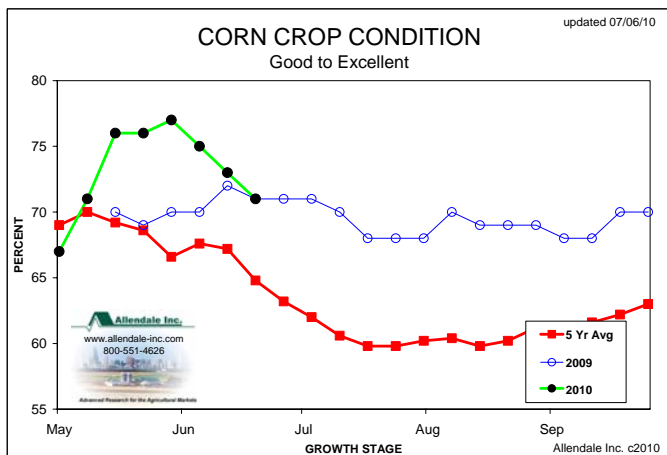


## Allendale Wrap-Up for Business Day 07/06/10



**Corn:** After the 3 day weekend, corn felt an early need to play catch up to news missed on Monday. As we came in, there was no change to the bearish weather forecast either here or in China. Overnight corn traded 5 to 6 cents higher on what was mainly just following wheat. We have to stay cautious on expecting an overnight rally based on wheat to carry through to the day session as well. We started the day getting all wrapped up in the excitement from wheat but when cooler heads prevailed we had to wonder just what was there to back up early gains. Coming up on Friday we have a crop production report that most feel will be increasing

yields. While this increase, which we are looking to be 3 1/2 bushels per acre, may not overly bearish it also doesn't warrant any bounces higher either. An expected increase in the export section on the supply/demand report will likely keep yield increases in check. As we see it, the increased demand expectations almost perfectly offset the increased yield. That can translate to a neutral report. That will also mean that despite a bearish looking close in corn today we may just see sideways trade as is common a few days before a report. With a high of 391 1/2 in December corn, we have to ask why this sounds so familiar. This sounds very similar to the range we found in December corn through the months of April and May. For two months corn continued to stall out around 392 and find support in the mid 370's. That looks awfully familiar to today's trading range. If this report does turn out to be neutral then there is always a chance we can lock this market right back in that sideways trend. This time maybe corn can breakout to the upside on a weather change rather than the downside. We will remain sellers in the 390's just as we were last time we saw these levels. As exciting as this bounce has been, stay cautious of a move above 400. This market waited over two months for that run and it never happened earlier in the year. It will take significant news to break 400. If we sell here and are stopped out just above that level we will be happy to let new momentum take us up to great hedging levels.

**Direction:** It looks like old resistance in the 390's held once again today. The psychological 400 mark is still the most obvious resistance holding December in check. On a disappointing close we may see corn set back again tomorrow and use the low 390's as a selling point until seeing the report Friday...Ryan Ettner

### **Working Trades:**

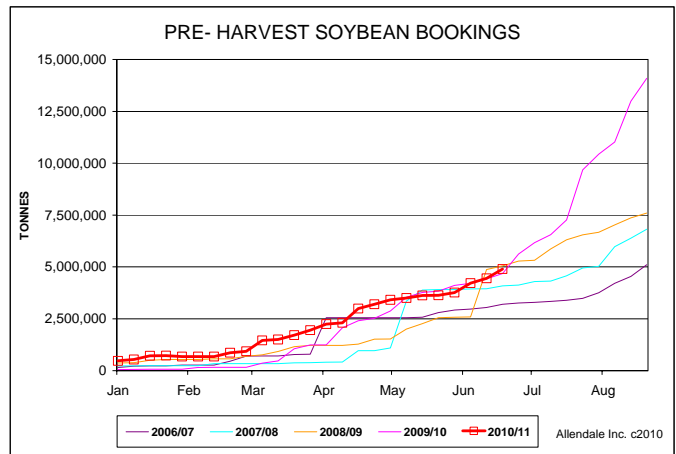
- (05/19) Sold September 330 put 8, risk to 15, objective 0. Closed 3 3/4.
- (07/01) Sold December 350 put 16, risk to 25, objective 4. Closed 13 3/4.
- (07/06) Bought December 387 3/4 stop, risk 379 3/4 filled 07/06 for **-\$400**.

**\*\*\*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 posted a key reversal on the the chart today by taking out Friday's high and closing below Friday's low. This is a bearish chart formation that should continue to pressure the market tomorrow...Monica Moehring

**Soybeans:** This morning we started off with a good piece of bullish news to trade from. China reported to be buyers of 120,000 tonnes of new crop beans. That made for an easy strong start following the other grains higher. While corn and wheat set back, it looked as though beans were going to be able to keep

their gains thanks to the Chinese purchase. Unfortunately gains were eventually given up and the November contract fell back to an all too familiar 900 level. This market continues to see support at that level with inability to manage much of a rally. This should not come as much of a surprise as we look for this report to show few changes leaving the direction sideways until we have a better outlook on August weather. With the expectations still calling for a drying out period during the all important bean month of August, there remains a chance at a bounce. We do not want to bet our hedges based on a weather forecast though so we will be sellers on any decent bounce in beans. As we



see it now, 940 looks to be a gift with today’s bounce up to 920 a more conservative selling point. Producers are telling us that the beans obviously still look on the yellow side as would be expected from recent rains. We have to ask just how good did they look last year though? Most areas were not in good shape at this point of the year and yet those bean yields came through well due to a favorable August. Weekly condition ratings, from USDA this afternoon, fell 1% from last week. We will look for continued sideways trade going into the crop report at the end of the week. With Chinese buying and other grains moving higher without the beans following we really can’t expect much action at least until Friday’s report.

**Direction:** Any bounce before the report like the one seen today should be seen as a selling point. With little change expected from Friday’s report we should keep the highest expectations for a selling point to be 940 with a more conservative level being 920. So far the 900 level continues to hold as good support but we do not want to come to rely on this level while waiting for a bounce. China will also need to continue to be a regular small buyer to keep support in this market as well...Rich Nelson

**Working Trades:**

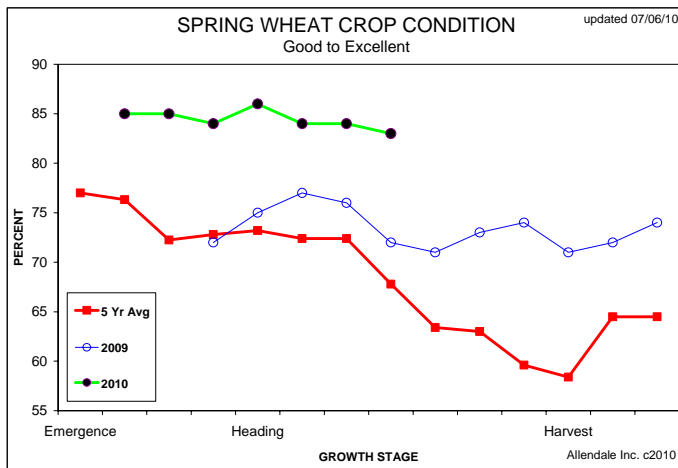
- (04/15) Bought Nov 940 put, sold 1040 call, sell 800 put 18, risk at 5. Objective 100. Closed 50.
- (07/02) Sold November 910, risk 918 filled 07/06 for **-\$400**.

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**Advanced Charts Direction:** Beans ran up and hit 50% retracement today, only to sell off hard into the close. Today's settlement was below last Friday's low, so we may see Thursday's low at 894 tested soon as well...Monica Moehring

**Wheat:** Wheat was the only one of the big three to finish higher on the day. The close was well off the day’s high though. Down trend resistance was taken out last Thursday and we switched from bearishness to at least neutral. We probed the potential for a bottom with call options and willing to add to longs via futures once we closed above 495. 532 is key resistance and use 495 as key support as long as we remain neutral. Plenty of talk regarding smaller production in wheat primarily in the EU and Russia region as well as delayed US HRWW harvest may be fundamental reason to be supportive to futures. Harvest pressure for winter wheat is in the rearview mirror as we transition into the demand phase. Demand is good for exports but the US and world economy needs to show signs of real life in order to create overall positive demand. There were no surprises to wheat conditions or progress within the NASS report.

**Direction:** we are neutral to CBOT SRWW futures as long as support and resistance described above holds...Joe Victor



## Working Trades:

- (05/27) Sold September Chicago 520 call 16, risk 29, objective 0. Closed 19 1/2.
- (06/30) Bought Sep Kansas City/sold Sep Minneapolis 20 3/4, risk to -24, objective -8. Closed -14 3/4.

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**Advanced Charts Direction:** Spring wheat

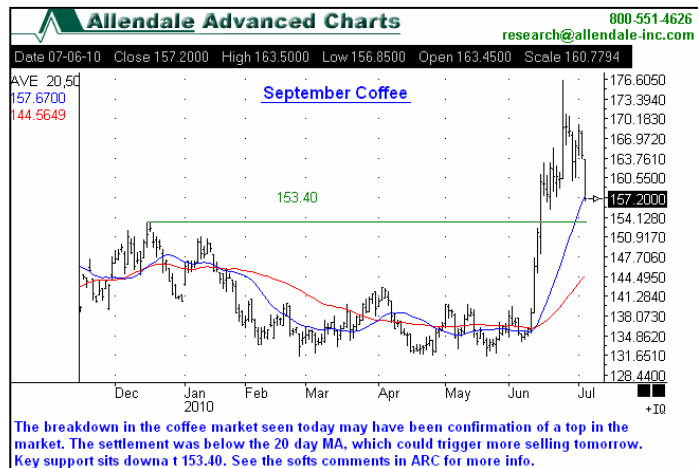
rallied up towards the long-term downtrend today, but was unable to hold these gains into the close. The market did settle above the 100 day MA though. We still favor being short this market near the downtrend...Monica Moehring

**Softs:** The soft markets carried a weaker tone as the dollar fell sharply lower. Most of the markets started strong but finished at the lower end of the range. Cotton, coffee and cocoa all closed near support. Traders might look at taking out stops tomorrow due to a negative technical close. Volume was good and we feel it could continue into the weekend.

**Cotton:** December cotton fell to the lowest level we had seen in more than a month. 74.09 will be good support below the market. I feel the funds are looking at taking out stops and could back off to the 254 day moving average at 73.50. The charts look ugly but are much oversold. A correction could be as much as 3 cents when we find support.

**Sugar:** Sugar fell 40 points from the highs as it rejected the 100 day moving average. We are in an upward channel in the October contract for the last few months. The upper end was hit today and could see a pull back to 15.50 over the next few sessions. No major news to report on but the charts are in control.

**Coffee:** Coffee fell for the second consecutive day as investors continued to take profits from long positions. Today's close took the nearby contract below the 20 day moving average and looks like it may have more downside tomorrow. There is a gap that the charts left from January 14th (148.00) that could be the next target. We are short futures right now and look to take profit if we see another sell off tomorrow. We are also in options right now that are on both sides of the market. No fundamental news to talk about today but watch support for good buying opportunities...Steve Georgy

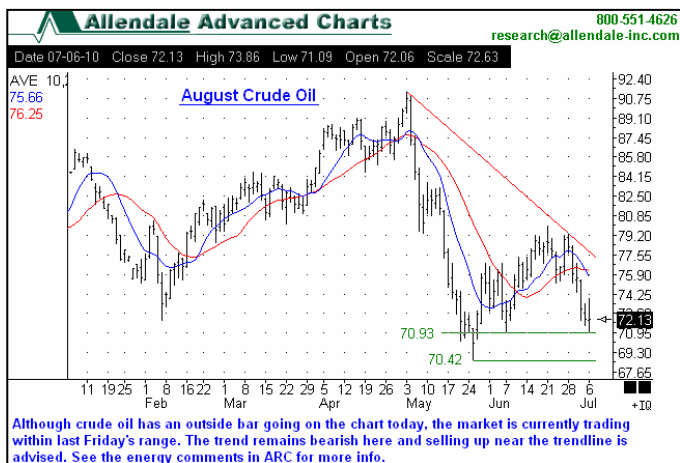


## Working Trade(s):

- (7/6) Sold **September Coffee** 159.90 stop, risk 163.00, objective 155.60
- (6/25) Bought **September Coffee** 170.00 calls/Sold 180.00 calls at 2.30, risk 0, objective 7.50
- (5/25) Bought **December/Sold July Cotton** at 6.00 cents premium July, Risk 7.00 cents, objective 2.50 (Stop hit for a \$500.00 loss)
- (6/14) Bought **September Coffee** 145.00 put/Sold 135.00 put at 3.40, risk 0, objective 7.00

## Trade Recommendation(s):

- (6/30) Sell **October Sugar** 17.30, risk 18.15, objective 15.61



**Energies:** August Crude Oil closed lower for the sixth consecutive session. Settlement today was \$71.98 which is \$0.16 lower for the day. After the long three day weekend there wasn't much new news to trade on. Traders are watching their weather maps to see if a low pressure system of Cancun Mexico forms into a hurricane that would impact the Gulf of Mexico's major oil production areas. The energy market seems to be trading tick for tick with the equity markets. Crude oil traded higher early in the session as the stock market was trading higher. As the stock market weakened it put pressure on the crude and it sold off to close lower

for the session. We will continue to try to sell a bounce in the crude as weakness as we believe weakness in the equities will continue to put pressure on the market. We are watching the equities chart closely as the chart has formed a head and shoulders top pattern that projects a move down to 8400 level on the cash Dow...Jim McCormick

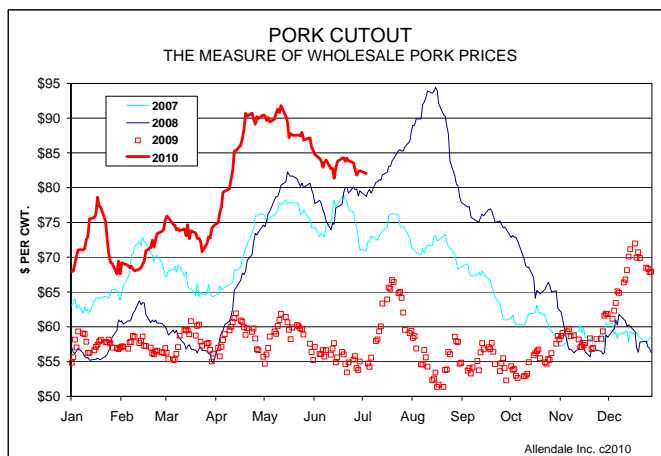
**Trade Recommendation(s):**

- (7/1) **Sell August Crude** 75.75. Risk 77.55, Objective 70.75.

**Technical Commentary:** Crude Oil is a market that is trending higher long term, but has reaffirmed the downtrend from the May peak. Close in support is today's low of 71.62 with 70.93 providing support above 70.00. Close-in resistance is 72.80 with 74.30, 75.20, 76.80, 78.00, 79.40 and last week's high of 79.94 adding resistance below 80.00. On a move above 80.00, resistance will show up at 80.60, 82.00, and 84.00. Stochastics are pointing down.

Copper ran up & tested the 40 day moving average today, but has since pulled back a bit. The stop our our short position was hit at 299.00, but this still gave us a nice profit after being short from 310.00.

**Lean Hogs:** It was surprising to see this afternoon's slaughter push up to 412,000 head. The three analysts who release daily kill estimates only expected numbers in the 401,000 to 405,000 head range. This news may help counteract the lower pork cutout that was posted this afternoon. We still have a problem with excess chicken here in the US but for now perhaps a couple days of mixed action could be seen. We have placed orders for the next round of hedges for deferreds. Check the Hedge Advice page for more information...Rich Nelson

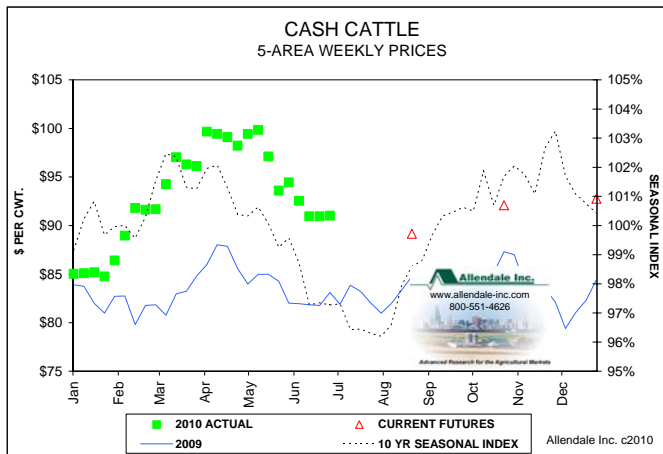


**Working Trades:**

- (06/04) Sold August 80 put 2.75, risk to 2.50, objective 0. Closed 2.15.

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**Advanced Charts Direction:** Hogs held above last Friday's low today, but could not muster much strength. We will keep a buy order in at 79.75 since this is near the long-term uptrend which has been in place since early this year...Monica Moehring



**Live Cattle:** Support came from the stock market today. This morning's boxed beef report showed moderate gains for choice and select product. Weekend beef clearance will be viewed as moderately good. There is also talk cash cattle could move at \$91. That would make it four weeks at this price. This is also something important to watch. What happened to the crowd talking of \$85 to \$88 cash cattle? This type of action will help quiet some of that talk. Another point we must keep in mind is this stable cash cattle trade is being made without a strong resurgence in employment numbers. We are not calling a bottom here. There is

still another two to three weeks left before we can make that argument. It is time to start making plans for buying deferred futures in the coming weeks and maybe even suggest lifting those light hedges we applied back in March. Our target range for August futures at expiration remains \$88 to \$91...Rich Nelson

#### Working Trades:

- (05/14) Sold August 98 call 1.20, risk to .67, objective 0. Closed .12
- (05/27) Sold August 87 put 1.30, risk to 2.15, objective 0. Closed .50.

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**Advanced Charts Direction:** Cattle pushed up above the 38% retracement level today, but found solid resistance at the 50 day MA. The market then backed off and closed weak. We remain long from 88.25 and will move the stop up on our position...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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