork cutout values, released after the close yesterday, came in at \$83.01, up 69 cents from Wednesday and up from \$82.40 the previous week. The market closed slightly higher on the session yesterday with both April and June hogs showing an inside trading day. A drop in ham prices Wednesday pulled the pork cut-out lower and raised concerns over Mexican pork demand.



Weekly U.S. pork export sales for the week ending January 26 came in at 24,800 metric tonnes, compared with the prior 4-week average of 30,675. Cumulative sales for 2017 have reached 280,500 tonnes, up 47.3% from last year's pace. The CME Lean Hog Index as of January 31st was 69.07, up 46 cents from the previous session and up from 67.73 the previous week. The USDA estimated hog slaughter came in at 440,000 head yesterday. This brings the total for the week so far to 1.768 million head, up from 1.729 million last week at this time and up from 1.555 million a year ago. Actual US pork production for the week ending January 21st came in at 497.2 million pounds, down from 507.9 the previous week and up 1.1% from a year ago.

TODAY'S MARKET IDEAS:

April hogs are still operating under the negative technical influence of the January 26th reversal. However, belly prices continue to advance and support the cash market. A resumption of the uptrend for April hogs leaves 72.07 as next target with support at 68.15. June hog close-in support is at 76.92, with 80.27 as next target. If belly prices peak and support gives way, the market is vulnerable to a stiff break. For now, however, bellies are strong.

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) 02/03/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 70.650. The next area of resistance is around 70.250 and 70.650, while 1st support hits today at 68.900 and below there at 67.970.

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	115.470	44.34	48.36	40.63	29.69	114.54	116.59	117.42	114.65	112.91
FCH7	123.750	37.03	41.74	36.66	23.52	123.13	126.42	127.83	126.00	124.29
LHJ7	69.570	57.99	57.57	55.25	61.53	69.04	68.58	68.87	67.07	65.72

Calculations based on previous session. Data collected 02/02/2017

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	113.450	114.570	115.220	116.350	117.000
FCH7	Feeder Cattle	121.250	122.725	123.300	124.774	125.350
LHJ7	Lean Hogs	67.950	68.870	69.300	70.250	70.650

Calculations based on previous session. Data collected 02/02/2017

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.