



DAILY LIVESTOCK COMMENTARY
Monday February 27, 2017

DAILY CATTLE COMMENTARY
02/27/17

Relatively tight supply for March plus discount supports

The USDA sees beef production for 2017 up 2.9% from last year. The shift in production into the second quarter is a potential bearish force but the market should see tight supply into March as the market is seeing the largest drop in production on record from the 4th quarter to the 1st quarter production. USDA boxed beef cutout values were up \$2.24 at mid-session Friday and closed \$2.77 higher at \$198.96. This was up from \$190.49 the prior week and is the highest beef market since January 5th. The Cattle on Feed report from Friday afternoon was considered very neutral against trade expectations. Placements during January came in at a hefty 111.4% of last year as compared with trade expectations 111%. Marketings in January came in 110.2% which was a little higher than expected. The high marketings number shows that producers are current with marketings and a bit supportive to April. The high placements number helps explain the large June discount. The data leaves February 1st On-Feed supply at 100.7% of last year which was right on trade expectations. The market traded sharply lower on the session Friday and this left the market near unchanged for the week.



Talk of the overbought condition, news of record high end of January cold storage stocks and long liquidation selling from speculators helped to pressure. The market experienced a significant bounce off of the lows but still closed lower. Positioning ahead of the USDA Cattle-on-Feed report may have helped to pressure. Weekly U.S. beef export sales for the week ending February 16th came in at 10,400 tonnes, compared with the prior 4-week average of 17,550. Cumulative sales for 2017 have reached 195,900 tonnes, up 22.4% from last year's pace. The USDA estimated cattle slaughter came in at 106,000 head Friday and 24,000 head for Saturday. This brought the total for last week to 575,000 head, up from 572,000 the previous week and up from 541,000 a year ago. Beef production for the week was up 5.5% from last year. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 109,939 contracts, a decrease of 1,906 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 77,895 contracts, down 3,192 contracts for the week.

TODAY'S MARKET IDEAS:

If the market is good, April cattle should hold in the 114.72-114.10 support zone. The weight data is supportive. Consider buying April cattle with 119.07 as next key resistance. Close-in resistance is at 116.20 and 117.17.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Short April cattle 114.00 put from 197 with an objective of zero. Risk to 265.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Feeder Cattle	11,283	+122	1,037	-360	-12,320	+238
Cattle	109,939	-1,906	-77,896	+3,191	-32,044	-1,286

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) 02/27/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The near-term upside objective is at 117.400. The next area of resistance is around 116.000 and 117.400, while 1st support hits today at 113.920 and below there at 113.220.

FEEDER CATTLE (MAR) 02/27/2017: The daily stochastics have crossed over down which is a bearish indication. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 118.900. The next area of resistance is around 123.500 and 126.100, while 1st support hits today at 119.900 and below there at 118.900.

DAILY HOGS COMMENTARY

02/27/17

Basis just too overdone as market has discounted break

The USDA sees 2017 pork production at a record high and up 4.9% from last year. The CME Lean Hog Index as of February 22nd was 77.73, up 9 cents from the previous session and up from 75.98 the previous week. Even with the rally from Friday, this leaves April hogs at a 957 point discount to the cash market as compared with the 5-year average of a 380 point premium to the cash market. April hogs experienced an impressive recovery bounce on Friday with talk of the short-term oversold condition and a firm tone to mid-day pork helping to support. USDA pork cutout values, released after the close Friday, came in at \$81.31, up \$1.76 from Thursday but down from \$83.75 the previous week. The USDA Monthly Cold Storage report from Thursday showed January 31st frozen pork supply at 526.7 million pounds which was down 15.8% from last year but up 10.8% from the previous month. Stocks normally increase by 14.2% for the month so the smaller than normal build is a bit positive. Belly stocks were just 14 million pounds which is a record low for end of January and down from 60.7 million pounds last year. Weekly U.S. pork export sales for the week ending February 16th came in at 20,800 tonnes, compared with the prior 4-week average of 23,300. Cumulative sales for 2017 have reached 333,500 tonnes, up 33.2% from last year's pace.



The USDA estimated hog slaughter came in at 399,000 head Friday and 119,000 head for Saturday. This brought the total for last week to 2.280 million head, down from 2.363 million the previous week but up from 2.209 million a year ago. Pork production for the week was up 3.3% from last year. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 62,231 contracts, a decrease of 1,787 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 49,076 contracts, down 3,716 contracts for the week and the long liquidation selling trend is seen as somewhat bearish. Commodity Index traders held a net long position of 77,425 contracts, down 2,220 contracts for the week.

TODAY'S MARKET IDEAS:

The market is in a short-term oversold condition and the basis is stretched to a very oversold level. April hogs held key support last week and looks set for a recovery bounce. Close-in support is at 66.70, with 68.57 and 69.32 as short-term resistance. June hog close-in support is at 76.65 with 78.67 resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Hit objective on short April hogs position for a 537 point gain. 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, and short the June hog 70.00 put from or 170 points. Hold for now.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	62,231	-1,787	-49,077	+3,716	-13,155	-1,929

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) 02/27/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is now at 65.850. The next area of resistance is around 68.900 and 69.370, while 1st support hits today at 67.150 and below there at 65.850.

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	114.950	48.82	49.10	53.24	61.79	115.71	114.54	114.71	115.75	114.68
FCH7	121.700	35.38	39.53	57.54	56.46	124.13	123.83	123.47	125.82	125.39
LHJ7	68.020	42.16	45.34	39.85	28.05	68.18	69.45	70.01	68.88	67.84

Calculations based on previous session. Data collected 02/24/2017
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	113.200	113.900	115.300	116.000	117.400
FCH7	Feeder Cattle	118.899	119.899	122.500	123.500	126.100
LHJ7	Lean Hogs	65.820	67.120	67.600	68.900	69.370

Calculations based on previous session. Data collected 02/24/2017
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