



DAILY LIVESTOCK COMMENTARY

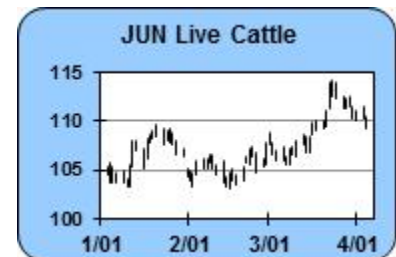
Wednesday April 05, 2017

DAILY CATTLE COMMENTARY

04/05/17

High open interest and large net long position from funds

June cattle is trading near an \$18-19 discount to the cash market as compared with the 10-year average discount of near \$10. This may limit the downside short-term but could also indicate the many short-term bearish forces on the cash market. The market uptrend channel off of the October low comes in at 108.60 for June cattle and a move below this level would turn the chart pattern quite bearish. The market closed sharply lower on the session yesterday even with a stiff discount to the cash market. The selling pushed the market down to the lowest level since March 20th. Weakness in the beef market, weaker packer margins plus ideas that packers are drawing on April contracted cattle are all factors which suggest lower cash cattle markets ahead.



The market is seeing long liquidation selling and the bounce in beef prices at mid-session yesterday failed to provide much support. USDA boxed beef cutout values were up \$1.30 at mid-session yesterday and closed \$1.74 lower at \$211.69. This was down from \$219.57 the prior week and is the lowest beef market since March 6th. Slaughter came in higher than expected at 115,000 head. This brings the total for the week so far to 223,000 head, down from 231,000 last week at this time but up from 221,000 a year ago.

TODAY'S MARKET IDEAS:

Trend following fund traders held a historically high net long position of 109,829 contracts in the last COT update and this leaves the market vulnerable to increased selling if support is violated. Selling resistance for June cattle comes in at 110.52 and 111.02, with next support at 108.67 and 107.37. Consider selling rallies.

NEW RECOMMENDATIONS:

None.

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) 04/05/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day 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 108.200. The next area of resistance is around 109.970 and 110.920, while 1st support hits today at 108.620 and below there at 108.200.

FEEDER CATTLE (MAY) 04/05/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 128.982. The next area of resistance is around 131.037 and

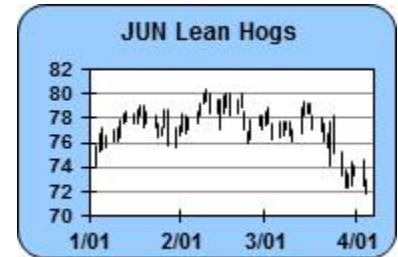
131.931, while 1st support hits today at 129.563 and below there at 128.982.

DAILY HOGS COMMENTARY

04/05/17

Lean bearish as market needs export help or more down

In the US trade data yesterday, pork exports for the month of February came in at 450.20 which is down from the November peak of 509.9 million pounds but still up 16.4% from last year. Mexico imports were 147 million, down from the December peak of 182 million and exports to Canada were weak. The June premium to the cash market is much smaller than normal but rightfully so as there is more pork than normal for this time of the year. Contra seasonal moves can be violent. 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 decline since 2002. June 2002 hogs had a contract high in February and a contract low on May 29th. The market closed moderately lower on the session yesterday as weakness in cattle and a bearish tone for cash hogs helped to pressure. The selling pushed June hogs down to the lowest level since early December. The active pace of slaughter has traders seeing further weakness in the cash market ahead. In addition, the weak technical action has sparked long liquidation selling.



A bounce in pork values may have helped to support the bounce into the midday with the market trading well off of the early lows and just slightly lower on the day. Pork cutout values at midsession came in at \$77.30, up \$1.41 on the day. However, USDA pork cutout values, released after the close yesterday, came in at \$75.07, down 1 cent from Monday and down from \$77.03 the previous week. Slaughter came in higher than expected at 444,000 head. This brings the total for the week so far to 887,000 head, up from 886,000 last week at this time and up from 871,000 a year ago. The CME Lean Hog Index as of March 31st was 67.59, down 71 cents from the previous session and down from 70.24 the previous week.

TODAY'S MARKET IDEAS:

While pork values have stabilized in the past few days, the market will still need to absorb hefty short-term production and if exports are strong, this should show up as higher pork cut-out. June hog resistance is at 73.15 and the downside break-out yesterday leaves 71.37 as next downside target.

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:

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LEAN HOGS (JUN) 04/05/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 71.070. The next area of resistance is around 72.520 and 73.300, while 1st support hits today at 71.420 and below there at 71.070.

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	109.270	42.13	49.20	61.01	47.41	110.44	111.37	110.38	107.53	107.56
FCK7	130.300	48.87	53.37	65.90	55.15	131.56	132.24	130.84	125.96	126.18
LHM7	71.970	30.62	33.86	15.90	10.27	73.18	73.87	75.77	77.17	77.31

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

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	108.170	108.600	109.550	109.970	110.920
FCK7	Feeder Cattle	128.981	129.562	130.456	131.037	131.931
LHM7	Lean Hogs	71.050	71.400	72.170	72.520	73.300

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

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