



ARCHER FINANCIAL SERVICES

MORNING LIVESTOCK REPORT - Look for a lower cash steer market this week.

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LEAN HOGS

Good morning. Lean hog futures closed higher across the board on Tuesday but the front month Aug experienced a “leaky” session, closing near the session lows. The premium to cash continues to attract selling from the bearish trader. The debate is focused on the packer cutbacks in the kill schedules announced for late this week and next week. The bearish trader tends to believe the cutback is due to poor demand for pork and packers will break the cash, making the premium structured Aug contract an attractive sell. The bullish trader believes the packer cutbacks, in the face of continued profitable processing margins, is the direct function of tight supplies of market-ready hogs. If the bullish argument is correct, we should experience another jump in the pork carcass by the end of this week. My opinion is lies in the bullish camp and we’re trading the Aug hogs from the long side for my spec clients. Look for good support today on any trade below 8200 in the Aug hogs.

LIVE CATTLE

Live cattle futures closed mixed and settled very close to unchanged yesterday. Technically, it appears to me this market is forging a top. Fundamentally, it’s highly likely the cash market is near a top. The beef was higher yesterday but I noticed the choice beef, up .33 was only half as strong as the midday quote. Movement was slow at only 114 boxes and 69 trim. Typically, beef movement can slow substantially at this time of year. The Aug contract continues to trade discount to the latest cash market (95 cents paid for cattle last week). I’m moving my spec crowd into short positions in the Oct fats and we’ve beef executing hedge positions for the past two weeks. Look for a two-sided trade today with a lower close likely.

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