



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

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LEAN HOGS

The tone in the cash is changing from the firm trade of last week. Cash was down .50 yesterday and more of the same is expected today and tomorrow. Large weekly slaughter and heavy weights appear to be finally overwhelming outstanding demand for U.S. pork. The cutout was down \$2.03. Mexico went on a buying binge last week. Weekly pork export sales were outstanding at 22,600 MT, up 72% from the 4-week average. Mexico took 64% of these sales. Stockpiling before NAFTA melts away? Export shipments were good, up 6% from the 4-week average. Futures broke down yesterday on moderate volume of trade reported at 35,500 with open interest declining by nearly 1,800 cars. Long liquidation including fund liquidation appears to be taking place. Given all of the worries as outlined in last night's evening wire, look for additional downside follow through today.

LIVE CATTLE

In addition to lower cash steer prices and sharply lower wholesale beef prices, weekly beef export sales were awful at just 2,700 MT, down 78% from the 4-week average. Shipments fared a bit better, at 16,400 MT, up 6% from the 4-week average. Fund liquidation was confirmed by the decline in open interest (down 5,400) from yesterday's lower performance and close. FC open interest was down 877. Jan feeders look too cheap relative to the feeder index (15611 vs 14600) but the rest of the board looks poised to break further. Look for additional cash trade today but likely at lower levels than the \$1.17-\$1.18 and \$187-\$188 paid yesterday. Beef is the key and we're expecting choice cutout to drop hard and fast. The select beef cutout is trading down to levels not seen since the middle of December one year ago. Look for downside follow through today with the possible exception of Jan feeders.

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

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