



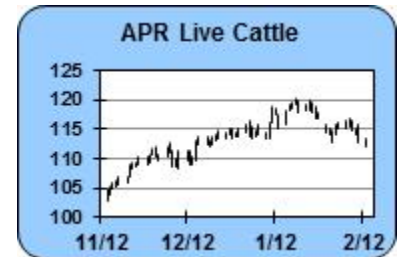
DAILY LIVESTOCK COMMENTARY Tuesday February 14, 2017

DAILY CATTLE COMMENTARY 02/14/17

Cut-back in slaughter at same time of great weight-gain weather

If packers back away from the active slaughter pace seen recently due to very poor margins, this could support the beef market but points to a weaker cash market. Packer margins are deep in the red. The real question is whether or not the fund traders will hold their large net long position or step aside. Managed money traders held a net long position of 103,588 contracts as of February 7th. 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.

April cattle closed moderately lower on the session yesterday and experienced follow-through technical selling after last week's weak action. The selling pushed the market down to the lowest level since December 15th. The bearish technical set-up with the COT report showing a large net long position helped to pressure. USDA boxed beef cutout values were up 51 cents at mid-session yesterday and closed 63 cents higher at \$188.26. This was down from \$191.23 the prior week. Slaughter came in a little above trade expectations at 113,000 head. This was up from 108,000 last week and up from 93,000 a year ago as this time.



TODAY'S MARKET IDEAS:

Ideas that packer margins are so weak that they will back away from the cash market this week is helping to pressure. Once the market corrects the overbought technical condition from the COT report, we cannot rule out that the discount of futures to cash may be overdone. With 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 114.32, with 111.52 and then 111.27 as next support levels. Key support for June cattle is at 102.62 and 100.45.

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) 02/14/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 111.350. The next area of resistance is around 113.150 and 113.870, while 1st support hits today at 111.900 and below there at 111.350.

FEEDER CATTLE (MAR) 02/14/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator

that the close was under the swing pivot. The next downside target is now at 119.382. The next area of resistance is around 123.012 and 124.131, while 1st support hits today at 120.638 and below there at 119.382.

DAILY HOGS COMMENTARY

02/14/17

Still under bearish technical influence of the Feb 8th reversal

With record production in the US and a surge in belly prices from near \$80.00 last summer to \$114.00 at the end of 2016 to \$181.12 yesterday, the upside seems somewhat limited short-term. The surging price has supported pork cut-out values and also cash hog values recently. In addition, record pork exports to Mexico in December might not continue to expand at a record pace. If the export pace eases or belly prices drift lower, the market could see a significant set-back. USDA pork cutout values, released after the close yesterday, came in at \$84.73, down 16 cents from Friday but up from \$84.53 the previous week. April Hogs closed sharply lower on the session yesterday and pushed down to the lowest level since February 3rd. A weaker tone to the cash market helped to spark long liquidation selling into the mid-day. Ideas that the "reasons" for the recent strong gains (Mexico import activity and surging belly prices) could reverse plus talk of the overbought condition of the market helped to pressure.

Keep in mind; the USDA sees second quarter pork production up 6.7% from last year. In addition, pork production is expected to decline just 55 million pounds from the 1st to 2nd quarter and normally declines 150 to 300 million pounds (production fell 268 million pounds last year). This decline is the primary reason for the strong seasonal tendency for the market to rally into the spring. Slaughter came in well above trade expectations at 445,000 head. This was up from 443,000 last week and up from 416,000 a year ago as this time. The CME Lean Hog Index as of February 9th was 73.51, up 71 cents from the previous session and up from 70.30 the previous week.



TODAY'S MARKET IDEAS:

The market technical action is weak and with the big fresh supply, it will be important to see a continued strong export pace or lower prices may be necessary. June hog close-in resistance is at 79.05, with 75.02 and 73.37 as key support. April selling resistance is at 71.07 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.

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) 02/14/2017: 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 outside day down and close below the previous day's low is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 67.270. The next area of resistance is around 71.070 and 72.800, while 1st support hits today at 68.320 and below there at 67.270.

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	112.520	30.23	37.51	27.59	18.40	113.81	114.69	116.18	115.32	114.02
FCH7	121.825	34.82	38.80	20.20	16.18	122.46	123.00	125.57	125.97	125.01
LHJ7	69.700	48.44	52.24	75.10	68.45	70.82	70.62	69.53	68.48	66.85

Calculations based on previous session. Data collected 02/13/2017

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	111.320	111.870	112.600	113.150	113.870
FCH7	Feeder Cattle	119.381	120.637	121.756	123.012	124.131
LHJ7	Lean Hogs	67.250	68.300	70.020	71.070	72.800

Calculations based on previous session. Data collected 02/13/2017

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