

# Daily Livestock Report

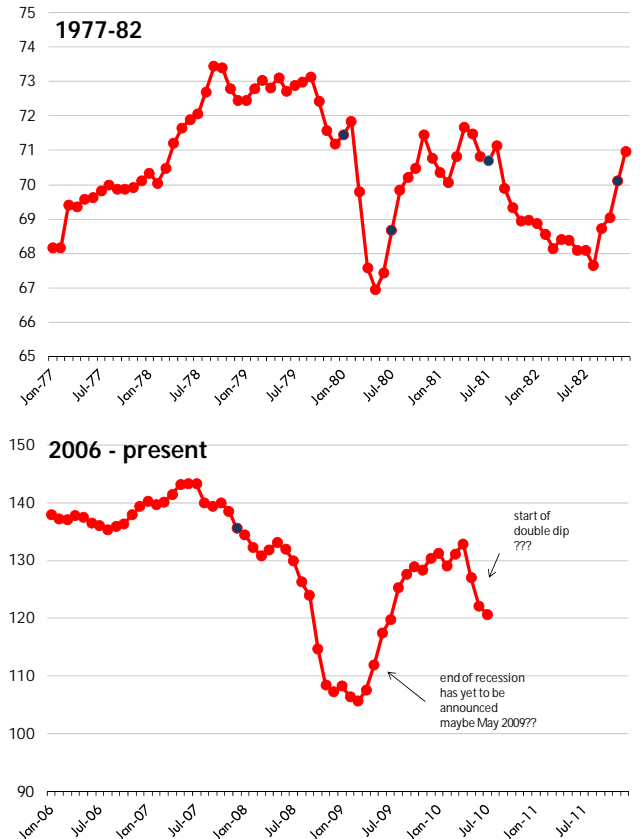
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## Market Comments

Despite some of the recent lofty prices for cattle and hogs, **there is still plenty of consternation about the direction of the economy and the impact this could have on meat protein demand.** After all, as we noted in our report last week, meat demand indexes have been trending lower for some time and it is unlikely that we will see them turn without robust growth in the economy at large. We do not pretend to have a crystal ball and know when or if the economy will enter a double dip recession. What we do know is that a number of signs are unfortunately pointing in the wrong direction. The Economic Cycle Research Institute (ECRI) puts together a weekly and monthly leading index of economic indicators. The idea is to create an index that may forewarn about the future direction of the economy. The track record of the index is mixed, some times it has done quite well in predicting turns in the economic cycle and sometimes it has not been quite as successful. However, it is one of those indexes that many tend to look at and we decided to see how the index behaved during the last time we saw a double dip recession. As the top chart shows, the US economy contracted during the period January 1980 - July 1980. The economy then bounced back but rising interest rates and a number of other factors caused the economy to once again dip lower (double dip) during the period July 1981 - November 1982. The ECRI index started to decline about three months ahead of the posted recession date for the first recession and two months before the start of the second recession. As for the recession of 2008-09, the ECRI index began to dip about four months ahead of the declared recession date (December 2008). A number of economists have concluded that the most recent recession ended sometime in late spring or early summer of 2009, however no official ending date has been declared. The ECRI index has been dropping since April and given the magnitude of the decline, it is possible that the start of a second recession may already be here. There are plenty of differences between today and 1981. Unfortunately, the FED finds itself in the unenviable position that one of its main weapons in combating recessions, i.e. control of interest rates, already has been exhausted. The next weapon in the FED's arsenal, "saying it will do all it can to support the economy", just got deployed last week. Now we have to see if the economic forces at play will force its hand and what will be the consequences of mass buying of government bonds on US long term interest rates and the value of the US dollar.

## Talk of a Double Dip: It May Already Be Here

ECRI Leading Indicator Index in 1977-82 with 2006-current



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