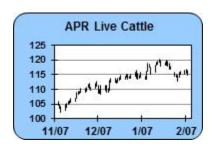


DAILY LIVESTOCK COMMENTARY Thursday February 09, 2017

DAILY CATTLE COMMENTARY 02/09/17

June at 105 and cash at 120? Should slow selling interest

With June cattle trading near \$105, news that cash cattle in Texas and Kansas traded \$120 might be a factor to limit new selling interest. June cattle closed sharply lower on the session and experienced the lowest close since February 1st. Weakness in the beef market and more talk of the overbought condition plus ideas that the chart pattern is still bearish helped to pressure. The Fed Cattle Exchange had 6,220 head offered with 3,616 head sold at an average price of \$117.60 from near \$119 last week. USDA boxed beef cutout values



were down 15 cents at mid-session yesterday and closed 53 cents lower at \$189.43. This was down from \$193.75 the prior week and the lowest beef market since January 12th. The USDA estimated cattle slaughter came in at 112,000 head yesterday. This brings the total for the week so far to 333,000 head, down from 337,000 last week at this time but up from 324,000 a year ago. First quarter beef production is expected to be down 565 million pounds from the fourth quarter which is the largest drop on record (see chart in research library in futures-research.com). The previous record drop was 2014 when April futures in 2014 rallied sharply from February to April.

TODAY'S MARKET IDEAS:

A clash of bearish and bullish forces should keep the market volatile. A cash trade at \$120 hurts packer margins but after the market became use to a base of supply for the 4th quarter of 2016, the shift to a much lower base of production has helped to support. June cattle close-in support is at 105.02 and 104.65. Another close over 106.52 and especially 107.25 leaves 112.00 as a longer-term target.

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) 02/09/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 113.300. The next area of resistance is around 115.650 and 116.950, while 1st support hits today at 113.850 and below there at 113.300.

FEEDER CATTLE (MAR) 02/09/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness.

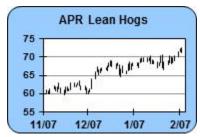
The next downside target is 120.419. The next area of resistance is around 123.487 and 125.168, while 1st support hits today at 121.113 and below there at 120.419.

DAILY HOGS COMMENTARY

02/09/17

May need to see belly price weakness to spark selling

April hogs are trading near the cash market but normally trade at a \$3.00 premium to the cash market at this time of the year. June hogs pushed to a new contract high early in the session yesterday and closed lower on the session, and the key reversal may be seen as a bearish force. Total US pork exports for December came in at 493.06 million pounds, down just 3.3% from November's record high and up 15% from last year. Mexican imports of US pork surged to a record high 181.97 million pounds, up 22.6% from last year. Ideas that Mexican



imports will fall off dramatically in January and February helped to pressure the market. Weekly average weights for lowa-Southern Minnesota as of February 4th came in at 281.4 pounds, down from 282.1 the previous week and down from 283.5 pounds last year. Weights normally move down at this time of the year but the news is somewhat supportive given the mild winter weather.

The CME Lean Hog Index as of February 6th was 71.45, up 50 cents from the previous session and up from 68.61 the previous week. The USDA estimated hog slaughter came in at 441,000 head yesterday. This brings the total for the week so far to 1.327 million head, down from 1.328 million last week at this time but up from 1.210 million a year ago. USDA pork cutout values, released after the close yesterday, came in at \$84.83, up 11 cents from Tuesday and up from \$82.32 the previous week. This is the highest since July 26th.

TODAY'S MARKET IDEAS:

The market may need to see some weakness in bellies or signs of a slowdown in Mexico demand to see significant follow-through to the downside after the key reversal. June hog close-in resistance is at 79.80, with 78.55 and 78.00 as support. April resistance is at 72.05 with 70.35 and 69.65 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 02/09/2017: 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 daily closing price reversal down puts the market on the defensive. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 73.200. The next area of resistance is around 72.400 and 73.200, while 1st support hits today at 71.050 and below there at 70.470.

DAILY TECHNICAL STATISTICS

			14 DAY	14 DAY					
	9 DAY	14 DAY	SLOW	SLOW	4 DAY	9 DAY	18 DAY	45 DAY	60 DAY
CLOSE	RSI	RSI	STOCH D	STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG

MEAT COMPLEX										
LCJ7	114.750	40.81	45.40	37.07	35.82	115.63	115.33	117.06	115.10	113.66
FCH7	122.300	33.14	38.44	25.62	20.77	123.41	123.73	126.76	126.00	124.80
LHJ7	71.720	67.00	64.21	78.20	86.35	71.34	69.98	69.35	68.01	66.37

Calculations based on previous session. Data collected 02/08/2017 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	113.270	113.820	115.120	115.650	116.950				
FCH7	Feeder Cattle	120.418	121.112	122.793	123.487	125.168				
LHJ7	Lean Hogs	70.450	71.020	71.820	72.400	73.200				

Calculations based on previous session. Data collected 02/08/2017 Data sources can & do produce bad ticks. Verify before use.

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