



DAILY LIVESTOCK COMMENTARY

Tuesday April 04, 2017

DAILY CATTLE COMMENTARY

04/04/17

Huge net spec long but cash trend down; Sell rallies

While the market appears to have posted a significant top on March 23rd, the huge discount of futures to the cash market would suggest that new sellers sell strength; not weakness. The market attempted to rally yesterday but a sharp selloff in hogs helped to spark weakness into the close. Traders view futures as too cheap on the cash market. Cash cattle traded at \$128 last week, and this leaves traders reluctant to sell June cattle below \$111. Beef prices are weak and with ample April contracted cattle, packers may not be forced to pay up in the cash market this week which should result in a lower trending cash market in the weeks just ahead. USDA boxed beef cutout values were down 11 cents at mid-session yesterday and closed 69 cents lower at \$213.43. This was down from \$219.91 the prior week and the lowest beef market since March 7th. In addition, weak packer margins and the hefty short-term supply should keep the cash trend down. Beef production was up 8.5% from last year last week. Slaughter came in below trade expectations at just 108,000 head. This was down from 116,000 last week and down from 109,000 a year ago as this time. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net long 142,238 contracts which leaves the market overbought.



TODAY'S MARKET IDEAS:

The supply outlook in the weeks ahead should continue to weigh on beef and cash cattle markets and the market must also absorb a record pace of production for pork and poultry. Selling resistance for June cattle comes in at 112.10 and 112.57. Support is at 108.67. Consider selling rallies into resistance.

NEW RECOMMENDATIONS:

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

PREVIOUS RECOMMENDATIONS:

None.

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) 04/04/2017: 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 could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 109.500. The next area of resistance is around 111.320 and 112.070, while 1st support hits today at 110.050 and below there at 109.500.

FEEDER CATTLE (MAY) 04/04/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 130.075. The next area of

resistance is around 132.799 and 134.075, while 1st support hits today at 130.800 and below there at 130.075.

DAILY HOGS COMMENTARY

04/04/17

Big supply keeps pressure on cash; speculator liquidation

Without signs of better export, the hefty supply pace may be enough to keep the short-term trend in cash markets weak. Keep in mind; pork production from the 1st quarter to the second quarter is expected to decline by just 80 million pounds as compared with the decline of 268 million pounds last year. This is the smallest increase since 2002. June 2002 hogs had a contract high in February and a contract low on May 29th. June hogs closed sharply lower on the session yesterday as a continued heavy slaughter pace, a long liquidation selling trend and weakness in cash helped to pressure. The market bounced early to trade to a 5-session peak, but could not hold. The market is oversold after last week's selloff and this may have sparked the short-covering bounce but short-term supply remains ample. Slaughter last week came in at 2.343 million head, up 7.3% from last year.



Pork production for the week was 497.5 million pounds, up 6.6% from last year. Slaughter came in above trade expectations at 443,000 head. This was up from 441,000 last week and up from 434,000 a year ago as this time. The CME Lean Hog Index as of March 30th was 68.30, down 56 cents from the previous session and down from 70.91 the previous week. USDA pork cutout values, released after the close yesterday, came in at \$75.08, up 21 cents from Friday but down from \$78.40 the previous week. The Commitments of Traders reports as of March 28th showed Non-Commercial and Nonreportable combined traders held a net long position of 24,646 contracts, down 10,182 contracts for the week. The selling trend is bearish and with the market near the lowest level since early December, futures look vulnerable to increased selling if support is violated.

TODAY'S MARKET IDEAS:

Production last week up 6.6% from last year and without help from exports, it may be difficult to absorb the high production at the same time we see record poultry production without a cheaper price. June hog resistance is at 73.95, 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.

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) 04/04/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 71.050. The next area of resistance is around 73.670 and 75.170, while 1st support hits today at 71.620 and below there at 71.050.

DAILY TECHNICAL STATISTICS

| CLOSE | 9 DAY RSI | 14 DAY RSI | 14 DAY SLOW | 14 DAY SLOW | 4 DAY M AVG | 9 DAY M AVG | 18 DAY M AVG | 45 DAY M AVG | 60 DAY M AVG |
|-------|--------------|---------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
|-------|--------------|---------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|

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|---------------------|---------|-------|-------|---------|-------|--------|--------|--------|--------|--------|
| MEAT COMPLEX | | | | | | | | | | |
| LCM7 | 110.700 | 53.37 | 56.75 | 67.81 | 60.26 | 111.08 | 111.86 | 110.23 | 107.43 | 107.47 |
| FCK7 | 131.800 | 56.12 | 58.41 | 71.27 | 65.05 | 132.29 | 132.80 | 130.49 | 125.78 | 126.05 |
| LHM7 | 72.650 | 33.28 | 35.82 | 18.72 | 14.73 | 73.38 | 74.29 | 76.05 | 77.28 | 77.39 |

Calculations based on previous session. Data collected 04/03/2017

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 | 109.470 | 110.020 | 110.770 | 111.320 | 112.070 |
| FCK7 | Feeder Cattle | 130.074 | 130.799 | 132.075 | 132.799 | 134.075 |
| LHM7 | Lean Hogs | 71.020 | 71.600 | 73.100 | 73.670 | 75.170 |

Calculations based on previous session. Data collected 04/03/2017

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