

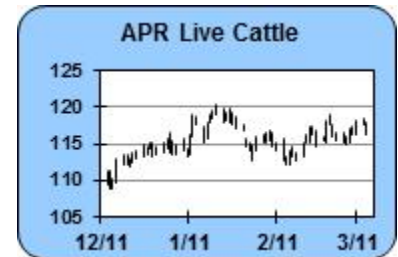


DAILY LIVESTOCK COMMENTARY Wednesday March 15, 2017

DAILY CATTLE COMMENTARY 03/15/17

Trade convinced top in place; How much of a discount?

Unless the form of bird flu which kills humans hits the US, the bird flu issues for Alabama and Tennessee may just help to slow poultry and egg exports and leave "extra" meat to absorb for US consumers. As a result, this is still a bearish force for now. The surging beef market has traders nervous that consumer demand may be weak into the spring just as market-ready supply is increasing rapidly. Second quarter beef production is expected to be up 520 million pounds from the first quarter, compared with increased of 252 million pounds for the same period last year and 195 million for 2015. This is due to the jump in placements in the winter and a shift to more heifers on feed this year vs last. April cattle closed sharply lower yesterday and experienced the lowest close since March 8th. Short-term weather looks bearish with dryness in the Plains and snowstorms in the north and east which could hurt demand. The USDA estimated cattle slaughter came in at 112,000 head yesterday. This brings the total for the week so far to 228,000 head, down from 229,000 last week at this time but up from 224,000 a year ago. Beef production last week was 480.3 million pounds, up 6.3% from last year. USDA boxed beef cutout values were down 23 cents at mid-session yesterday and closed 41 cents lower at \$220.14. This was up from \$212.00 the prior week.



TODAY'S MARKET IDEAS:

The market seems convinced that the cash market is near a peak and that the very high beef price will hurt consumer demand into the spring, just as supply increases rapidly. With cash at \$125 and futures at 116.322, the extent of the pullback will be a key factor. April cattle uptrend channel support comes in at 115.87 today with 117.17 and 119.07 as resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short April cattle 116.00 put from 265 with an objective of 97. Risk to 220. 2) Short April cattle 114.00 put from 197 with an objective of 42. Risk to 117.

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) 03/15/2017: A bearish signal was triggered on a crossover down in the daily stochastics. 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 114.950. The next area of resistance is around 117.200 and 118.470, while 1st support hits today at 115.450 and below there at 114.950.

FEEDER CATTLE (MAR) 03/15/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 lower than the pivot swing number. The next upside target is 129.643. The next area of resistance is around 128.737 and 129.643, while 1st support hits today at 126.963 and below there at 126.094.

DAILY HOGS COMMENTARY

03/15/17

Traders see China needing extra pork as poultry demand dives

A push in pork cut-out values to the highest level since February 21st plus a sense that China poultry problems will shift China consumer demand to pork and force a spurt in China pork imports plus the abnormal basis are all seen as short-term positive force. April hogs closed up for the third session in a row yesterday and pushed back over 71.00 for the first time since February 21st. The CME Lean Hog Index as of March 9th was 72.14 down 37 cents from the previous session and down from 72.92 the previous week. This leaves June hogs near a 700 point premium to the cash market as compared with the 5-year average premium of near 1,350 points for this time of the year. Bird flu concerns persist and with so many human fatalities in China for January and February, Chinese consumers are likely shying away from poultry and this could spark better pork demand and a surge in imports.

The weak basis also caught the market holding a short position and the technical action is impressive which sparked more short-covering yesterday. In addition, pork bellies jumped \$5.22 on the mid-day wire to help pull the cut-out value up \$1.46 to \$83.82 and this added to the positive tone. USDA pork cutout values, released after the close yesterday, came in at \$82.45, up 60 cents from Monday and up from \$81.48 the previous week. The USDA estimated hog slaughter came in at 433,000 head yesterday. This brings the total for the week so far to 873,000 head, down from 886,000 last week at this time but up from 862,000 a year ago. Pork production last week reached 491.1 million pounds, up 3.3% from last year.



TODAY'S MARKET IDEAS:

The advance in pork values and more talk that China could be a more active buyer ahead has helped to support. The market's technical action is impressive, and the lack of much premium to the cash market for June hogs opens the door for more buying. The second close over 78.67 for June hogs is a bullish technical factor and opens the door for a resumption of the uptrend with 80.35 and 82.02 as next upside targets. Key support is at 78.15.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Hit stop for a 135 point loss on short June Hogs position. 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) 03/15/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 72.000. The next area of resistance is around 71.450 and 72.000, while 1st support hits today at 70.200 and below there at 69.470.

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	116.320	50.80	51.65	58.31	55.80	117.04	116.35	116.07	116.29	115.78
FCH7	127.850	65.50	60.40	79.24	84.32	127.52	125.57	124.89	125.74	125.72
LHJ7	70.820	65.44	59.48	47.20	64.96	69.33	68.44	68.52	69.16	68.74

Calculations based on previous session. Data collected 03/14/2017

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	114.920	115.420	116.700	117.200	118.470
FCH7	Feeder Cattle	126.093	126.962	127.868	128.737	129.643
LHJ7	Lean Hogs	69.450	70.170	70.720	71.450	72.000

Calculations based on previous session. Data collected 03/14/2017

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