

November 23, 2010

Friends,

Great times in the markets indeed. The old adage seems to be quite truthful, "He who lives by the speculator.....dies by the speculator". Wheat has been so instructive throughout all this hasn't it. The specs priced in an entire global shortage in a mere 28 days, and the market continues to drift lower and lower. Will the same hold true for corn and beans? It sure seems possible doesn't it. Yes, I still think the high for grains should be in early Dec, but in the big scheme, it may have already occurred. Study Dec wheat vs. July wheat and you will see what the future holds for corn I suspect.

Today's focus is an update of the hog situation. The market action since our July meeting has been very consistent with our expectations.

The point of the hog charts is to prepare for the future. The hog market could/should have one more decline, at least in the front end. That will be a decline that very likely should be bought, or at least, have no hedges in place. I know it is very difficult to not hedge June at \$88, but the market is telling us that it wants to go to \$105/112. That would be a big margin call. So, we need some tactics to help get ahead of those smarter than us in Chicago.

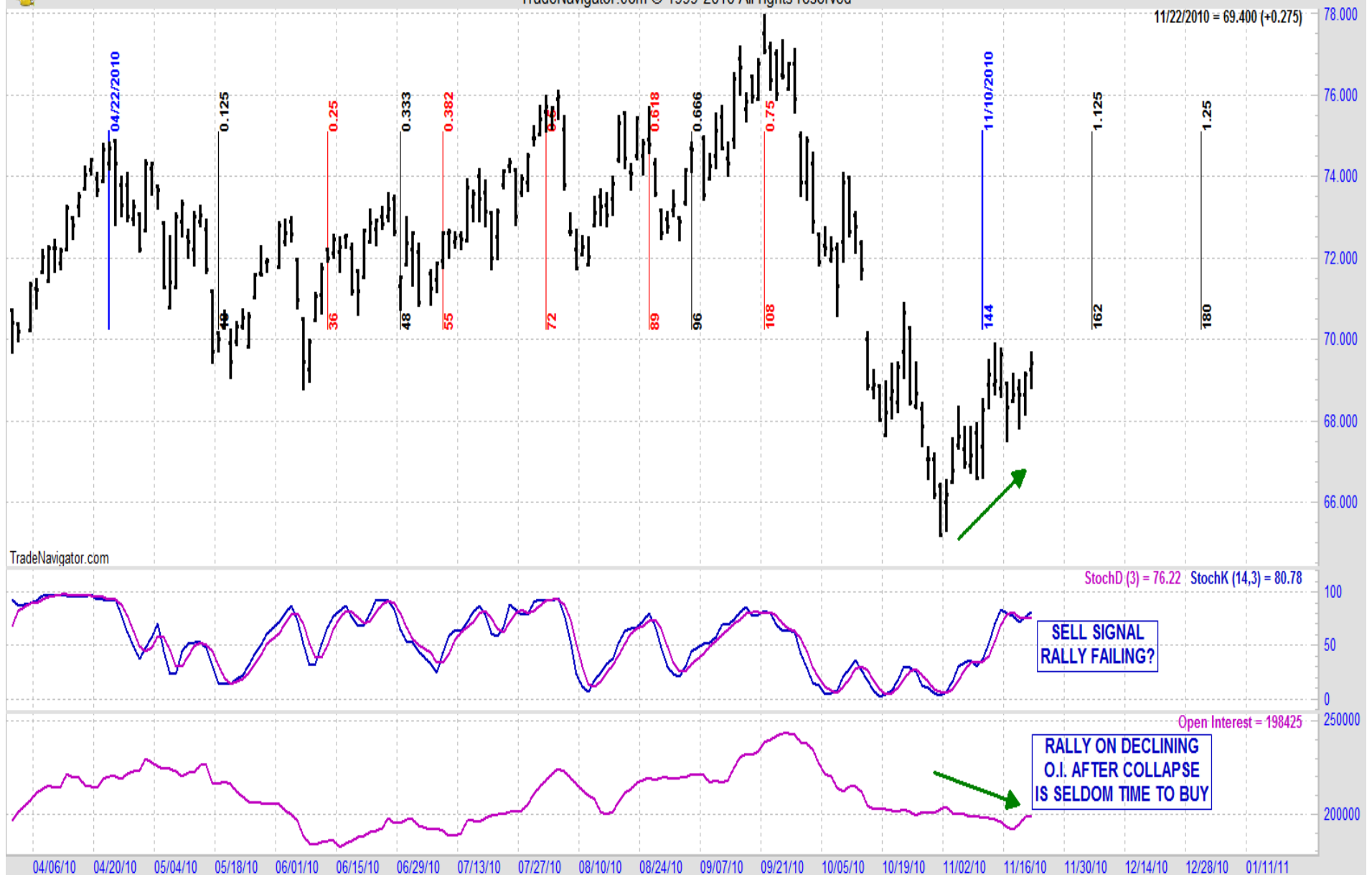
Tactically, I like being hedged the Feb hogs from yesterday (see time counts) but only staying short for 2/3 weeks. After that, I'd be long the MAY futures, and IF you need to protect yourself, do that with ITM June or July puts. Discount to the May pays for the puts roughly.

Have a great day,
Ken



LH-201012: Lean Hogs (Pit) Dec 2010 (Daily bars)

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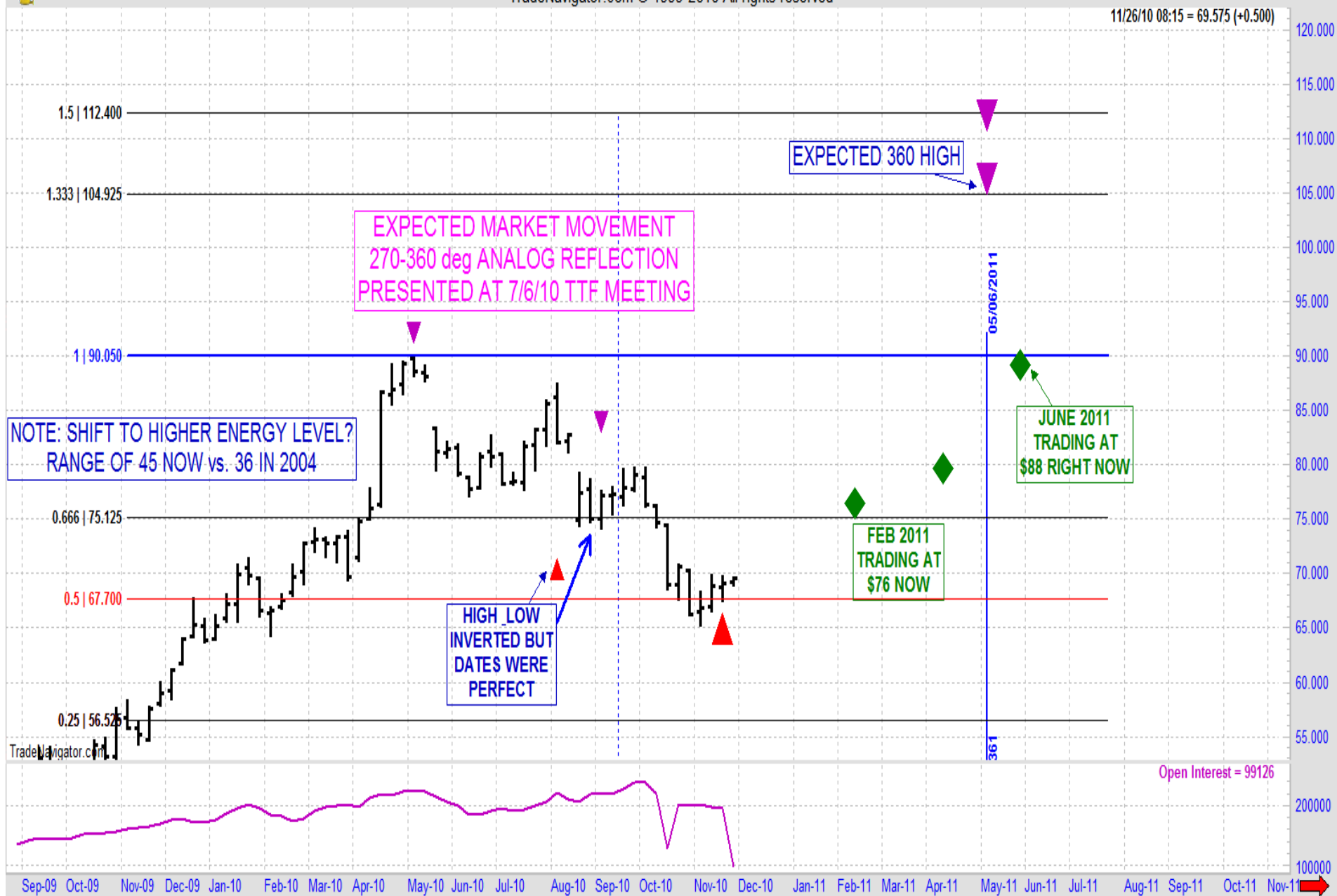


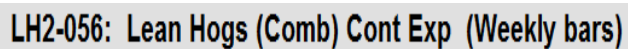


LH2-056: Lean Hogs (Comb) Cont Exp (Weekly bars)

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11/26/10 08:15 = 69.575 (+0.500)





11/26/10 08:22 = 69.500 (+0.425) 120.000

**MAKES HEDGING IMPOSSIBLE
EXCEPT AT MARKET EXTREMES**

