

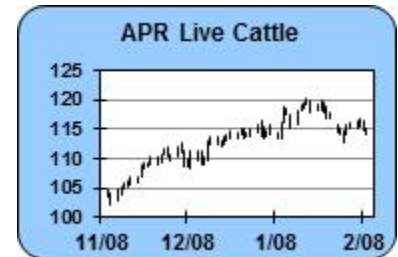


## DAILY LIVESTOCK COMMENTARY Friday February 10, 2017

### DAILY CATTLE COMMENTARY 02/10/17

#### Some positive forces but chart pattern and overbought COT; weak

Given the bearish short-term technical set-up and the overbought condition basis the COT report, buyers might be patient and wait to see if there is more downside in the cash and futures before entry. Sellers are forced to trade the weak basis so the downside might be limited. Average dressed steer weights for the week ending January 28th came in at 884 pounds, down from 889 the previous week and down from 899 pounds last year. The 21 pound drop in just 3 weeks suggests that producers are current with marketings. Beef production for the same week came in at 474.7 million pounds, down .98% over year ago. The market pushed moderately lower on the session yesterday and down to a 6-session low into the mid-day as technical selling remained active. However, June cattle recovered to close higher on the day as the stiff discount to the cash market and higher prices for cash markets this week helped to spark the short-covering bounce.



The monthly supply/demand update from the USDA showed a revision higher in beef production by 45 million pounds and up 35 million pounds in imports. This was mostly offset with a 75 million pound increase in exports. Weekly U.S. beef export sales for the week ending February 2nd came in at 16,200 tonnes, compared with the prior 4-week average of 20,950. Cumulative sales for 2017 have reached 172,500 tonnes, up 23.3% 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 446,000 head, down from 450,000 last week at this time but up from 433,000 a year ago. USDA boxed beef cutout values were down 34 cents at mid-session yesterday and closed 72 cents lower at \$188.71. This was down from \$193.01 the prior week and is the lowest beef market since November 28th.

#### TODAY'S MARKET IDEAS:

Cash traded at \$120 in Kansas and Texas this week but not good volume. The higher cash trade hurts packer margins and beef prices are down 2.2% from last week and this, plus a cut-back in kills could push cash lower short-term. April cattle short-term resistance is at 115.65, with 112.95 and then 111.52 as key support levels. New buyers can wait for test of key support.

#### 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) 02/10/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 113.700. The next area of resistance is around 115.350 and 115.770, while 1st support hits today at 114.320 and below there at 113.700.

FEEDER CATTLE (MAR) 02/10/2017: Daily stochastics are trending lower but have declined into oversold territory. The close above the 9-day moving average is a positive short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 121.338. The next area of resistance is around 124.574 and 125.137, while 1st support hits today at 122.675 and below there at 121.338.

## DAILY HOGS COMMENTARY

02/10/17

### Lack of shift down in production for 2nd quarter; down trend

The reversal Wednesday and more selling yesterday suggests that a near-term top may be in place. The market pushed up to a February peak due to surging belly prices and very aggressive exports to Mexico but both of these forces could ease ahead. April hogs closed sharply lower on the day and the aggressive follow-through selling helped to confirm the reversal top from Wednesday. Cash bellies pushed to a new high for the move to \$181.96 from near \$114 on December 30th and from near \$80 in August. Record pork production and the high belly price should be enough to offset the record low frozen supply. USDA pork cutout values, released after the close yesterday, came in at \$84.55, down 28 cents from Wednesday but up from \$83.01 the previous week. The USDA supply/demand report was neutral with a small revision in production of 35 million pounds for 2017.



Weekly U.S. pork export sales for the week ending February 2nd came in at 13,700 tonnes, compared with the prior 4-week average of 36,800. Cumulative sales for 2017 have reached 294,200 tonnes, up 35.9% from last year's pace. The CME Lean Hog Index as of February 7th was 72.19, up 74 cents from the previous session and up from 69.07 the previous week. The USDA estimated hog slaughter came in at 442,000 head yesterday. This brings the total for the week so far to 1.769 million head, up from 1.768 million last week at this time and up from 1.642 million a year ago. Actual US pork production for the week ending January 28th came in at 504.3 million pounds, up from 497.2 the previous week and up 2.52% from a year ago.

Typically, pork production drops 150 to 300 million pounds from the 1st quarter to the second quarter and production fell 268 million pounds last year and this is the primary reason for the strong seasonally rally into the spring. This year, production is expected to fall just 55 million pounds. Similar years include 2002, 1997 and 2005. In 2002, April hogs hit a contract high on February 5th at 62.80 and fell to 40.82 into April. In 1997, April hogs hit a contract high on January 8th at 77.40 and fell to under 69.00 into March. In 2005, April hogs hit a contract high on January 18th at 78.60 and fell to near 66.00 into April.

### TODAY'S MARKET IDEAS:

The technical action is turning weak and the reasons for the high prices (exports to Mexico and strong bacon demand) could ease ahead. In addition, the shift in production into the 2nd quarter suggests a very weak seasonal this year. June hog close-in resistance is at 79.80, with 75.02 and 73.37 as key support. April resistance is at 71.62 with 65.92 as initial key support.

### NEW RECOMMENDATIONS:

1) Sell April hogs at 71.40 with an objective of 66.02. Risk to 62.67. 2) Sell June hog 84.00 call at 217 with an objective of zero. Risk a total of 70 points from entry. 3) Buy June Hog 74.00 put at 237 with an objective of 392. Risk a total of 50 points from entry.

### PREVIOUS RECOMMENDATIONS:

None.

### PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 02/10/2017: 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 close below the 1st swing support could weigh on the market. The near-term upside objective is at 72.720. The next area of resistance is around 71.570 and 72.720, while 1st support hits today at 69.970 and below there at 69.500.

## 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	114.820	41.42	45.76	35.97	33.79	115.43	115.06	116.88	115.23	113.81
FCH7	123.625	41.97	43.73	24.37	21.86	123.42	123.31	126.45	126.05	124.90
LHJ7	70.770	57.95	58.54	78.76	79.90	71.48	70.26	69.41	68.22	66.52

Calculations based on previous session. Data collected 02/09/2017

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	113.670	114.300	114.720	115.350	115.770
FCH7	Feeder Cattle	121.337	122.675	123.237	124.574	125.137
LHJ7	Lean Hogs	69.470	69.950	71.100	71.570	72.720

Calculations based on previous session. Data collected 02/09/2017

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