



The Hackett Money Flow Report

April 24th 2013

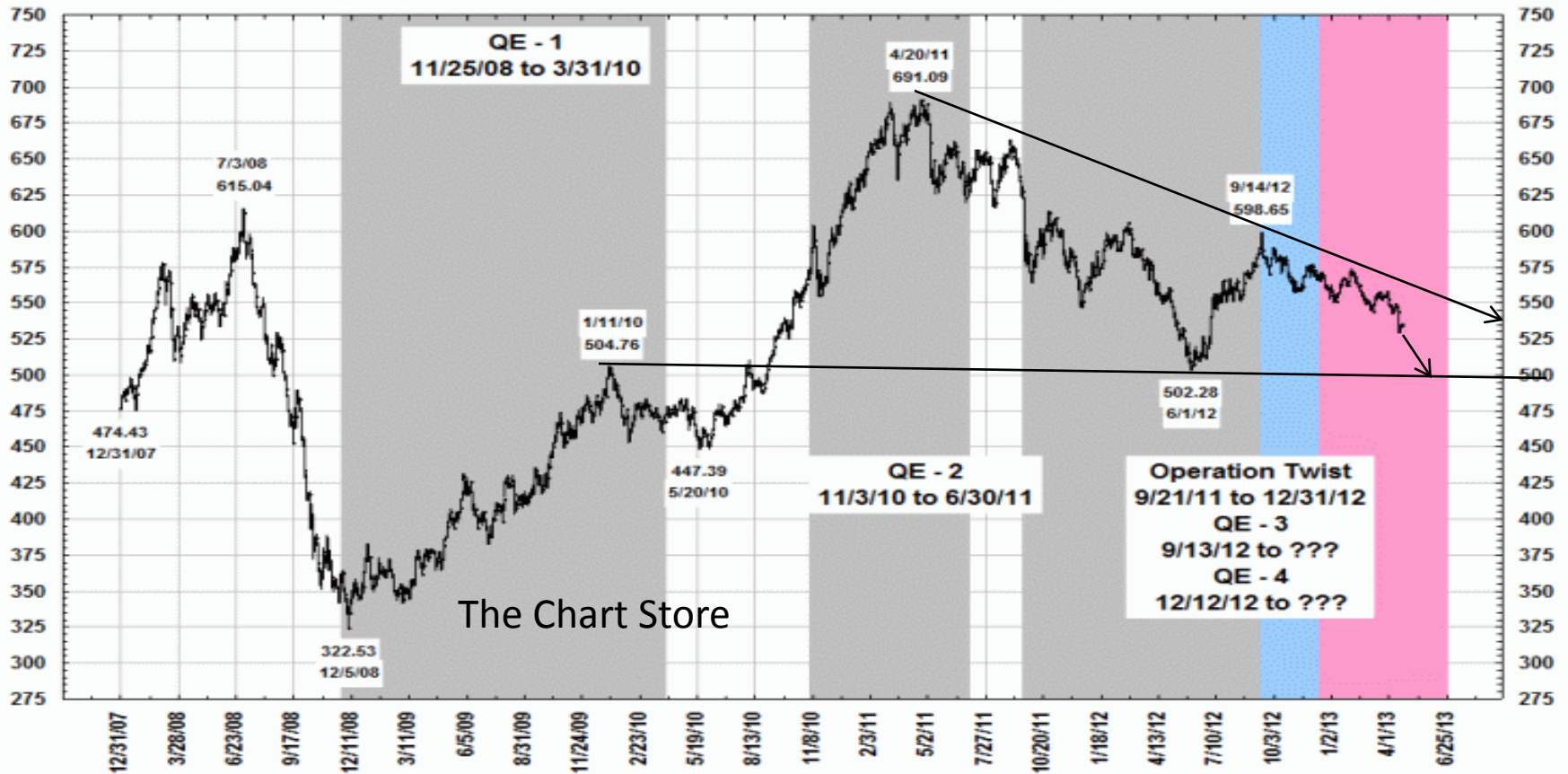
*Commodity Market Analysis
for Hedgers and Investors*

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- **The Deflationary Global Macro Picture-
Implications for Rice Prices**

The 2-Year Bear Market in Commodities Continues Despite QE-Infinity

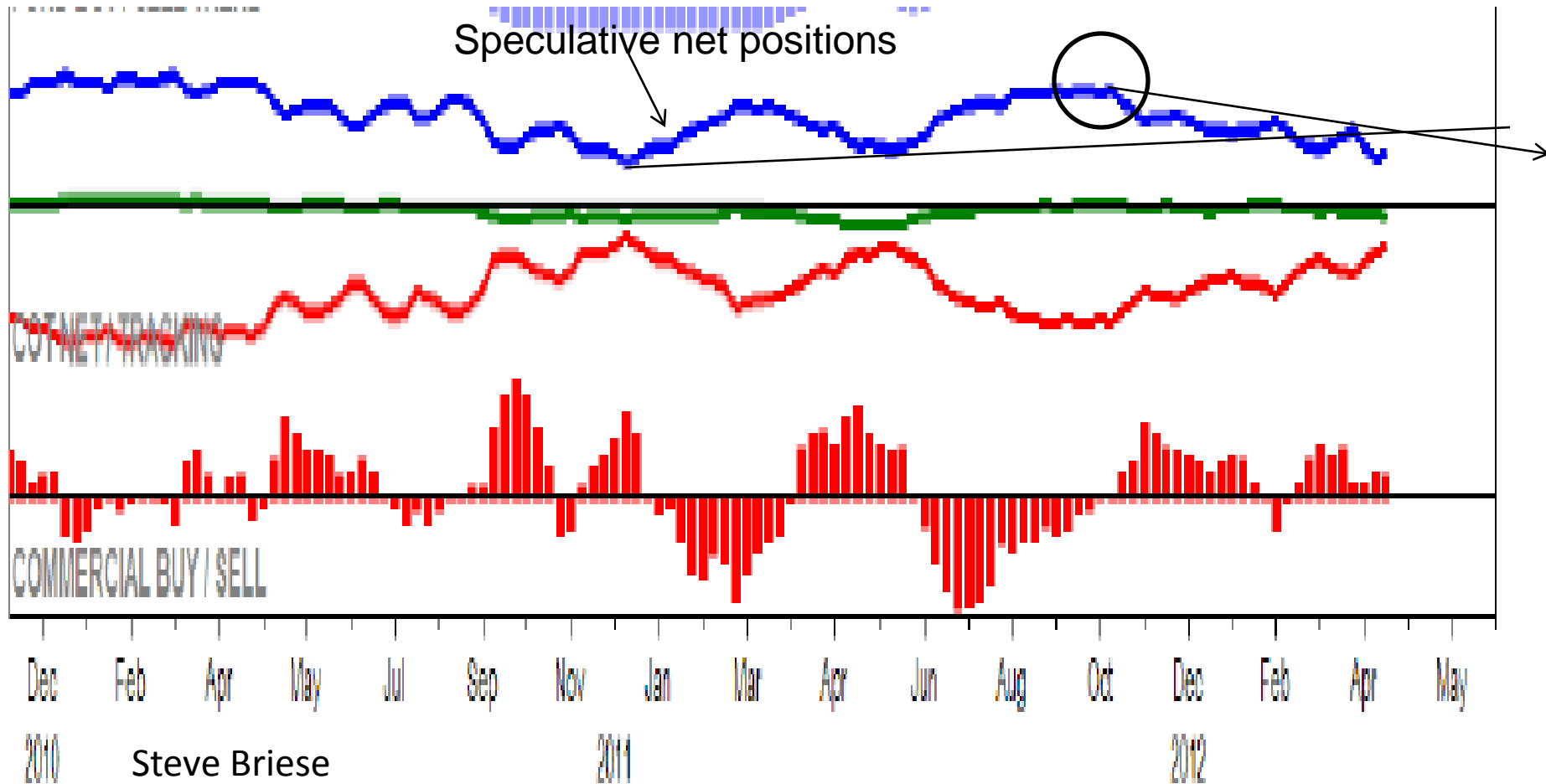
Reuters/CRB Continuous Futures Index



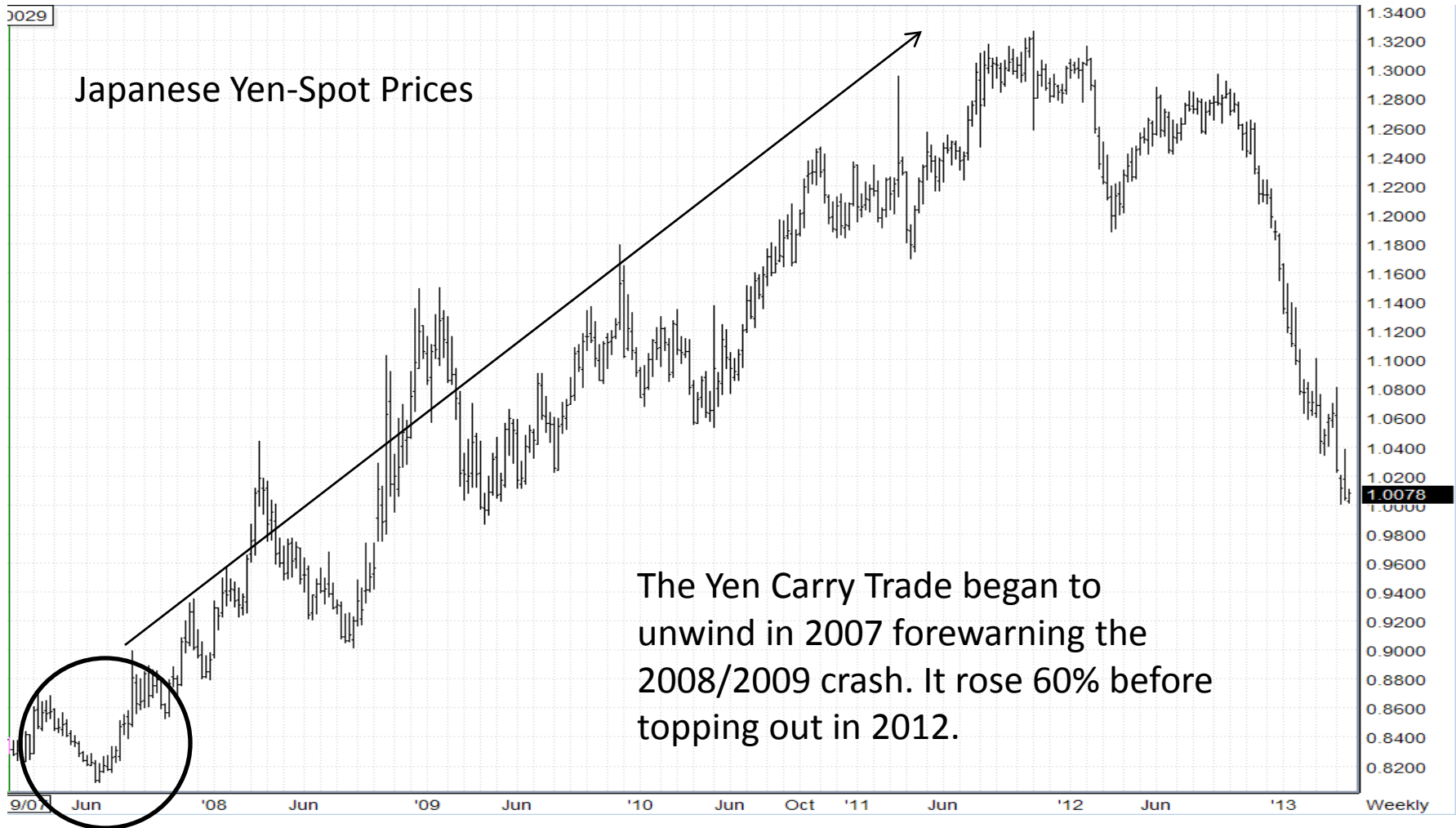
Money Supply Growth Rates Remain in Contraction Mode-Watch Out For A Black Swan Event



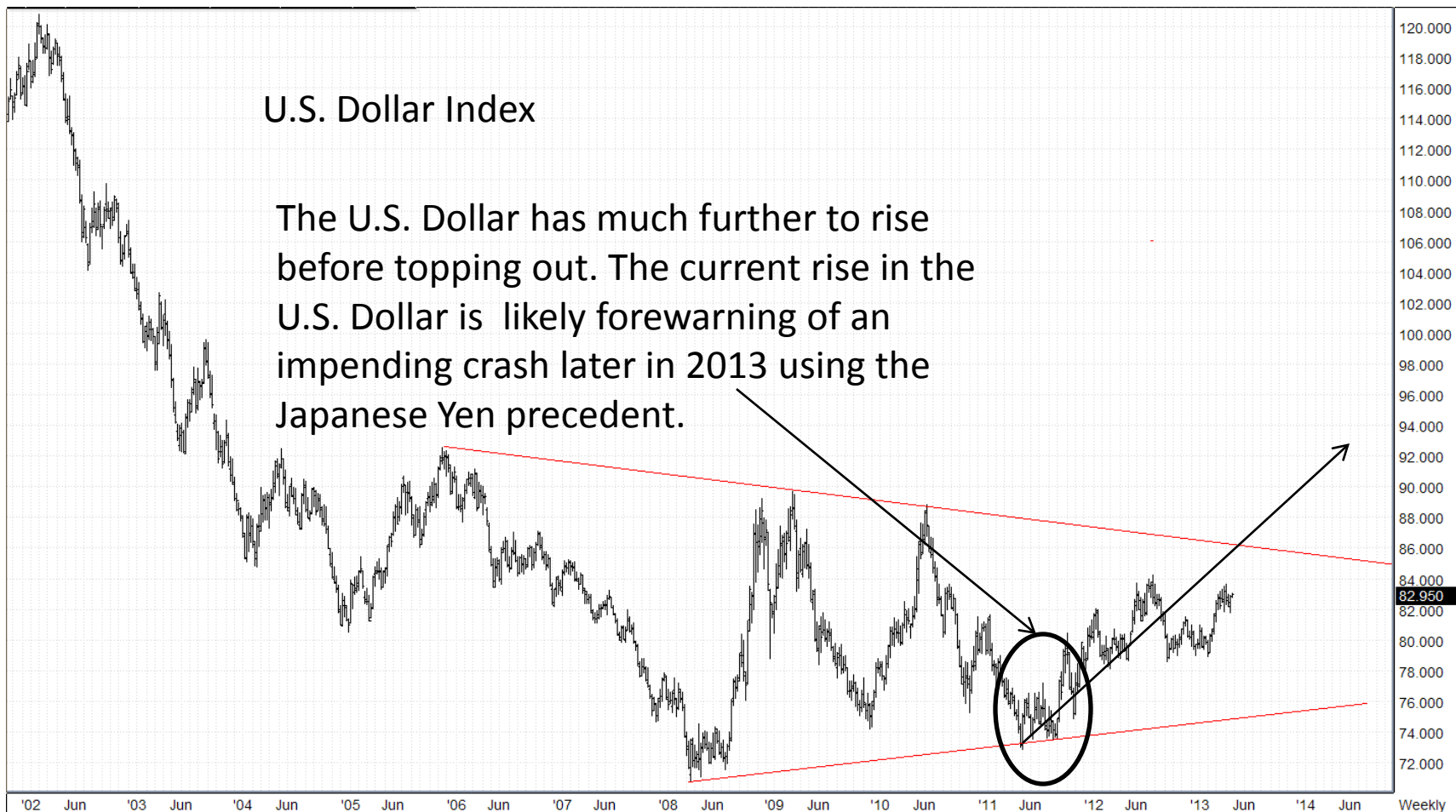
Since October 2012 Speculators Have Been In Sell Mode in Commodities



The Massive Dollar Carry Trade morphs that which occurred with the Japanese yen



The Dollar Carry Trade started to unwind in 2011



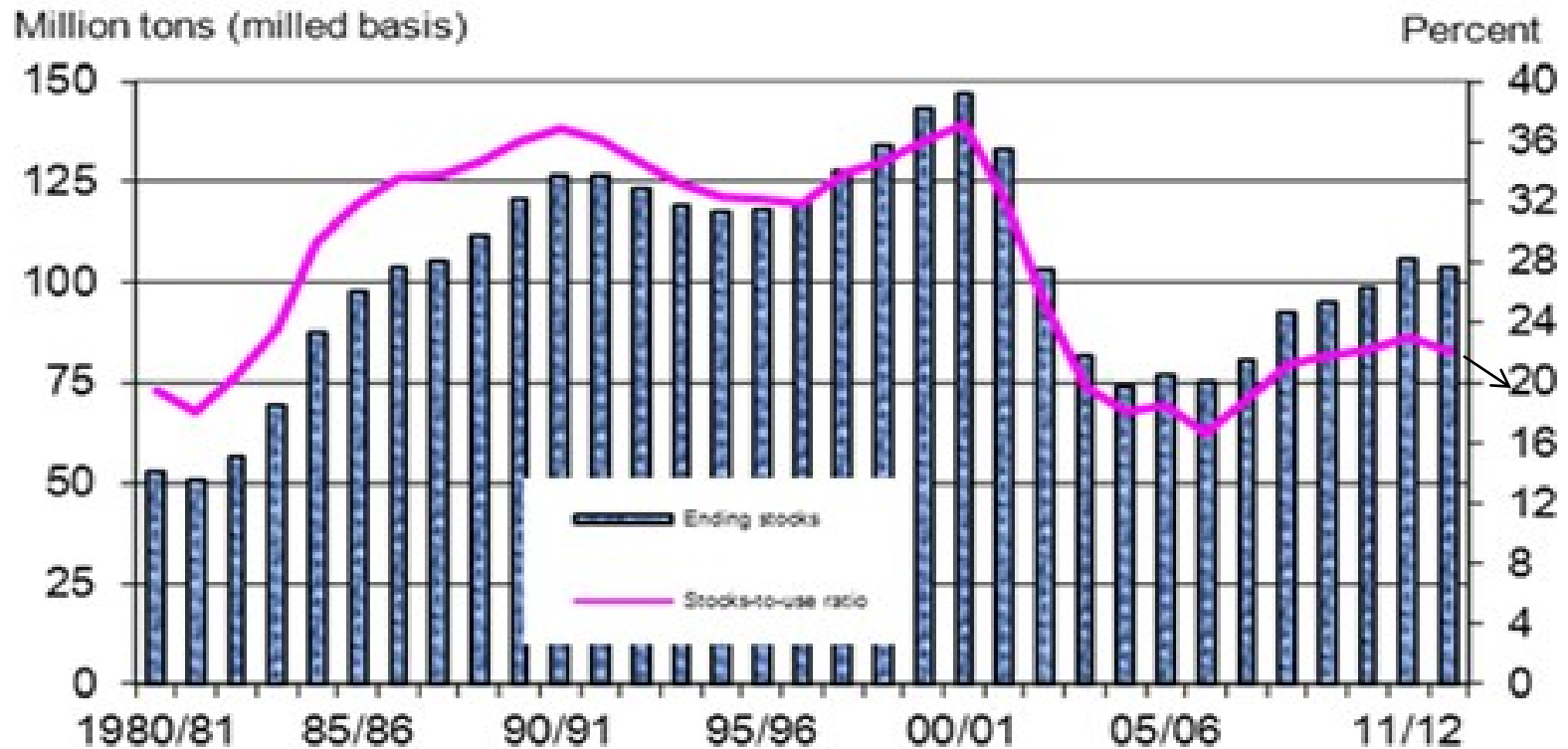
The Chinese Shanghai Stock Index Remains Near Post 2008 Crash Lows



Rice Remains wedged in a Sea of Bifurcation

- Asian Rice Supply/Demand fundamentals continue to be perceived as bearish. Thailand/Indian Stockpiles remain a bear focus along with discounted Vietnamese prices
- Western Hemisphere supply/demand fundamentals remain hyper bullish with insufficient acreage to support growing demand for high quality rice.

Despite record global rice production, Global ending stocks to usage ratio has should decline further due to record demand



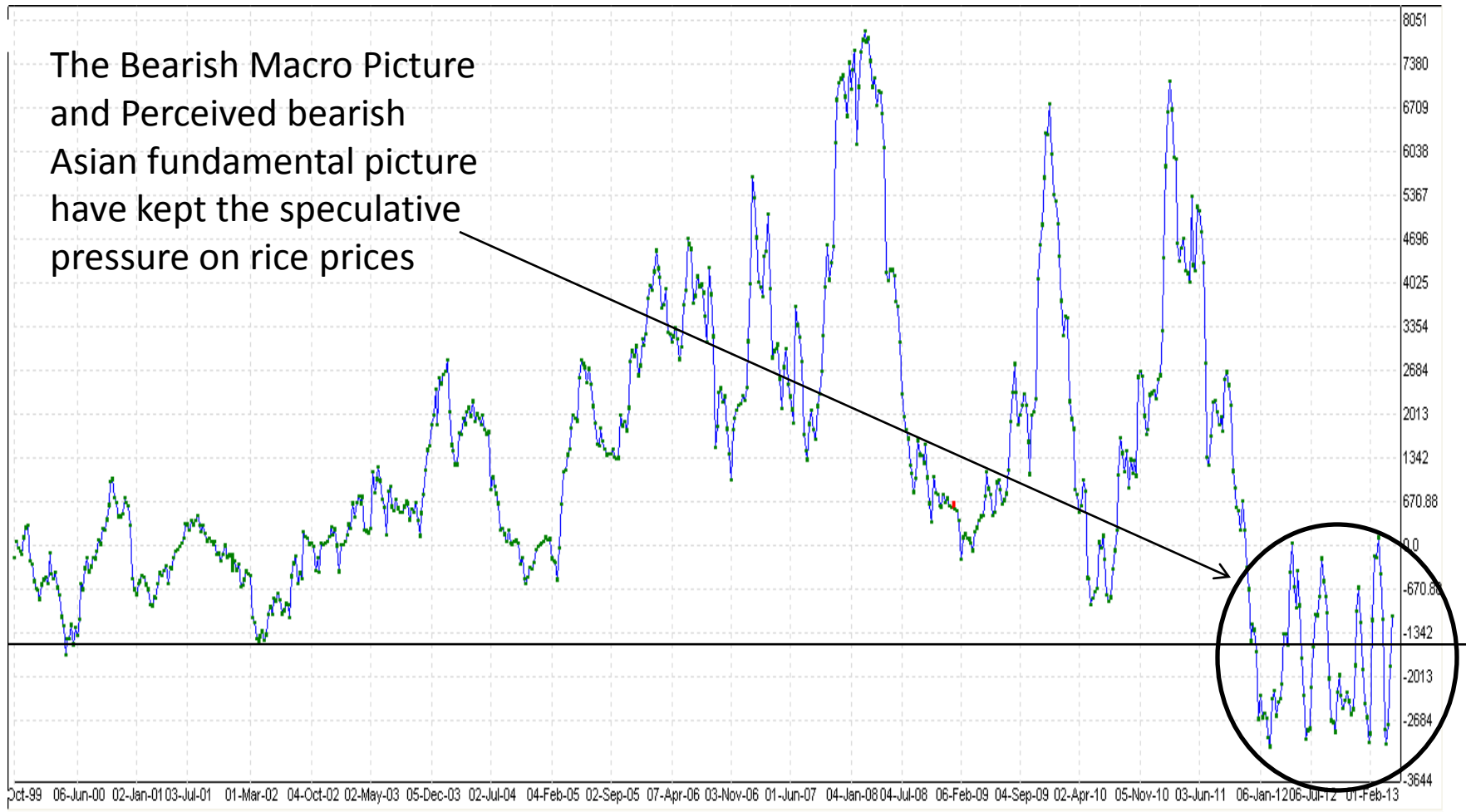
2012/13 are forecasts.

Source: *Production, Supply, and Distribution* data base, Foreign Agricultural Service, USDA,

Rice Prices Relative to overall commodities has recently broken out



Speculators Have Remained Net Record Short For Over a Year Now

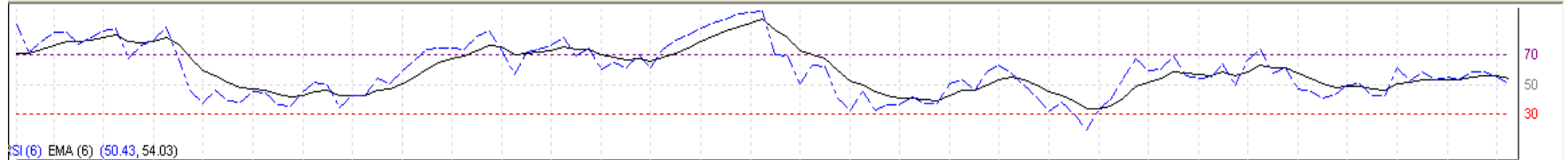


Rice Prices Remain In a Massive Consolidation Chart Pattern

This Pattern ends in June 2013. Expect a large increase in price volatility by then

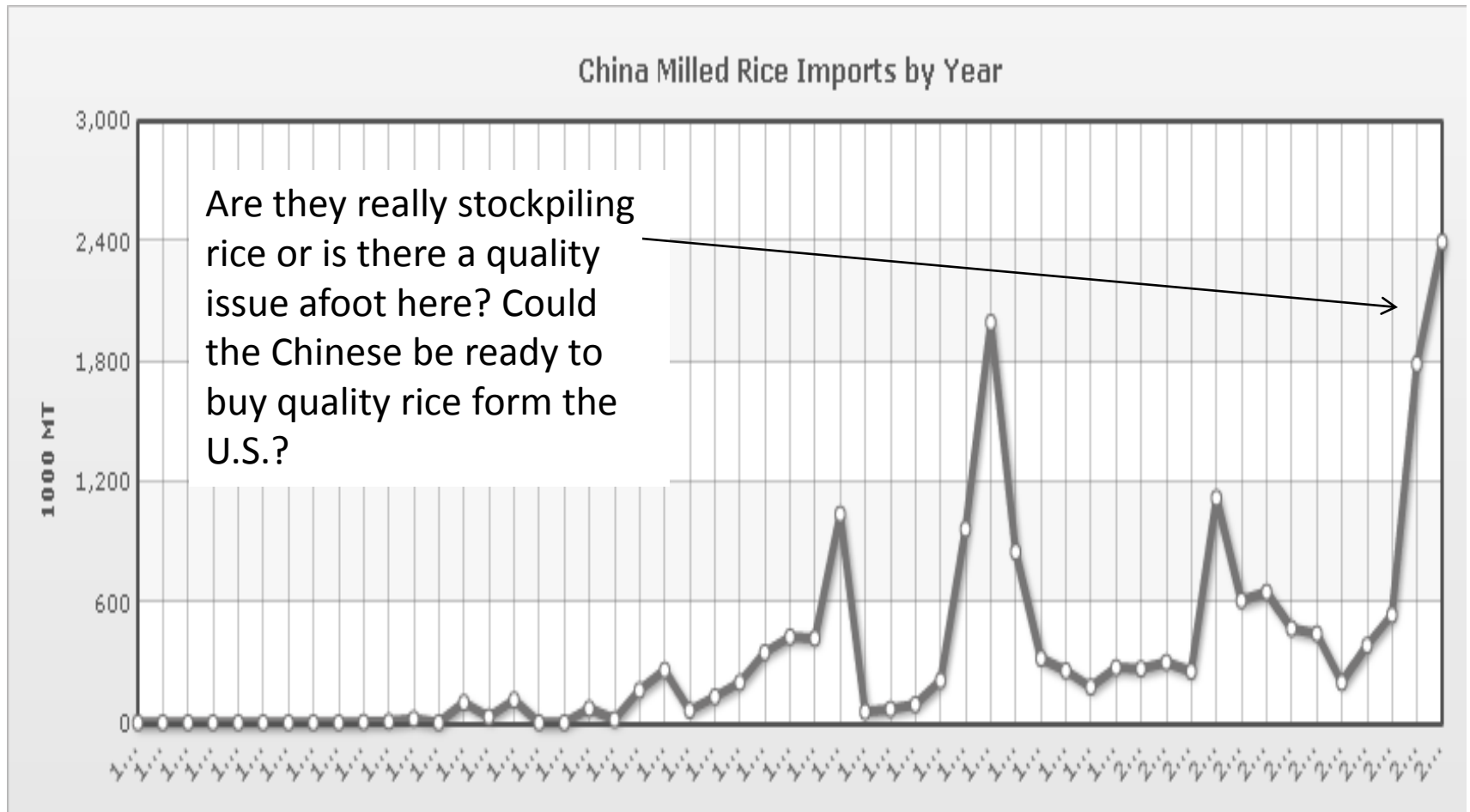


175 Wed 30-Apr-03 O: 5.13 H: 6.95 L: 5.13 C: 6.40 V: 21.625 Ch: 1.280 (25.00%) SMA1: 6.40 SMA2: 6.40 SMA3: 6.40



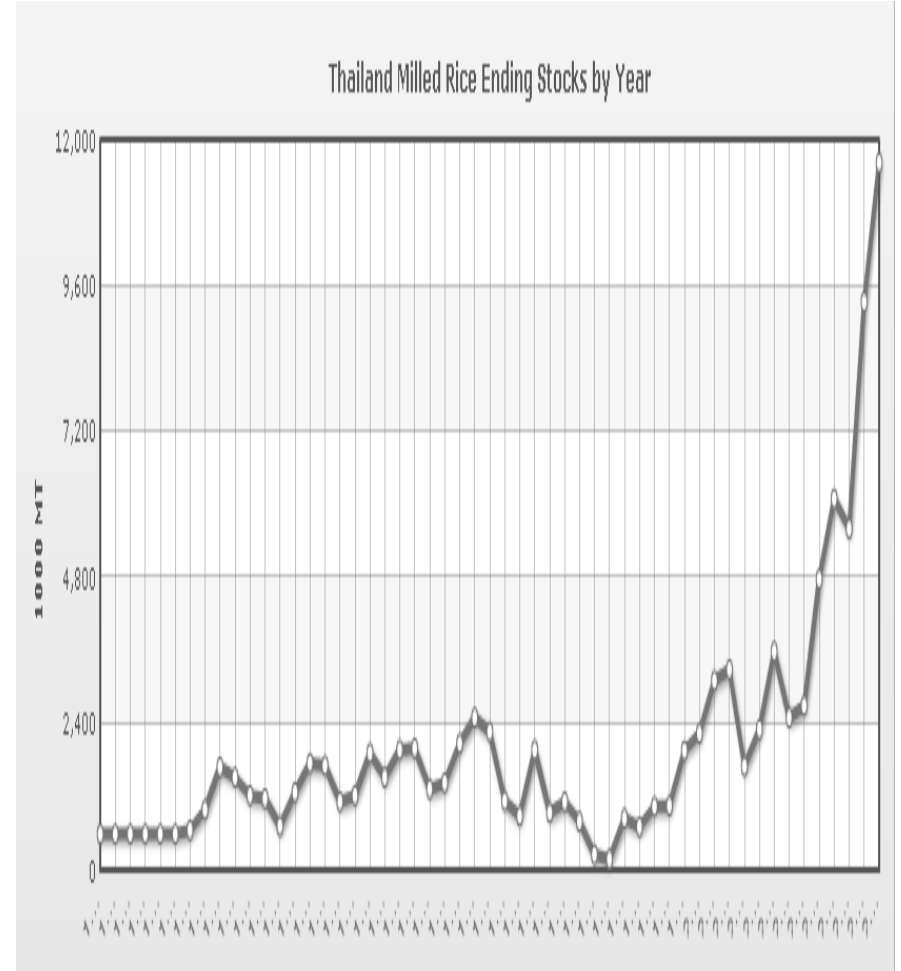
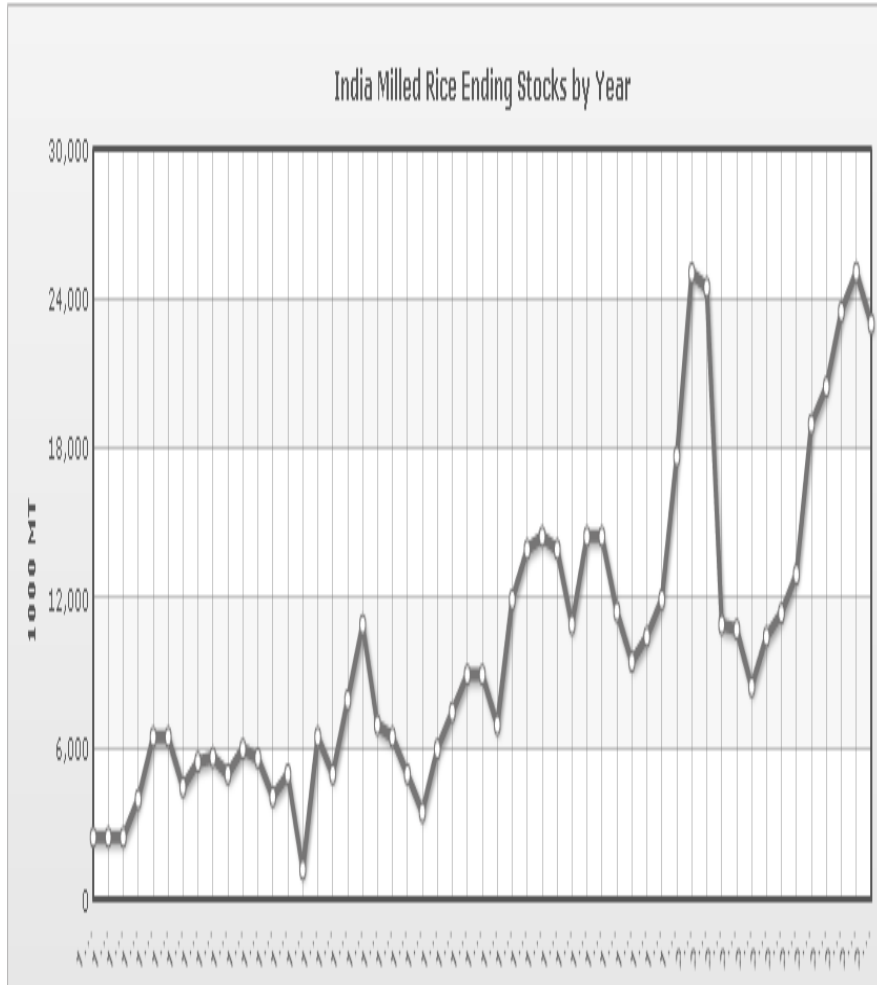
SI (6) EMA (6) (50.43, 54.03)

China Continues to Stockpile Rice

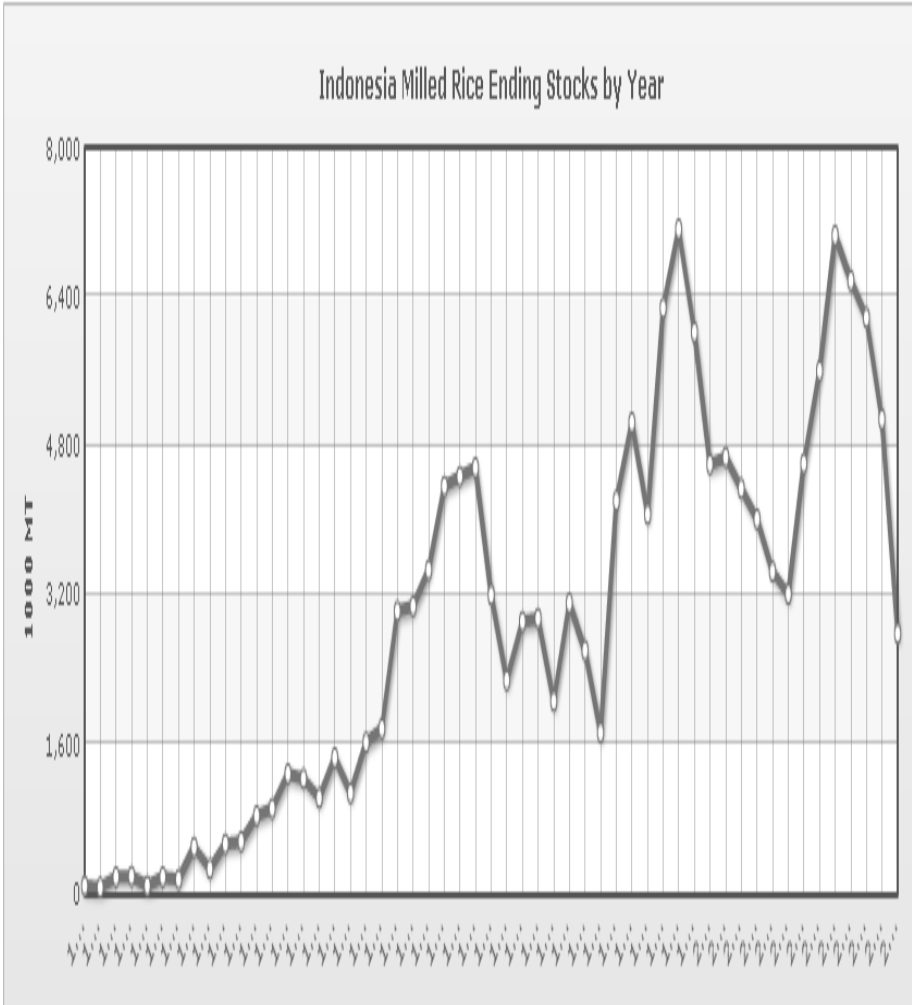
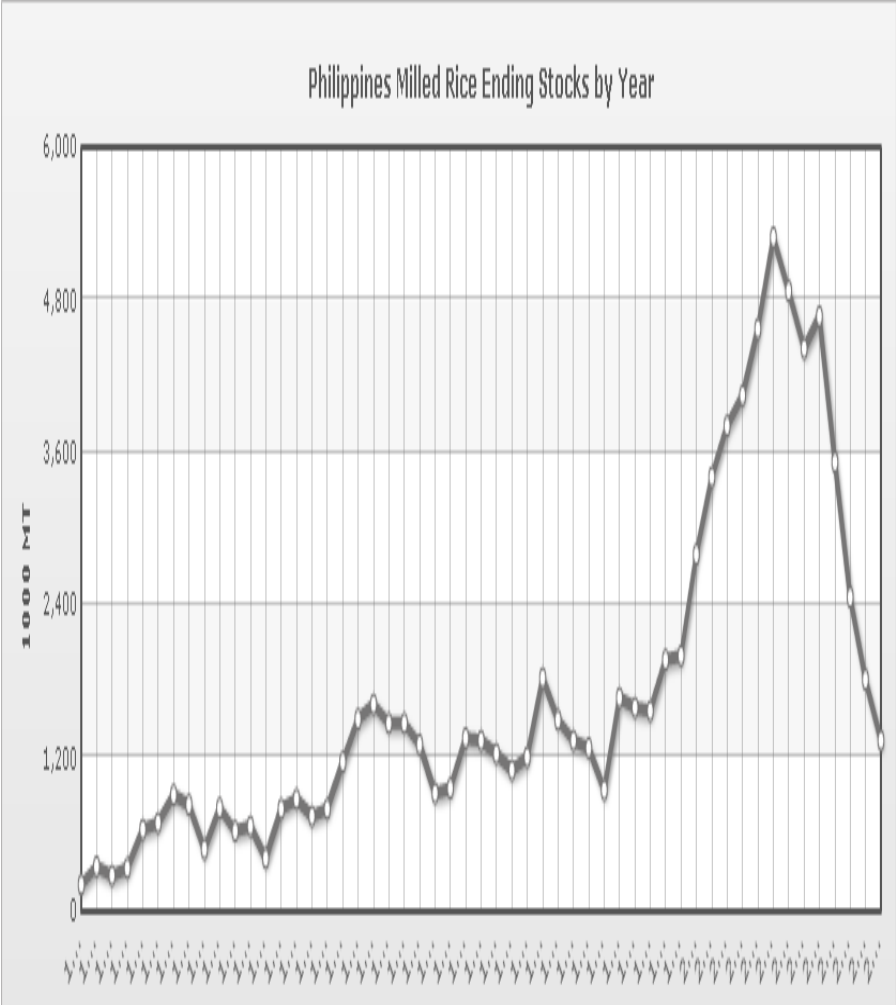


Mundi

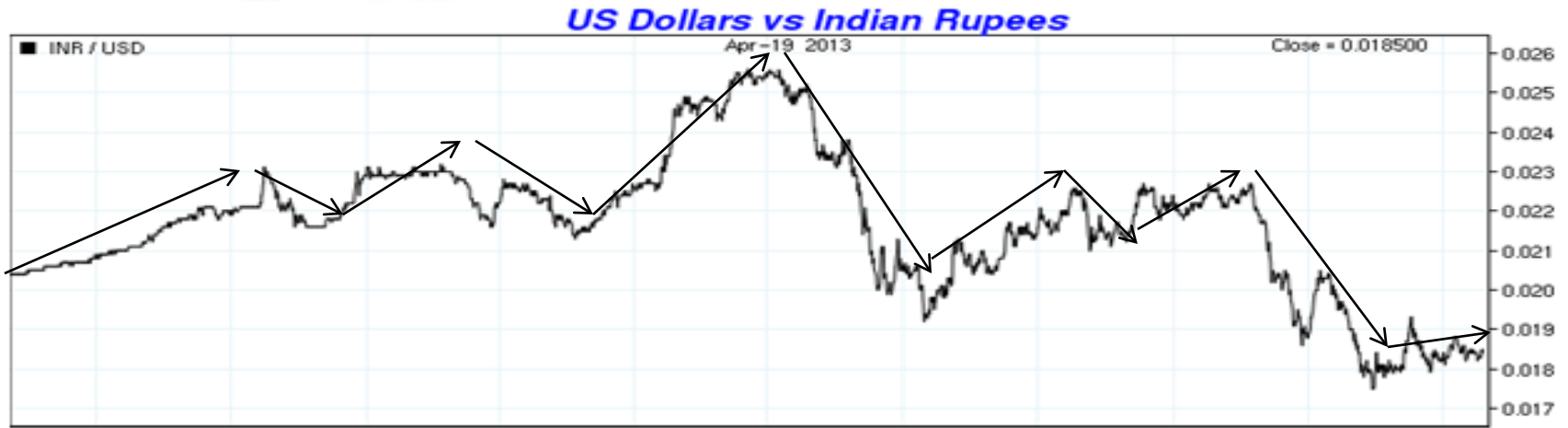
India and Thailand Rice Stockpiles remain onerous



Just As Onerous has Been the destocking of rice supplies in the Philippines and Indonesia



The Correlation between the Indian Rupee and Rice Prices is Profound



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Indian Rupee Price Chart Looks Bullish For Now

US Dollars vs Indian Rupees

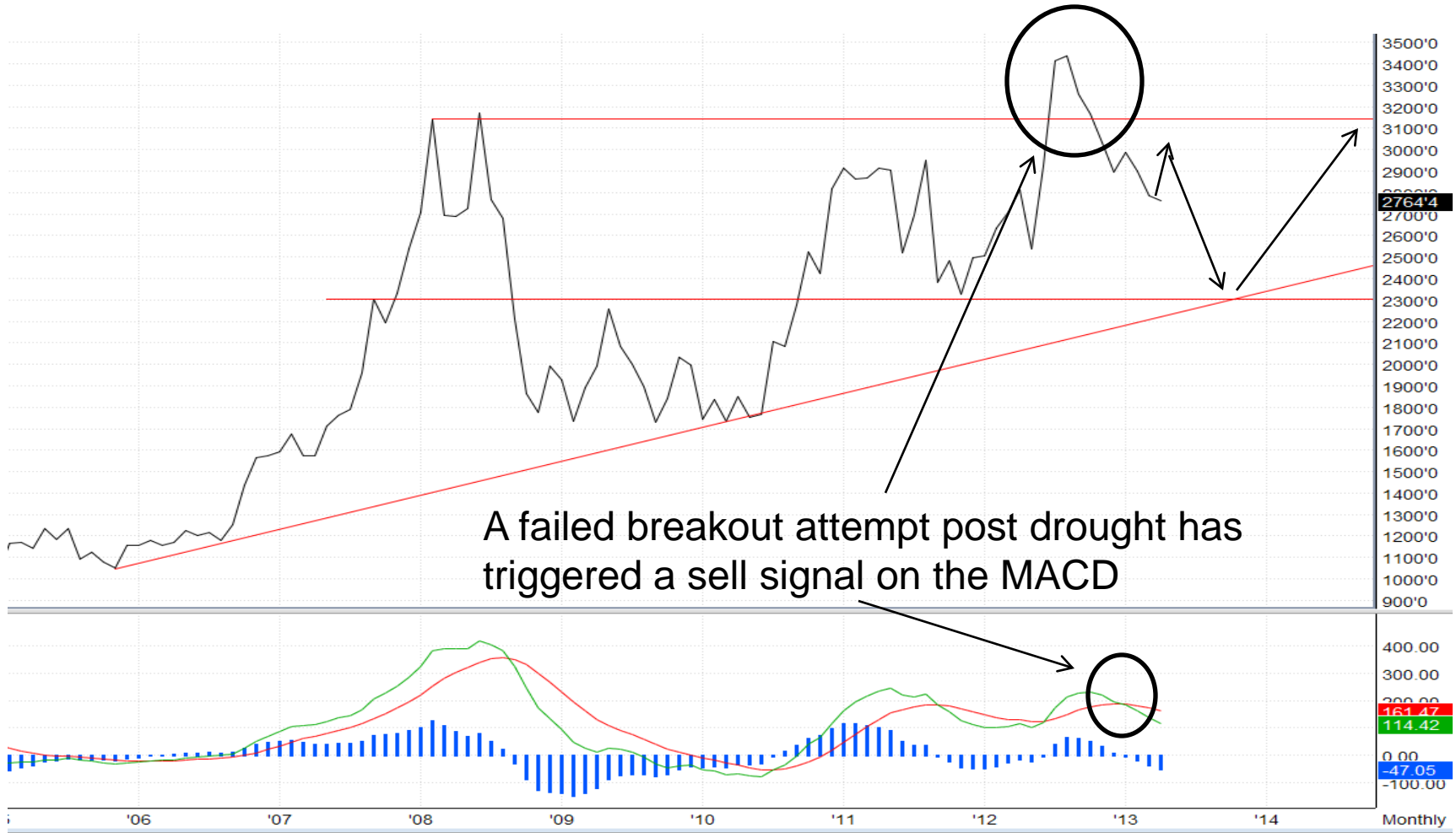


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Grain Prices Likely heading lower come the fall

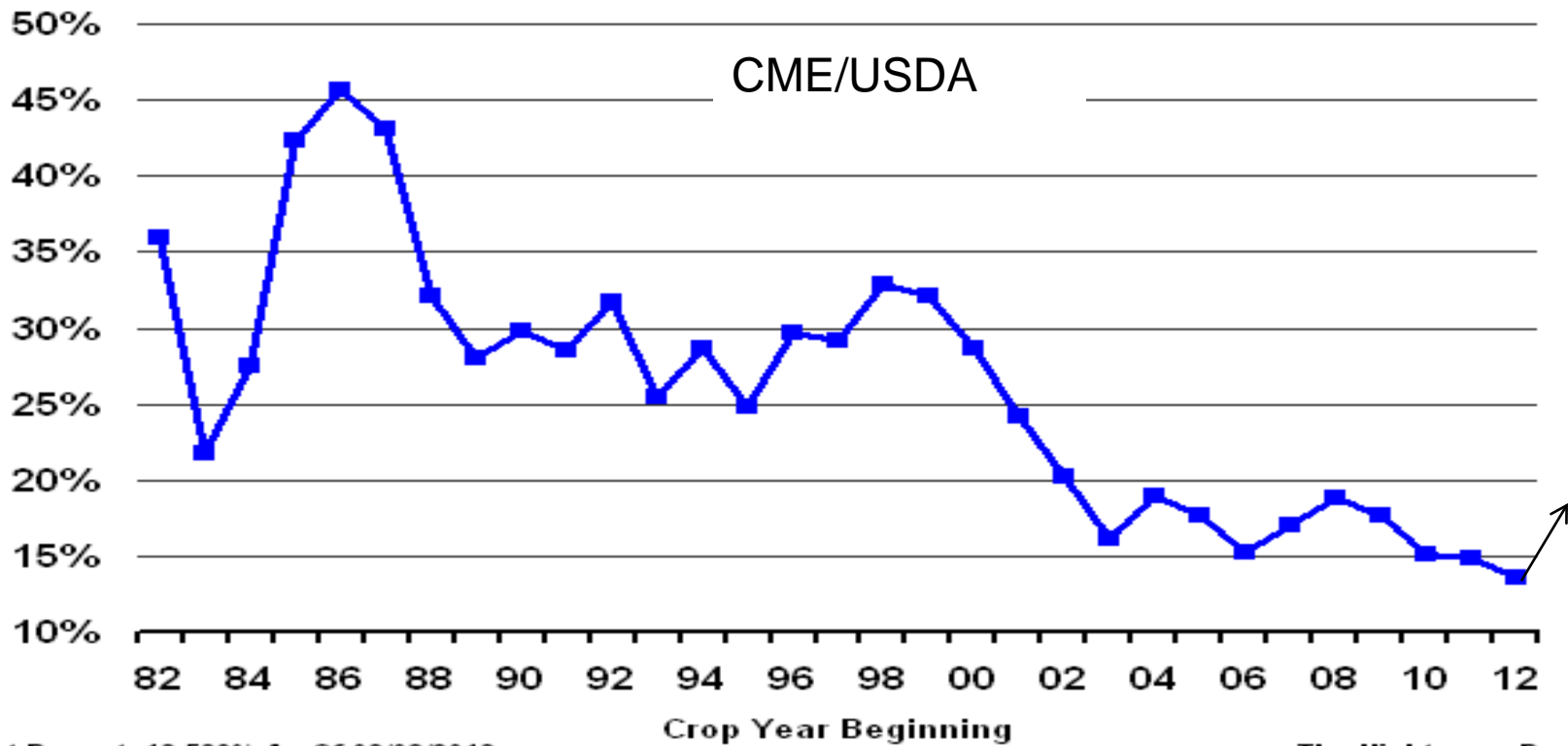
- 1) The bird flu outbreak in Asia could inflict increasing bearish pressures to an already bearish fundamental outlook for grain prices heading into the fall of 2013.
- While there will likely be some weather related rallies in grains over the summer, even poor crops will create surpluses
- Lower grain prices will weigh on rice price upward potential

Combined Corn, Soybeans and Wheat Price Chart Looks Bearish



World corn stocks/usage ratio should surge over next crop cycle due to better South American and U.S. Crops

World Corn - Ending Stocks / Usage Ratio

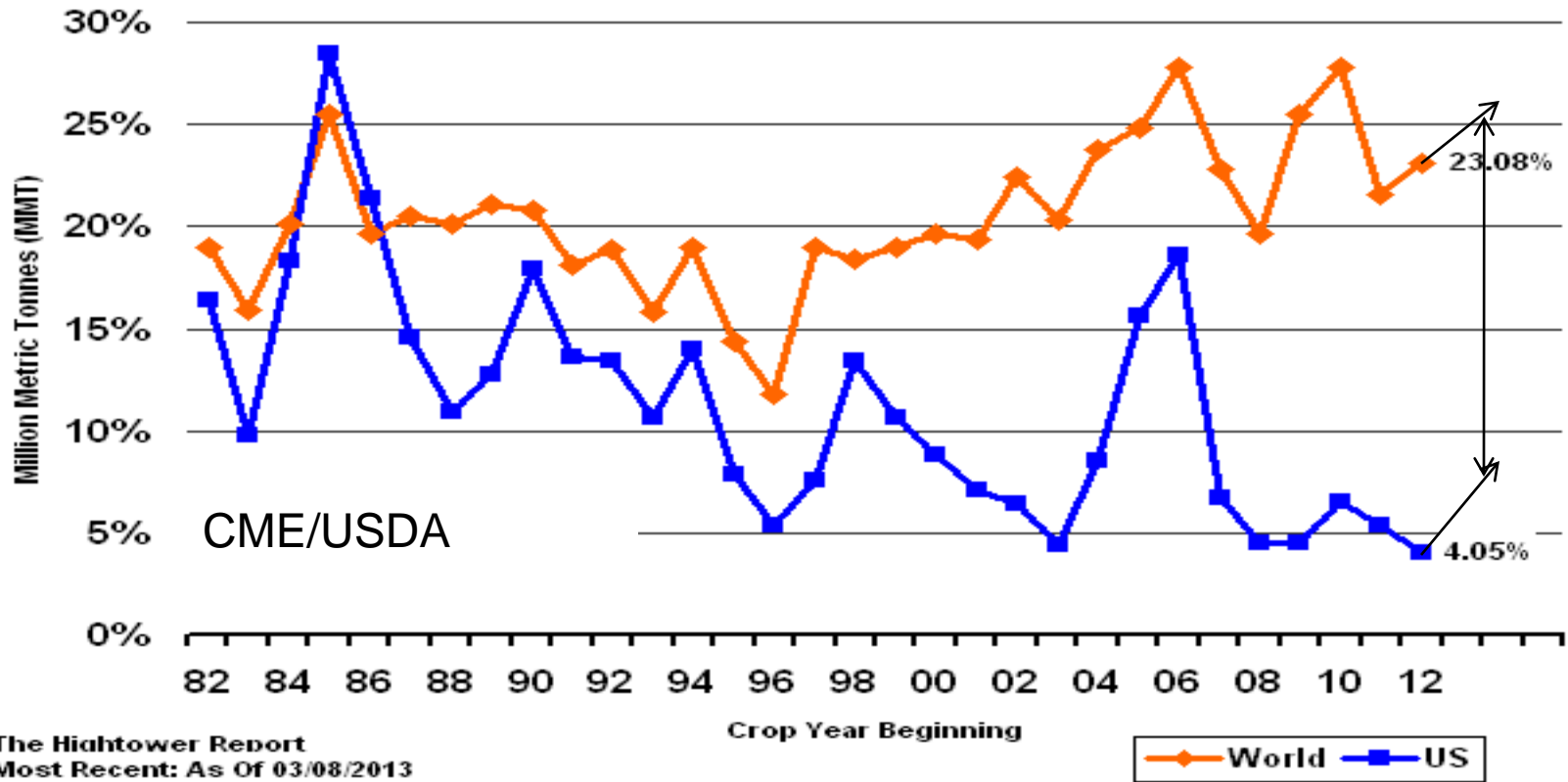


Most Recent: 13.539% As Of 03/08/2013

The Hightower Report

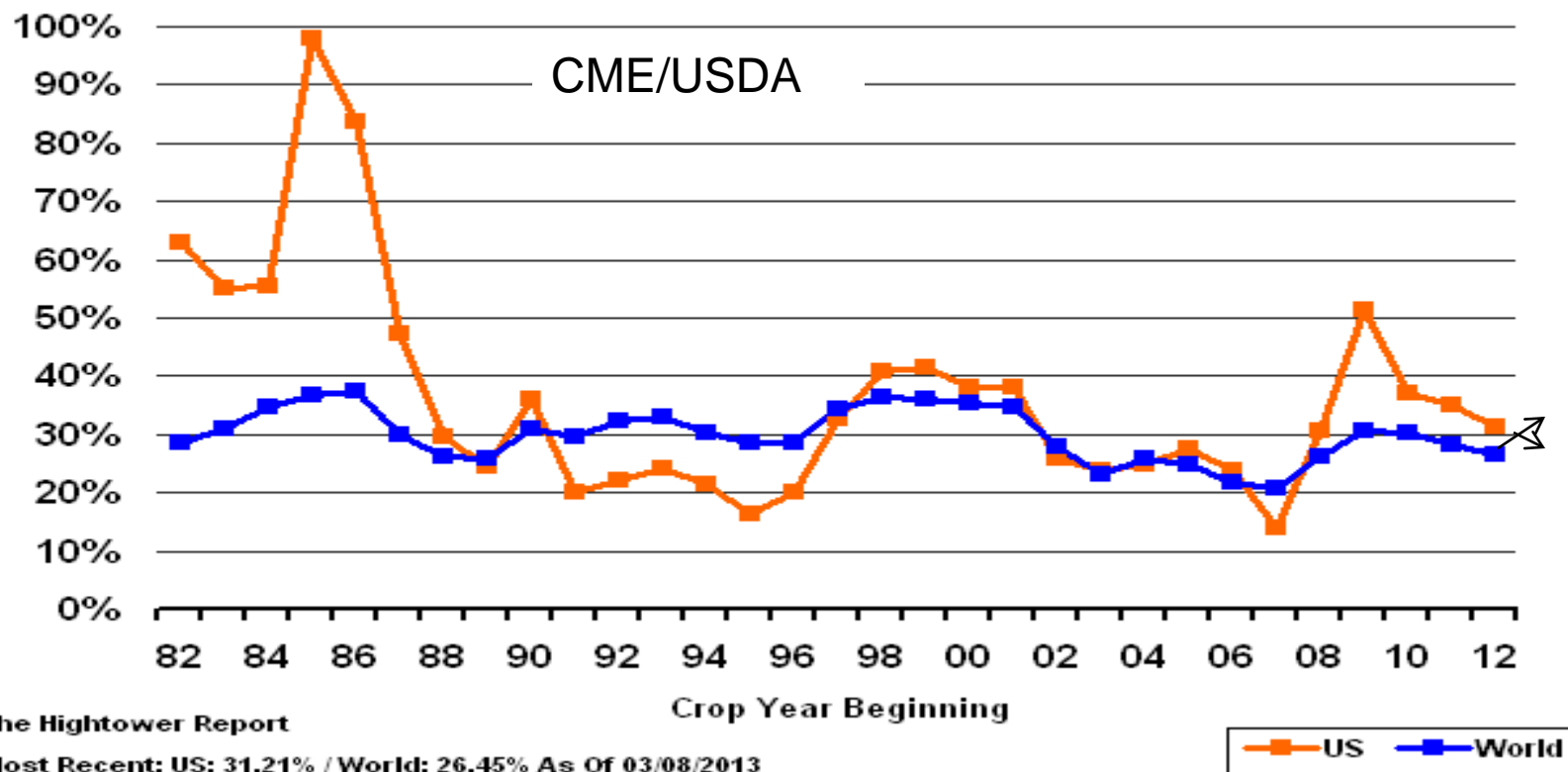
U.S./Global soybean stocks to usage ratio should surge over next crop cycle due to Improved U.S. and South American crops

Soybean Ending Stocks / Usage - World vs US



Global wheat ending stocks to usage ratio should rise due to improved crops in Russia and Argentina over next crop cycle despite lower wheat supplies in the U.S.

Wheat - World vs. US - Stocks / Usage Ratio



Who Blinks first?

- Will India/Thailand dump rice supplies into the market at discounted levels or will China, the Philippines and Indonesia bid the market up?
- Mother Nature will play the primary role in determining which side capitulates for the remainder of 2013.
- Indian monsoon prospects as well as El Nino prospects for South East Asia hold the key

Summation

- Time is running out on a bull move in rice prices. The summer/Fall offers the last chance for some upward fireworks.
- Lower grain prices heading into the fall and U.S. harvest pressures against relatively strong rice prices should allow for rice acreage expansion in Mercosul and increased rice harvest pressures come the spring of 2014.

Summation Continued

- The bullish wild cards will remain Mother nature, the Indian Rupee and Chinese rice stockpiling intentions along with their intentions for buying U.S. rice.
- It will likely take another financial crisis to get money printing going again at high enough rates to increase inflationary expectations
- The fall of 2013 could offer a great buying opportunity for all commodities especially the grains.

Overall Rice Price expectations

- Rice prices should continue to gain relative to overall commodities and relative to other grain markets heading into the fall.
- Nominal rice prices can still go higher but will be fighting serious external headwinds especially if the U.S. stock market rolls over
- Thus far, rice prices have been unable to gain independent traction
- I remain a fearful bull in the rice market