

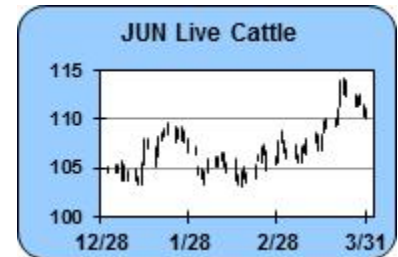


DAILY LIVESTOCK COMMENTARY
Monday April 03, 2017

DAILY CATTLE COMMENTARY
04/03/17

Oversold bounce possible but production high and specs long

It appears that the market has put in at least a temporary top with the reversal on March 23rd. Keep in mind, beef production for the 2nd quarter is expected to increase by 520 million pounds above the 1st quarter as compared with increases of 252 million last year and about 195 million the previous year. The hefty supply may be tough to absorb without cheaper beef prices given the historically high pork and poultry production. June cattle closed unchanged on the session Friday and this left the market down 197 points for the week. The market was trading moderately lower on the session into the mid-day Friday due to a new 3-week low in beef prices on Thursday and long liquidation selling from speculators is helping to pressure as well. USDA boxed beef cutout values were down \$2.13 at mid-session Friday and closed \$1.09 lower at \$214.12. This was down from \$221.62 the prior week and down to the lowest level since March 8th.



While at a large discount to the cash market, the weakness in beef last week has traders looking at lower cash markets again this week. In addition, there are plenty of contracted cattle for April which are ready to move and this could limit packer demand for new inventory this week. Kansas cattle cash traded on low volume last week is \$128.00, down \$2.00 from the previous week and traders see weakness this week. The USDA estimated cattle slaughter came in at 112,000 head Friday and 25,000 head for Saturday. This brought the total for last week to 593,000 head, down from 613,000 the previous week but up 10% from last year. Beef production for the week was up 8.5% from last year. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net long 142,238 contracts, an increase of 10,966 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 109,178 contracts, up 9,357 contracts for the week. Commodity Index traders held a net long position of 115,704 contracts, up 2,933.

TODAY'S MARKET IDEAS:

Trend-following fund traders hold a net long position of 109,829 contracts which is the highest for any agricultural market. Beef production was up 8.5% from last year last week. The supply outlook in the weeks ahead should continue to weigh on beef and cash cattle markets but the trade is still attempting to deal with a massive discount of futures to the cash market. Selling resistance for June cattle comes in at 111.60 and 112.10. Support is at 109.97 and 108.67. Sell rallies.

NEW RECOMMENDATIONS:

Sell June cattle 113.00 call at 287 with an objective of zero. Risk 95 points from entry.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/21/2017 - 3/28/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Feeder Cattle	21,940	+3,882	-4,151	-2,860	-17,789	-1,021
Cattle	142,238	+10,966	-109,178	-9,356	-33,060	-1,609

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) 04/03/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 109.600. The next area of resistance is around 111.420 and 111.820, while 1st support hits today at 110.320 and below there at 109.600.

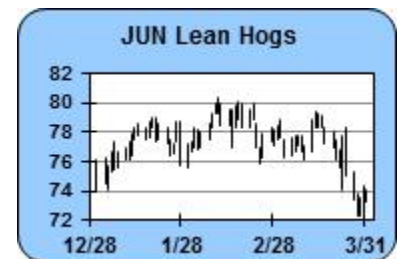
FEEDER CATTLE (MAY) 04/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 129.388. The next area of resistance is around 134.049 and 134.787, while 1st support hits today at 131.350 and below there at 129.388.

DAILY HOGS COMMENTARY

04/03/17

Trend is down but market oversold; will need exports to stabilize

While oversold and vulnerable to a bounce, it may take signs of better export demand to slow the short-term downtrend. June hogs closed 40 lower on the session and this left the market down 190 points for the week. The USDA Hogs and Pigs report was neutral, but the sharp drop in pork values late Thursday to the lowest level since December 14th and a sluggish tone to exports was enough bad news to spark some selling pressures early Friday. USDA pork cutout values, released after the close Friday, came in at \$74.87, up 32 cents from Thursday but down from \$77.97 the previous week. March 1st total Hog herd supply came in right on trade expectations but also at a record high. Weekly pork export sales on Thursday came in at just 12,100 tonnes vs. prior 4-week average of 19,525 tonnes. The CME Lean Hog Index as of March 29th was 68.86 down 54 cents from the previous session and down from 71.29 the previous week.



The USDA estimated hog slaughter came in at 432,000 head Friday and 141,000 head for Saturday. This brought the total for last week to 2.343 million head, up from 2.313 million the previous week and up 7.3% from last year. Pork production for the week was 497.5 million pounds, up 6.6% from last year. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net long 41,268 contracts, a decrease of 8,038 contracts for the week and the long liquidation selling trend is a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 24,646 contracts, down 10,182 contracts for the week. Commodity Index traders held a net long position of 76,230 contracts, a decrease of 2,891 contracts for the week.

TODAY'S MARKET IDEAS:

With production last week up 6.6% from last year, it will be important to see stronger exports in order to avoid a further slide in pork product prices. Cut-out values are already near the lowest since December 14th. June hog stiff resistance is at 75.25 and 75.95, with support 72.52 and then 71.72.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long June Hog 74.00 put from 237 and short the June hog 70.00 put from 170 points.

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Livestock						
Hogs	41,268	-8,038	-24,646	+10,182	-16,622	-2,144

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) 04/03/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 72.870. The next area of resistance is around 74.300 and 74.650, while 1st support hits today at 73.420 and below there at 72.870.

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	110.870	55.00	57.78	71.58	63.86	111.30	111.90	109.99	107.35	107.36
FCK7	132.700	60.94	61.65	74.39	69.14	132.24	132.76	129.96	125.63	125.90
LHM7	73.850	38.57	39.61	20.71	19.42	73.33	74.69	76.30	77.38	77.46

Calculations based on previous session. Data collected 03/31/2017

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	109.570	110.300	110.700	111.420	111.820
FCK7	Feeder Cattle	129.387	131.349	132.087	134.049	134.787
LHM7	Lean Hogs	72.850	73.400	73.750	74.300	74.650

Calculations based on previous session. Data collected 03/31/2017

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