

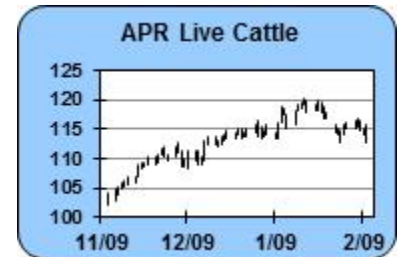


DAILY LIVESTOCK COMMENTARY
Monday February 13, 2017

DAILY CATTLE COMMENTARY
02/13/17

Beef down 2%, packer margins weak and bearish plains weather

The technical set-up remains bearish and while futures are holding a significant discount, the long liquidation trend in the COT report combined with the hefty net long position of the speculator leaves the market vulnerable to more selling pressure. While weights are already low and the discount encourages producers to stay current with marketings, the short-term weather outlook is bearish and the short-term trend is the cash market could be steady to lower. Technical selling emerged late in the session on Friday and this pushed April cattle down to the lowest close (down 167 on the day) since December 15th. This left the market down 137 points for the week. June cattle pushed up to trade 90 higher on the session early in the day, but traded lower on the day into the mid-session. The discount to the cash market helped to support the early bounce, but further weakness in the beef market and ideas that cash cattle will likely trade lower this week helped to pressure. USDA boxed beef cutout values were down 67 cents at mid-session Friday and closed \$1.08 lower at \$187.63. This was down from \$191.40 the prior week and the lowest beef market since November 23rd.



The USDA estimated cattle slaughter came in at 107,000 head Friday and 21,000 head for Saturday. This brought the total for last week to 574,000 head, down from 593,000 the previous week but up 4.7% from last year and beef production for the week was up 4.3% from last year. The Commitments of Traders reports as of February 7th showed Non-Commercial traders were net long 118,119 contracts, a decrease of 5,911 contracts for the week and the long liquidation selling trend is a concern for the bulls. Non-Commercial and Nonreportable combined traders held a net long position of 86,121 contracts, down 3,114 contracts for the week. Commodity Index traders held a net long position of 109,328 contracts, up 1,957 contracts for the week. 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.

TODAY'S MARKET IDEAS:

With the COT showing a long liquidation selling trend and packer margins in the red which could cause packers to cut back on slaughter and beef prices down 2% on the week, it is difficult to expect cash cattle to trade higher this week. More likely will be steady to \$2.00 lower. April cattle short-term resistance is at 114.92, with 111.52 and then 111.27 as next support levels.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Feeder Cattle	12,879	-1,630	-577	+1,080	-12,301	+551
Cattle	118,119	-5,911	-86,121	+3,114	-31,998	+2,797

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) 02/13/2017: The major trend has turned down with the cross over back below the 60-day moving average. 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 negative signal was given by the outside day down. 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 110.770. The next area of resistance is around 114.620 and 116.650, while 1st support hits today at 111.700 and below there at 110.770.

FEEDER CATTLE (MAR) 02/13/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 119.400. The next area of resistance is around 123.674 and 125.800, while 1st support hits today at 120.475 and below there at 119.400.

DAILY HOGS COMMENTARY

02/13/17

2nd quarter pork production seen up 6.7% from last year

With the key supportive factors for the market possibly shifting from a positive to a negative and a much smaller than normal decline in pork production expected, the market appears to be forming a significant top. April hogs closed 30 higher on the session Friday and this left the market up 82 points for the week. Talk that the sell-off Thursday was too far, too fast helped to support. Pork-cut-out values at mid-session up 36 cents to \$85.09 but bellies down \$2.69 to \$179.93, lowest in a week. USDA pork cutout values, released after the close Friday, came in at \$84.89, up 34 cents from Thursday and up from \$83.92 the previous week. This is still the highest pork value since July. Typically, pork production declines 150 to 300 million pounds from the first to the second quarters of the year (production fell 268 million pounds during that period last year). This decline is the primary reason for the strong seasonal tendency for the market to rally into the spring. However, this year's production is expected to decline by only 55 million pounds, and the USDA expects second quarter pork production at 6.365 billion pounds, up 6.7% from last year. Similar years to this year include 2002, 1997 and 2005. In 2002, April hogs hit a contract high on February 5th at 62.80 and then proceeded to fall to 40.82 into April. In 1997, April Hogs hit a contract high on January 8th at 77.40 and then fell to 68.05 by March 19th. In 2005, April Hogs hit a contract high on January 18th at 78.60 and fell to 66.30 by April 7th.



The USDA estimated hog slaughter came in at 437,000 head Friday and 158,000 head for Saturday. This brought the total for last week to 2.364 million head, up 3.8% from last year and pork production for the week was up 4% from last year. The CME Lean Hog Index as of February 8th was 72.80, up 61 cents from the previous session and up from 69.63 the previous week. The Commitments of Traders reports as of February 7th showed Non-Commercial traders were net long 64,054 contracts, an increase of 584 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 51,003 contracts, up 1,638. Commodity Index traders held a net long position of 79,431 contracts, up 2,108 contracts for the week.

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. June hog close-in resistance is at 79.80, with 75.02 and 73.37 as key support. April selling resistance is at 72.05 with 65.92 as initial key support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short April hogs from 71.40 with an objective of 66.02. Risk to 72.67. 2) Short June hog 84.00 call from 220 with an objective of zero. Risk to 290. 3) Long June Hog 74.00 put from 237 with an objective of 392. Risk to 187.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	64,054	+584	-51,003	-1,638	-13,051	+1,054

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) 02/13/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 70.150. The next area of resistance is around 71.550 and 72.070, while 1st support hits today at 70.600 and below there at 70.150.

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
MEAT COMPLEX										
LCJ7	113.150	32.86	39.56	32.18	24.60	114.81	114.87	116.56	115.28	113.92
FCH7	122.075	35.76	39.46	22.21	17.89	123.06	123.10	126.00	126.01	124.96
LHJ7	71.070	59.88	59.75	78.43	77.75	71.44	70.57	69.48	68.39	66.69

Calculations based on previous session. Data collected 02/10/2017

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	110.750	111.650	113.700	114.620	116.650
FCH7	Feeder Cattle	119.399	120.474	122.600	123.674	125.800
LHJ7	Lean Hogs	70.120	70.570	71.100	71.550	72.070

Calculations based on previous session. Data collected 02/10/2017

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