

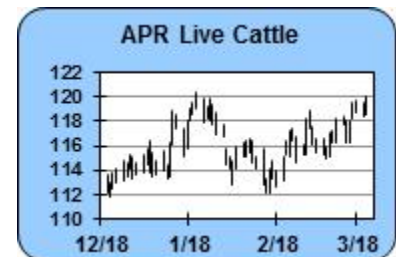


DAILY LIVESTOCK COMMENTARY Wednesday March 22, 2017

DAILY CATTLE COMMENTARY 03/22/17

Still no sign of top in beef or cash; discount supports

The market is in search of a near-term peak as traders see increasing supply in the months ahead and traders also suspect that the high beef price now will knock down consumer demand into the spring. Traders await the results of the Fed Cattle Exchange today after an average selling price of \$128.40 last week as compared with June futures at \$111.05. The \$17.35 discount compares with the 5-year average discount of \$8.86 so the market is clearly pricing in a bearish trend ahead. USDA boxed beef cutout values were up \$1.14 at mid-session yesterday and closed \$1.17 higher at \$224.93. This was up from \$220.14 the prior week and up to the highest level since June 15th. The market experienced choppy and two-sided trade early in the session yesterday but closed sharply higher on the day. It is difficult to find new sellers with the market trading at a huge discount to the cash market. A continued advance in the beef market this week has come as a bit of a surprise. Consumer Sentiment readings are at their highest level since 2004, and this may be a factor which is helping the demand tone remain strong. In addition, exports have been strong.



Traders see monthly cold storage supply of frozen beef near 521.7 million pounds for this afternoon's monthly update. For the cattle-on-Feed report Friday, a Reuters poll shows that traders expect February placements at 98.9% of last year (range 94-103.5) and February marketings at 103.3% (102.5-104). On feed supply for March 1st is expected at 100.1% of last year with a range of 99.1 to 100.8. The USDA estimated cattle slaughter came in at 116,000 head yesterday. This brings the total for the week so far to 232,000 head, up from 228,000 last week at this time and up from 221,000 a year ago. In a study by the National Resources Defense Council, US consumers reduced beef consumption by 19% from 2005 to 2014 as Americans consumed more cheese, butter and leafy greens.

TODAY'S MARKET IDEAS:

The upside break-out for June cattle leaves the next upside target at 112.07 with close-in support at 109.97 and 108.72. April cattle support is at 119.15 with 120.47 and 123.47 as next upside targets. With cash at 128.00 and only 16 days left, consider selling the April 119.00 put near 177 points.

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 (APR) 03/22/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 121.150. The next area of resistance is around 120.670 and 121.150, while 1st support hits today at

119.120 and below there at 118.020.

FEEDER CATTLE (MAR) 03/22/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 133.024. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 132.599 and 133.024, while 1st support hits today at 131.400 and below there at 130.625.

DAILY HOGS COMMENTARY

03/22/17

With a large supply, bulls need steady flow of strong export news

Without help from the export area, the market may need to move to a lower price level in order to absorb the large supply outlook with second quarter pork production expected to be up 6% from last year. The market experienced choppy and two-sided trade early in the session yesterday but traded sharply lower on the day into the midsession and closed weak. June experienced the lowest close since January 26th. More talk that the market will need to absorb a hefty supply in the months just ahead plus fears that Mexican imports could set back from the record levels of the past few months helped to spark the selling. Pork bellies were down \$5.47 to \$133.64 on the mid-day pork wire and this may have helped to pressure as well. USDA pork cutout values, released after the close yesterday, came in at \$80.41, up 1 cents from Monday but down from \$82.45 the previous week.

Traders see frozen pork in the monthly cold storage report near 545.9 million pounds for this afternoon's monthly update. The CME Lean Hog Index as of March 17th was 71.61 down 13 cents from the previous session and down from 72.14 the previous week. June is at a 470 point premium to the cash market and would normally trade at a 1,240 point premium at this time of the year. The USDA estimated hog slaughter came in at 444,000 head yesterday. This brings the total for the week so far to 885,000 head, up from 873,000 last week at this time and up from 813,000 a year ago. Last year, pork production fell 268 million pounds from the first quarter to the second quarter which helped to support a strong seasonal advance in the cash market. This year, the market is expected to see the smallest decline since 2002 of only 80 million pounds.



TODAY'S MARKET IDEAS:

Mexico seems to be diversifying their imports of grain and livestock as a policy shift which might suggest the surge in imports of US pork seem unlikely to remain at record levels seen in recent months. With the hefty production ahead, the market will need continued strong export news. June hog resistance is at 77.22 with 74.62 as next downside target.

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. Look to buy back short June 70.00 put at 77.

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) 03/22/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support

number. The next downside objective is 67.020. The next area of resistance is around 68.570 and 69.300, while 1st support hits today at 67.450 and below there at 67.020.

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	119.900	68.40	63.84	76.50	85.58	119.33	118.13	117.12	116.47	116.23
FCH7	132.000	78.91	70.89	92.24	95.28	131.34	129.41	126.66	126.02	126.13
LHJ7	68.000	41.84	45.36	55.99	48.61	68.90	69.22	68.55	69.14	68.83

Calculations based on previous session. Data collected 03/21/2017

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	118.020	119.100	119.570	120.670	121.150
FCH7	Feeder Cattle	130.625	131.399	131.825	132.599	133.024
LHJ7	Lean Hogs	67.000	67.420	68.150	68.570	69.300

Calculations based on previous session. Data collected 03/21/2017

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.