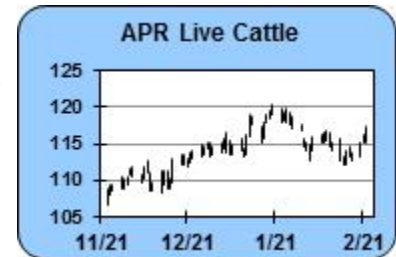




**DAILY CATTLE COMMENTARY**  
02/23/17

**Surge in cash price leaves futures at a stiff discount**

The short-term trend remains up and the jump in cash prices plus the outlook for tighter supply into March should help support. The surge in placements over the winter, however, has traders expecting a jump in market-ready feedlot cattle into the spring. April cattle closed moderately higher on the session yesterday but well off of the mid-session peak. The market experienced some choppy trade early, but news that cash cattle traded at \$124.00 in Texas and Nebraska, up \$4.00 from last week helped to support. Talk of tighter supply for parts of the Plains plus some improvement in packer demand due to the recent advance in beef prices helped to provide some buying support. More than 1 inch of moisture moves across Nebraska today and tomorrow but most of this may fall as rain and temperatures warm up next week with drier weather so the impact on feedlots could be minimal.



For the Cattle on Feed report on Friday, traders see January placements at 111% of last year (range 106.8 to 118.2) and marketings for January at 109.8% of last year. This would leave February 1st On-Feed supply at 100.7% of last year (range 99.8 to 102.5). Positive feeding margins continues to support high placements while a strong marketings number would suggest producers are staying current with marketings. The warmer and drier than normal winter should result in a plentiful supply of market-ready cattle in April and May. The USDA estimated cattle slaughter came in at 114,000 head yesterday. This brings the total for the week so far to 331,000 head, down from 337,000 last week at this time but up from 320,000 a year ago. USDA boxed beef cutout values were up \$2.37 at mid-session yesterday and closed \$2.72 higher at \$194.53. This was up from \$188.34 the prior week and the highest since January 9th.

**TODAY'S MARKET IDEAS:**

The short-term trend is up and the surge in cash cattle this week leaves futures at a stiff discount. Consider buying April cattle near 114.62 with 117.15 as initial resistance. A close through resistance would leave 119.07 and 123.47 as longer-term targets.

**NEW RECOMMENDATIONS:**

\* Sell April cattle 114.00 put at 225 with an objective of zero. Risk a total of 75 points from entry.

**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) 02/23/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 118.250. The next area of

resistance is around 117.150 and 118.250, while 1st support hits today at 115.000 and below there at 113.920.

FEEDER CATTLE (MAR) 02/23/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 126.775. The next area of resistance is around 126.150 and 126.775, while 1st support hits today at 124.050 and below there at 122.575.

## DAILY HOGS COMMENTARY

### 02/23/17

#### Fresh belly supply ample; Cold Storage update today

A collapse in belly prices and ideas that it will be difficult to see the export pace stay strong are factors which sparked aggressive long liquidation selling yesterday. Large and small speculators combined held a net long position of 52,792 contracts in the last COT update. April hogs closed sharply lower on the session yesterday with aggressive selling late which drove the market down to the lowest level since February 2nd. Weakness in cash bellies, hefty short-term supply and weak technical signals helped to pressure. The gap lower opening and penetration of the December-February uptrend channel is seen as a bearish technical development. Cash bellies were down \$6.12 to \$176.74 late Tuesday from near \$183.00 last week. Cash bellies at mid-day were down \$10.19 and closed down \$24.54 to \$153.27 and this helped pull pork cut-out value lower.



Weekly average weights for Iowa-Southern Minnesota as of February 18 came in at 281.3 pounds, up from 280.6 the previous week and down from 284.6 pounds last year. Blizzard type weather for late this week for Iowa/Minnesota might disrupt marketings and provide some support. However, temperature highs for next week for Minneapolis call for upper 30's to lower 40's so the marketing impact of the storm should be minimal. The CME Lean Hog Index as of February 20th was 77.24, up 17 cents from the previous session and up from 74.62 the previous week. The USDA estimated hog slaughter came in at 443,000 head yesterday. This brings the total for the week so far to 1.319 million head, up from 1.312 million last week at this time and up from 1.287 million a year ago.

#### TODAY'S MARKET IDEAS:

USDA pork cutout values, released after the close yesterday, came in at \$79.76, down \$4.10 from Tuesday and down from \$85.21 the previous week. This is the lowest since January 23rd and is a factor which could pull live hog prices lower over the near-term. April hogs resistance is at 69.00 with 65.92 and 63.85 as key support. June hog resistance is at 78.25 with 75.02 as first key support.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

1) Short April hogs from 71.40 with an objective of 66.02. \* Risk to 70.07. 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) 02/23/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term

trend could be turning down. More selling pressure is likely given yesterday's gap lower price action on the day session chart. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 65.800. The next area of resistance is around 68.970 and 70.720, while 1st support hits today at 66.520 and below there at 65.800.

## 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	116.070	58.23	54.56	40.69	55.82	114.89	114.16	114.74	115.67	114.53
FCH7	125.100	55.29	51.55	50.69	66.63	124.39	123.71	123.72	125.96	125.39
LHJ7	67.750	36.66	42.70	55.23	39.02	69.68	70.26	70.12	68.93	67.69

Calculations based on previous session. Data collected 02/22/2017

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	113.900	114.970	116.070	117.150	118.250
FCH7	Feeder Cattle	122.575	124.050	124.675	126.150	126.775
LHJ7	Lean Hogs	65.770	66.500	68.250	68.970	70.720

Calculations based on previous session. Data collected 02/22/2017

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