

Cycle Projections - Commodities

DECEMBER 2008-JANUARY 2009

COMMODITIES : CRB, SOYBEANS, CORN, WHEAT, COTTON, MEATS, ETC.

Can Commodities make a comeback?

The main issue with commodities is whether we are in a major deflationary cycle or not. There is no question that the seeds of deflation are in play. Fixed assets such as real estate are in a tailspin. This has brought about a fracture in the credit markets and the subsequent bear market in stocks. The economy is in a shambles. Then enter the Fed and Treasury and they have turned on the money faucet and it is not stopping and it is not likely to stop when the new President takes office. All of this points to the fight against deflation; and if the battle is won then increased money will tend to support commodity prices. Last issue we continued to believe that prices would create a new trading range and we were surprised by the deep decline in most commodity prices. In light of the world economy that wasn't a surprise. We now

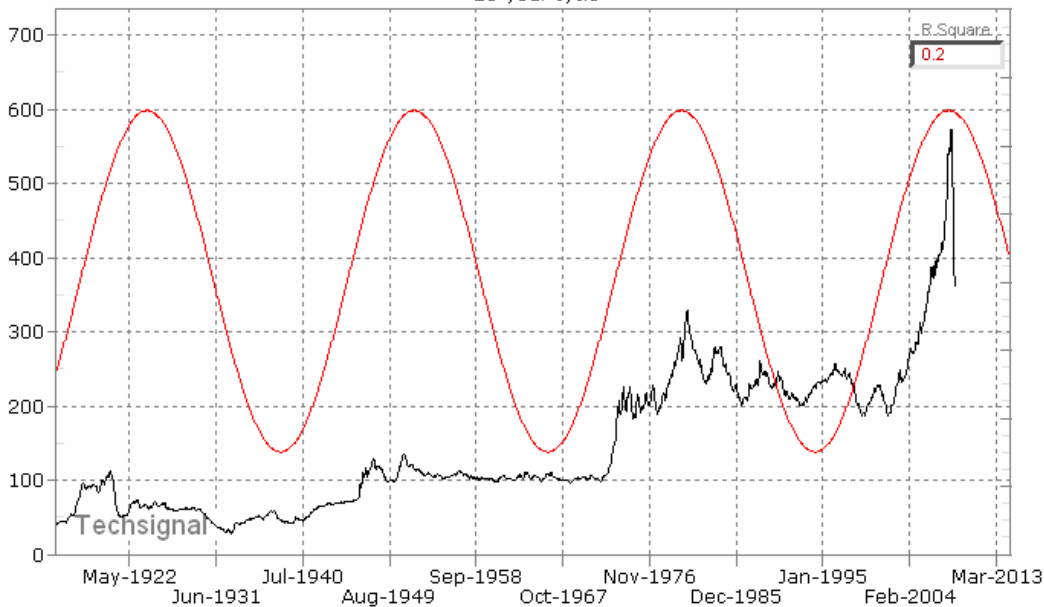
expect a rally in commodity prices and a new higher trading range develop. But do not expect new highs. The cover picture shows the important 28-year cycle. We expect to see a trading range for the next several years such as we had in the 1980s and 1990s.

Grains and Oil Seeds:

Wheat is to trade sideways with a slight upside bias. The seasons do not favor any major rallies. Corn should remain sideways until the spring. Oil seeds should follow corn and move generally sideways. **Energy:** Energy has pulled back significantly

and is likely to rally, but not significantly, as long as the recession lasts. **Metals:** The metals will continue to follow the US dollar which is due to bottom by mid-January. The dominant cycle is approximately 15 weeks. **Food and Fiber:** We are neutral on most of this sector with the exception of Cocoa. Cotton and lumber will need to see the recession end to move higher. We remain neutral on sugar and coffee. **Meats:** We are neutral to bullish on cattle, bellies and hogs. The recession has affected these series.

CommodMo
28-year cycle



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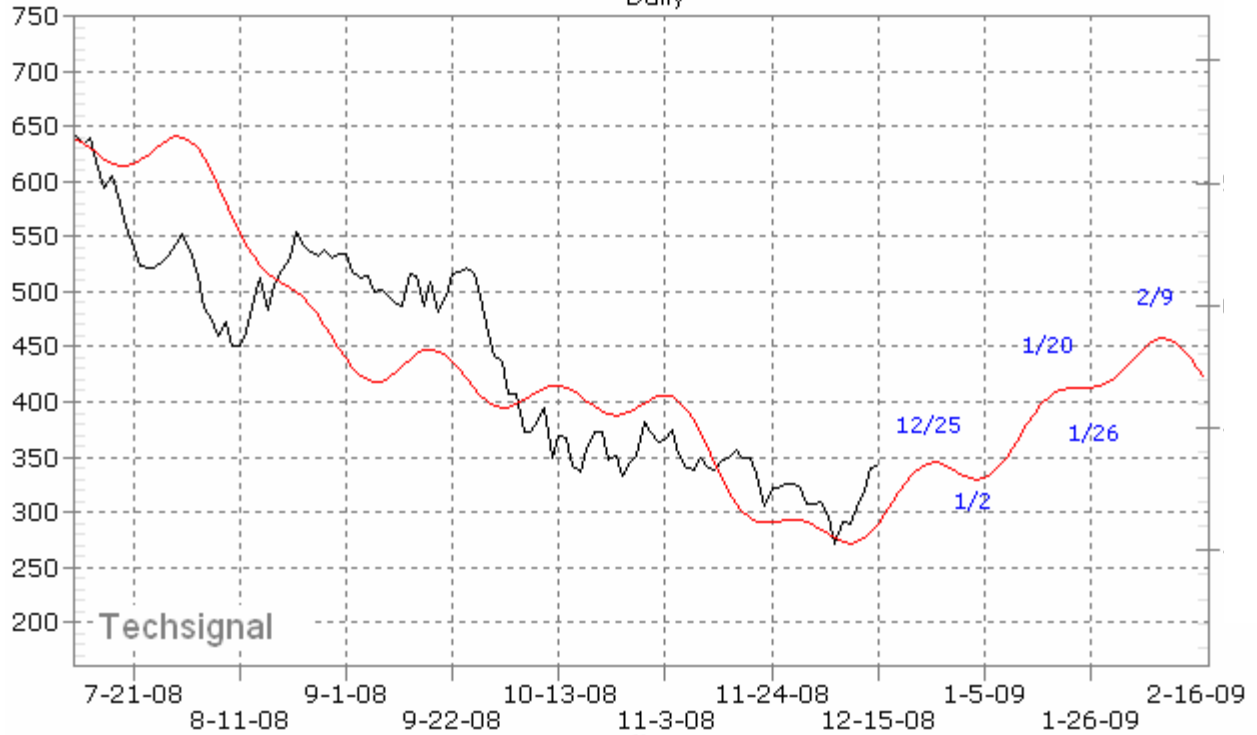
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Daily Corn

Corn CBT (Pit) Cash C
Daily



Daily Wheat

Wheat CBT (Pit) Cash W
Daily



Daily Soybeans

Soybeans CBT (Pit) C S
Daily



Daily Soybean Meal

Soybean Meal (Pit) C SM
Daily



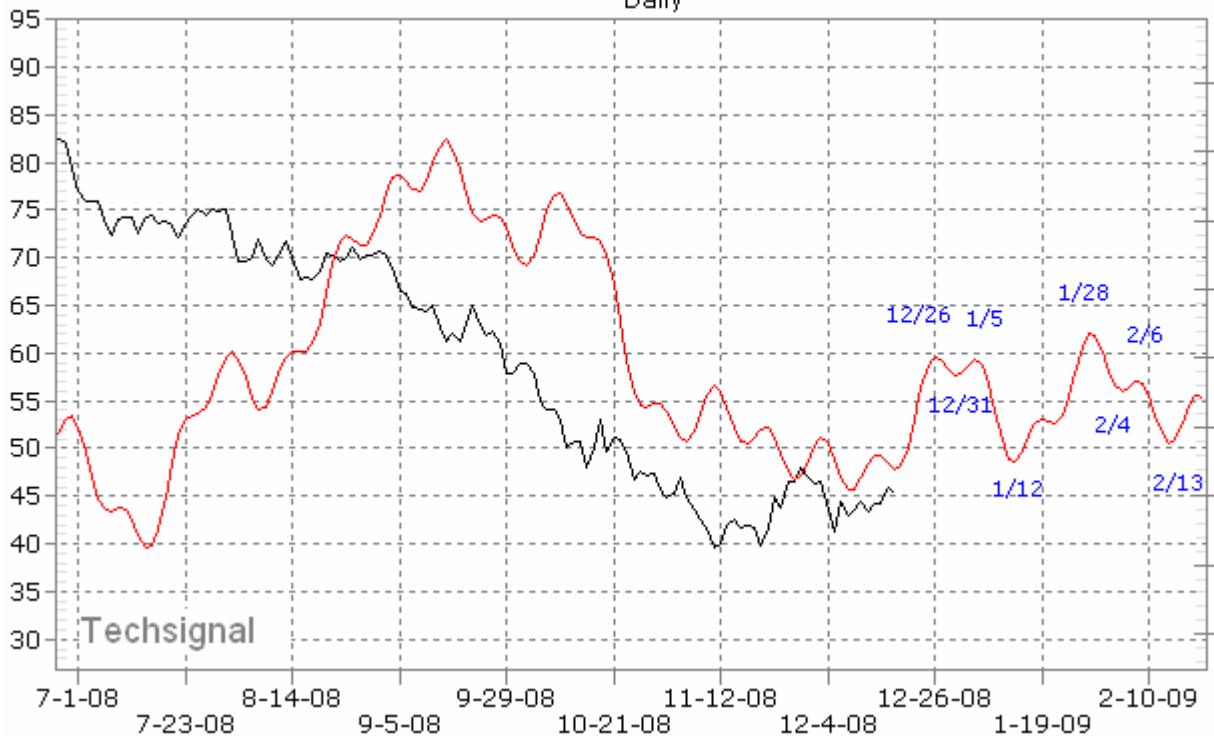
Daily Coffee

Coffee Cont 1 KC
Daily



Daily #2 Cotton

Cotton #2 Cadj Liq
Daily



Daily Cocoa

Cocoa NYBT Cadj Liq
Daily



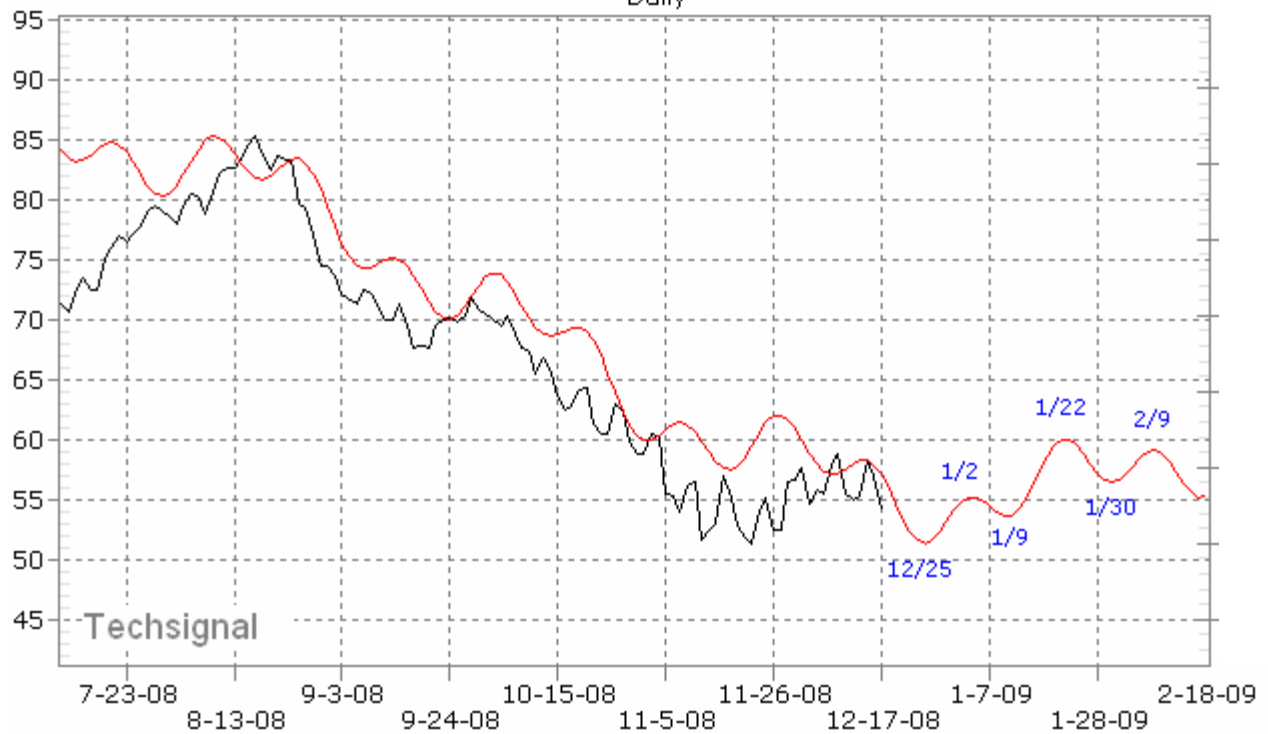
Daily Lumber

Lumber Cont 1st LB
Daily



Daily Live Hogs

Lean Hogs (Pit) Cash LH
Daily



Daily Live Cattle

Live Cattle Cash LC
Daily

