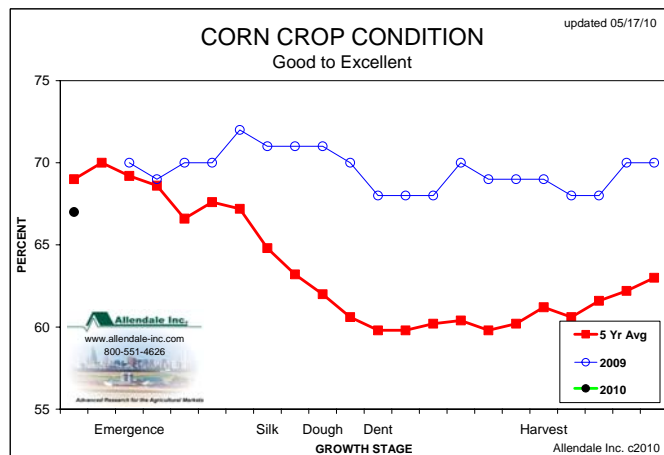


## Allendale Wrap-Up for Business Day 05/17/10

**Corn:** In almost a carbon copy of Friday, corn sold off on another move higher in the dollar. Most of the action was very similar to the end of last week just on a smaller scale. There are a few factors which could step in to give us a turnaround Tuesday. Our dollar that has been pushed higher by a fall in the Euro is nearing its first resistance level since it started to turn higher back in early December. It has been a long ride for the dollar higher all this time but it has finally hit some important resistance points. Overnight, it hit a high just one tick off of resistance from April 20<sup>th</sup> 2009. If that resistance is held and the dollar sets



back, that can be a start of a bounce. We mention outside markets two fold. Not only has a lower dollar caused some fund selling across all commodities the last two trading days but ethanol has regained its correlation to crude oil as well. With the recent slide in crude, there has been a pullback in rising ethanol prices as well. Current weather forecasts suggest a good continuation and near ending of corn planting as well as good development. This afternoon's planting progress is expected to come in at 89%. This afternoon also held corn's first good to excellent rating. The trade was expecting 60% to 70% while the government released a 67% figure. This is the earliest time a crop rating has been released. Today's number, good as of Sunday the 16<sup>th</sup>, is as four days ahead of the May 20 previous early start from 2007. Today's 67% rating is not the best start in history as some would have suggested. With the day session unable to take out the overnight spike lower, it is hard to find much reason to be overly bearish corn at current levels. Seeing as how last week was unable to break 400 and today's trade was unable to take out recent lows, a continuation of the sideways range is expected. One of the changes we need to make due to recent action is to expand the expected range. Drops in the dollar with an added Chinese buying rumor can lead to a run back close to 400 and at the same time there is no need to get overly bearish unless 367 is taken out.

**Direction:** Resistance is still 400. Support is now down to 367. We will still look at this market as a sideways trend until either support or resistance is taken out. Right now we see no need to take out either end of the range and will actually look for a move closer to resistance...Ryan Ettner

### **Working Trades:**

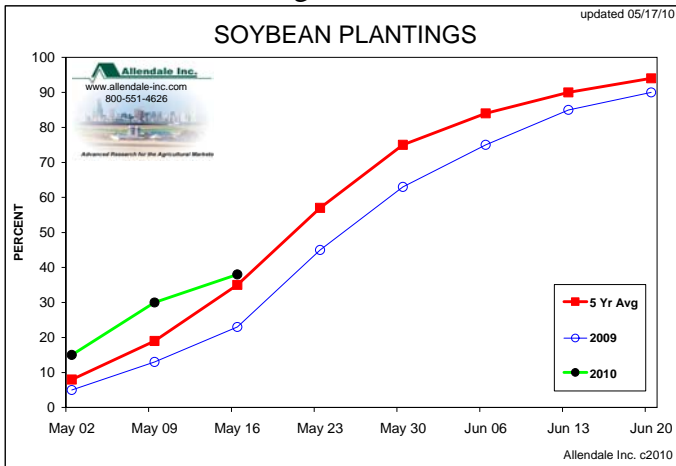
- (03/24) Bought July 380 call/sell July 440 call/sell July 340 put 4 1/2, risk -1 filled 05/17 for - \$250.

**\*\*\*Disclaimer\*\*\*** The commentary and trades below are derived from technical indicators provided in our Allendale Advanced Charts pages and may not correspond with the fundamental commentary above.

**Advanced Charts Direction:** Corn headed south to start the week and is now near the low end of the range that has been traded since late March. Therefore, we will place a buy order at 356 and risk to 349 below the late April low...Monica Moehring

**Soybeans:** A heavy tone across all commodities today as more bad news and declining confidence in the Euro hit the headlines. One article talked about a complete dissolving of the currency. That might be sensationalized in our opinion but one thing is for sure, the euro is in trouble and as long as it is, the dollar will remain firm and commodities will struggle. Futures opened lower and a constant flow of selling took our support at 948. This triggered another round of fund and spec selling causing prices to test support at 939. Our objectives remain below the market with 929 and 914 in our near term sites and long term (this

fall) closer to 800 than 900. Going home tonight, the market is oversold after falling 35 cents in the last 3 days. Thus a turn around Tuesday might offer another opportunity to sell a bounce. Bean planting pace came in at 38% v 30% last week and 35% normal. Traders expected 42% done on average and thus any further poor weather should be viewed as supportive. With US stocks expected to increase ~90% this year and world stocks hitting a record, we will view these rallies as a chance to sell.



**Direction:** Our traders resold positions today at 944. Technically, July beans are have support at 939. Expect a small bounce but resistance at 948-957 is expected to develop. As for produces, you should be 100% sold on old crop and 75-100% sold on new crop. If you are not, call us and will be happy to help you get on a box or 3-way option position now...Bill Biedermann

**Working Trades:**

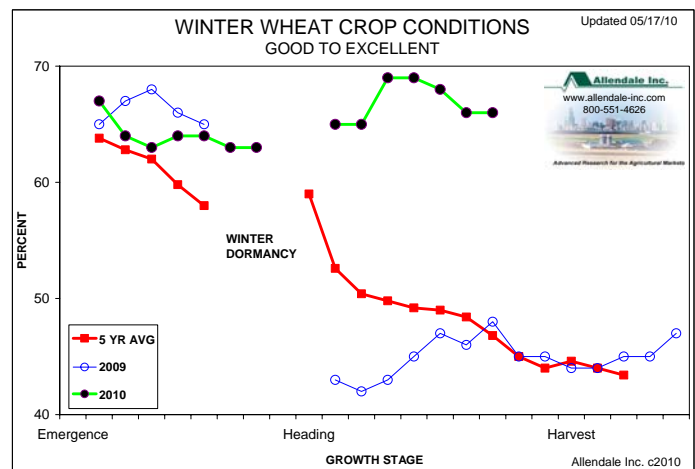
- (04/15) Bought Nov 940 put, sold 1040 call, sell 800 put 18, move to 5. Objective 100. Closed 33 1/2.

- (05/17) Sold July 944 1/2, risk 958 1/2, objective 914 1/2. Closed 941.

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**Advanced Charts Direction:** Beans also headed south today and broke support at 948 1/2. This now becomes new resistance on the chart. New support can be found at 930 and 920. We will stand aside for a day, but may consider selling a bounce...Monica Moehring

**Wheat:** Funds sold an estimated 2,000 contracts of wheat and estimated to have entered the week short 25,100 contracts. Commercial interest is short 150,000 contracts, a weak level last experienced on May 13, 2008. Index funds during the same period of time have increased longs by 23%. But it is the managed money, which was long 21,000 contracts in May of 2008, which are now short 15,000 contracts. The bottom-line is we anticipate index funds to continue to build its longs but the other two sectors to take us into new price lows when utilizing the July CBOT futures. The only item which would change our mind is if something were to stop 2010 corn production. The trade is of the opinion that short covering rallies in wheat are to be sold. The trade was anticipating 75% of the spring wheat was planted vs 67% a week earlier. USDA's NASS estimated spring wheat plantings to be 79% planted vs 49% a year ago and 80% for a five year average. The trade was anticipating winter wheat good to excellent ratings to be steady to slightly lower. USDA's NASS estimated winter wheat good to excellent ratings to be 66% vs 66% a week earlier and 48% a year earlier. Fundamentally, wheat futures and options are weak.



**Direction:** We are neutral to bearish to CBOT SRWW with a nearby range of 460 to 496 vs the July contract...Joe Victor

**Trading Recommendations:**

- (05/13) Buy July Chicago 463 1/4, risk 454, objective 489.

- (05/14) Sell September Chicago 520 call 19 3/4, risk 29, objective 0.

### Working Trades:

- (04/12) Sold July Chicago 440 put/sold 520 call for 24, risk 30, objective 0. Closed 9 7/8.

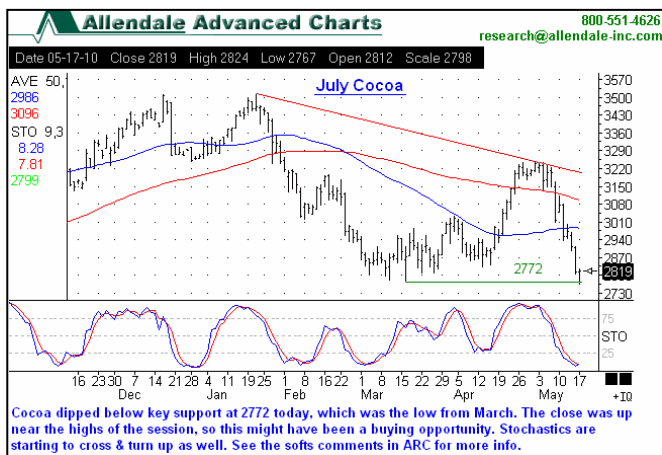
**\*\*\*Disclaimer\*\*\*** The commentary and trades below are derived from technical indicators provided in our Allendale Advanced Charts pages and may not correspond with the fundamental commentary above.

**Advanced Charts Direction:** Wheat broke support at 473 1/2 today and now looks to be heading towards the April low at 460 1/2. We will place a buy order near there at 4.65 and risk to 459. The overall trend here is still bearish, but a corrective bounce could be in the works...Monica Moehring

**Softs:** The dollar was in control again today. After the close of the softs, the dollar saw a sharp decline. The dollar was up more than 100 points at one time last night but is just about unchanged for the session. This could be a friendly signal for tomorrow's trade. We expect to see higher prices in the near term for most of the commodities as the dollar strengthens. This might be a good selling opportunity late in the week.

**Lumber:** Lumber broke more than \$9 today and had reached the lowest level since early December 2009. Our price objective was met today but we would still like to look at rallies as selling opportunities. The sharp downtrend is looking for a short term correction. If the stock market can recover it might be enough to give the bulls some buying confidence. We are going to stand on the sidelines for now but could be a willing seller near the down trend line.

**Sugar:** Sugar sold off today as the dollar strengthened. We are trying to sell strength against the downtrend line but have failed to get filled so far. We are going to continue our order over the next few sessions. Our downside target is still near 12.50 in the July contract. The long term chart is still showing some gaps in the chart that needs to be filled before a significant trend change. Watch the dollar for near term price movement...Steve Georgy



### Working Trade(s):

- None

### Trade Recommendation(s):

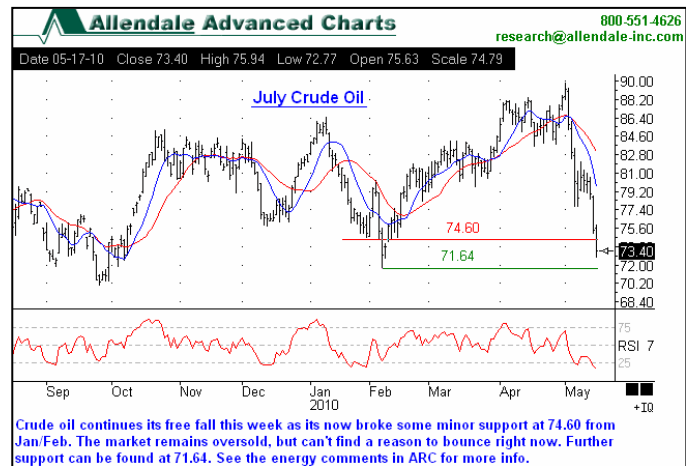
- (5/17) Buy **July Cotton** 80.75, risk 79.50, objective 82.75
- (5/3) Sell **July Sugar** 15.15, risk 16.05, objective 13.50.
- (5/10) Sell **July Lumber** 275.00, risk 283.00, objective 252.00

**Energies:** June Crude was down \$1.53 today at \$70.08 after trading as low as \$69.27 earlier in the session. The European debt situation is continuing to take its toll on the market as concerns about deflation grow with each tick lower in the Euro. The thought process is that the austerity measures that several European countries will have to implement to curb the debt issue will also decrease energy demand due to lower growth potential. Equities added to the pressure today after economic data showed New York factory activity is below forecasted levels. It's hard to say if the market is trying to find a "fair value" for Crude Oil or if we are simply seeing investment money continue to leave the market; maybe it's both. OPEC maintains that \$70-\$80 is a fair price for both consumers and producers, while the Kuwaiti Oil Minister added that OPEC would likely meet to discuss production quotas if the price dropped further to \$65...Brian J. Splitt

## Working Trade(s):

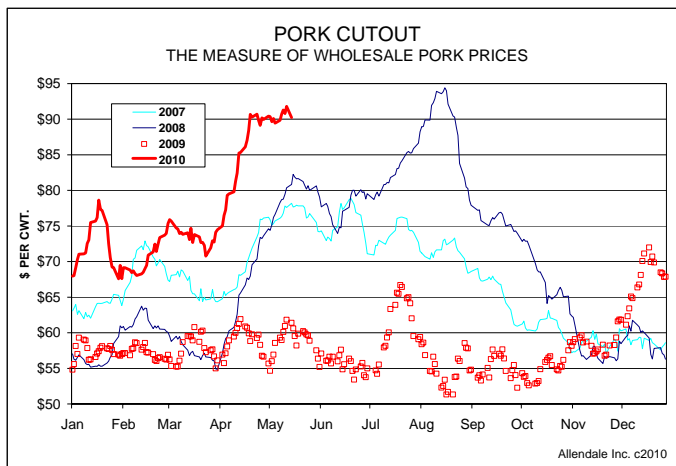
- (5/13) **Bought June Crude Oil and Sold July Crude Oil** at \$3.80 stop, premium July. Risk \$4.80 premium July, Objective \$0.80 premium July. The spread settled at 3.14.

**Technical Commentary:** June Crude Oil will expire Thursday, so we will look at the charts for July Crude for the next month. Crude Oil is a market that is trending higher long term, but trending lower in the short term. The short term down trend is so steep that it's difficult to use it as a guide. We would like to continue to buy dips in the market, but we feel it prudent to let things "calm down" before recommending entry points at this time. Close in support for July Crude Oil is 72.75 with 71.60 providing support ahead of psychological 70.00 support. 68.85 and 66.10 are further bear targets if the liquidation continues. Close-in resistance is 74.65 with 76.00, 77.50, and 79.00 providing resistance up to 80.00. 80.80, 82.00, and 84.50 will provide resistance on a push through 80.00. Stochastics are oversold and pointing down.



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July silver pulled back towards the 10 day MA today after peaking at 19.845 last week. This could be a buying opportunity since the long-term trend remains bullish here. We will place a buy order at 18.500 and risk to 18.200.



**Lean Hogs:** It is tough to justify futures closing down from \$2.00 to \$2.22 for the 2010 contracts today just after cash pork hit new highs for the year on Friday afternoon. You would assume the pork news would be good enough at least for slightly higher trade. At first the clear answer is "outside market influence". That is likely the reason for the size of the recent days' decline. However, the idea of a decline at this time of year is not out of hand. A two week price break typically happens in the second half of May after packers wrap up Memorial Day purchases.

**Direction:** We will end up buying this market

towards the end of the month. In the short term, bears are in control. We will point out to hedgers that we are not concerned about summer pricing. However, typically the post-summer contracts do not enjoy the strong rebound in mid-summer. Instead, they generally trade sideways in this time then move to a lower trend at the end of summer...Rich Nelson

**Avoiding Processed Meats:** A recent study, released by the Harvard School of Public Health, raised red flags over eating processing meats. Processed meats such as bacon, sausage, and hot dogs raised the risk of heart disease and diabetes. They found processed meats contain up to four times as much sodium and 50% more nitrate preservatives than unprocessed.

## Trade Recommendations:

- (05/18) Buy July/sell December 11.00, risk 9.80, objective 14.00.

## Working Trades:

- (04/06) Sold June 80 put 1.30, risk 1.60, objective 0. Closed 1.42.
- (05/12) Sold June 82 put 1.05, risk 1.85 filled 05/17 for **-\$320**.

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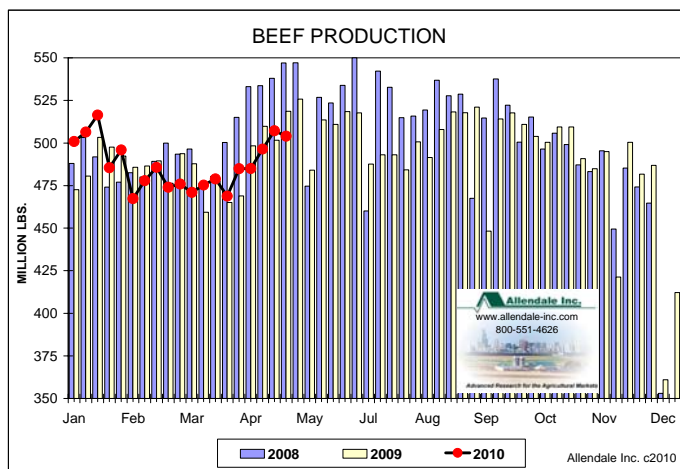
**Advanced Charts Direction:** Hogs finished near the long-term uptrend and 100 day MA today on further weakness. The market has now filled the first lower gap from March, but another larger gap could continue to bring this market down in the near-term...Monica Moehring

**Live Cattle:** In the cattle market we have no problem with the recent slide in prices. Cash beef on Thursday and Friday which fits into the idea of a seasonal top in prices. There is talk packers are already finding cattle feeders are receptive to \$98 bids. Last week's average price was \$100. We cannot ignore outside markets though. There is no doubt the sharply lower US dollar was a secondary mover in encouraging lower prices.

**Direction:** We have no problem suggesting cash cattle will be down to \$90 for summer lows and that \$91 is a decent downside objective for August futures. Summer futures are now pretty close to pricing in that lower summer cash cattle trade. This is typically a straight down market for the next two months so do not jump out on the buy side too soon...Rich Nelson

#### Working Trades:

- (05/05) Sold June 98 call 1.25, risk 2.20, objective 0. Closed .20.
- (05/14) Sold August 98 call 1.20, risk 2.30, objective 0. Closed .80



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**Advanced Charts Direction:** Cattle slipped below support at 92.75 today, then closed right on it. This could open the door to 91.42 next, which is also near the 100 day MA. We will place a sell order at today's close and risk to 93.25...Monica Moehring

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

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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