



Archer Financial
Services, Inc.

DAILY LIVESTOCK REPORT

By Dennis Smith

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LEAN HOGS:

Cash is called.....steady. The carcass, in the wake of higher values last week, edged up another \$1.09 yesterday. Futures were slammed yesterday but they opened limit down and did not close limit down. Volume was large at 87,800 with open interest dropping by 2,300. January exports soared higher, up 39% and this was completely lost on the trade yesterday. Feb exports likely eased back a bit but we're expecting March exports to soar. While hog numbers are still not dropping off, we anticipate they will, soon. Currency moves of recent, specifically the drop in the dollar and rapid rise in the EU makes inexpensive U.S. pork by far the cheapest pork in the world. Recommend to try the long side of June hogs and/or purchase a few calls.

LIVE CATTLE:

Very light trade was reported in the north yesterday at \$175 in the meat, down \$5 from last week. Packers like their work with processing margins record high. The show list is smaller this week. The weekly kill should come in about 10,000 head smaller than last week. Surprisingly, through all of the COVID-19 fear and mess, the beef has held fully steady. January beef exports were record high and up 3% from last year. My sources report that domestic beef disappearance was at a 17-year high in January. Going into the coronavirus debacle beef demand was smoking hot. In the face of record large production wholesale beef has not cratered. Stocks are higher today and we're assuming buyers will return to the LC and FC markets. We've been accumulating the Oct LC 130 calls, paying between 40 and 45 points for nearly all purchases. The volatility in the out-of-the money calls is sky high. For example, with futures nearly limit down yesterday these calls closed higher. The Oct 130 calls settled at 62, up 15 points on the day. The 140 calls closed at 35. **RECOMMEND SELLING AN EQUAL NUMBER OF OCT 140 CALLS AT 40 POINTS TO ESTABLISH A 130/140 CALL SPREAD AT VIRTUALLY NO COST.**

For a free 30-day trial to the evening livestock wire that includes a midday pork and beef update, please send an email to: dennis.smith@archerfincials.com

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