

Annual Meat Conference 2019 – Dallas, TX

Macroeconomic Situation & Outlook

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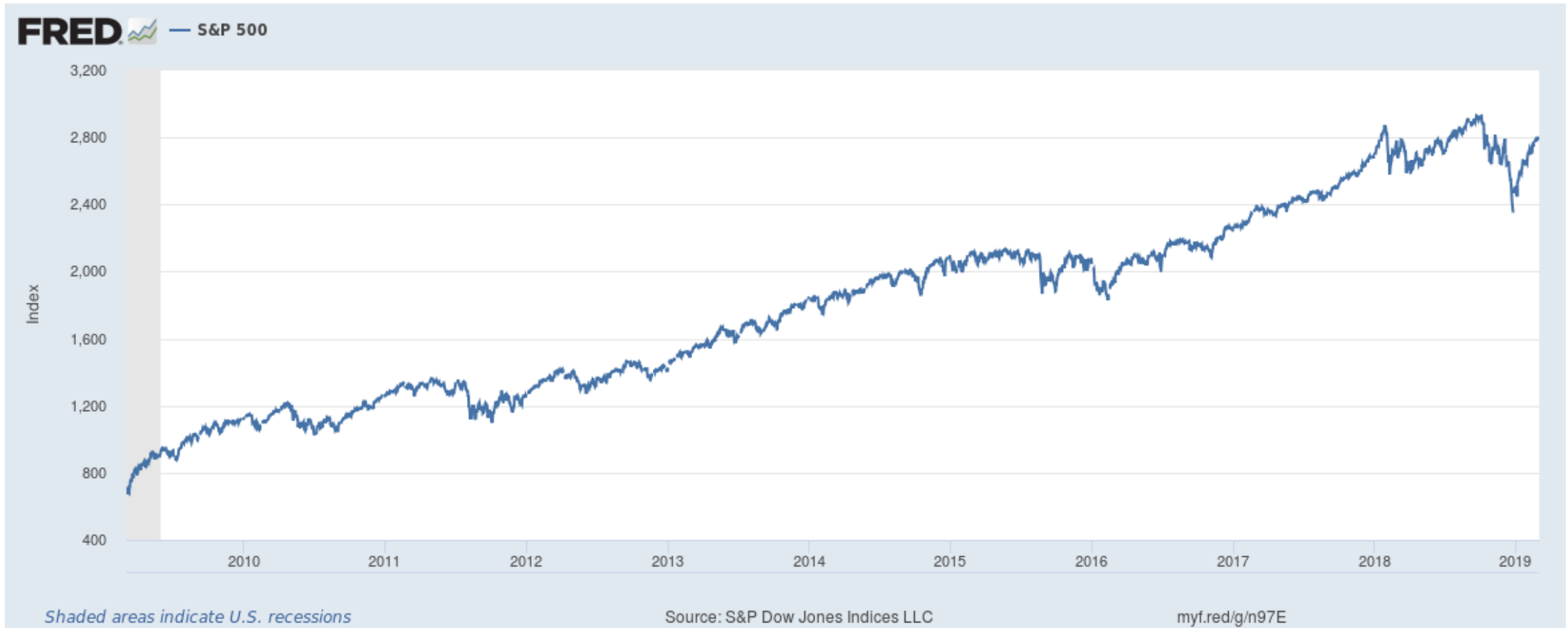


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It has been a very nice run!!! – S&P 500 up by 4X since 2008
. . . And today's ONLY guarantee: It ain't going forever!



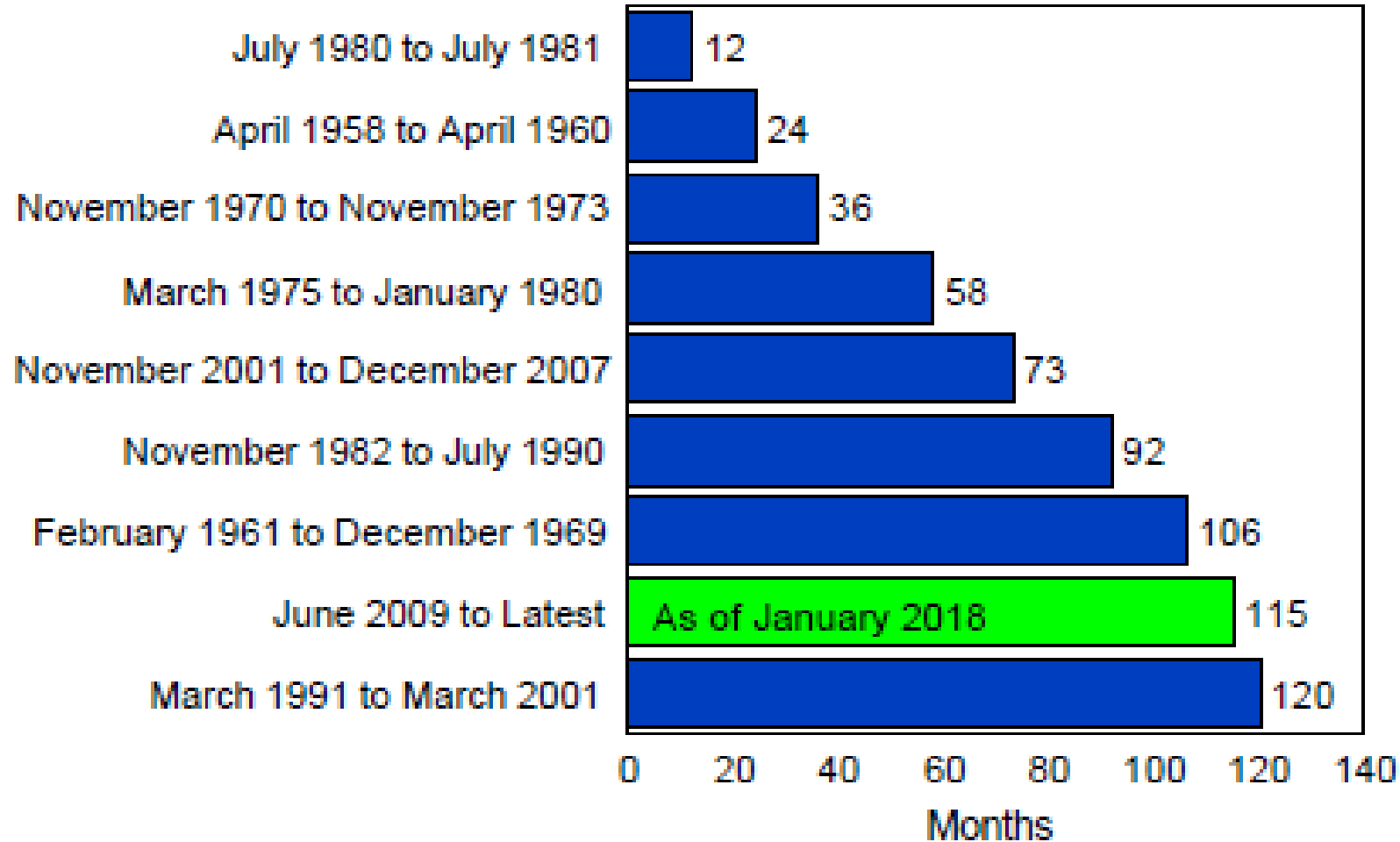
Macro conditions remain generally positive, though . . .

- World economic growth is still positive (IMF: +3.7% in 2019)
– as are most major countries
- Equity markets are volatile but S&P 500 has regained about 80% of its Q4-2018 decline
- Q4 real GDP growth at 3.1% yr/yr, 2.6% qtr/qtr annualized
- RPD I per capita is growing again – 2.2% yr/yr in 2018
- U rate at 4.0% in January – pushing wages slightly higher
- 2018 inflation = 1.9%, down from 2.1% the past two years
 - And down from 2.3% through October – ALL DUE TO ENERGY!
 - 1.9% says Fed is less likely to raise interest rates, 2.3% says they will be aggressive – 2 more .25% hikes this year



THIS RECOVERY: A GOODIE BUT OLDIE!

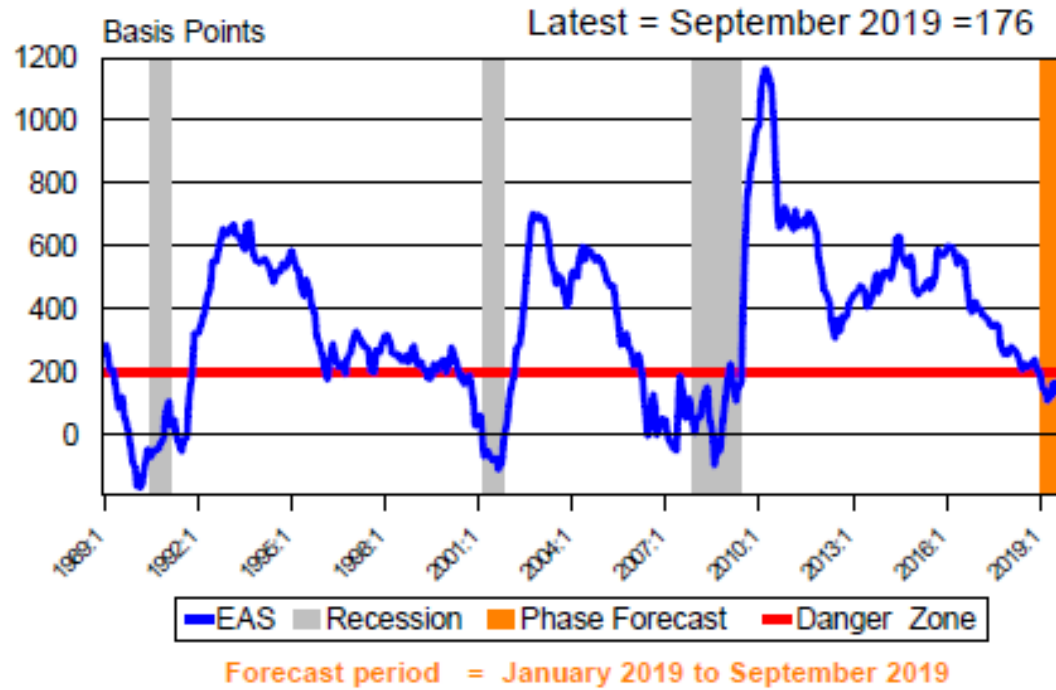
Expansion Periods



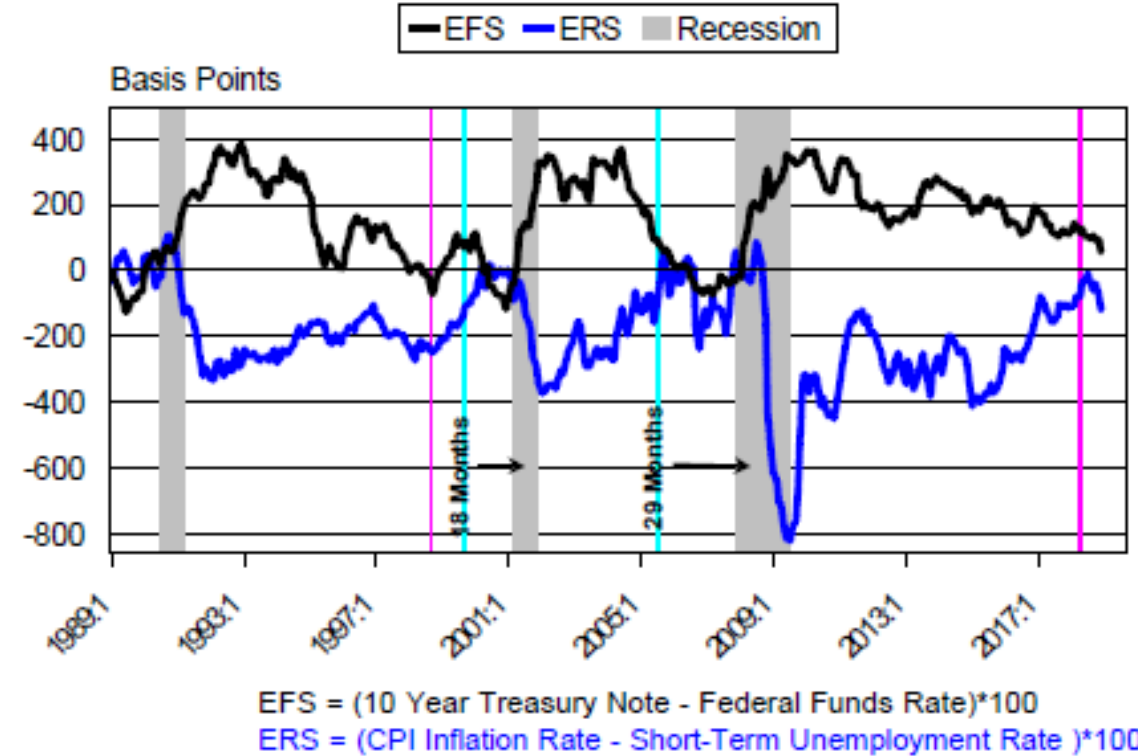
And there are some serious warning signs . . .

. . . Dr. Dieli's EAS pegged Jan '19 as 1st "eligible" month

Enhanced Aggregate Spread



Components of the Enhanced Aggregate Spread

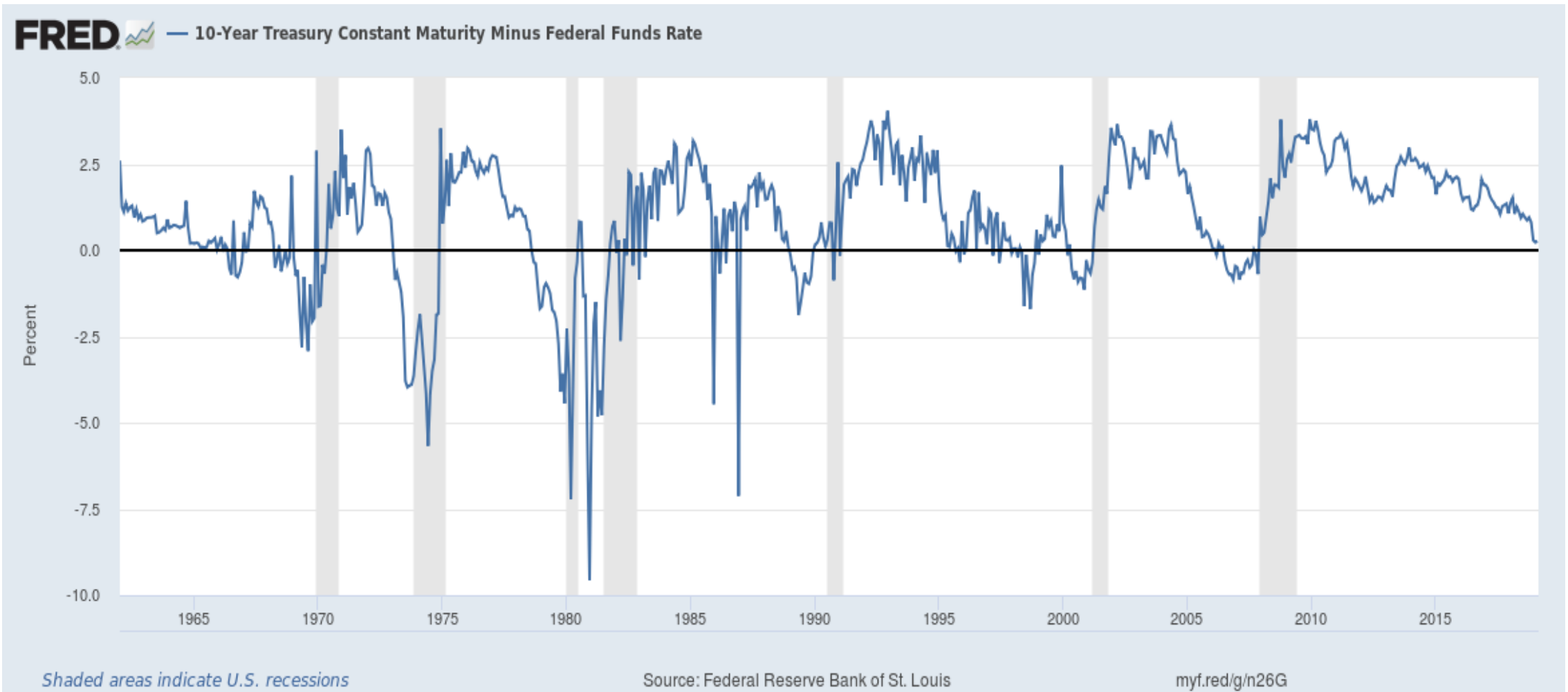


Date	EAS	DATE	EFS	ERS
2019:6	165	2018:9	105	-60
2019:7	136	2018:10	96	-40
2019:8	172	2018:11	92	-80
2019:9	176	2018:12	56	-120

www.nospinforecast.com

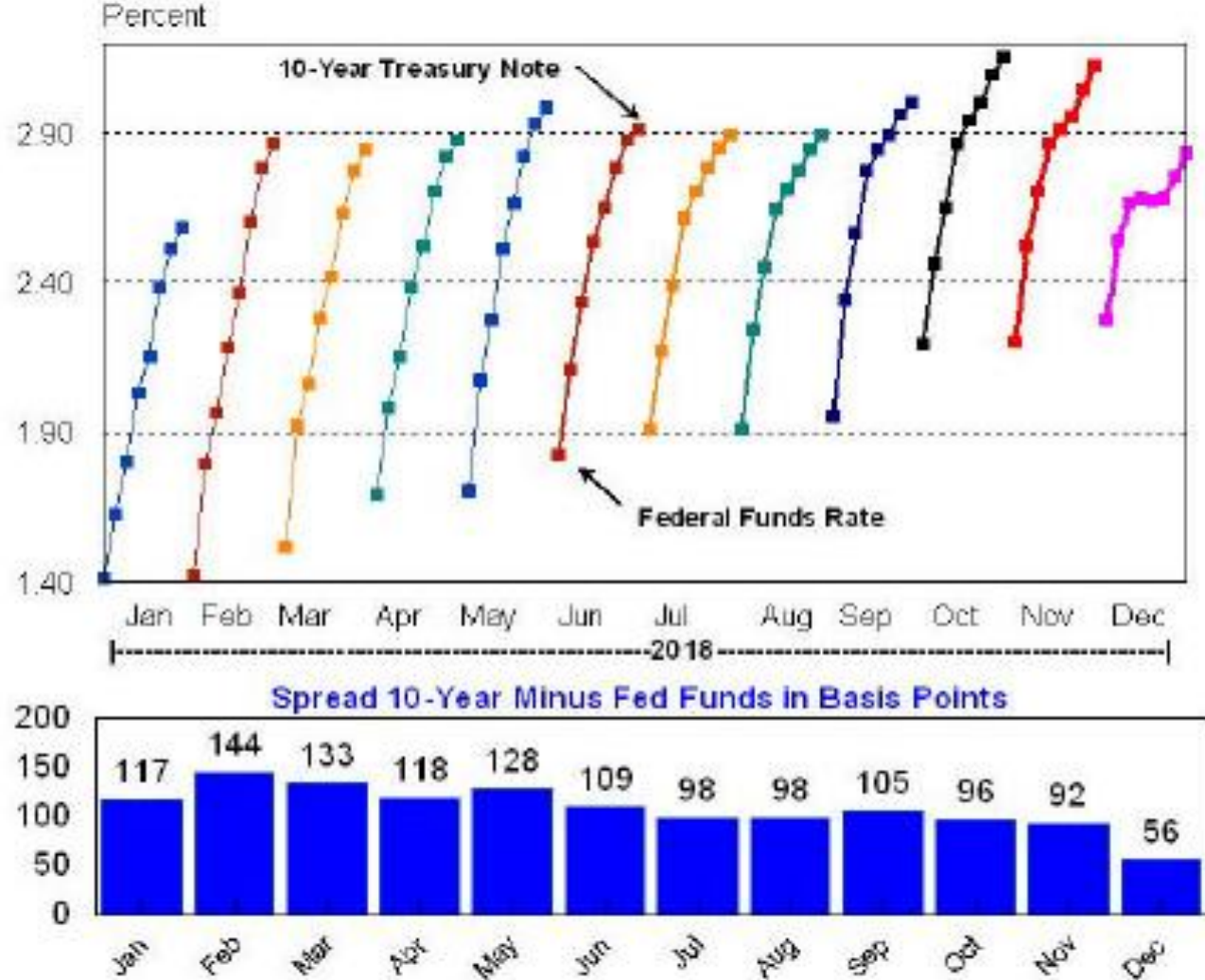
NY Fed follows the 10-year – Fed funds rate spread . . .

. . . And it is flirting with zero – an early recession indicator

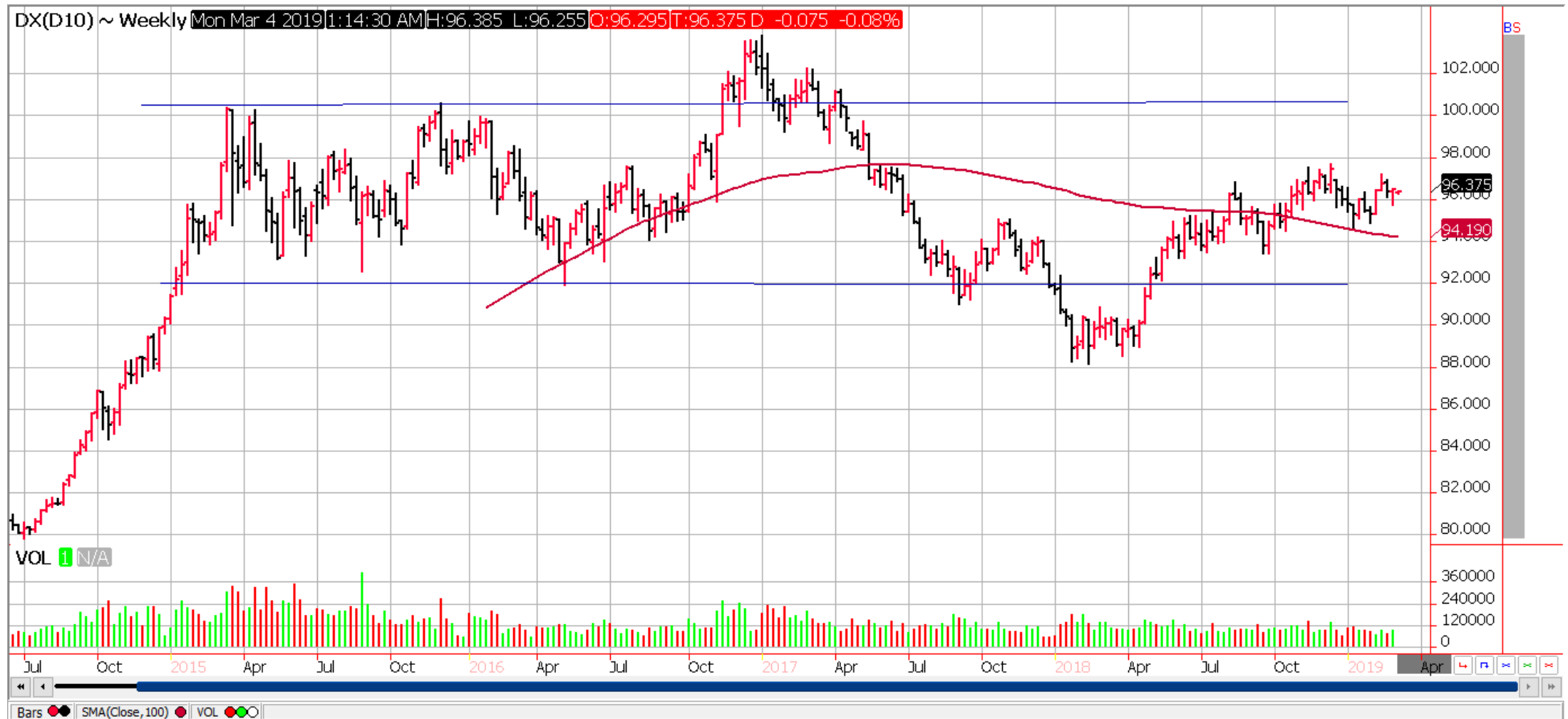


Same spread presented differently . . . Compression and a kink

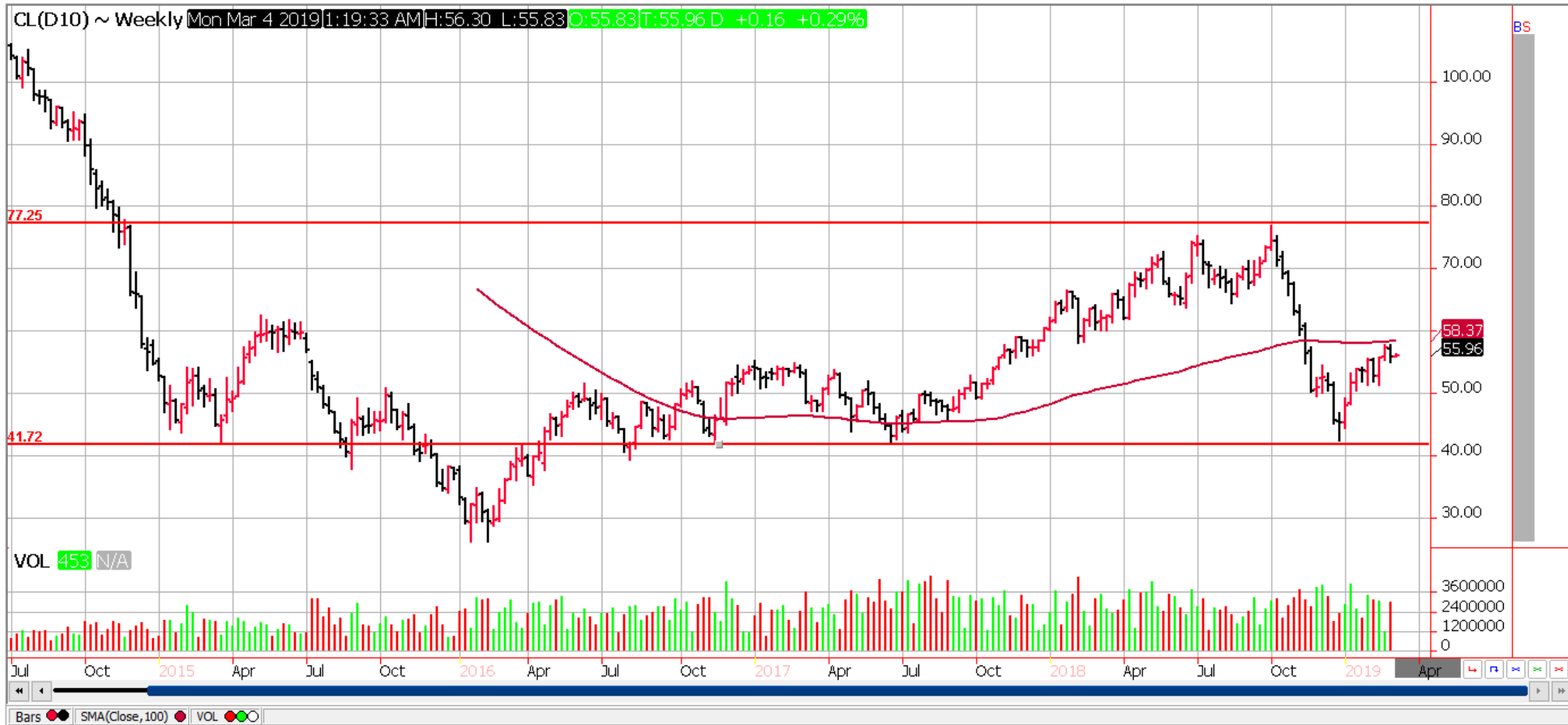
The Constant Maturity Treasury Yield Curve**



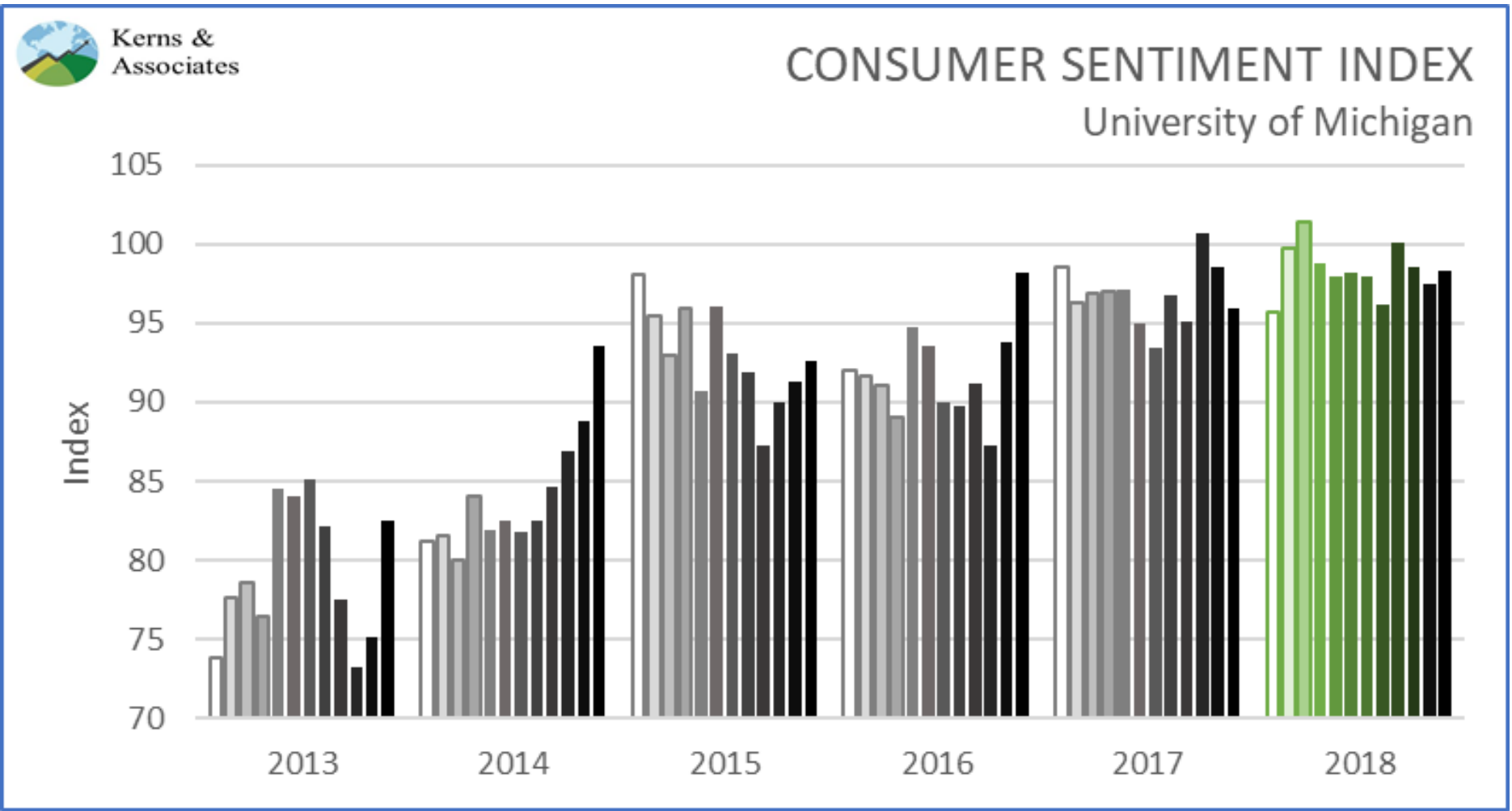
\$US is back into it's recent trading range . . .
. . . Probably not "flight to safety" yet, but stronger



Major adjustment in crude oil -- slowing economies?

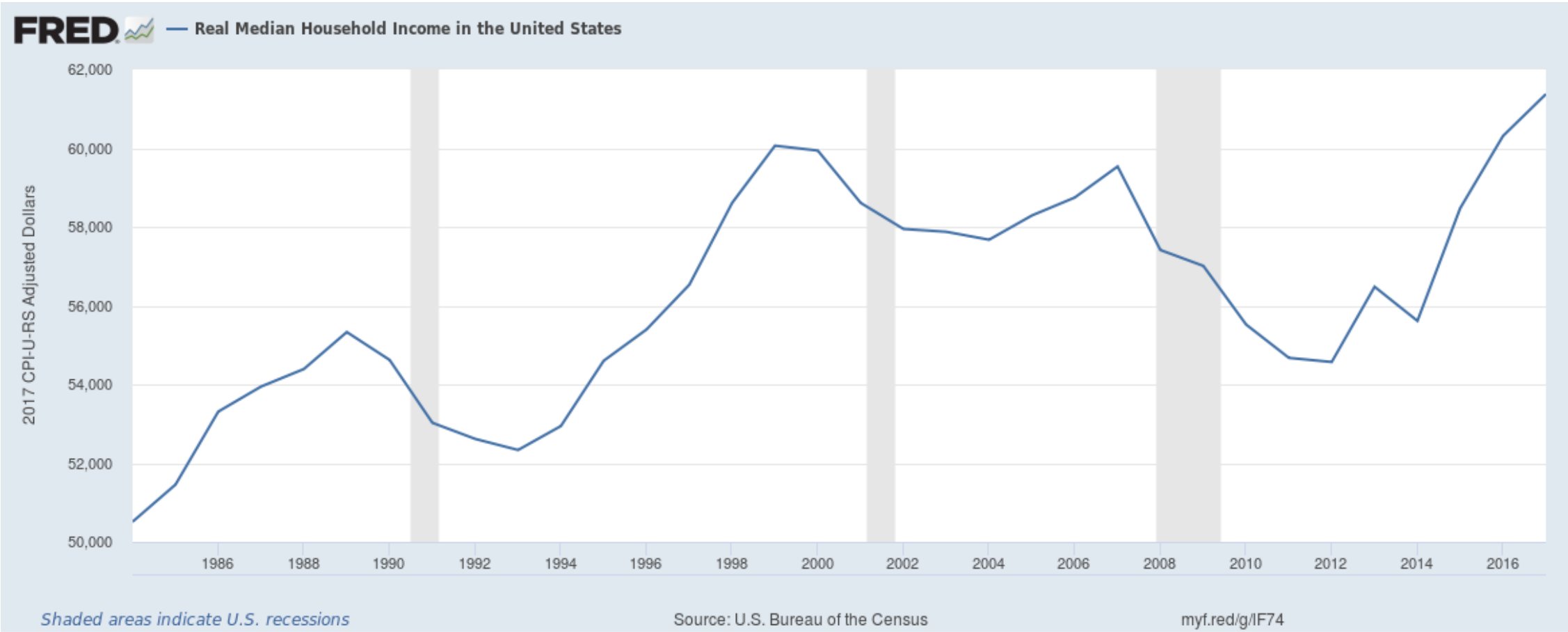


For the moment, consumers still feel very good about things



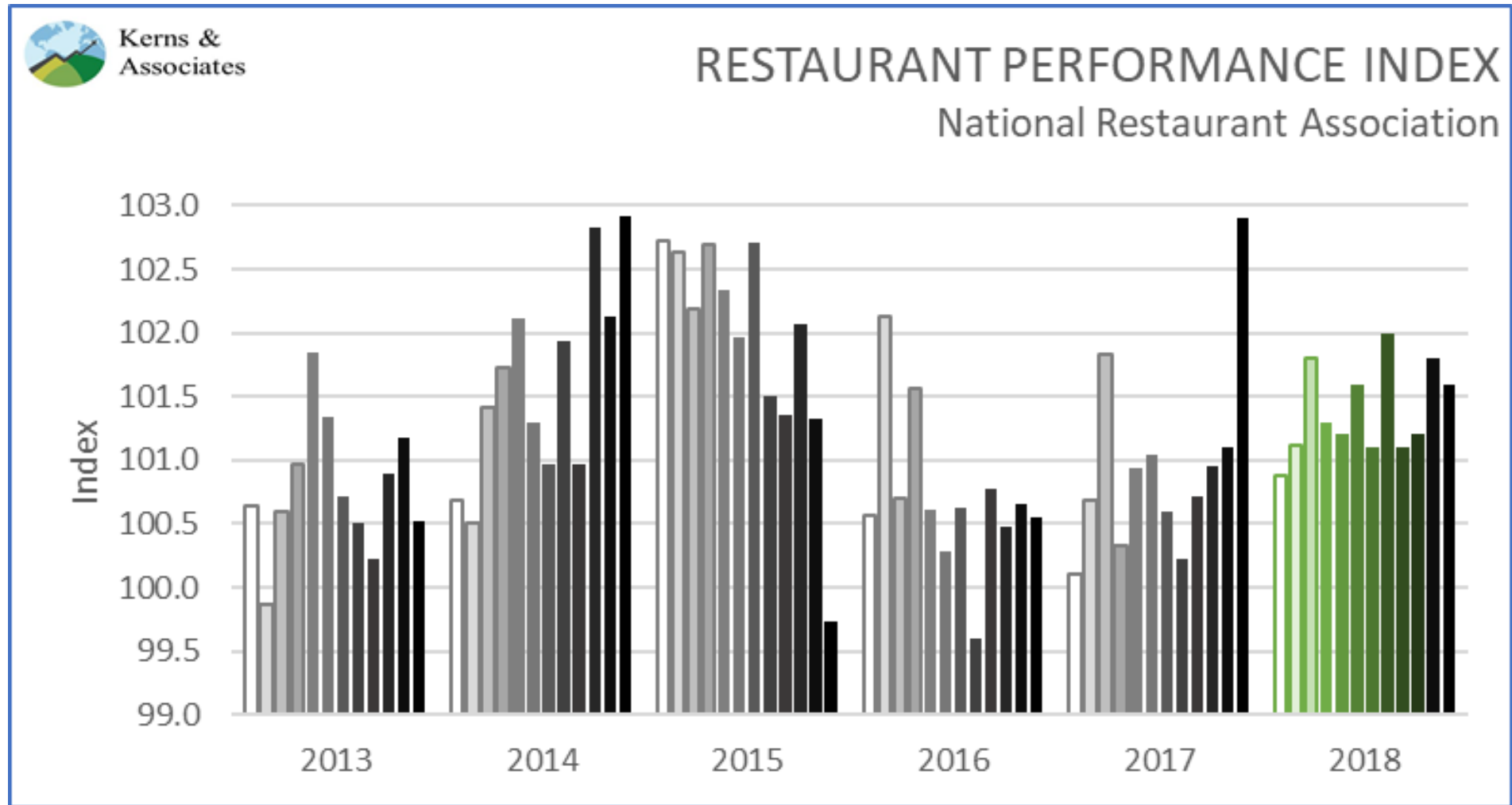
One reason: A rise in median real household income . . .

. . . But it took 18 YEARS to set a new record in '16

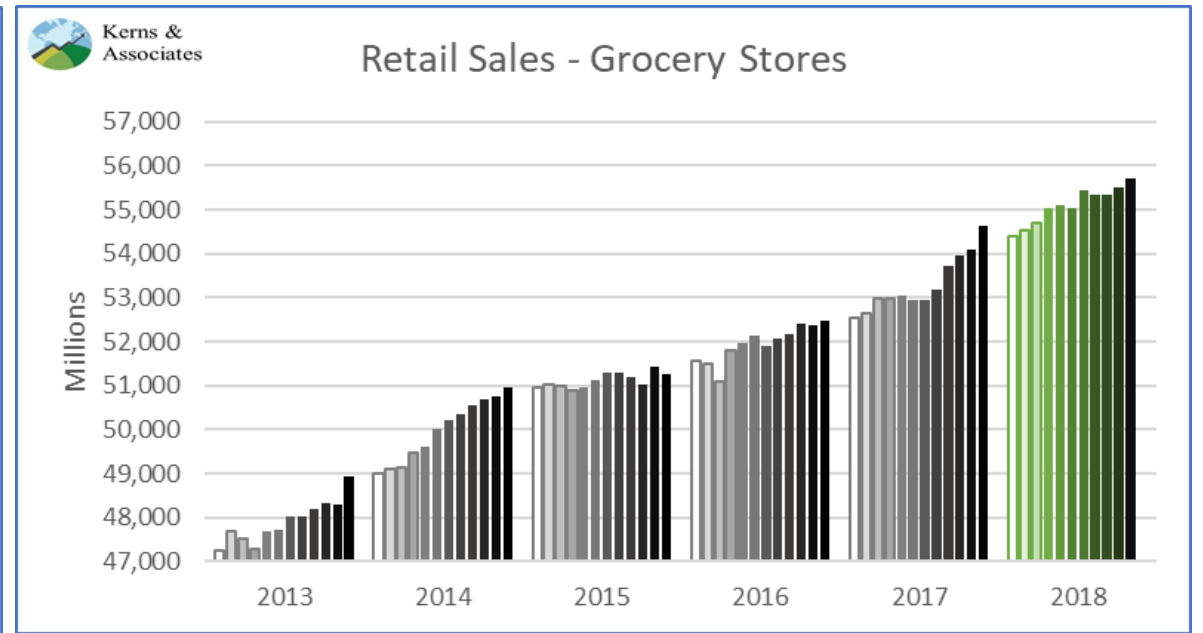
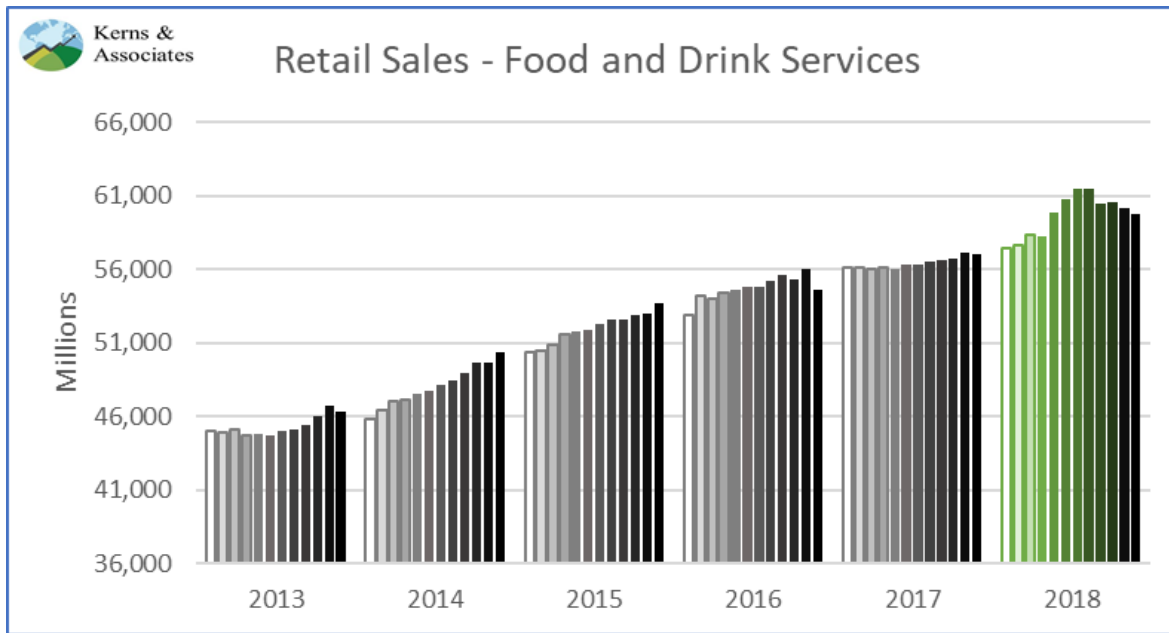


Restaurant performance has bounced back . . .

. . . To post 2 years of 100-plus (expansion) readings



But sales in food/drink places softened late in '18 . . .
. . . While grocery store sales have surged since mid-2017



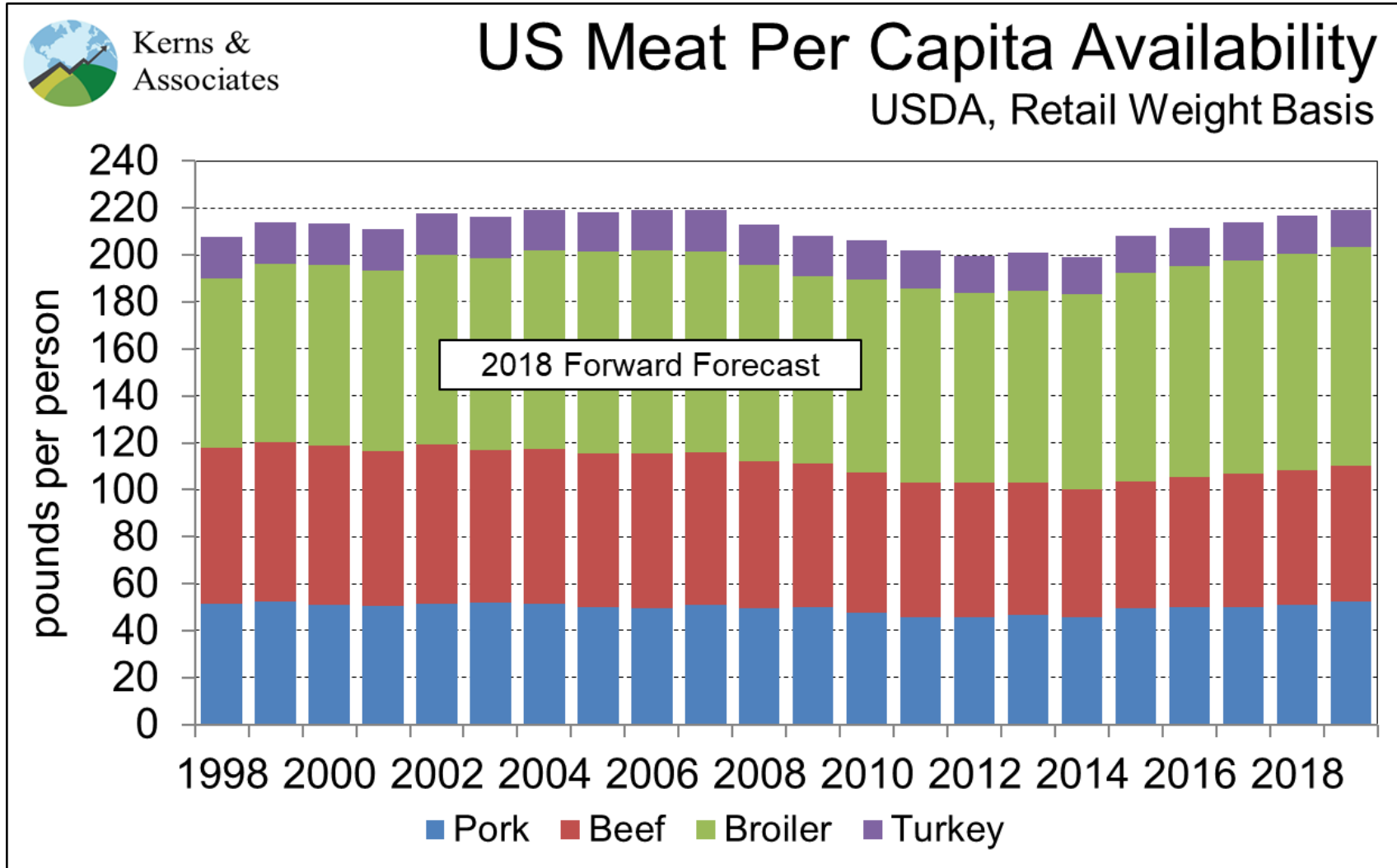
Some macro problem areas . . .

- Trade war(s) will have an impact
 - China is forecast to grow by 6.3% -- “worst of the last 10 years and best of the next 10 years”?
 - Trade war and ASF could be a very problematic situation
 - Inflation driver for the U.S.
- EU is better but BIG issues loom
 - Italy and Portugal debt problems could make Greece look simple
 - Brexit is not resolved – more a British problem but not good for EU
- U.S. federal deficits and debt – Modern Monetary Theory

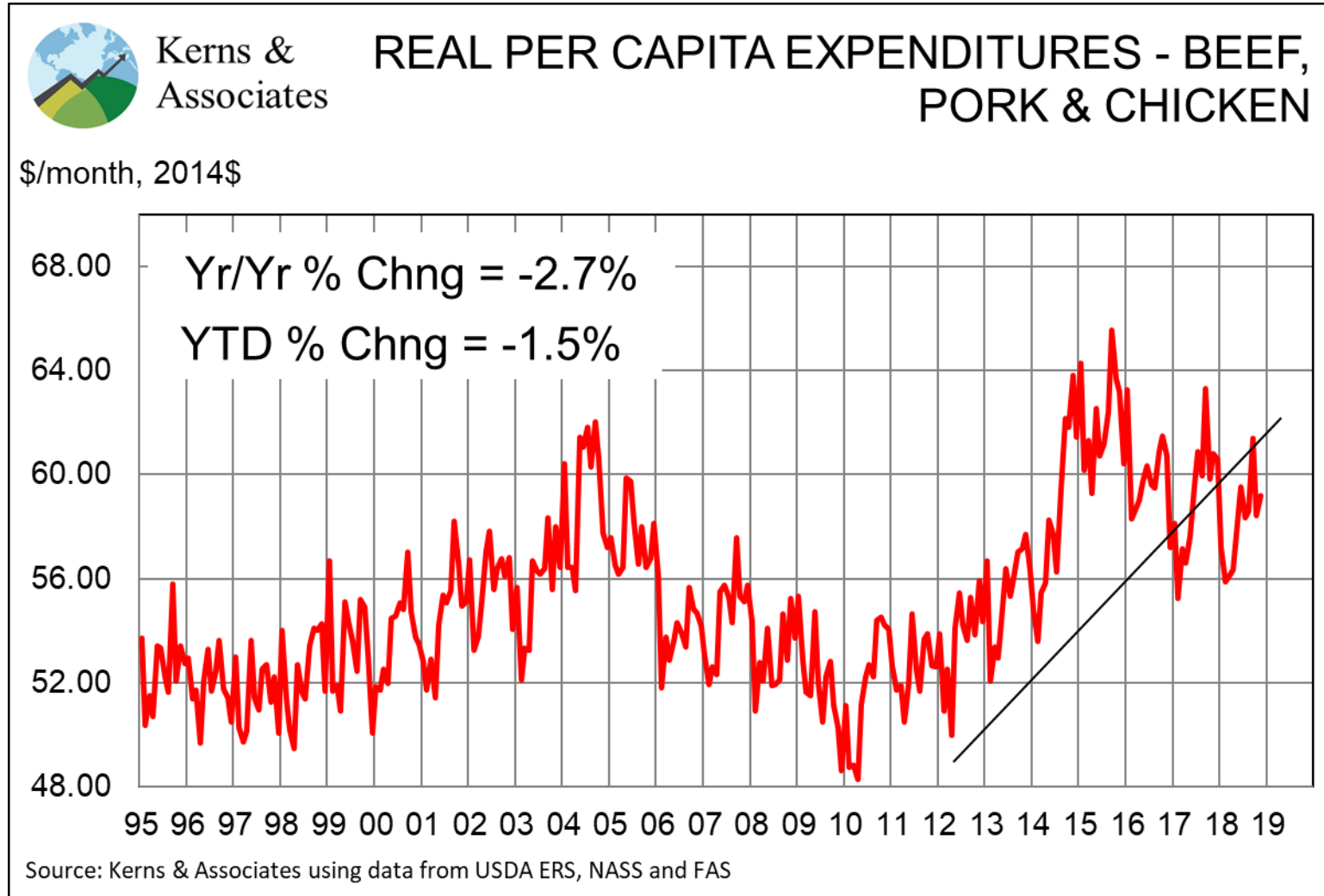


Per cap meat & poultry availability/disappearance . . .

. . . from 198.9 in '14 back to 214.5 in '17– 220 in 2019? 2020?

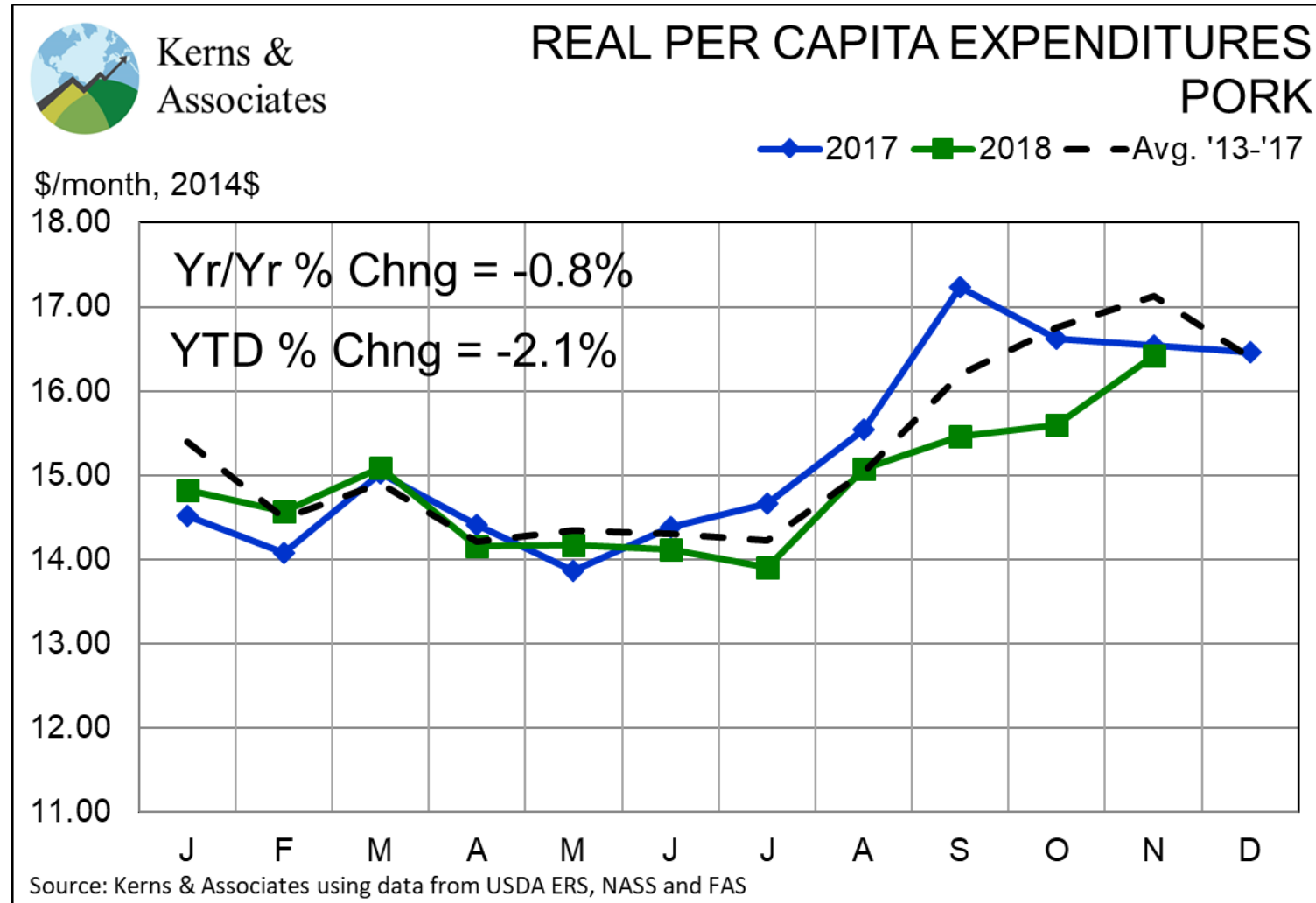


3-species RPCE: Tough months in July-October but YTD 3-species demand is still down only 1.5%, yr/yr

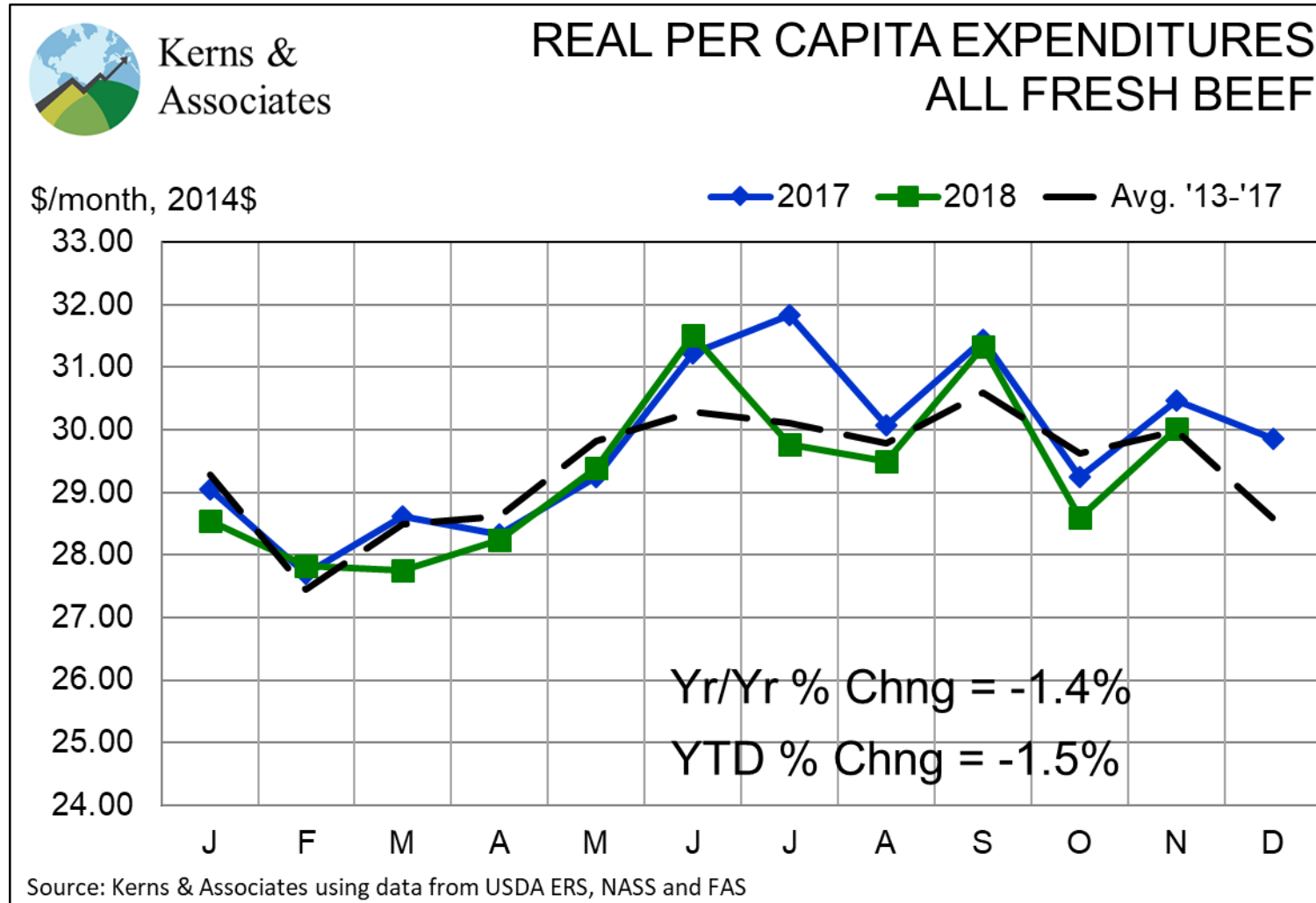


Pork demand struggled in Q3 but had a good Nov. . .

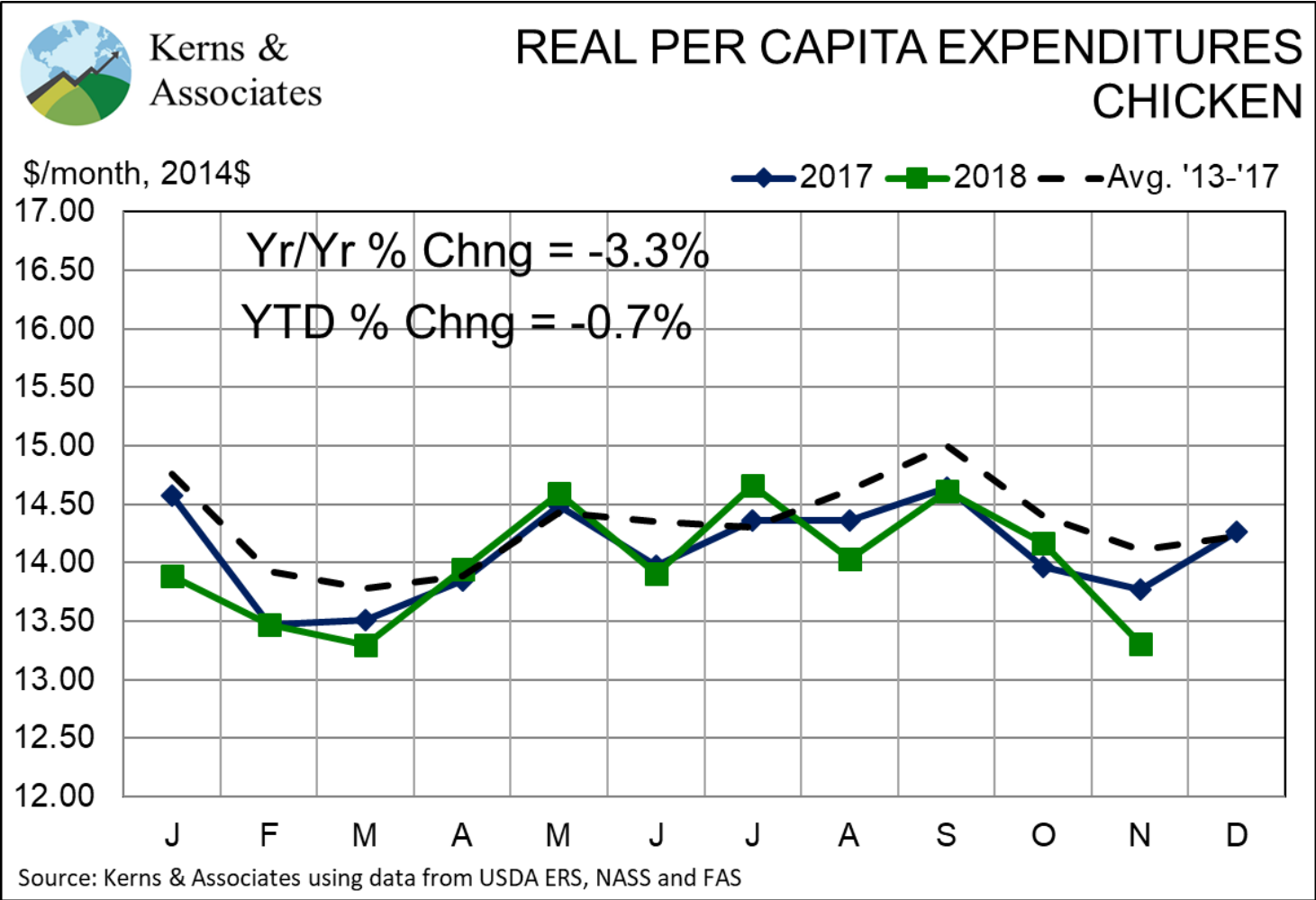
. . . And is now down just 2.1% YTD



Beef demand is down from '18 but near 5-yr. average



Chicken demand has been VERY close to year-ago levels Until a very tough November



And now . . .

Randy Blach
CEO
CattleFAX

