



# Archer Financial Services, Inc.

## LIVESTOCK REPORT

By Dennis Smith

Tuesday Dec. 4, 2018

### LEAN HOGS

Packers will try to buy hogs lower today. This will be their strategy until it simply does not work. The action in the Dec and action in the Dec/Feb yesterday indicates that cash will likely be higher by the end of the week. For reference the CME lean hog index stands at 5636, and stabilizing, with Dec futures posting a settlement yesterday at 5800. Cutout was higher, open interest was lower. The massive range in the Feb, higher early then sharply lower only to close about 60 lower and settle 200 off the session low saw open interest in the contract decline by 334 on volume of 30,200. Obviously a massive change of ownership. **Trying to look ahead, the most likely development will be for the Chinese to drop their tariff on U.S. pork.** Need has clearly been established as they were confirmed last week buying U.S. pork for immediate and out-front delivery. ASF continues to spread. History demonstrates it could be two to three years before they successfully eradicate ASF from their herd. This will cripple their ability to produce pork and magnify their import needs. Look for an upside recovery today of course laced with lots of volatility.

### LIVE CATTLE

The show list is estimated to be larger this week at 268,500 compared to 250,500 last week. My sources indicate smaller numbers available in TX, larger numbers in KS, and substantially larger numbers in NE and slightly larger in CO. Despite evidence that funds are adding to their long position in LC, the market has very little mojo at this time. Front month futures are fully content to remain discount to cash. We're content to watch and wait for a seasonal pullback into the middle part of December. Granted, it's highly possible that last week's spike low will indeed represent the seasonal low. We're interested in establishing the Feb/Jun bull spread in the face of what appears to be a tough winter for feeding cattle. So we wait for a pullback here as well. No bids surfaced yesterday. Generally the wholesale beef is acting a bit better than expected. Expect a mixed open and a choppy trade.

If you would like a free 30-day trial to the evening livestock wire please send us an email to [dennis.smith@archerfinancials.com](mailto:dennis.smith@archerfinancials.com).

Interested in opening an account with Dennis Smith? Go to our interactive New Account application at <https://newaccount.admis.com/OnlineApp.aspx?office=969>. It is fast, saves on postage and green.

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