



Archer Financial Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

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LEAN HOGS:

A round of new tariffs are set to go into effect on Friday between the U.S. and China. China imposed a 25% tariff on U.S. pork in April and they'll slap another 25% on top of this tomorrow. We don't expect or look for anyone to pullback or cancel the so called trade war.

Cash will likely be fully steady to higher as packers are still needing a few pigs for a large Saturday effort and it appears all packers need pigs for next week. July hogs are now back to premium to the index with Aug hogs at a substantial discount. Any rally in hogs over the next week is a selling opportunity, plain and simple. Consider a trade/recovery in the Oct above 6050 a "sell". As July hogs expire in less than two weeks we'll be looking at some bearish option plays in the Aug. The pork cutout has been lower both days this week which is a major disappointment. Bellies and trim are the only two items making a stand. Look for a mixed performance today. We liquidated all remaining July hog 82 calls on Tuesday, taking profits.

LIVE CATTLE:

So the question looms; where will the cash steer market trade this week? Bids could be clustered near \$1.08 with asking prices as high as \$1.15. Most in the trade are definitely looking for a higher cash trade today or tomorrow. The beef won't help as the choice was down \$1.62 at \$210.26. The choice/select spread continues to drop, last quoted at \$10.55. Upon reflection, LC futures have rallied back nicely. Last week they started the week limit down and finished the week limit up. Since then the front month contracts have stabilized with Aug lower on Tuesday with Oct near unchanged and sporting an inside day. Technically, however, there's no confirmation of a top. FC are strong and appear to have embarked into their own little world. Take note that seasonal tops are due this week in both LC and FC. Frankly, I have no idea which way we'll go today or how and where we will close.

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