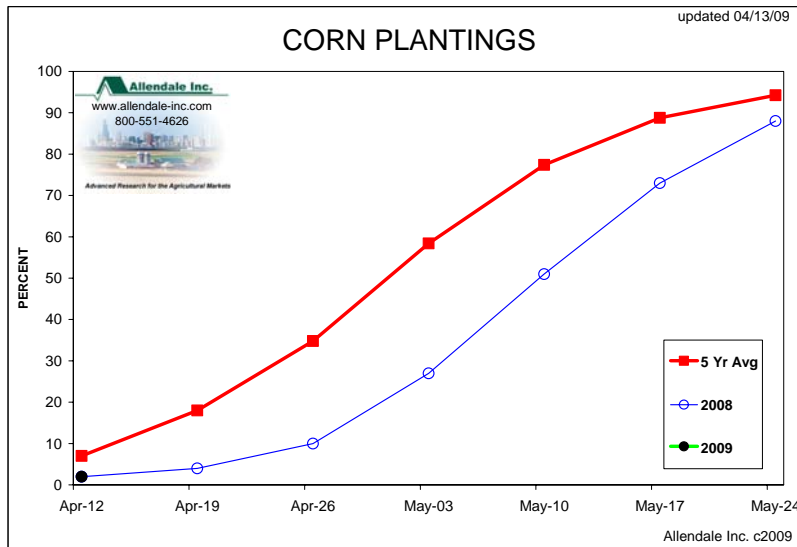


## Allendale Wrap-Up for Business Day 04/13/09

**Corn:** The trade may begin to put more into weather forecasts now that USDA has started reporting weekly crop progress estimates. Given the current forecast we cannot see a whole lot of work will get done into next Monday's report. It is still way too early to say things are dangerously behind yet. The biggest week of planting will be the first week of May and the second biggest is the week after. However, given the heightened interest in corn planting this year, and its effects on deciding how tight 2009/10 supplies will be, it is hard to see this market making a significant break this month.



Also of interest, Denny Hegarty, here in Allendale's home office, also noted the June US dollar is near an important support point on the charts. A trendline, drawn from the September and December lows, suggests 84.55 is an important point we need to monitor. A break below there (falling dollar) would be bullish to commodities.

**Outside Money:** Friday's Commitment of Traders report showed Outside Money is clearly bullish corn. Trading Funds, the ones that go both long and short, have been buying for seven weeks in a row. Index Funds, who only hold a net long position, have been adding to their net long position for four straight weeks. Buying from both groups of 'Outsider Money' is supportive.

**Crop Progress:** In the first report of the year on corn, USDA estimated 2% of the crop was planted. The five year average is to see 6% completed by this time. This may be enough to start electronic futures 2 to 4 cents higher tonight.

**Direction:** Corn is correctly priced for this time of year. As noted above, until we get this planting situation worked out we do not see any major price breaks in the near term. We will continue to watch the US dollar, crude, and the Dow for short term direction...Rich Nelson

### **Trade Idea(s):**

- (04/13) Buy July 398 or better, risk 385, objective 416.

### **Option Strategy(s):**

- (01/23) Bought 1 Dec09 410 put @ 51. This as a starting point for a position to be built as the market moves. Closed 47 3/4.
- (03/31) Sell 1 July 510 call 22 cents.

### **Corn Technical Commentary:**

Corn suffered a bit of a setback today by closing below the neckline. Key support comes in not too far below at 387 1/2. A break in this support level would be a sell signal.

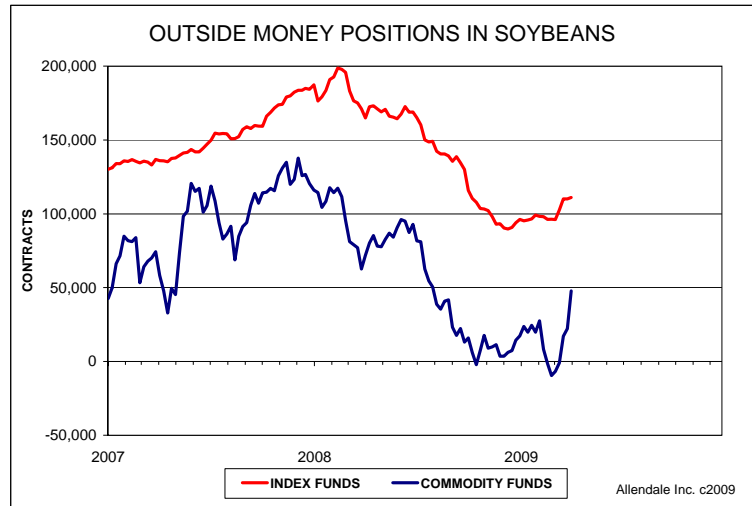
*[For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.](#)*

**Vital Technical Indicator:** the next projected major turn day is tomorrow.

**Soybeans:** Futures did a respectable job rebounding from early morning losses today. At this point the trade is still giving more weight to bullish old crop issues than the new crop supply problem. Any acre that does not get planted to corn will likely be planted to soybeans. However, until we are around halfway

through planting we would not look for the trade to focus on that big new crop supply issue. For now we will trade the soybeans from the long side and also look at that July/November spread.

**Outside Money:** Before Friday's position update we already knew Outside Money was bullish to soybeans. However, the size of last week's purchase by Trading Funds, +25,638 contracts, is very supportive. Trading Funds have been buying for five weeks in a row while Index Funds have been buying for four weeks now. This news is supportive...Rich Nelson



**Trade Idea(s):**

- (04/13) Buy July 1000, risk 982, objective 1029.

**Option Strategy(s):**

- (04/06) Sold May 970 put 19, lower risk to 23, objective 0. Closed 6 7/8.

**Soybean Technical Commentary:**

Beans dipped early in the session, but were able to rally into the close. This market is still overbought though, so we'll wait to see if it has enough strength to push through resistance near 1030.

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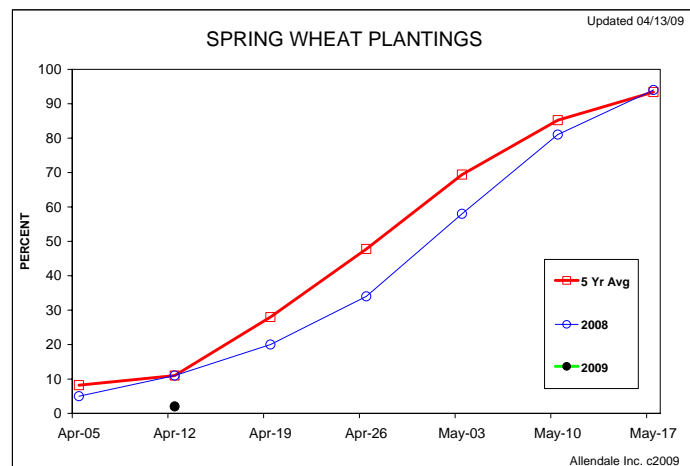
**Vital Technical Indicator:** the next projected major turn day for soybeans is April 15, soybean meal is April 22, and soybean oil is April 22.

**Wheat:** Given the recent break in most wheat contracts, on improving weather, we have to wonder how much lower this market could see. Below, we have detailed how Funds were buying, as of last Tuesday, and USDA's ratings are not bearish. While rallies may be limited by big supplies of old crop in the US and the world we may suggest breaks may be limited by weather affecting new crop.

**Outside Money:** A slow buying trend is developing for wheat. It is not dramatic but both Trading and Index Funds have been buying for four to five weeks now.

**Winter Wheat Ratings Fall:** USDA indicated winter wheat good to excellent ratings fell 1% from last week. 42% of the crop is now rate good to excellent. We are still clearly below the five year average pace of 51%. Joe Victor also pointed out that while Kansas and Nebraska may small changes from last week, Oklahoma went from 25% good to excellent down to 16%! See the chart of nationwide number for yourself in the Special Reports section of our website.

**Spring Wheat Planting Far Behind:** USDA's first estimate of spring wheat plantings showed the northern plains have only 2% planted. The five year average pace is to have 11% of the crop in by now. North Dakota, the behemoth of spring wheat, has nothing planted at this time. The electronic trade tonight may be higher based on this information...Rich Nelson



### Trade Idea(s):

- CBOT Wheat: (04/09) Sell 1 July 571, risk 587, objective 520.
- KCBT Wheat: (03/26) Stand aside.
- Minn Wheat: (03/25) Bought July MN/Sell July CHI at 78 1/2, risk to 82, objective at 106. Closed 88 1/2.
- Minn Wheat: (04/13) Buy July 610, risk 597, objective 642.

### Option Strategy(s):

- (02/04) Sold 1 May KC 500 put/sold 1 May KC 640 call 37, risk at 20 (profit protection), objective 0. Closed 2 1/8.

### Wheat Technical Commentary:

Wheat has sold off almost as quickly as it rallied recently. There is a bigger wedge formation now in place that could support the market near 520. This might be a good buying opportunity if tested.

[For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.](#)

**Vital Technical Indicator:** the next schedule projected major turn day in store for wheat is April 17.

**Softs:** Sugar found strength today when the outside markets finished weak. The rally was due to India, one of the world's top consumers of sweetener, as they said they are allowing imports of the commodity duty-free. The May contract was up 58 points closing at 13.32 cents per pound. Coffee had a disappointing day finishing down 410 points or 3.4% at \$1.1520 a pound. Coffee triggered huge fund selling as it hit stops under support levels. The May contract hit a 2 week low on the pull back today. Keep an eye on Cocoa this week as well. **If we see pullbacks in the Cocoa market we are looking to get in on the long side.** We have been chopping around the low 2500 area and could see a bounce to 2800...Steve Georgy

### Trade Recommendation(s):

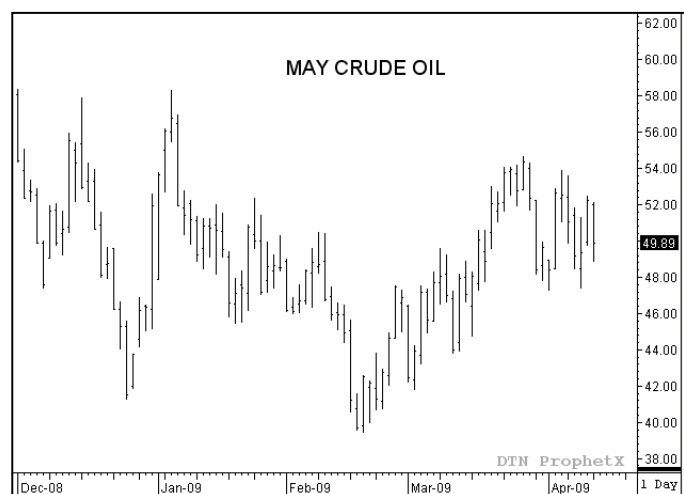
- (Cotton) Buy Dec Cotton / Sell July Cotton at 4.20 cents , Risk 3.65, Objective 5.30

### Working Trade(s):

- Bought 1 May Cocoa at 2550, Risk 2495, Objective 2650
- Bought 1 May Sugar at 12.40, Risk 11.75 stop, Objective 13.75

**Technical Commentary:** We are long Sugar right now and could see more strength in the next few days. Sugar broke out to the upside today and could find it's next resistance area at 13.76 and 13.93. Support comes in today at 13.03 (50 day moving average) and 12.87 (20 day moving average).

**Energies:** May Crude Oil settled \$2.19 lower today at \$50.05 in a rather volatile affair. The day started off with a bearish bias as the IEA released their newest demand projections for Crude Oil; it is the eighth consecutive month the IEA has cut demand projections. Their analysis suggests that demand will decrease 2.4 million barrels/day in 2009 which is off 2.8% from 2008 levels. As the market has done over the past few weeks, the sharp dip was bought and we found ourselves off the day's lows by \$3 late in the session. The bears that are still ever present in the market based on the fundamental outlook sold the rally to push the market down into the close.



**First quarter earnings reports for many companies will be out this week.** The energy market will be tuned in to see how the airlines, transportation companies, and other important end users perform in the first quarter for an idea of what potential demand may look like. **The bottom line is that we still feel this market can be traded from both sides, but we prefer to err on the bull side and buy the dips due to the short term up trend on the chart...**Brian J. Splitt

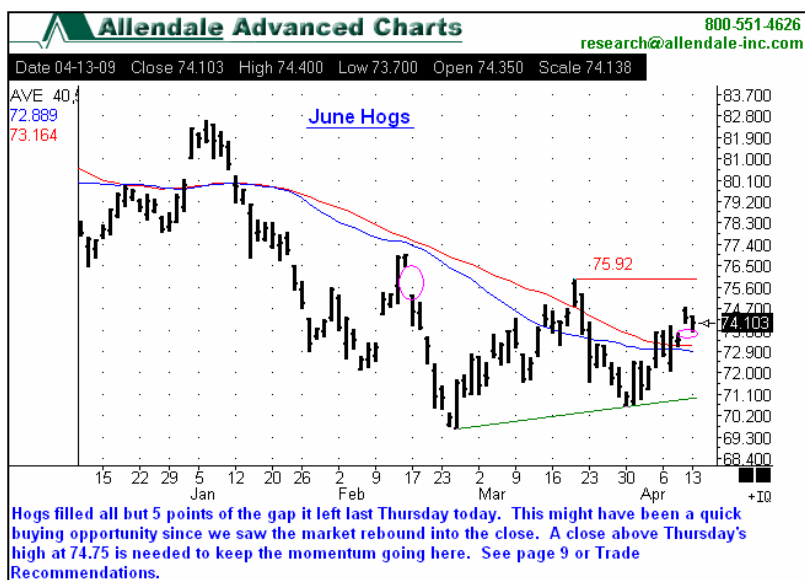
**Closed Trade:**

- **(Aggressive Recommendation)** Bought 1 May Crude (4/8) at \$47.75. Objective of \$52.25 hit (4/9) for +\$4,500.

**Trade Recommendation(s):**

- **(Conservative Recommendation)** Buy 1 May Crude at \$45.45. Risk to \$41.45 with an objective of \$53.45.
- **(Aggressive Recommendation)** Buy 1 May Crude at \$47.75. Risk to \$43.25 with an objective of \$56.25.
- Buy 1 May Heating Oil and Sell 1 May RBOB at 9 cents premium RBOB. Risk to a close over 13 cents premium RBOB with an objective of even money or better.

**Technical Commentary:** The short term trend is up while the long term trend is sideways. The market pushed below the 100 Day M.A., but managed to close above it. Another push below the 100 Day could push us to the 50 Day M.A. once again. Close-in support in May crude is \$49.60 with \$47.25, \$45.10, \$43.75 and \$40.50 providing support above the contract low of \$39.42. Close-in resistance is \$50.60 with \$52.26, \$54.07, \$54.95 and \$55.40 as resistance on the way to our breakout target of \$58.



**Hogs:** We now have five days of higher wholesale pork prices under our belt. It is also important to note that with all the holiday related slowdowns on the packing side that cash hogs for delivery later this week are seen steady to higher. This could support the idea that lower supplies coming in the next few weeks will put a solid floor under this market. In other news the April will expire on Wednesday. The trade could break the may down a little in order to get it closer to cash. Overall, this market likely has a solid low in place. Whether we can get down to fill the remainder of that gap on the June to 73.65 is our main question

right now. This market is still officially in neutral right now. Funds are not buyers (see below) yet and we also do not have those smaller hog supplies yet.

**Outside Money:** The large speculative traders do not have a solid direction in hogs. Trading Funds have been selling for five weeks now while Index Funds have been buying for about the same time...Rich Nelson

**Trade Idea(s):**

- (04/01) Bought 1 Jun/Sell 1 Aug -1.25, risk to -2.50, objective +1.50. Closed -1.12.

**Option Strategy(s):**

- (03/10) Sold 1 Jul 68.00 put at 2.25, move risk to 2.50 to limit loss, objective 0. Closed 1.22.

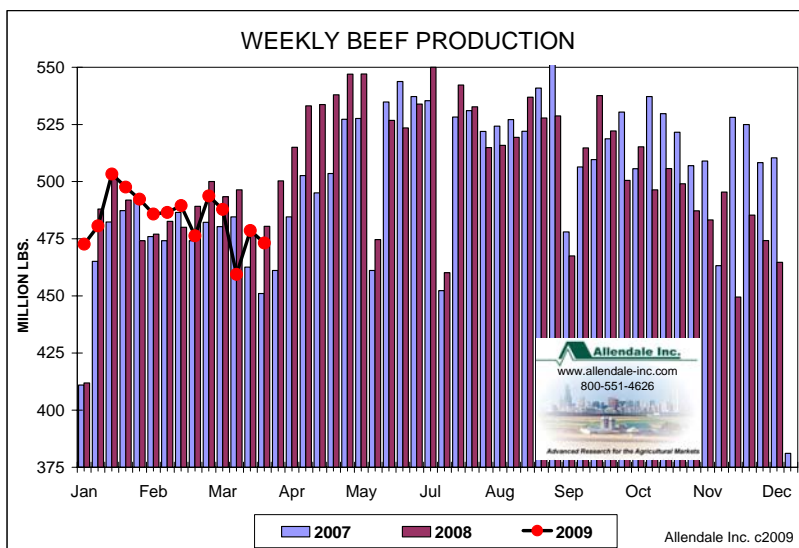
**Lean Hog Technical Commentary:**

Hogs filled all but 5 points of the gap it left last Thursday today. This might have been a quick buying opportunity since we saw the market rebound into the close. A close above Thursday's high at 74.75 is needed to keep the momentum going here.

[For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.](#)

**Vital Technical Indicator:** Next projected major turn day for lean hogs is April 21.

**Cattle:** Cattle futures filled the downside gap we had noted this morning and did a respectable job closing back above it by the close. That is a supportive sign on the charts. In the short term this market is still strong. Wholesale beef also finished better for the day. While the bull parade is in full force we are not sure how long it will last. We are now past the tightest supply time of the spring. Cattle slaughter will build each week from here. Really though, this market is not focused on supply but 90% on demand. If the Dow is up, cattle will be up. For trading we avoided standing in front of last week's run but will look at this \$85 range on the June as the high end of reasonable trading.



**Outside Money:** Friday's Commitment of Traders report showed Trading Funds bought a surprising 10,006 contracts from two Tuesday's ago to last Tuesday. They are now almost out of their net short position. It also offsets the selling trend that Index Funds have been doing for weeks. This shows the near term trend is being supported by Outside Money...Rich Nelson

#### Trade Idea(s):

- (04/13) Sell 1 June 85.30, risk 86.10, objective 83.40.

#### Option Strategy(s):

- (03/30) Sell 1 Jun 77.00 put at 1.50, risk 70 from entry, objective 0.

#### Cattle Technical Commentary:

Cattle pulled back and filled the small gap from last Thursday, then closed near the highs of the session. This quick move might be a sign the bulls are still in charge here. A close above Thursday's high at 85.10 would confirm.

[For more technical information, including charts and trade recommendations, please visit the Advance Charts section of the Allendale Research Center.](#)

**Vital Technical Indicator:** Next projected major turn day for live cattle is April 16 and for feeders is April 13.

As always, if you have questions or comments, please call 800 551 4626 to discuss or send an e mail to [research@allendale-inc.com](mailto:research@allendale-inc.com)

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