



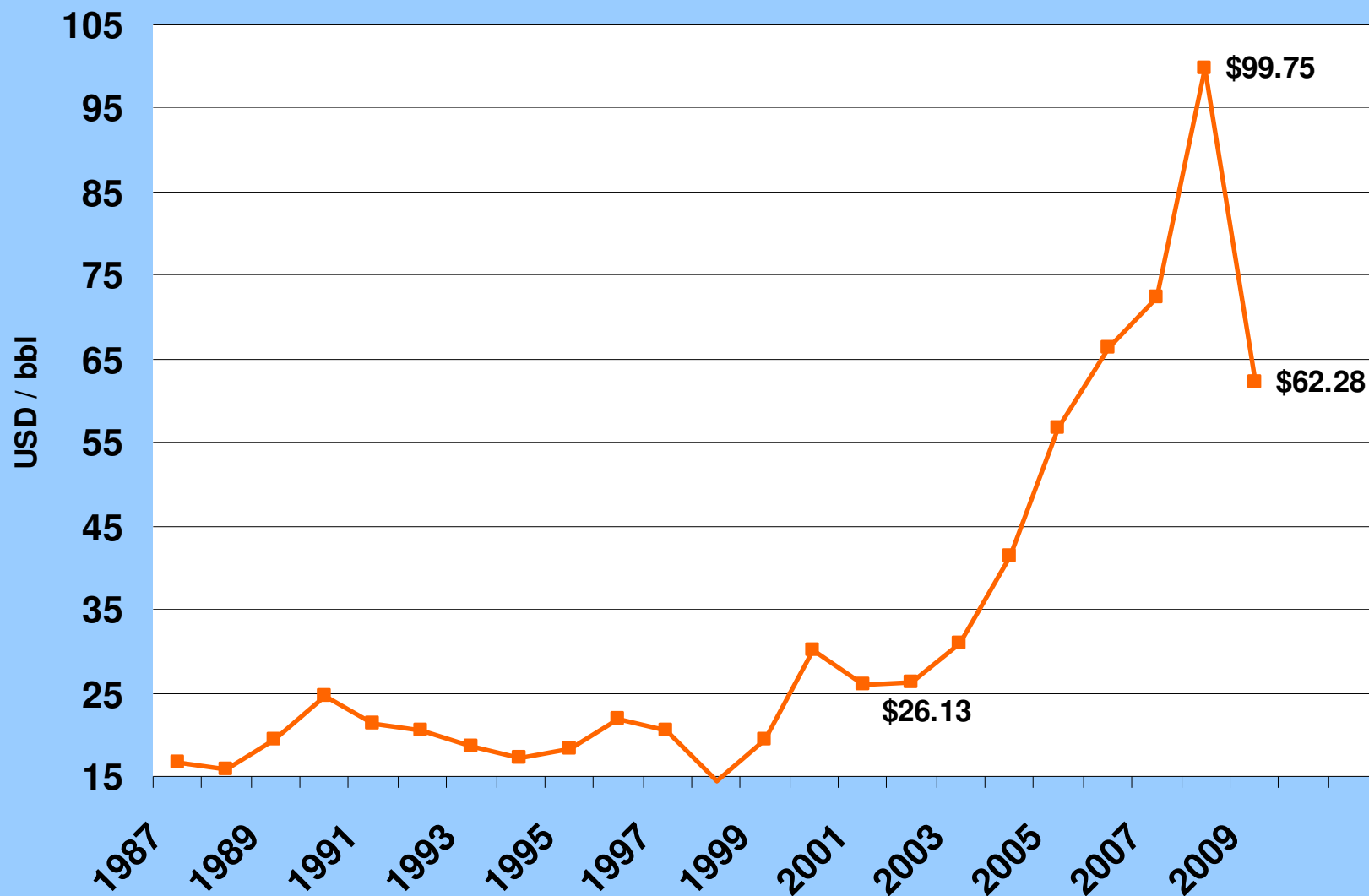
# The Last Shall Be First

## Looking for Inflation in All the Wrong Places!

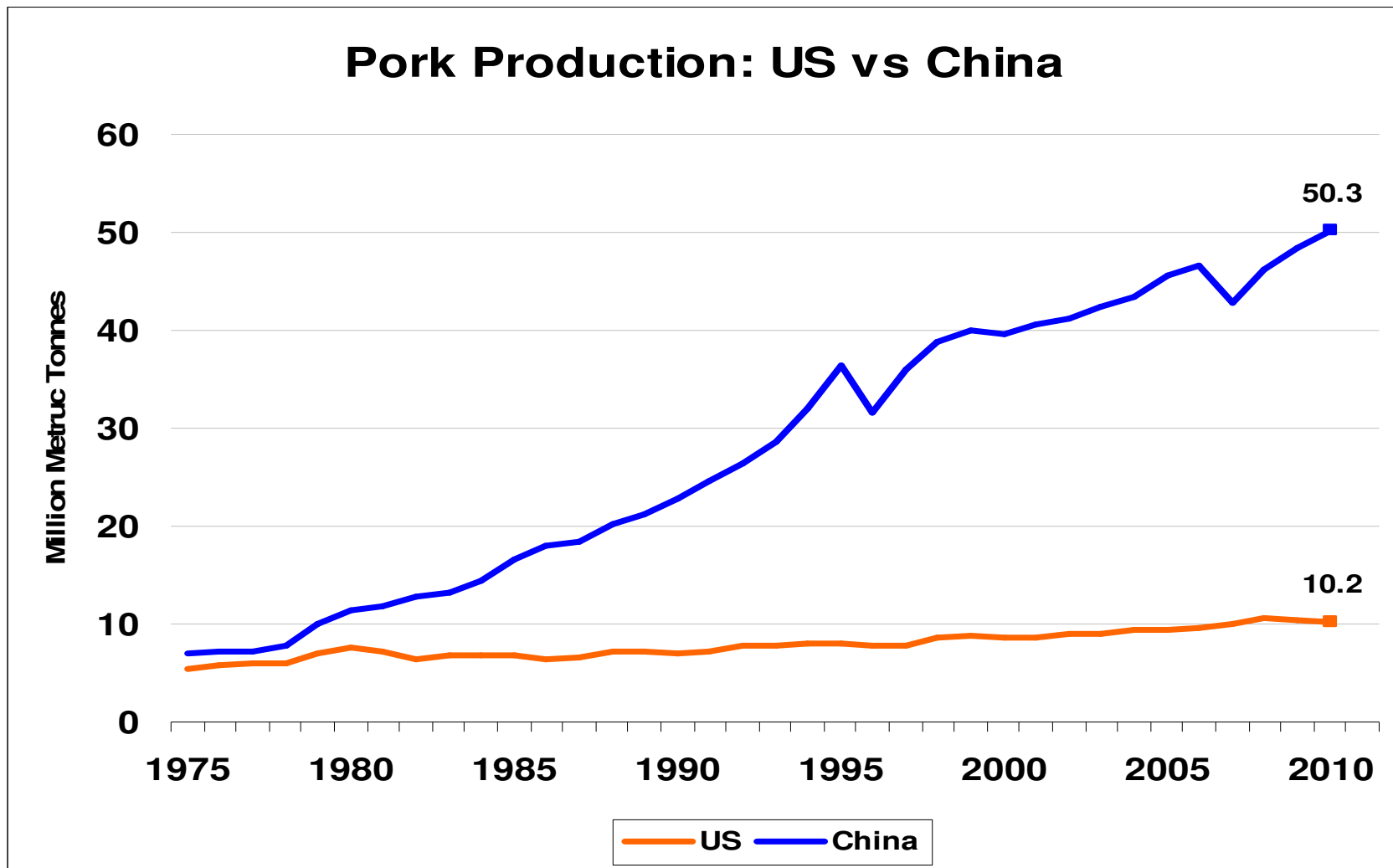
David Hightower, President  
The Hightower Report

<b>Annual Price Changes - Daily Nearby Closes</b>				
<b>Market</b>	<b>2008 Close</b>	<b>2009 Close</b>	<b>Percent Change</b>	<b>Record Open Interest Date</b>
<b>Copper</b>	141.00	334.65	137.34%	4/12/2005
<b>Sugar</b>	11.81	26.95	128.20%	1/18/2008
<b>RBOB Gas</b>	1.0082	2.0529	103.62%	2/13/2008
<b>Orange Juilce</b>	68.55	129.05	88.26%	12/15/1997
<b>Crude Oil</b>	44.60	79.36	77.94%	7/16/2007
<b>Platinum</b>	936.2	1460	55.95%	12/2/2009
<b>Cotton</b>	49.02	75.6	54.22%	2/29/2008
<b>Heating Oil</b>	1.4057	2.1156	50.50%	9/21/2007
<b>Silver</b>	1129.5	1684.5	49.14%	12/30/1976
<b>CCI</b>	366.75	485.75	32.45%	11/12/2007
<b>Oats</b>	210	277	31.90%	9/17/2007
<b>Gold</b>	884.30	1096.20	23.96%	1/15/2008
<b>Cocoa</b>	2665	3289	23.41%	1/16/2008
<b>S&amp;P 500</b>	900.10	1110.70	23.40%	6/18/2003
<b>Beanoil</b>	33.29	40.78	22.50%	6/6/2007
<b>Coffee</b>	112.05	135.95	21.33%	2/15/2008
<b>Lumber</b>	169.40	205.00	21.02%	5/21/2008
<b>Dow Joes</b>	8727	10365	18.77%	12/13/2006
<b>Canadian Dollar</b>	0.8224	0.9562	16.27%	3/14/2008
<b>British Pound</b>	1.4557	1.6146	10.92%	5/14/2008
<b>Soybeans</b>	972.25	1048.50	7.84%	2/21/2008
<b>Hogs</b>	60.875	65.6	7.76%	2/8/2008
<b>Swiss Franc</b>	0.9364	0.9669	3.26%	9/4/2007
<b>Euro</b>	1.3917	1.433	2.97%	6/2/2009
<b>Cattle</b>	84.475	86.175	2.01%	3/30/2007
<b>Feeder Cattle</b>	94.05	95.85	1.91%	2/8/2008
<b>Soymeal</b>	300.5	306.1	1.86%	12/17/2007
<b>Corn</b>	407.00	414.50	1.84%	2/22/2007
<b>Pork Bellies</b>	87.375	88	0.72%	6/6/1973
<b>Natural Gas</b>	5.622	5.572	-0.89%	9/25/2006
<b>Milk</b>	15.14	14.98	-1.06%	6/27/2007
<b>Japanese Yen</b>	1.1029	1.074	-2.62%	3/31/2008
<b>US Dollar</b>	82.15	78.22	-4.78%	12/30/2009
<b>Wheat</b>	610.75	541.50	-11.34%	5/31/2006
<b>KC Wheat</b>	630	536.25	-14.88%	7/12/2006
<b>Bonds</b>	138-01.5	115-12	-16.42%	7/6/1998
<b>Minn. Wheat</b>	654.75	545	-16.76%	10/1/2007

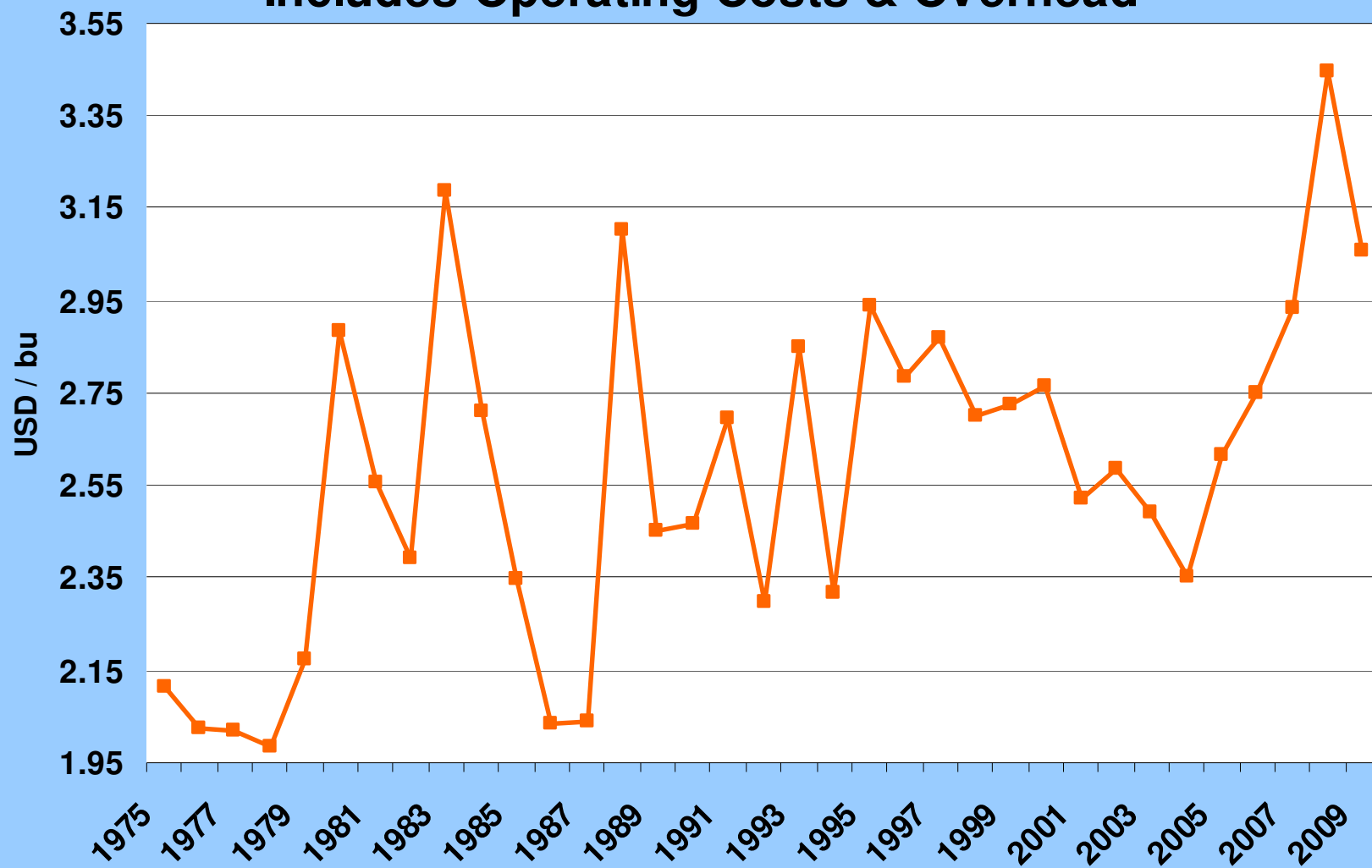
## Crude Oil - Average Annual Close



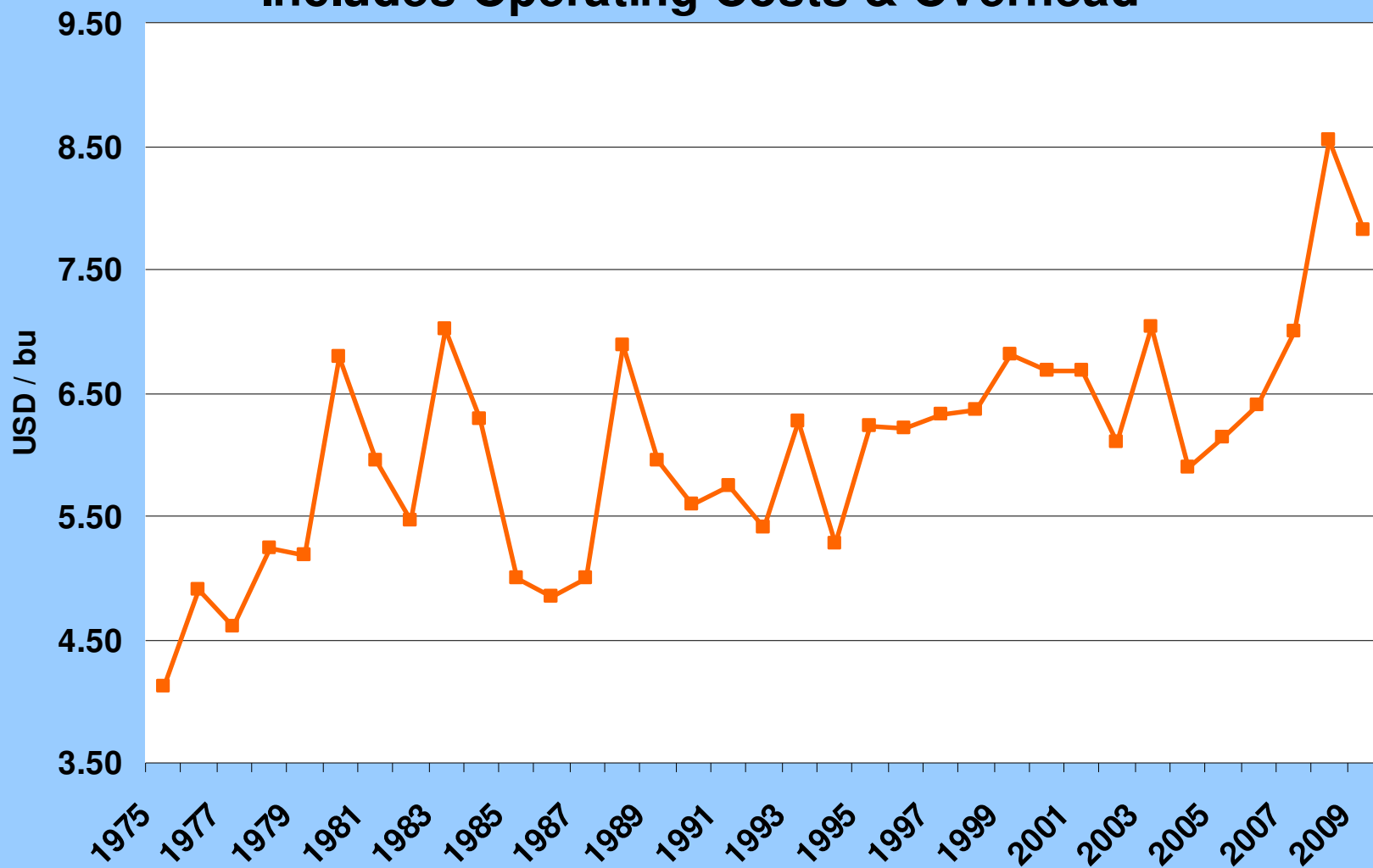
# Pork Production US vs. China - Eventually a Feed Grain Importer



## Corn Costs of Production Includes Operating Costs & Overhead



## Soybean Costs of Production Includes Operating Costs & Overhead



# The Good & Bad

- Excess Liquidity
- An Inflation Pass
- Historical Stimulus
- Inventory Situation
- Commodity Confidence
- Big World/Small Mkts
- Sovereign Debt
- Consumer Capacity
- Rate Hike Fears
- Taxes
- Taxes
- Taxes

**You can't eat an "app"**

# Stock Market

- S&P -15,000 from 1093
- 1100 – 1113 Lehman Gap
- 2009 Cash rally Mostly back to the Lehman gap
- Its uncertainty stupid!
- Stand by big range down reversal signals

# Currency Markets

- End of the carry trade “Whack a Mole”
- Despite ourselves \$ is good in a pinch
- Short Yen might be the Trade of the Year
- Buy Sept Yen 106/101 Bear put spread 130
- Buy 4 Dec Yen 102/95.50 bear put 110
- Euro to zero is greater potential than UK or US default

# Gold / Silver

- Falling production
- Rising investment interest
- Multiple stories - epic inflation or sovereign default
- The turmoil in stocks, oil, real estate eventually a plus
- From one ditch to another

\$1,000 to \$990 worst case – slow, choppy recovery

\$1,024 to \$1,150 middle ground

Above \$1,175 in the face of positive growth

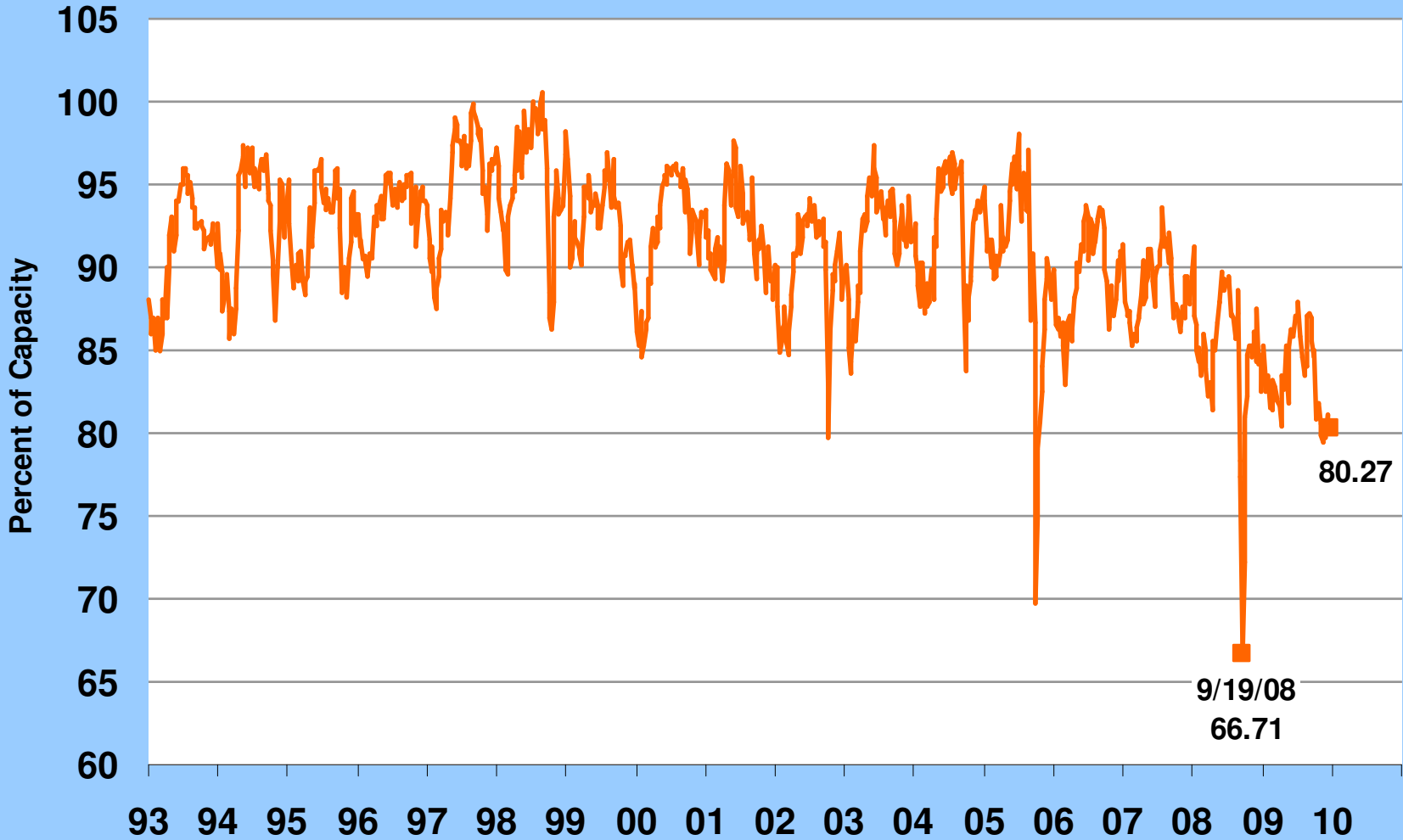
Sell June gold market buy 1 June gold \$1,130 call 40

\$1,102 to Feb low is \$50 Pocket \$10 have free call

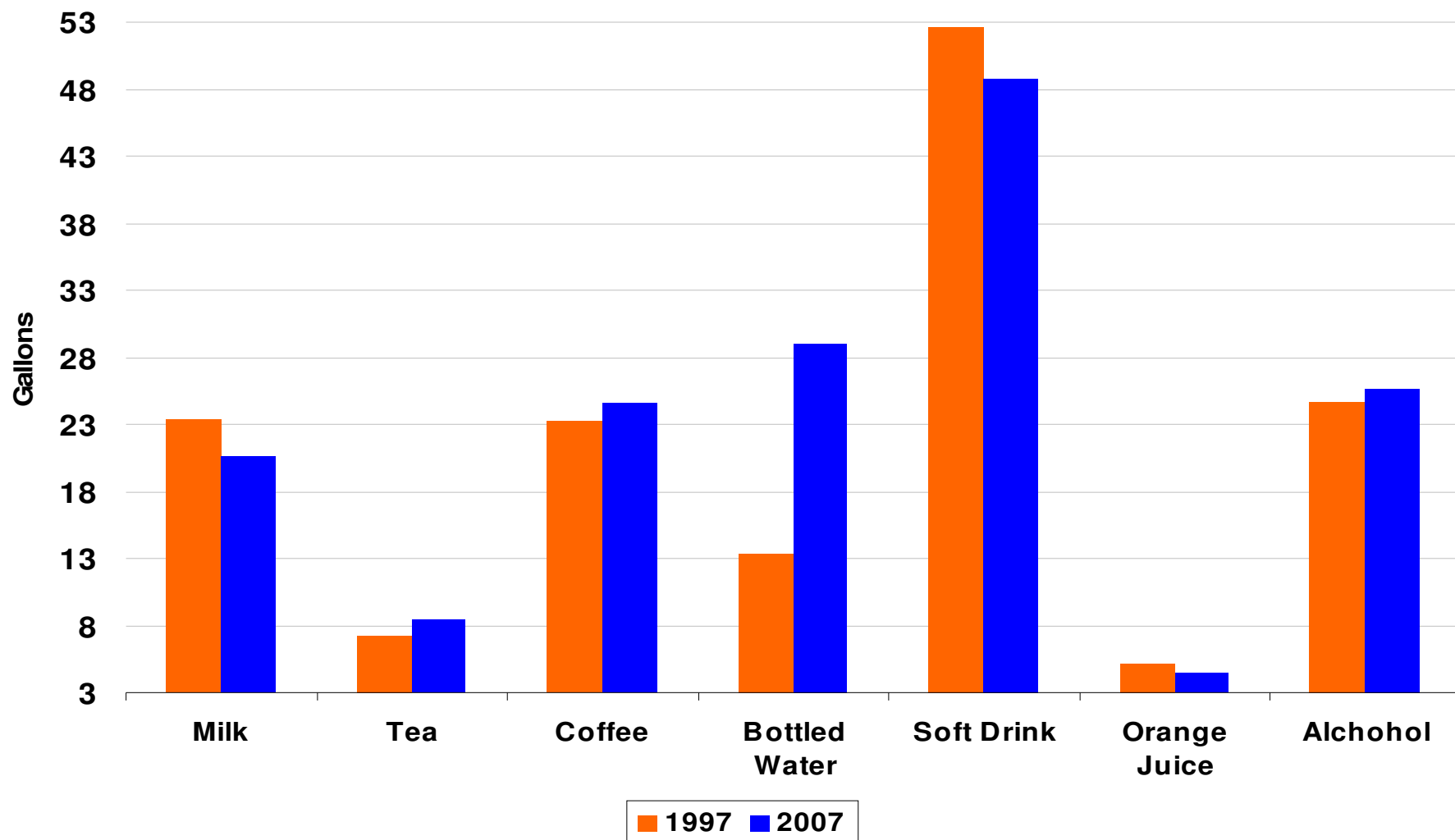
# Energy

- 55 million surplus to 1.1 million barrel surplus
- 34 mil surplus to 4.6 mil barrel surplus Gas
- 44 mil surplus to 12 mil barrel surplus Distillate
- Refinery Operating Rate Rally
- Expensive refinery rate low gas stocks building
- Unleaded to peak at \$2.75
- Crude oil to peak at \$107
- Nat Gas to peak at \$6.25

# EIA Input to US Refineries Percent of Capacity



## Annual per Capita US Beverage Consumption



# Best Bets for 2010

- Sell Bonds, Notes at the ultimate highs
- Buy the “small markets”
- OJ back above 2.00 spec position expansion
- Buy Sugar July 23.50/26 bull call spread 50
- Sell Sept corn mkt Buy 2 Sept Corn \$4.70 38
- Buy September Yen 95 puts