



ARCHER FINANCIAL SERVICES

MORNING LIVESTOCK REPORT - Cash hogs are called steady to weak in the face of lower carcass values

Tuesday March 9, 2010

LEAN HOGS

Lean hogs closed slightly lower across the board yesterday despite the surge in cattle prices. The market looks and feels a bit overbought and likely due some downward correction both in price and time. The funds remain loaded with length. The latest commitment of trader data indicated the non-commercial net long position stood at just over 43,000. It also indicated the funds increased this position by over 10,000 contracts for the week ending March 2nd. Cash hog prices are called mostly steady for today with the Logansport plant dark for the week. The cutout was down .99 yesterday. Packer processing margins have narrowed significantly over the last few days. I'm expecting a downward correction off the recent highs.

LIVE CATTLE

Live cattle prices surged yesterday as massive bull spreading drove the April contract up through the February highs. The deferred contracts all closed into fresh contract highs. The action was not matched up with significant fundamental news. The cash steer market traded at steady prices (92 cents) late Friday. It appeared that the funds are spooking a lot of hedge paper out of the cattle market. At the same time it appears we're extremely overbought. The latest commitment of trader data showed the non-commercial trade net long 110,610 contracts. The data indicated they increased this net long by over 10,000 contracts in the week ending March 2nd. This represents a record large net long position by the trend following funds. Index funds also added to their length during this period by over 2,000 contracts. Needless to say the market is extremely overbought and "loaded to the gills" with speculative length. Predicting or measuring the size of a correction is impossible. The beef was down .30 and has been lower for 4 consecutive sessions. Finally, on huge volume yesterday at over 77,000 contracts, total open interest was up only 61 cars. This could be the first clue that the market is ready for a downward correction.

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