

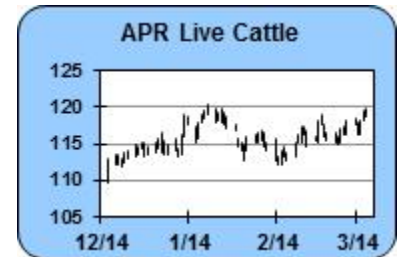


DAILY LIVESTOCK COMMENTARY Monday March 20, 2017

DAILY CATTLE COMMENTARY 03/20/17

Still no sign of top in beef or cash; June massive discount

With expanding supply into the 2nd quarter, the trade is convinced that cash markets will trend lower but from where? June cattle is trading near an \$18 discount to the cash market as compared with the 5-year average discount of \$7.75. The market is in search of a near-term high but with a massive discount of June to the cash market, finding new interested sellers is difficult. The market experienced some choppy to lower trade early in the session Friday but buyers turned active and April cattle traded higher on the day to close up 172 points for the week. June cattle also traded higher and pushed up to the highest level since June of last year. The jump in beef prices over the past few weeks has supported positive packer margins and packer demand for live inventory remains strong. USDA boxed beef cutout values were up 82 cents at mid-session Friday and closed \$1.07 higher at \$223.43. This was up from \$219.83 the prior week and the highest beef market since June 16th.



The USDA estimated cattle slaughter came in at 99,000 head Friday and 29,000 head for Saturday. This brought the total for last week to 585,000 head, down from 587,000 the previous week but up 6.4% from last year. Beef production for the week was up 4.3% from last year. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 119,956 contracts, an increase of 6,429 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 91,810 contracts, up 6,168 contracts for the week. Commodity Index traders held a net long position of 107,944 contracts, down a significant 3,336 contracts for the week.

TODAY'S MARKET IDEAS:

Traders remain concerned that high beef prices will hit consumer demand at the same time that beef supply surges into the spring. Cash markets are likely near a peak and could begin to work lower but June is at a massive discount. The upside break-out for June cattle leaves the next upside target at 112.07 with close-in support at 108.40. April cattle support is at 117.50 with 120.32 and 120.47 as next targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Livestock						
Feeder Cattle	13,220	+3,256	548	-2,173	-13,768	-1,083
Cattle	119,956	+6,429	-91,810	-6,167	-28,146	-261

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) 03/20/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 120.350. The next area of resistance is around 119.870 and 120.350, while 1st support hits today at 118.800 and below there at 118.170.

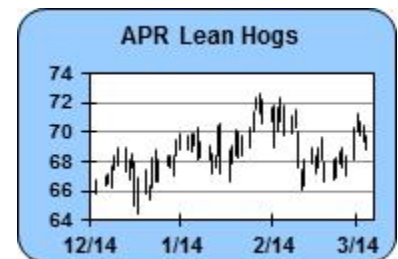
FEEDER CATTLE (MAR) 03/20/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 132.268. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 131.912 and 132.268, while 1st support hits today at 130.738 and below there at 129.919.

DAILY HOGS COMMENTARY

03/20/17

Mexico could shift some pork demand to Brazil; China imports?

June hogs closed sharply lower on the session Friday and gave back most of its gains for the week (up just 27 points). June is trading at a premium of just 720 points to the cash market as compared with the 5-year average premium of 1310 points. A weaker tone for the cash market and the sell-off in pork product prices Thursday were factors to spark significant long liquidation selling. Mid-day pork cut-out values were up 16 cents to \$81.50. USDA pork cutout values, released after the close Friday, came in at \$81.06, up 34 cents from Thursday but down from \$81.52 the previous week. A weaker tone to the cash market now with traders bracing for pork production to be up 6% from last year for the 2nd quarter has helped to pressure. The USDA estimated hog slaughter came in at 430,000 head Friday and 146,000 head for Saturday. This brought the total for last week to 2.335 million head, up from 2.318 million the previous week and up 6.7% from last year. Pork production for the week was up 6.6% from last year.



The CME Lean Hog Index as of March 15th was 71.84 down 15 cents from the previous session and down from 72.59 the previous week. April closed at 69.00. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 47,204 contracts, a decrease of 1,610 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 33,709 contracts, down 397 contracts for the week. Commodity Index traders held a net long position of 78,860 contracts, up 3,279 contracts for the week. The USDA Foreign Agriculture service believes that China poultry production could slide to 11 million tonnes this year from 12.3 million in 2016. If demand remains depressed, China pork demand could be strong and imports turn higher. On the other hand, with expanding production in Mexico and the possibility of imports from Brazil, it seems unlikely that Mexico pork imports from the US will remain at the elevated levels of the past several months.

TODAY'S MARKET IDEAS:

With the hefty production ahead, the market will need continued strong exports ahead. June hog resistance is at 77.80 and 79.00 with support back at 76.80 and 76.05. April hog close-in support is at 68.65 and 68.05 with 70.02 resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of zero. Risk to 225. 2) 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.

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017

Non-Commercial

Commercial

Non-Reportable

	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	47,204	-1,610	-33,710	+396	-13,495	+1,213

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) 03/20/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside objective is at 70.150. The next area of resistance is around 69.520 and 70.150, while 1st support hits today at 68.550 and below there at 68.170.

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	119.320	67.43	62.76	68.15	78.13	118.14	117.30	116.78	116.37	116.05
FCH7	131.325	76.98	69.31	89.05	95.06	129.74	127.72	125.92	125.87	125.94
LHJ7	69.020	49.80	50.34	60.78	63.88	69.96	69.20	68.42	69.20	68.81

Calculations based on previous session. Data collected 03/17/2017

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	118.150	118.770	119.250	119.870	120.350
FCH7	Feeder Cattle	129.918	130.737	131.093	131.912	132.268
LHJ7	Lean Hogs	68.150	68.520	69.150	69.520	70.150

Calculations based on previous session. Data collected 03/17/2017

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.