

Allendale Wrap-Up for Business Day 07/27/10

Corn: Two-sided trade occurred throughout the day but gains were trimmed into the close. The bullish arguments were about Russia's crop production, potential halting of exports, and demand shift to US supplies. Strong bank stock rallies also encouraged investment money that the markets are in recovery and it is safe to assume inflation (and higher commodity prices) will be a part of a good portfolio. As the day moved on, traders saw money flowing out of higher priced commodities (gold down 23) and moving into equities. The inflation theory isn't wrong; it's just that money is chasing cheap (deflated) stocks right now, not inflated commodities. The real value in the corn market seems to be between 360-380. If we find out yields can exceed 163, then 333 is our objective. If however, yields are less than 163, then there is a very good chance that prices will move higher. We read today that Rabobank is forecasting 425 by Spring and believe yields are below 162. Simply put, that is how significant to price the yield is. With large demand for US corn, there is simply no room for low yields. Our conversations with clients around the country leave us wondering if yields can achieve last years levels, yet all our models tell us that we should exceed 163. A good finish to weather and a lot of survey work will tell the tale. We are planning for our survey right now.

Direction: The summer high should be in. Expect a move towards 360. Then the trade needs to determine if yields are above or below. We took profit on our short position and will look to resell a bounce. We have advised farmers to be 100% sold via option structures called a Box or 3-w. Most are sold between 390 and 460. If you need to get in position, call us...Bill Biedermann

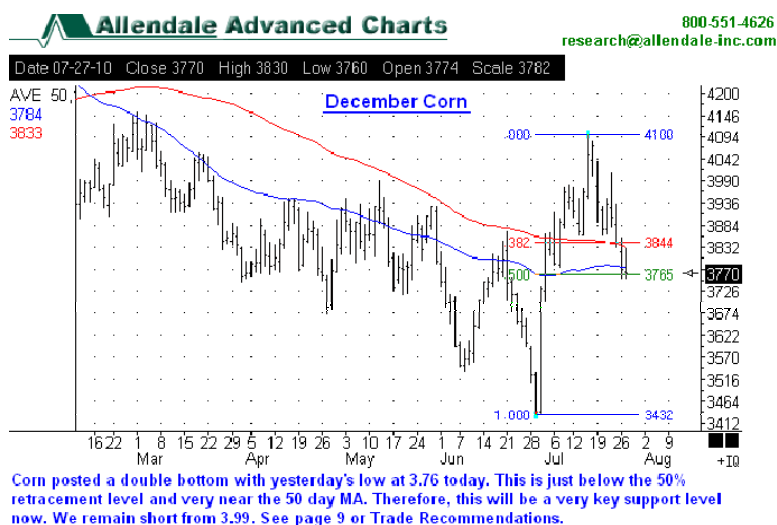
Working Trades:

- (07/27) Sell December 384 1/2, objective 364 risk to 395 1/4

*****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.

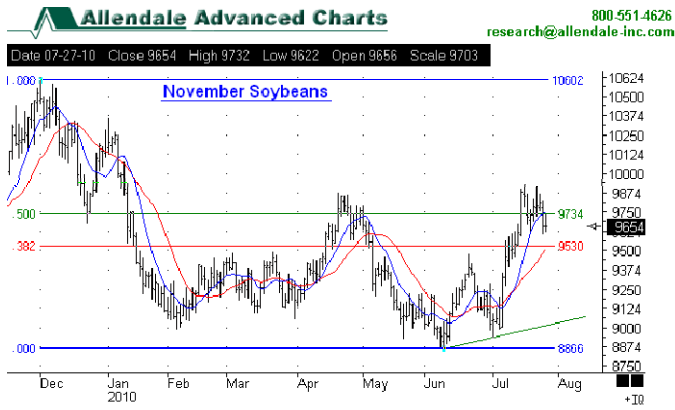
Advanced Charts Direction: Corn posted a double bottom with yesterday's low at 3.76 today. This is just below the 50% retracement level and very near the 50 day MA. Therefore, this will be a very key support level now. We remain short from 3.99...Monica Moehring

Soybeans: Late in the overnight session there was some support found in just the final 15 minutes. At that time outside markets were supportive which made sense to find some buying. The problem is that there was no real fundamental news for the bounce and by the time the day session opened up the outside markets were no longer supporting either. Weather offered no changes today, once again going further into next month with no real concerns. Some drying is expected at the end of the 16 day forecast but it was mentioned that the drying pattern is not to cause any serious concerns. It can actually be called a success that beans ended just slightly lower today on yet another good forecast. Holding yesterday's lows was a success for today's trade but if we take that level out, 961, either in overnight trade or tomorrow the sellers could once again pick up the pace. One thing we can look at during a calm trade such as today is buying options. Today was a good day to buy outright options by themselves and sell others against it at a later time. A November 960 at the money put could be bought for 37 cents which is a cost of \$1,850 with zero margin risk. Calm markets benefit option buyers while active or volatile markets benefit the sellers. Now let's say we buy this put today and if the market sets back to



900, we can then sell an 880 put for nearly an even cost. Those who want to protect price to the downside will likely benefit the most from outright buying of options on calm days. Volatility could pick up if this market takes out the 961 level so if we are still calm tomorrow morning we can still take a look at this hedging option. We still feel the direction of this market is lower from here with each passing fair weather forecast. This is just another choice for those looking to hedge but don't want to take on the added risk.

Direction: Thanks to the wheat market, the beans managed to hold in strong. Yesterday's lows of 961 were not taken out but should be watched closely tomorrow. There is potential for added selling and volatility below that



Beans posted an inside bar on their chart today, settling near unchanged & below the 50% retracement level again. Yesterday's low at 9.61 is first support, then 38% at 9.53. We remain short from 9.85. See page 9 of Trade Recommendations.

are derived from technical indicators provided in our Allendale Advanced Charts pages and may not correspond with the fundamental commentary above.

Advanced Charts Direction: Beans posted an inside bar on their chart today, settling near unchanged & below the 50% retracement level again. Yesterday's low at 9.61 is first support, then 38% at 9.53. We remain short from 9.85...Monica Moehring

Wheat: The spring wheat tour covering ND, SD and MN is this week with results scheduled for Thursday July 29th. Allendale anticipates the tour is likely to come up with good yields (not as good of yields as last year) and good quality. The key for spring wheat is not only good quality but most importantly the protein level. Weather as of 3-5 days out is good for spring wheat within the US and bearish to futures. Believe what you want to coming out of Russia but one idea is fewer exports which may be supportive the US wheat. Only three years ago, Russia announced it would ultimately become the world's largest "grain" exporter. What we have is a blip on the weather radar screen for 2010 (Black Sea region) and we have to give the high quality mark to the US. A good crop is likely to find good domestic and export use. Of the top ten importers of US wheat, eight countries are doing better than year earlier levels. Be reminded the best quarter US use has been the first. A good day (perception) for wheat futures has been the US dollar is lower. Economic information (job data) has to be scrutinized. For CBOT SRW wheat resistance is 610 with support at 570.

Direction: We have transitioned from neutral to bullish as of 7/9/10 for short term price expectations. Make use of the box option ideas for hedgers while traders can use the spreads...Joe Victor

Trading Recommendation:

- (07/15) Buy Sep Chicago wheat/sell Sep corn 204 3/4, **objective hit 7/27 +1000.**
- (7/23) Stand aside

*****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: Spring wheat posted a double bottom with yesterday's low at 6.16 1/4 today. Overall this market is holding the steep uptrend very well. Still trade with caution here in case the uptrend gets broken. Support sits at 6.14 1/4 and 5.96 1/4...Monica Moehring

level. It was another day and another bearish forecast which has no signs of changing soon leading to an expected lower move for this market. Any bounces, even small ones, are still seen as selling opportunities...Ryan Ettner

Working Trades:

- (07/16) Sold September 970 put 24 5/8, risk to 36 5/8, objective at 8. Closed 24.
- (07/23) Sold November 985, objective 965 **filled 7/26 +1000.**

*****Disclaimer***** the commentary and trades below

Softs: The dollar rallies and the soft markets retreat. Everything looked strong when I sat down this morning and at 9:00 the energies reversed and so did the dollar. I still feel we have more upside in most of the soft's but the dollar could limit some of the moves.

Cotton: December cotton rallied 21 points but today trade was lead by the spreaders. The December contract is almost 50 points away from resistance as the March is almost 50 points away from support. That spread (December/March) had moved 110 points today and was more active than the individual legs. We are going to watch the December contract as it approaches resistance and look to enter this spread at that time. We feel this is going to give you a good opportunity to take advantage of an overbought contract.

Coffee: Coffee closed \$1.85 lower but still remains in its sideways range. We are looking a breakout in either direction. We are positioned with options on both sides of the market but also keeping a buy stop on the futures if we can take out the June 25th highs. We are looking for a big move in the next few weeks but when it breaks out we feel a bigger move is yet to come.

Sugar: Sugar broke as the dollar rallied early this morning. The October contract fell more than 60 points off the highs. We were watching 18.80 as resistance but we were not able to see a close above that today. Support will come in at 18.09 tomorrow. If we close below support we will look at getting short and trying the short side once again. We are on the sidelines for now until we see the confirmation...Steve Georgy



Although sugar was able to push above resistance at 18.80 and the 200 day MA today, it was not able to settle there. This looks like a possible buying exhaustion/top in the market. A close below support at 18.10 soon would confirm this. See the softs comments in ARC for more info.

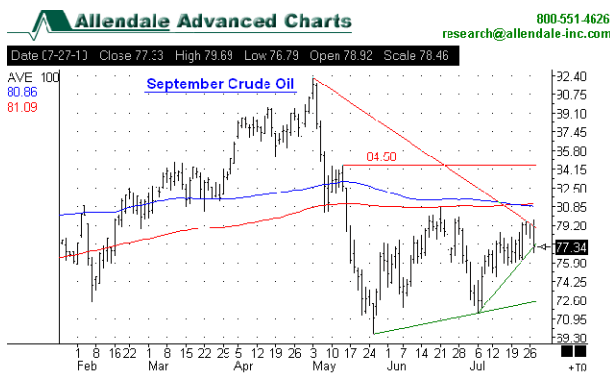
Working Trade(s):

- (6/25) Bought **September Coffee** 170.00 calls/Sold 180.00 calls at 2.30, risk 0, objective 7.50
- (6/14) Bought **September Coffee** 145.00 put/Sold 135.00 put at 3.40, risk 0, objective 7.00

Trade Recommendation(s):

- (7/23) Buy **September Coffee** 171.10 stop, risk 168.00, objective 176.45

Energies: September Crude Oil settled \$1.48 lower for the session; last trade was \$77.50. There was some separation between Crude Oil prices and equity trade today which is something we haven't seen for a while. Without any clear signals of a sustained recovery such as significant growth in employment, and without any major fear factors such as the European debt crisis of a few months ago, we typically take most of our daily cues from what the Dow and S&P are doing. Today's separation may have come from some technical signals, or we may see energy traders selling ahead of the curve based on some poor economic data while equity traders are still watching positive earnings reports. Consumer confidence data and a Federal Reserve regional report on manufacturing showing a slowdown in activity were cited as reasons for pressure in the energy markets. Last week's inventory data showed a surprise build in Crude oil stocks which may also be weighing on prices ahead of tomorrow's data. The trade is expecting a 2.3 million barrel draw for Crude inventories while Gasoline supplies are expected to show a 1.1 million



So far today crude oil has traded outside of the wedge formation on both sides. The close could be critical here, but the market has moved so far into the formation that an extreme breakout may no longer happen. See the energy comments in ARC for more info.

barrel build...Brian J. Splitt

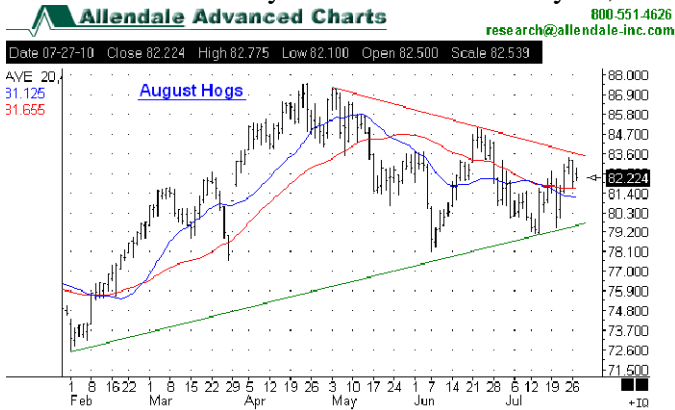
Trade Recommendation(s):

- Stand Aside

Technical Commentary: Crude Oil is a market that is trending higher long term and since July 6, but has been stuck in an \$8 range since late May. Close in support for September Crude will be the 20 and 50 Day Moving Averages sitting below the market at 76.40 and 76.30 respectively. 75.62, 74.70, 73.75 and 72.60 provide further support. The June low of 71.92 and the July low of 71.47 will provide support above 70.00. Close-in resistance is 77.85 with 78.55 and 79.70 providing resistance below 80.00; June's high of 80.82 adds resistance. The 100 and 200 Day Moving Averages sit just above at 80.90 and 81.05 respectively.

Once gold broke the 100 day MA today the bears took control and pushed the market down hard. Next support can be found at the 200 day MA at 1147.00. We will place a sell order near the 100 day MA at 1177.00.

Lean Hogs: The USDA has given the green light to 27 US processing and storage facilities to resume shipping chicken parts to Russia after a 7 month ban. The increase in pork values had futures traders turning to buyers today. The cash market is mixed due to packer closures and some packers pulling August contracts. To convince the Monday sellers to become buyers, the August contract will have to close above 83.25.



Direction: We expect the August contract to trade in a range \$80 to \$83. Market ready hogs could get tighter as we move into mid August. Use a further selloff as buying opportunity...Paul Georgy

Trade Recommendation:

- (7/26) Buy Dec Hogs 71.65, Risk 70.65, objective 75.00

Working Trades:

- (06/04) Sold August 80 put 2.75, risk 2.75, objective 0. Closed .57.
- (07/22) Sold October 78 call 2.25, risk 3.60, objective 0. Closed 2.15.

*****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: Hogs traded very quietly today as they posted a small inside bar on the chart. We will place a sell order up near the recent highs at 83.25. Support can be found at the 40 day MA at 81.65 and then the 20 day at 81.12...Monica Moehring

Live Cattle: Futures markets appeared to be a standoff as was cash. Packers and feedlots were several dollars apart with bids at 92 to 93 and asking prices 96 to 97. The midday meat wires were reporting choice carcasses up .72 and select up .16. The USDA has extended the comment period on the proposed livestock price rules until Nov 22. This proposal is getting criticism from lawmakers on both sides of the aisle.

Direction: Cattle remain in an uptrend and we want to trade from the long side. A setback in futures could be expected due to weaker product during this seasonal period of vacations and slower demand. Traders will be watching closely the stock market for direction as well...Paul Georgy

Trade Recommendation:



- (07/21) Buy December 94.10, risk 93.00, objective 96.45.

Working Trades:

- (05/14) Sold August 98 call 1.20, risk to .67, objective 0. Closed .07.
- (05/27) Sold August 87 put 1.30, risk to 2.15, objective 0. Closed .05.
- (07/15) Sold December 94 put 2.55, risk to 4.15, objective 0. Closed 2.27.

*****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: Cattle settled unchanged on the day as the market failed to hold some early strength. There is still an uptrend intact on this chart, but more correction could be coming. Therefore, we will leave our buy order in at 92.15...Monica Moehring

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

The thoughts expressed and the basic data from which they are drawn are believed to be reliable but cannot be guaranteed. Any opinions expressed herein are subject to change without notice. Hypothetical or simulated performance results have certain inherent limitations. Simulated results do not represent actual trading. Simulated trading programs are subject to the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. Commodity trading may not be suitable for recipients of this publication. This is not a solicitation of the purchase or sale of any commodities. Those acting on this information are responsible for their own actions. Any republication, or other use of this information and thoughts expressed herein without the written permission of Allendale, Inc., is strictly prohibited. Allendale Inc. c2010