



## ARCHER FINANCIAL SERVICES

**MORNING LIVESTOCK REPORT** - Live cattle futures appear to be topping.

*Tuesday July 27, 2010*

### LEAN HOGS

Good morning. Cash hog prices were higher yesterday and likely will be higher again today. Hog receipts appear to be “drying up” with hot/humid conditions also contributing to a lack of market ready hogs. Cash, cutout and futures turned a corner last week (I was on vacation) and I’d expect additional upside follow through this week. The board closed lower to sharply lower yesterday and we used the weakness to add to current length. The cutout was quoted up 1.48 yesterday with fresh belly prices quoted at \$1.25. The all-time high in fresh belly prices was \$1.28 established on May 14, 2004. Frozen belly stocks, as of the end of June are 2.0 million lbs smaller this year than they were in 2004. Third quarter production this year, however, is forecast about 400 million lbs greater than in the third quarter of 2004. Demand for bacon is good and more inelastic in 2010 than it was in 2004. I’m expecting upside follow through in hog futures with the Aug testing 8500 in the short term. I’m trading accordingly with my spec clients.

### LIVE CATTLE

Live cattle futures stumbled yesterday against what appeared to be friendly fundamental news. The bi-annual cattle inventory and monthly cattle-on-feed reports were generally friendly. June placements were larger than last year but generally the number of animals placed came in below most expectations. Also, the cash steer market was higher last week but the board is seemingly not responding to the positive cash and other fundamental news. Feeder futures also tested and appear to have failed at key resistance at the 116 level early yesterday. I’m moving my clients out of length (Aug live cattle) and we’re busy adding to bearish option hedge positions. I’ll be looking at the possibility of a short speculative position in the Oct live cattle given a rally in futures today. Call me with questions.

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