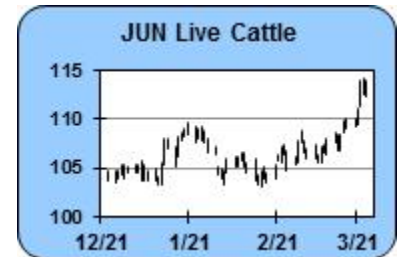




DAILY CATTLE COMMENTARY
03/27/17

Reversal top may be in place; look for at least correction

Fading the basis has been a dangerous prospect over the past few years and the market acts like at least a temporary top is in place. The Cattle on Feed report released after the close Friday was considered very neutral against trade expectations as most of the key numbers came in right on trade expectations. Placements during February came in at 99.1% of last year as compared with trade expectations at 98.9%. Marketings in February came in at 103.6% vs. expectations for 103.3%. The data leaves March 1st On-Feed supply at 100% of last year which was right on trade expectations. After all the volatility recently, the report news should have little impact. June cattle closed 5 points higher on the session Friday and well off of the highs. Positioning ahead of the Cattle on Feed report helped to keep the trade choppy. June cattle closed 317 higher for the week. Since putting in a low in October, the June Cattle contract has gained as much as 25% and traditional technical indicators have reached extremely overbought levels.



Open interest has climbed to a six-year high, and the bull market has reached maturity. The market's reversal on March 23rd may be a technical sign of at least a short-term peak, but to confirm that top, it will need to see selling pressure below 112.32. The RSI recently reached a peak of 82.5, and slow stochastics are about to cross over with a sell signal from readings in the upper 80's. Managed money traders held a net long position of 108,540 contracts in the last COT update, which was higher than normal. A 22-trading day cycle has hit on major highs and lows on May 9th, June 9th, August 11th, October 13th, and January 19th. The cycle arrived on Thursday, March 23rd, which is the same day the market reversed. This adds credence to the idea that at least a short-term top is in place. If a reversal top is in place, June cattle should be able to hold 114.20 resistance.

Ideas that the US could benefit from Brazilian packer problems and the stiff discount of futures to the cash market are seen as short-term supportive forces. However, China and a few other countries have already lifted their bans on Brazil meat imports. The USDA estimated cattle slaughter came in at 114,000 head Friday and 36,000 head for Saturday. This brought the total for last week to 613,000 head, up from 588,000 the previous week and up 13.9% from last year. Beef production for the week was up 12.7% from last year, Beef production year-to-date is up 4.6% from last year. USDA boxed beef cutout values were down 19 cents at mid-session Friday and closed 66 cents lower at \$221.62. This was down from \$223.43 the prior week. The Commitments of Traders report as of March 21st showed Non-Commercial traders were net long 131,272 contracts, an increase of 11,316 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 99,821 contracts, up a significant 8,011 contracts in just one week. Commodity Index traders held a net long position of 112,771 contracts, up 4,827 contracts for the week.

TODAY'S MARKET IDEAS:

Production has come in well above expectations and the Brazil export scandal may not cause serious export issues. Technical indicators are overbought and beef prices and cash markets may be peaking. June cattle looks vulnerable to a significant break over the near-term. Resistance is at 114.17 with support at 110.82 and 109.80.

NEW RECOMMENDATIONS:

Sell June cattle at 113.52 with an objective of 108.80. Risk 1.15 from entry.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Feeder Cattle	18,058	+4,838	-1,291	-1,839	-16,768	-3,000
Cattle	131,272	+11,316	-99,822	-8,012	-31,451	-3,305

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 (JUN) 03/27/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 under the swing pivot. The next upside objective is 114.720. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 113.700 and 114.720, while 1st support hits today at 112.020 and below there at 111.300.

FEEDER CATTLE (MAY) 03/27/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 132.013. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 134.799 and 136.012, while 1st support hits today at 132.800 and below there at 132.013.

DAILY HOGS COMMENTARY

03/27/17

Cheaper price may be needed to keep demand strong; exports?

China, Egypt and Chile lifted their bans on Brazil meat imports over the weekend and this may be seen as a negative force for US meat markets. June hogs closed 185 lower on the session Friday and this left the market down 157 points for the week. The market experienced choppy and two-sided trade early Friday but selling emerged and the market collapsed to trade sharply lower on the day. The market lacked "reasons" to rationalize the surge higher on Thursday and this helped to pressure. In addition, pork values were down late Thursday. USDA pork cutout values, released after the close Friday, came in at \$77.97, up \$1.14 from Thursday but down from \$81.06 the previous week. The USDA estimated hog slaughter came in at 411,000 head Friday and 135,000 head for Saturday. This brought the total for last week to 2.313 million head, down from 2.335 million the previous week but up 6.8% from last year. Pork production for the week was up 6.5% from last year. Pork production year-to-date is up 0.9% from last year. The CME Lean Hog Index as of March 22nd was 71.29 down 12 cents from the previous session and down from 71.84 the previous week. The Commitments of Traders reports as of March 21st showed Non-Commercial traders were net long 49,306 contracts, an increase of 2,102 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 34,828 contracts, up 1,119 contracts for the week. Commodity Index traders held a net long position of 79,121 contracts, up 261.



TODAY'S MARKET IDEAS:

The recovery bounce did not last long and the market faces more supply than normal going into the spring. The 6% increase in production above last year is tough to absorb without price weakness unless exports remain at an elevated level. June hog resistance is at 76.50 and 77.22, with 73.82 as next key support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short June hog 84.00 call from 220 with an objective of 67. Risk to 162. 2) Long June Hog 74.00 put from 237 and short the June hog 70.00 put from 170 points.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	49,306	+2,102	-34,828	-1,118	-14,478	-983

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 (JUN) 03/27/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market could take on a defensive posture with the daily closing price reversal down. The close below the 1st swing support could weigh on the market. The next downside objective is now at 72.970. The next area of resistance is around 77.350 and 79.400, while 1st support hits today at 74.150 and below there at 72.970.

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										
LCM7	112.850	73.65	69.90	87.25	87.51	112.62	110.50	108.68	106.99	106.81
FCK7	133.800	75.23	71.17	89.76	88.05	133.65	131.10	127.28	125.12	125.22
LHM7	75.750	38.95	41.67	41.76	38.65	76.36	77.42	77.40	77.80	77.67

Calculations based on previous session. Data collected 03/24/2017

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						
LCM7	Live Cattle	111.270	111.970	113.020	113.700	114.720
FCK7	Feeder Cattle	132.012	132.799	134.012	134.799	136.012
LHM7	Lean Hogs	72.950	74.120	76.170	77.350	79.400

Calculations based on previous session. Data collected 03/24/2017

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

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