



NHCO Week in Review March 31, 2014

NHCO Weekly Market Update

It's not just the price movement of stocks and bonds that investors watch but a multitude of markets in which we can invest and profit. Of the many things one might consider there are precious metals, oil, heating oil, lumber, wheat, soybeans, and as you can imagine a list that can go on and on. Our concern about historical price movements goes back a long time and pre-dates today's concerns of just stocks and bonds. Traders in the new world worried about the price of beaver pelts as they explored America. Ancient Egyptians' society's worry was wheat. So this week as we looked at global markets one that offered confusion (and proved that in spite of the converging nature of global markets sometimes the same item can trade at different prices and can move in different directions), was the price of pigs.

It can almost be maddening to decipher markets and trends but now I have to throw my hands in the air and scream at the top of my lungs, "I just don't get it." Step back in time to September, 2013 when Shuanghui International, the food company based in China, completed its acquisition of Smithfield Foods, the meat company that specializes in pork products. We discussed on these pages that the demand for pork from the growing middle class in China might create some dislocations in the pork market and price adjustments would be at risk. Quite frankly the thinking at the time is that with more Asians demanding pork products that a lot of that Smithfield product would be headed for container ships making the price of my weekend bacon skyrocket.

If pig is as popular in China as the owners of Shuanghui International believed, one would think that the pig farmers of China would be rolling in "mud" as they produced more local product for their consumers. A story out this week pointed to the fact that hog prices in China, instead of rising due to demand, have in fact collapsed. Starting in mid-December through March live hog prices in China have fallen 14% from a year earlier. The price drop has been a boon for the Chinese consumer who ranks pork as their number one animal protein in their diet. Chinese agricultural officials offer very little in the way of definitive answers to the strange occurrence.

Meantime back home, Americans have seen a huge rise in the price of pork. Lean Hog prices are up 51% this quarter. Long gone are the days when I could go into my local Publix grocery store to be certain to find bacon offered as a weekly BOGO special. While our product is flat our pig population has suffered from a virus that has particularly hit the hog stock. Whereas the S&P 500 hasn't gone up for the year the prices of agricultural products have put in a fantastic performance. The price of the GSCI Index of commodities that are tied to agricultural prices is up 15% this year. With corn up 16%, chicken wings up 8.9%, and hogs up 50% perhaps it's time for the switch to turkey bacon.

Carl Gambrell

	3/28/2014	% Wk Chg	% Yr Chg
DJIA	16,323.06	0.12%	-1.53%
S & P 500	1,857.62	-0.48%	0.50%
Nasdaq	4,155.76	-2.83%	-0.50%
EAFE	1,904.13	1.92%	-0.60%
Emerging Mkts	984.91	4.23%	-1.77%
Hang Seng	22,066.63	2.94%	-5.32%
NIKKEI	14,696.03	3.32%	-9.79%
FTSE	6,615.58	0.89%	-1.98%
CRB Index	306.21	2.27%	9.29%
Dow Jones Utility	526.94	1.01%	7.41%
TIPS Index	112.08	0.23%	1.98%
VIX Index	14.41	-9.94%	5.03%
OIL	108.07	1.08%	-2.46%
Gold	1,295.23	-2.96%	8.07%
Euro	1.38	-0.30%	-0.07%
Yen	102.83	0.57%	-2.41%
Sterling	1.66	0.92%	0.64%
High Yield	5.70%	-0.70%	-4.20%
Investment Grade	3.65%	-1.08%	-5.68%
2 Year Gov't	0.46%	6.98%	21.05%
5 Year Gov't	1.76%	2.92%	1.15%
10 Year Gov't	2.72%	-0.73%	-10.23%
30 year Gov't	3.55%	-1.66%	-10.58%
2 Year Muni	0.39%	-2.50%	18.18%
5 Year Muni	1.36%	7.09%	18.26%
10 Year Muni	2.51%	-4.20%	-9.39%
30 Year Muni	3.65%	-6.89%	-13.71%
3m LIBOR	0.23%	0.00%	-8.00%
Fed Funds	0.07%	-12.50%	75.00%
Prime	3.25%	0.00%	0.00%
Money Market	0.48%	0.00%	20.00%
12m CD	0.65%	1.56%	-2.99%
30 Year Mortgage	4.34%	-1.14%	-4.41%
15 Year Mortgage	3.36%	-1.47%	-5.35%

Data: Bloomberg