



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

Thursday January 11, 2018

LEAN HOGS

Cash was strong yesterday and called higher again today. Impressive. Packers keep chasing and keep bidding their margin away. While still profitable, pork processing margins have taken a major hit in early 2018. Futures displayed possible topping action yesterday. Technically it was a key reversal in the Feb and a bearish engulfing pattern in all contracts. In addition, it occurred on huge volume of trade at over 84,000 contracts which is the largest volume going back for months. Open interest was up just slightly, up 710 cars. We're watching and waiting for a break so we can entertain the idea of establishing bullish positions. We're long a host of Feb puts.

LIVE CATTLE

Live cattle posted new low settlements for the current move in nearly every contract yesterday. Technically this is a bearish indication. Volume was active at 95,000 and this represents the third consecutive high volume session. Feb LC have gapped lower twice in the last week and neither gap has been filled. The market is poised for another gap lower today. Cash trade occurred again on Wednesday at 119-120 and at 192-193 in the beef. The choice beef turned lower as it appears the seasonal demand push is now completed. Consider this bearish news. Production is not going to let up. In fact, we're looking a huge...record large production coming down the pipe with second quarter production projected to jump more than 8% versus last year. And why not, on-feed inventory stands at 108% of last year and weights are starting to move above last year. I'd look for additional downside follow through today.

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