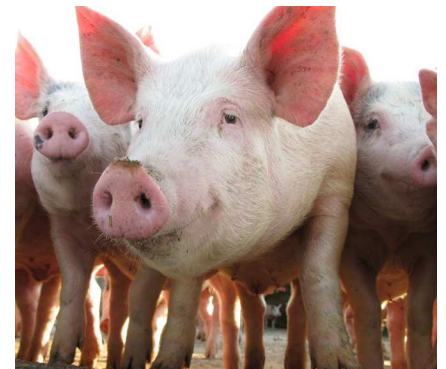
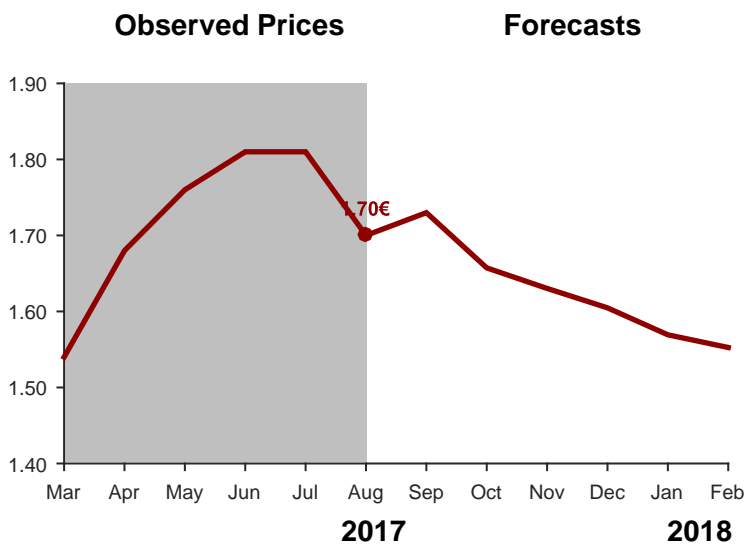


# Forecasting the Price of Pork

<b>Commodity</b>	Pork (Germany)
<b>Forecast Period</b>	September 2017 – February 2018
<b>Currency</b>	€
<b>Unit</b>	Kilogram
<b>Observations</b>	Monthly forecasts of the spot price in the last week of the previous month



## Forecasts



Month/Year	Forecast	Prob. of Raise
Sep. 2017	1.73€	50 %
Oct. 2017	1.66€	48 %
Nov. 2017	1.63€	30 %
Dec. 2017	1.60€	32 %
Jan. 2018	1.57€	22 %
Feb. 2018	1.55€	27 %

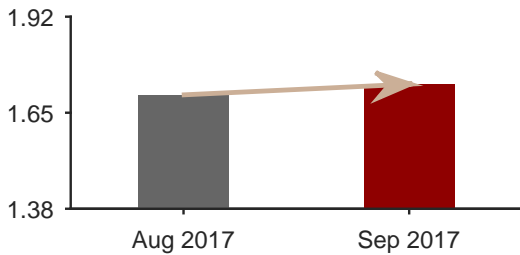
## Suggested Action for Procurement

Purchase Limit Month	Suggested Action
September 2017	Buy in August at 1.70€
October 2017	Buy part of requirements
November 2017	Wait
December 2017	Wait
January 2018	Wait
February 2018	Wait

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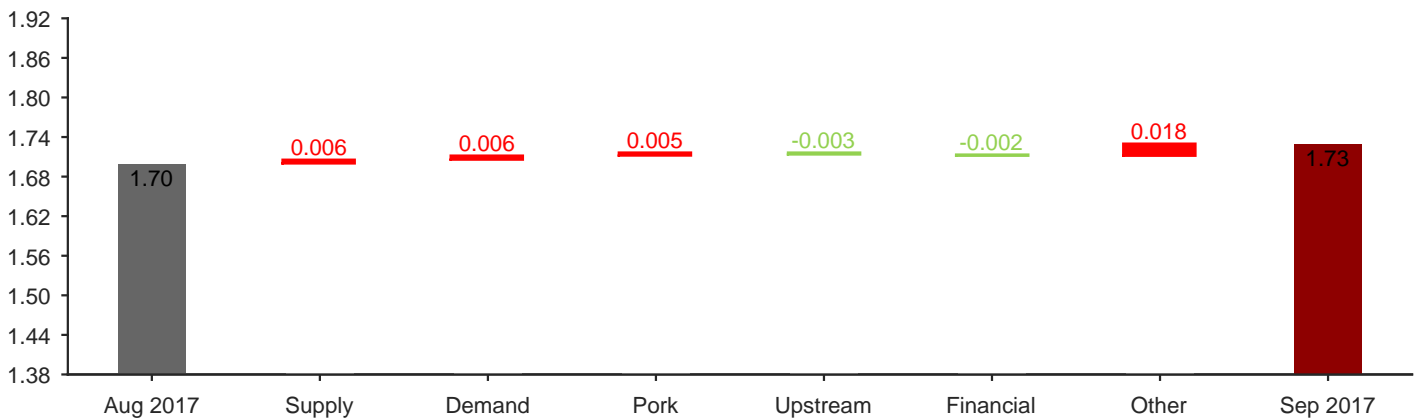
# Forecasting the Price of Pork

## Impact Analysis: One Month Forecast



Our algorithm forecasts a higher price of Pork in one month: it is expectable that the price increases 1.76% from 1.70€ to 1.73€ until the beginning of September.

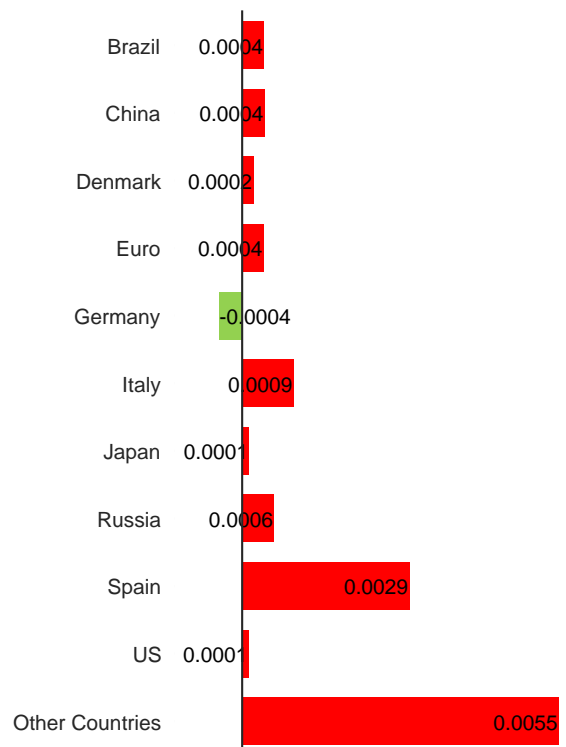
## Indices of Factors



### Interpretation

- **Decrease of Supply:** Positive pressure of the Supply index
- **Increase of Demand:** Positive pressure of the Demand index
- Positive pressure of the index of Pork
- Negative pressure of the index of variables representing the market upstream
- Negative pressure of the financial index
- **Considerably positive pressure of other commodities and other factors**
- Focus on UK, Spain, and Italy

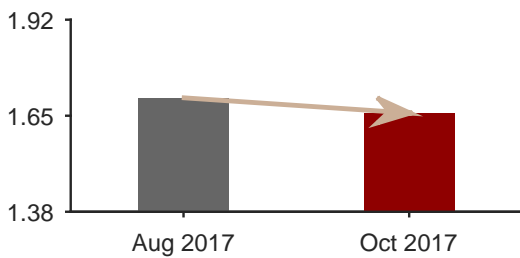
### Impact per Country



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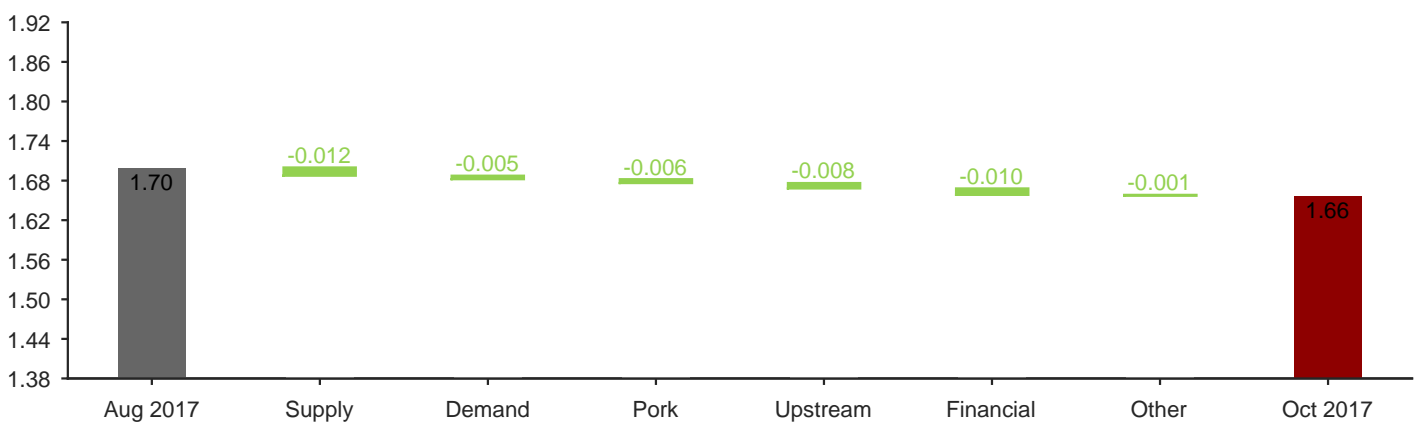
# Forecasting the Price of Pork

## Impact Analysis: Two Months Forecast



Our algorithm forecasts a lower price of Pork in two months: it is expectable that the price decreases 2.51% from 1.70€ to 1.66€ until the beginning of October.

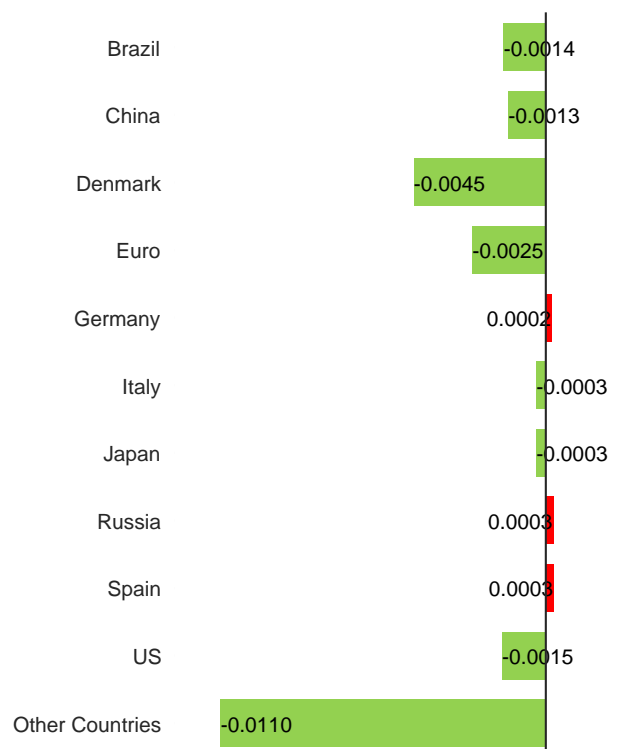
## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of Pork
- Negative pressure of the index of variables representing the market upstream
- Negative pressure of the financial index
- Slightly negative pressure of other commodities and other factors
- Focus on Mexico, Denmark, and South Korea

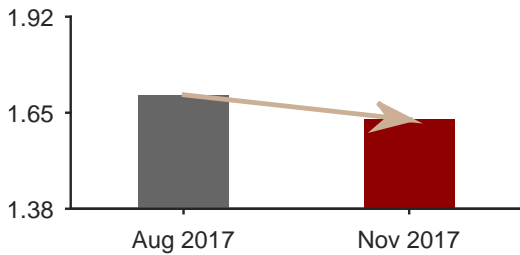
### Impact per Country



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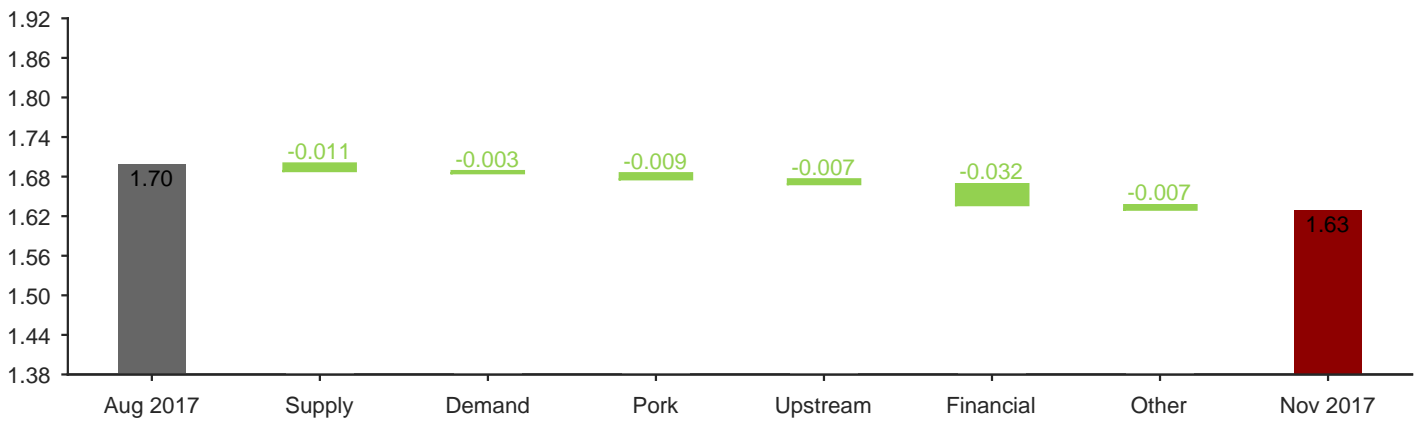
# Forecasting the Price of Pork

## Impact Analysis: Three Months Forecast



Our algorithm forecasts a lower price of Pork in three months: it is expectable that the price decreases 4.10% from 1.70€ to 1.63€ until the beginning of November.

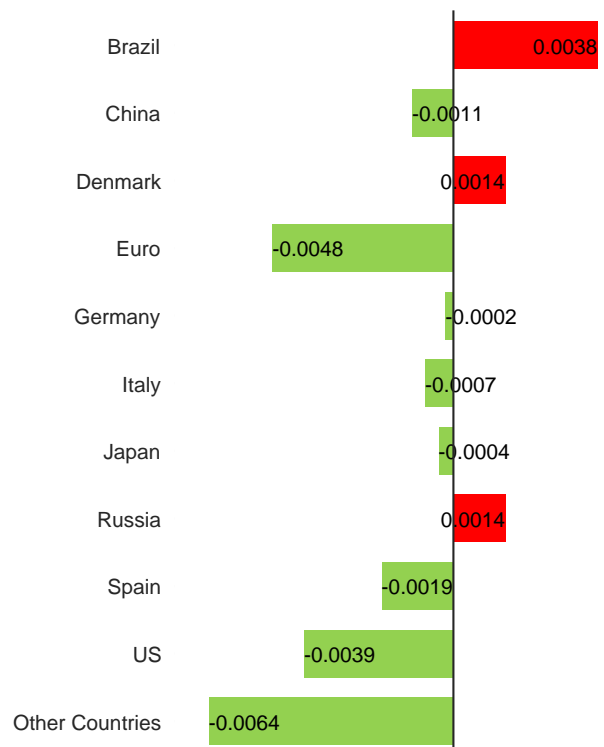
## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- Negative pressure of the index of Pork
- Negative pressure of the index of variables representing the market upstream
- **Considerably negative pressure of the financial index**
- Negative pressure of other commodities and other factors
- Focus on Mexico, South Korea, and Euro

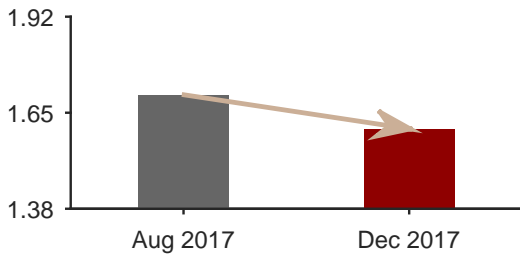
### Impact per Country



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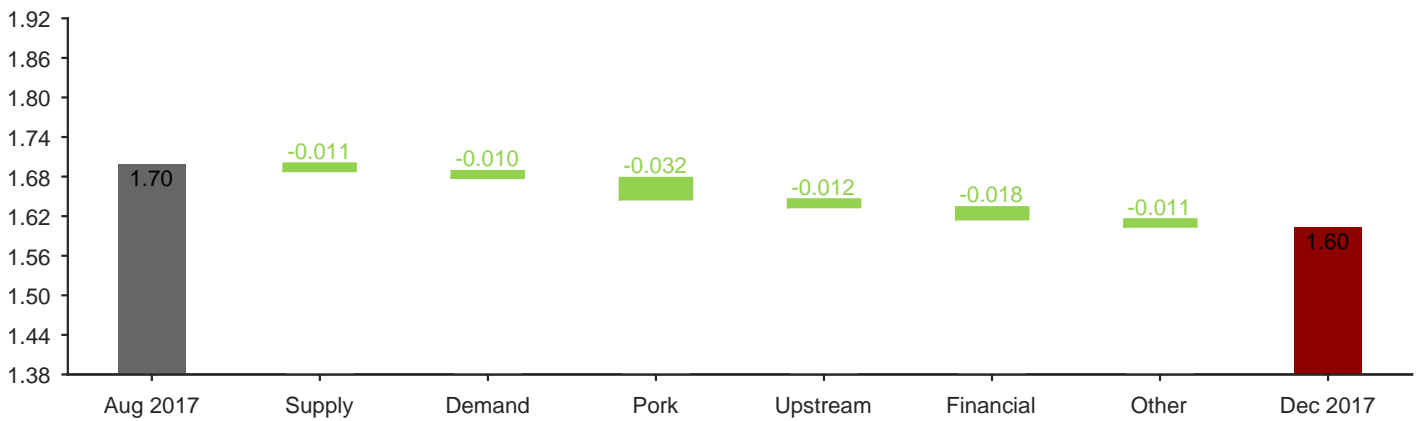
# Forecasting the Price of Pork

## Impact Analysis: Four Months Forecast



Our algorithm forecasts a lower price of Pork in four months: it is expectable that the price decreases 5.60% from 1.70€ to 1.60€ until the beginning of December.

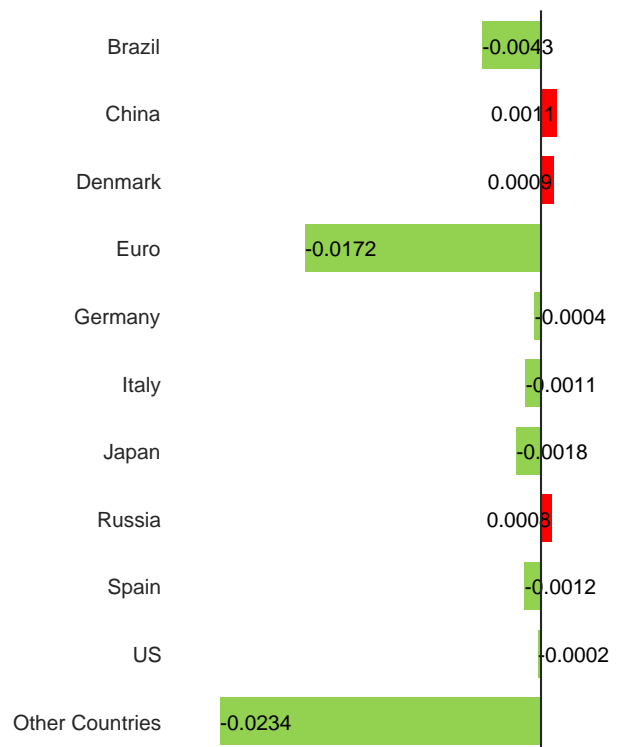
## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- **Considerably negative pressure of the index of Pork**
- Negative pressure of the index of variables representing the market upstream
- Negative pressure of the financial index
- Negative pressure of other commodities and other factors
- Focus on Euro, Vietnam, and Brazil

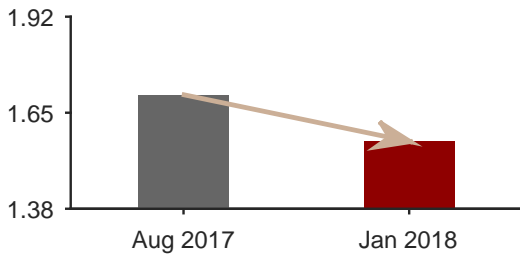
### Impact per Country



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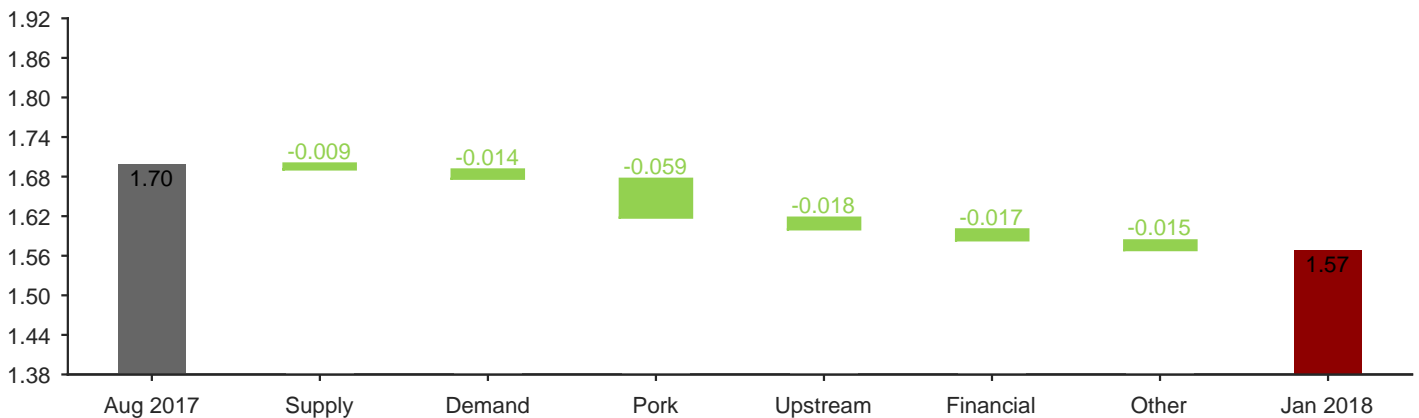
# Forecasting the Price of Pork

## Impact Analysis: Five Months Forecast



Our algorithm forecasts a lower price of Pork in five months: it is expectable that the price decreases 7.68% from 1.70€ to 1.57€ until the beginning of January.

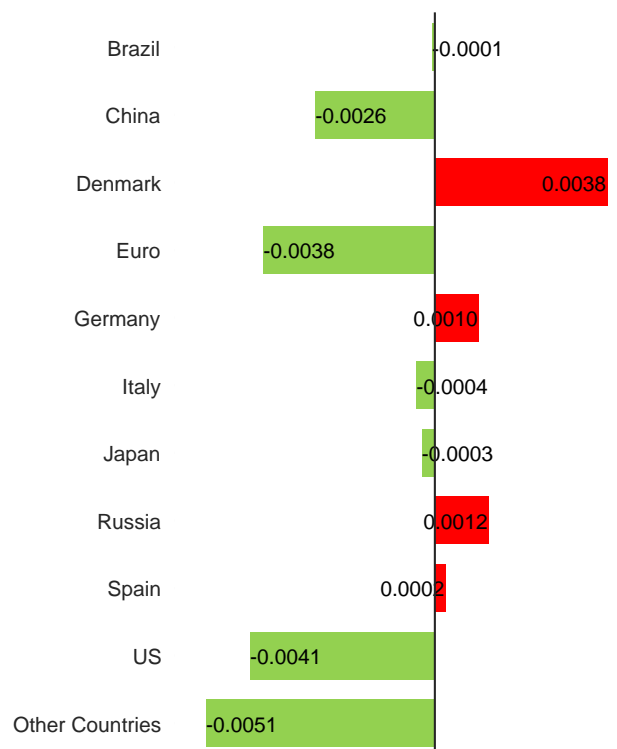
## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- **Considerably negative pressure of the index of Pork**
- Negative pressure of the index of variables representing the market upstream
- Negative pressure of the financial index
- Negative pressure of other commodities and other factors
- Focus on Mexico, France, and US

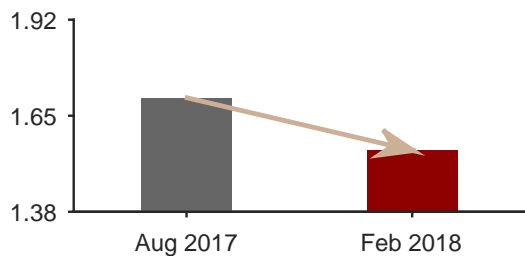
### Impact per Country



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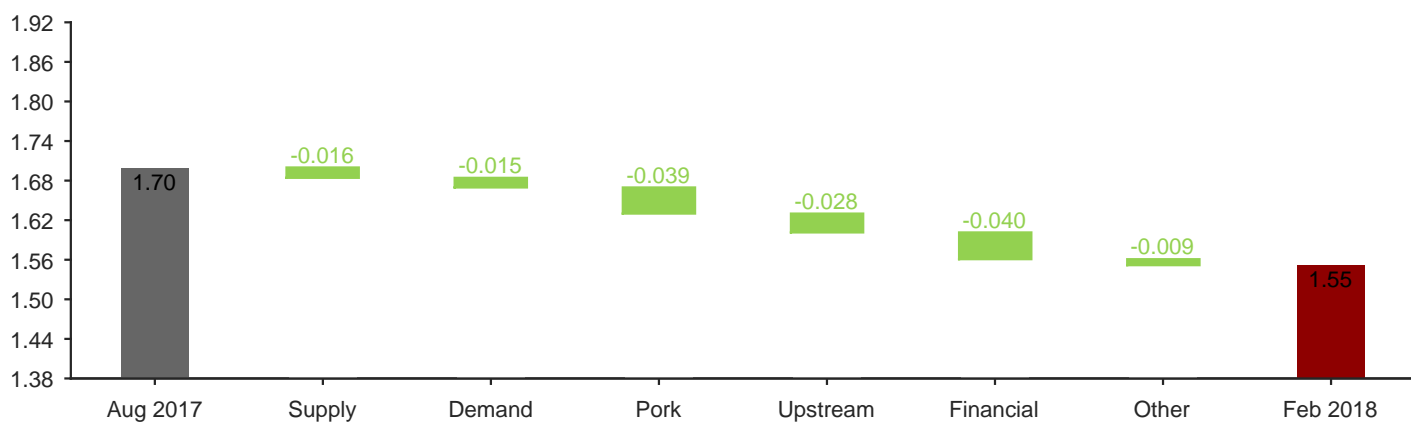
# Forecasting the Price of Pork

## Impact Analysis: Six Months Forecast



Our algorithm forecasts a lower price of Pork in six months: it is expectable that the price decreases 8.67% from 1.70€ to 1.55€ until the beginning of February.

## Indices of Factors



### Interpretation

- **Increase of Supply:** Negative pressure of the Supply index
- **Decrease of Demand:** Negative pressure of the Demand index
- **Considerably negative pressure of the index of Pork**
- **Considerably negative pressure of the index of variables representing the market upstream**
- **Considerably negative pressure of the financial index**
- Negative pressure of other commodities and other factors
- Focus on France, Mexico, and Spain

### Impact per Country



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# Forecasting the Price of Pork

## APPENDIX – Technical Explanation of the Impact Analysis

In this appendix, we explain the impact analysis of the factors that most contribute for our forecasts.

This Impact Analysis is conducted individually for **each time horizon**, allowing for a distinction between the indices of variables that contribute for our forecasts at short and medium run.

For each time horizon, our analysis has **two components**: first, we present the impact of variables grouped by **indices of factors**; second we present the impact of variables grouped by **indices of countries**.

### Indices of Factors

**Indices of factors** are indices of the weighted contributions of the variables grouped in those factors.

**Supply Index**: composed of macroeconomic variables of the producing and exporting countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, an increase in wages implies higher production costs which should (in linear, general, and ceteris paribus terms) generate an incentive to increase prices;

**Demand index**: composed of macroeconomic variables of the consuming and importing countries. It includes variables such as production, exchange rates, inflation, monetary policy, and wages. For example, a decrease in a consumer confidence index should (in linear, general, and ceteris paribus terms) increase savings and decrease demand, leading to lower prices;

**Pork Index**: composed of variables related to Pork. It includes variables such as the price of Pork in different regions of the world and exports, imports, and producer prices of Pork in some countries. For example, an increase in the price of Pork in other region may imply an increase in the price of Pork in Europe due to arbitrage movements;

**Upstream index**: composed of variables related to Soybean Meal and Corn. It includes variables such as the price and exports, imports, and producer prices of the inputs in some countries. For example, an increase in the price of Soybean Meal should (in linear, general, and ceteris paribus terms) generate an increase in the price of Pork;



# Forecasting the Price of Pork

## APPENDIX – Technical Explanation of the Impact Analysis (II)

**Financial Variables Index:** composed of financial market variables. It includes the share price of companies that produce Pork. It also includes financial indices related to this sector. For example, a positive change in the share price of a producer of Pork should (in linear, general, and ceteris paribus terms) imply an increase in expected profitability of the firm. This may signal an expectation of increase in the price of Pork;

**Other Variables Index:** composed of variables related to other other types of foods, such as Poultry and Beef. It includes the price, exports, and imports of these commodities. For example, a positive change in the price of a substitute commodity, should (in linear, general, and ceteris paribus terms) imply an increase of demand of Pork, and thus, of the price of Pork.

## Indices of Countries

**Indices of Countries:** are indices of the weighted contributions of the macroeconomic variables of each country. The countries we present are the most relevant countries in the production, consumption, and international commerce of Pork.

## Interpretation Warning

It is important to note that the contribution of individual variables and indices of variables is not linear. The interaction between variables and between variables of different factors may not be neglectable, which means that the importance of each variable and indices of variables is determined together with the importance of all other variables.

Furthermore, the analysis of changes in variables is not linear. This means that the same variable with the same change in different moments of time may have different impacts given its previous evolution. For example, the algorithm contrasts the change in a variable with its expected change. A positive change but inferior to the expected change may originate an effect of price correction.