



DAILY LIVESTOCK COMMENTARY Wednesday March 08, 2017

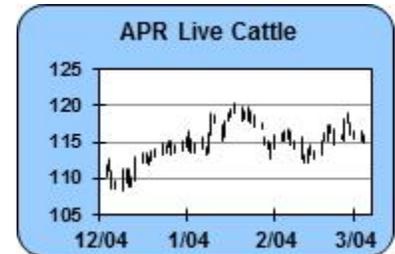
DAILY CATTLE COMMENTARY 03/08/17

In position to hold support; beef at highest level since June

With beef prices at the highest since last June, packer margins are strong and demand may be a bit stronger than expected. With the stiff discount of futures to cash, consider selling out-of-the-money put premium. April cattle closed lower for the 5th session in a row yesterday as long liquidation selling remains active. Selling pushed the market down to the lowest level since February 24th.

Slaughter came in a little higher than expected at 115,000 head yesterday. This brings the total for the week so far to 229,000 head, down from 231,000 last week at this time but up from 215,000 a year ago.

Boxed-beef cut-out values continue to advance and help packer margins but traders see a weaker tone in the cash market this week which is keeping long liquidation sellers somewhat active. USDA boxed beef cutout values were up \$2.35 at mid-session yesterday and closed \$2.40 higher at \$212.00. This was up from \$204.73 the prior week and is the highest beef market since June 24th. A few cattle traded in Kansas Monday at \$121, down \$3-\$4 from last week.



TODAY'S MARKET IDEAS:

The jump in beef prices this week has helped to boost packer margins and the discount may begin to slow the long liquidation selling trend seen recently. April cattle short-term support comes in at 114.72. Consider buying April cattle into support with 118.15 and 120.57 as next upside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Short April cattle 116.00 put from 265 with an objective of zero. Risk to 355. 2) Short April cattle 114.00 put from 197 with an objective of zero. Risk to 265.

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) 03/08/2017: The major trend has turned down with the cross over back below the 60-day moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 114.370. The next area of resistance is around 115.850 and 116.400, while 1st support hits today at 114.850 and below there at 114.370.

FEEDER CATTLE (MAR) 03/08/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 122.850. The next area of resistance is around 124.524 and 125.149, while 1st support hits today at 123.375 and below there at 122.850.

DAILY HOGS COMMENTARY

03/08/17

Sluggish January pork exports and ample supply ahead

With an oversold condition and a wide basis, the market is vulnerable to bouts of buying but the trend still looks weak heading into the spring and it will be important to see strong exports to avoid significant weakness. Pork exports for January were just 457.96 million pounds which is down 10% from December but still up 19.5% from a year ago. Exports to Mexico were 162.3 million pounds from 181.9 million in December. China imports were just 25.9 million pounds, the lowest since January 2016. Exports to Canada were also the lowest since January, 2016. South Korea was the bright spot showing the highest since April of 2015. June hogs are trading near a 4 cent premium to the cash market as compared with the 5-year average premium of 14.5 cents. The CME Lean Hog Index as of March 3rd was 72.92, down 46 from the previous session and down from 76.72 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 886,000 head, up from 883,000 last week at this time and up from 870,000 a year ago. USDA pork cutout values, released after the close yesterday, came in at \$81.48, down 42 cents from Monday and down from \$81.67 the previous week. The market closed sharply higher on the session yesterday and near the highs of the day. Ideas that the discount of futures to the cash market is too wide, and talk of the oversold condition of the market helped to support. A firm tone to pork cut-out values and the discount of futures to the cash market are seen as positive forces. However, fears that bird flu leaves more meat for US producers to absorb plus ideas that US production will remain ample helped to limit the advance. Cash markets are quiet.

TODAY'S MARKET IDEAS:

Pork exports slowed in January with weak demand noted from China and Canada. The premium of June to the cash is much smaller than normal but the decline in production from the 1st quarter to the second quarter is the smallest decline since 2002. April hog resistance is at the 69.32-70.12 zone. Key support levels are back at 65.95 and 63.85. June resistance is at 78.12 and 78.67 with 74.80 as initial support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June Hogs from 77.72 with an objective of 73.40. Risk the trade to close over 78.90. 2) Short June hog 84.00 call from 220 with an objective of zero. Risk to 225. 3) Long June Hog 74.00 put from 237, and short the June hog 70.00 put from 170 points. Look to buy back short June 70.00 put at 77.

PORK COMPLEX TECHNICAL OUTLOOK:

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LEAN HOGS (APR) 03/08/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 66.550. The next area of resistance is around 68.670 and 69.070, while 1st support hits today at 67.420 and below there at 66.550.

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	115.350	47.15	48.90	61.49	54.52	115.76	116.17	115.16	116.01	115.36
FCH7	123.950	48.62	48.24	63.35	61.36	123.93	124.00	123.85	125.45	125.51
LHJ7	68.020	47.05	47.43	27.27	26.12	67.56	67.67	68.96	69.02	68.52

Calculations based on previous session. Data collected 03/07/2017

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	114.350	114.820	115.370	115.850	116.400
FCH7	Feeder Cattle	122.850	123.375	124.000	124.524	125.149
LHJ7	Lean Hogs	66.520	67.400	67.800	68.670	69.070

Calculations based on previous session. Data collected 03/07/2017

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