



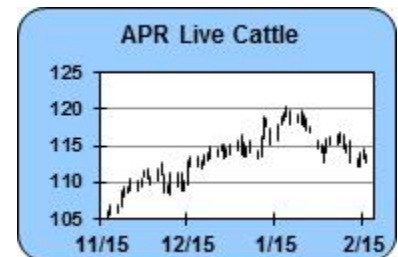
DAILY LIVESTOCK COMMENTARY Friday February 17, 2017

DAILY CATTLE COMMENTARY 02/17/17

May be enough short-term tightness to avoid big drop in cash

The market awaits a better feel for the cash market this week as the clash of some short-term tightness in supply relative to the 4th quarter of 2016 clashes with the outlook for a surge in production from the first quarter to the second quarter. April cattle is at a \$6 discount to last week's cash as compared with the 5-year average of \$1.40 discount. The market closed slightly lower on the session yesterday with choppy and two-sided trade. Traders await a more accurate measure of cash trade this week. There were a few cattle traded in the Plains at \$119.25 with bids at \$116.00 and offers at \$122. USDA boxed beef cutout values were up 93 cents at mid-session yesterday and closed 88 cents higher at \$189.22. This was up from \$188.71 the prior week. Average dressed steer weights for the week ending February 4th came in at 887 pounds, up from 884 the previous week and down 1.2% from a year ago. Beef production for the same week came in at 489.3 million pounds, up 3.3% over year ago.

Weekly U.S. beef export sales for the week ending February 9 came in at 13,000 tonnes, compared with the prior 4-week average of 15,225. Cumulative sales for 2017 have reached 185,500 tonnes, up 25.8% from last year's pace. The USDA estimated cattle slaughter came in at 96,000 head yesterday. This brings the total for the week so far to 433,000 head, down from 446,000 last week at this time but up from 412,000 a year ago.



TODAY'S MARKET IDEAS:

Open interest is down near 23,000 contracts so far this month which has helped to correct the oversold condition. Corrective breaks are likely buying opportunities if the long liquidation trend ends. April cattle buying support is at 112.52 and back at 111.52 with 116.20 and 117.15 as upside targets. Support for June cattle is at 103.55, with 106.37 and 107.15 as short-term targets.

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) 02/17/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 112.020. The next area of resistance is around 113.870 and 114.500, while 1st support hits today at 112.650 and below there at 112.020.

FEEDER CATTLE (MAR) 02/17/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 upside target is 125.625. The next area of resistance is around 124.750 and 125.625, while 1st support hits today at 122.900 and below there at 121.925.

DAILY HOGS COMMENTARY

02/17/17

Potential for higher exports to China and lower to Mexico

The market may need evidence of positive export market news or else a continued sharp advance in belly prices to expect a continued advance in the cash market. April hogs closed sharply lower on the session yesterday as the early bounce failed to attract new buying interest. Short-term cash fundamentals remain somewhat supportive but traders remain nervous with the possibility that cash bellies might pull back into a period of record pork production ahead.

USDA pork cutout values, released after the close yesterday, came in at \$84.43, down 78 cents from Wednesday and down from \$84.55 the previous week. This is the lowest level since February 3rd. Cash bellies were down \$3.70 to \$180.52. This is up from near \$114 at the end of 2016 and \$80 in August. With record production and the surge in prices, the concern is that belly prices push lower. Concerns that Mexico was an aggressive buyer in December and January of US pork and that sales could slow helped to spark some selling pressure as well yesterday. Weekly U.S. pork export sales for the week ending February 9th came in at 18,500 tonnes, compared with the prior 4-week average of 25,025. Cumulative sales for 2017 have reached 312,700 tonnes, up 32.5% from last year's pace.



The CME Lean Hog Index as of February 14th was 75.31, up 69 cents from the previous session and up from 72.19 the previous week. The USDA estimated hog slaughter came in at 408,000 head yesterday. This brings the total for the week so far to 1.720 million head, down from 1.769 million last week at this time and down from 1.727 million a year ago. Actual US pork production for the week ending February 4th came in at 494.0 million pounds, down from 504.3 the previous week and up 6.3% from a year ago. With very low poultry prices in China and bird flu fears spreading, traders will continue to monitor cut-out values for any signs of changes in exports. There is a concern that demand will shift away from poultry to pork and that China will be forced to import more pork.

TODAY'S MARKET IDEAS:

June hog close-in resistance moves down to 79.80, with 75.02 and 73.37 as key support. April hog resistance moves down to 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:

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LEAN HOGS (APR) 02/17/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 68.270. The next area of resistance is around 70.820 and 72.300, while 1st support hits today at 68.820 and below there at 68.270.

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	113.250	38.52	42.06	23.96	22.98	113.28	114.22	115.21	115.49	114.25
FCH7	123.825	47.12	46.55	29.30	39.15	123.48	123.30	124.46	126.00	125.17
LHJ7	69.820	48.00	51.44	69.29	62.20	70.40	70.95	69.90	68.76	67.31

Calculations based on previous session. Data collected 02/16/2017

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	112.000	112.620	113.250	113.870	114.500
FCH7	Feeder Cattle	121.925	122.900	123.775	124.750	125.625
LHJ7	Lean Hogs	68.250	68.800	70.270	70.820	72.300

Calculations based on previous session. Data collected 02/16/2017

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