

Daily Livestock Report

| E-Livestock Volume | 20-Jan | 19-Jan | 13-Jan |
|-----------------------|--------|---------|--------|
| LE (E-Live Cattle): | 13,631 | Holiday | 21,811 |
| GF (E-Feeder Cattle): | 992 | Holiday | 745 |
| HE (E-Lean Hogs): | 12,046 | Holiday | 16,834 |

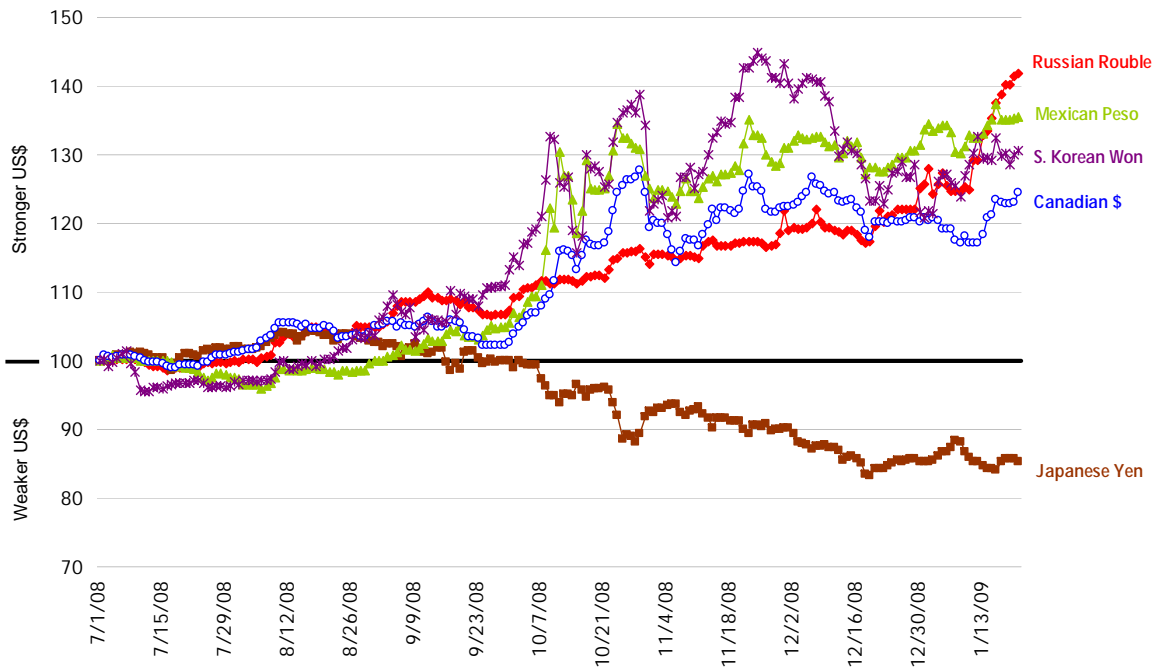
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Market Comments

The events in Washington D.C. marked a new milestone in the 200+ year history of the American political system but they were not enough to boost sluggish equity and currency markets. **Markets continue to be spooked by the distinct possibility of the nationalization of key banking institutions in the developed world and the implications this could have on credit markets, counter parties and the myriad of financial linkages that have developed in recent years.** Clearly the action in the broader market had a negative impact on livestock futures, which were sharply lower across the board. Despite some expectation that cattle futures would benefit from the improvement in cutout values and much higher packer margins, the market remains concerned with the broader macroeconomic situation and the effect that a prolonged recession and unstable currency rates will have on trade. More immediately, the volatility reflects shifting perceptions of risk, with many debating whether commodities still present opportunities for higher returns than equities or if deflation has already begun to take root and could negatively impact commodity demand and prices going forward. It is often pointed out that macro economics was born out of the US Great Depression and since then economists have spent a lot of time debating how one can avert a depression (we think we know how to deal with run of the mill cyclical recessions). And while one is right to be confused by the choice, it will be economists rather than lawyers that will determine our lives for the next few years. Should the US government monetize debt? Ben Bernake have favored such an approach in the past. If so, what will happen to the value of savings in this country. But if the government does not intervene, then how can one compensate for the expected sharp contraction in business and consumer demand. For now, the US currency has benefited by the inflow of capital looking for a safe harbor. This is negative for US meat exports in the short term. Longer term, however, it will be difficult for the US dollar to maintain its value, especially if the FED decides to push more paper into the system in order to fight deflation. While we would like to think that everyone knows what they are doing, the proof is in the pudding and this is a dish that the chefs at the FED have only made on paper, real life tends to be more complicated.

Value of US\$ vs. the Currency of Top US Beef and Pork Importing Countries

July 1 Exchange Rate = 100



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