



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

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LEAN HOGS

Three items stand out as I analyze the lean hog futures market these days. **First**, volume of futures trading has been very active at over 70,000 for several sessions. In addition, the volume in lean hog puts was very active yesterday at just over 6,000 compared to 2,700 calls. Prices appear to be topping on the large volume of trade. **Second**, packers have kept their margins fully intact during the tightness of supply during July. In other words, the cash market never got crazy out of hand. As supplies begin to increase, cash bids will ease off the summer highs. **Third**, the product is showing signs of peaking. The exception is fresh bellies which remain on fire. Hams are OK, but that where it ends. Loins, butts and ribs are showing signs of topping. We've moved into the short side of Aug hogs with a buy stop in place and we're trying to purchase puts for our spec crowd.

LIVE CATTLE

Yesterday's volume in LC, at 120,000, was the highest daily volume of trade going back to May 10th. On May 10th prices were retreading from the surge higher earlier in May. Yesterday's higher trade in the cash steer market, admittedly, was totally unexpected by myself and many others. Predicting beef packer behavior has become an impossibility. In the meantime the beef continued to drop with the choice down \$2.55. Slaughter continues to rise. Weights, we presume will continue to rise. Futures, we presume will start out higher and then, who knows? We're on expanded limits in both markets meaning LC and go up, or down by 450 points and FC can go up, or down by 675 points. For reference the cash steer trade yesterday occurred at \$1.20 and \$188-\$190 and the CME feeder index stands at \$148.72.

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