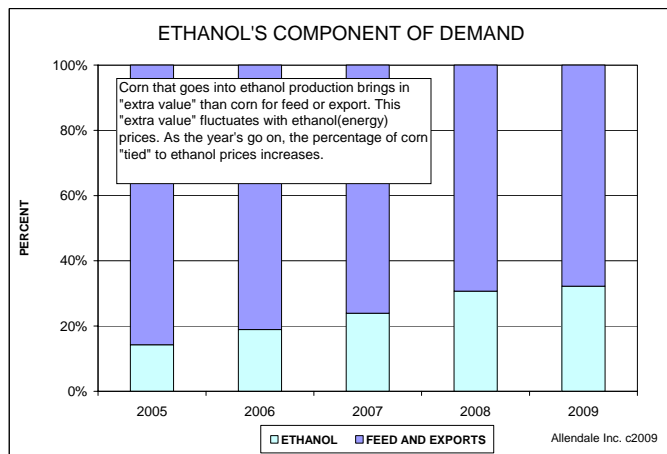


## Allendale Wrap-Up for Business Day 11/02/09



**Corn:** New month, new money. Who else can run these markets this much higher this fast? In the last few trading sessions grains have not followed outside markets nearly as much as they had. Today the funds sure threw us a curveball when they bought grains very aggressively without the dollar falling off. It was a new month and right now it looks like new money flow came in and fast. If that is the story of the day then we would not expect large follow through tomorrow. On Friday the market was given a bearish forecast which called for as many as 16 days of drier weather with only occasional light rains. It was mentioned that if we

saw the same forecast after the weekend it would be viewed as bearish and that is exactly the forecast we saw this morning. Only light rains off and on during the next two weeks are what the corn market is looking at. So how did corn manage to stay higher before the funds bought on the close? At first the dollar was offering the support trading 30 cents lower and the small specs were still following outsiders. Many producers we talked with stayed in the corn last week and early this week instead of taking a shot at the beans. Reports still hold in with what we have heard for a while now. Amazing yields, low test weights, high moisture and now talk of mold in the corn. Some areas of SD, MN and ND are talking of holding off on harvesting corn for now. There have not been many reports of lodging so some to the north now feel it is worth waiting. With the moisture levels, we are hearing it may not be a matter of opinion when to harvest the corn anyway. Even with a great forecast, corn will only be harvested as fast as it can be dried which is not fast at all. We will have to wait and see if the end of session buying appears once again tomorrow or if it was just a new month and money needed to be put somewhere with grains being the target this afternoon. If we see another round of buying tomorrow then fundamentals will have to take a back seat again but if we don't find fund buying we might not want to give up on fundamentals yet.

**Direction:** Corn went up and tested the right shoulder of a head and shoulder formation going into the close. Should we break that tomorrow we would expect additional fund buying. Otherwise fundamentals still look to take hold...Ryan Ettner

### Trade Idea(s):

- (10/28) Sold Dec 369, risk 382 SCO filled 11/02 382 1/4 for -\$662.50

### Option Strategy(s):

- (10/29) Bought March 400 put/sell 420 call 17, risk to 8, objective 35. Closed 11 1/4.

**2010 Allendale Outlook Conference: Bill Biedermann will deliver a corn outlook to help plan your marketing for the entire year.**

**\*\*\*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.

**Corn Technical Commentary:** Corn posted an Outside Day (lower lows and higher highs) which ended higher. This may be a temporary supportive signal. Also note, today's morning lows tested the uptrend support line, shown in green, and rebounded.

**Vital Technical Indicator:** the next projected major turn day is November 11.

**Soybeans:** Once again it was the bean market that looked to be the leader today. Early support was seen and was expected due to the rains in the Delta. Bushels of damage and losses can only be estimated as of

now and until we see some solid numbers there should still be an amount of expected support. Beans had a sideways range to trade in and that is what we saw until the end of the day where the fund buying came in. During most of the day it looked as though the beans were supporting other markets and if more fund buying is not found tomorrow this may still be the market with the most support behind it. Obviously producers should be getting a large number of beans out during our two week window. That will provide the resistance while the Delta provides the support. For these reasons there is little reason to expect beans to trade much above 10 or below 959. That is of course if the grains go back to the fundamentals. As shown countless times before if these funds are back to being active buyers tomorrow we may want to place fundamentals in the back seat again and look for more technical indicators for direction.

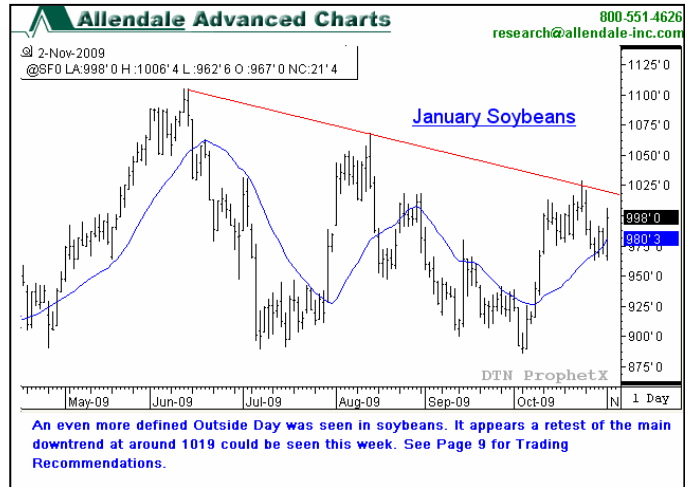
**Direction:** The afternoon run up took out stops at \$10 and quickly saw a pullback below that level. Once again that \$10 has shown to be a good area to sell but we look to sell Jan up to 1019 on a trade which would have a closer stop level. Aggressive traders may opt for the \$10 level but need to be able to weather fund buying like that seen today...Ryan Ettner

**Trade Idea(s):**

- (10/29) Sell Jan 1019 or 957 on stop, risk 18 from entry, objective 39 from entry.

**Option Strategy(s):**

- (10/08) Bought **Mar 920** put, sold 1020 call, sold 800 put for 10...producer idea. There is margin required with this, but you are in a position to make 120/bu if the market breaks while leaving a 100/bu upside open before you are locked into a short.

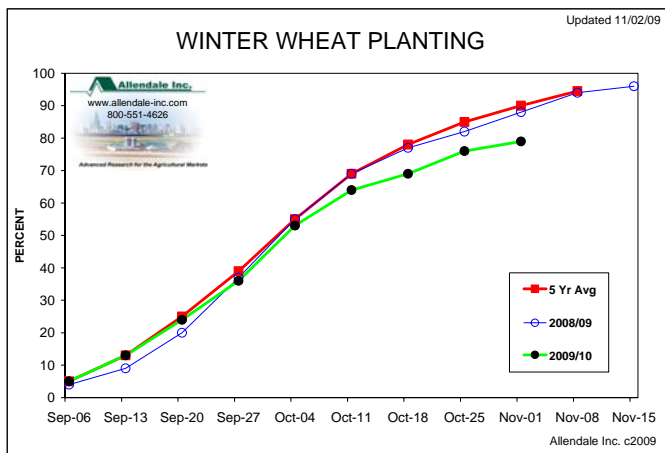


**Allendale's Rich Nelson will utilize fundamental and technical indicators to provide a full 2010 outlook for the soybean market at Allendale's annual conference.**

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**Soybean Technical Commentary:** An even more defined Outside Day was seen in soybeans. It appears a retest of the main downtrend at around 1019 could be seen this week.

**Vital Technical Indicator:** the next projected major turn day for soybeans is November 12, soybean meal is November 10, and soybean oil is November 9.



**Wheat:** As a percentage, wheat was once again the largest mover. There is no question at all it is the market the funds move the most. Certainly there was no fundamental change that warranted the move on the close. Just like the other grains, today helped to secure the right shoulder of a head and shoulders formation which would suggest a sell if the market can fail soon. If funds are not in this market tomorrow expect some following of row crops and profit taking.

**Direction:** It will depend on what the funds wish to do with this market but we will look to put on the Chicago/KC trade as the one fundamental trade

which will still work. The profit taking order on our long position was filled today. With this we are not bullish but simply “following the money”...Ryan Ettner

#### Trade Idea(s):

- Chicago Wheat: (10/21) Buy Dec Chicago/sell Dec Kansas City -12, risk -22, objective +4.
- Chicago Wheat: (10/30) Bought Dec 490, objective 510 filled 11/02 for +\$1,000.
- KCBT Wheat: (10/29) Stand aside.
- MN Wheat: (10/29) Stand aside.

#### Option Strategy(s):

- (10/29) Stand aside.

### Will wheat stocks continue to grow in 2010? Attend the 2010 Allendale Outlook Conference to find out from Joe Victor.

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**Wheat Technical Commentary:** With today's Outside Day closing higher we could see stronger early day trade tomorrow. If the market can post a failure up in the 530 area (rally that does not hold) then you will have talk of a Head and Shoulders top. See Page 9 for Trading Recommendations.

**Vital Technical Indicator:** the next schedule projected major turn day in store for wheat is November 6.

**Softs: Sugar:** Sugar closed near the 50 day moving average and finished strong. The question is, can we sustain this rally? Most of the movement came in at the close today. If we see a move above the 50 day MA tomorrow, the trend could be tested near 24 cents. We are in a short term downtrend and could see more profit taking near the trend line. We are going to stand on the sidelines for now until the market gives us a better idea.

**Cocoa:** December cocoa broke early today and finished near the lows. We were short cocoa and took profits but will look for a reentry point later in the week. Cocoa was subject to profit taking and could remain pressured through out the week. Watch the stock market for direction as it seems to have strong ties with how it moves.

**Cotton:** December cotton closed steady today with weather in the delta looking more favorable for harvest in the next few weeks. We are still short right now, but be careful of the funds and the purchasing power they may hold. The funds bought the grains at the close and could end up buying cotton as well. The dollar is a key indicator for cotton. If the dollar is up, cotton is down. If the dollar is down, cotton is up. Fundamentals may look bearish for the time being...Steve Georgy

#### Trade Recommendation(s):

- None

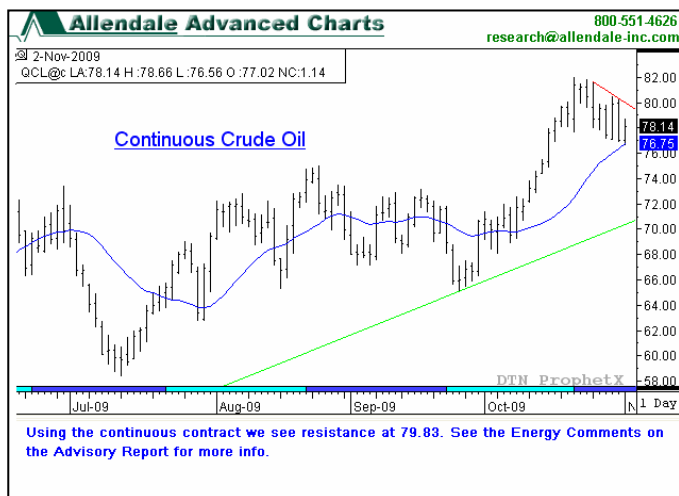
#### Working Trade(s):

- (10/29) Sold **December Cocoa** at 3350, risk 3430, objective 3240, closed at 3355 (**Objective hit for a \$1000.00 profit**)
- (10/20) Sold **December Cotton** at 67.50, risk 69.75, objective 64.20, closed at 67.57

**Technical Commentary:** Lumber rallied again and could see a push to the 220 resistance area within the next few days. This is the second close above the 100 day moving average should see buying support on a retest of 208.00. Good resistance at 220.00 and solid support near 213.60 and 208.00.

**Allendale Outlook Conference: January 22-23, 2010 in Crystal Lake, IL**  
Grain, Livestock, Weather, and Economic Outlooks will be provided to help you plan a successful 2010 marketing year. [Get more info here...](#)

**Energies:** December Crude closed at \$78.13 which was \$1.13 higher on the day. We received some positive economic data this morning on three different fronts. Domestic manufacturing, construction and pending home sales all showed that the economy continues to recover, but the stock market had a hard time holding on to the gains off of this data and actually traded lower at one point mid session before staging a late rally. Crude Oil mirrored equity trade for the bulk of the session and rallied late in the day with a slew of other commodities as the funds seemingly hit the “buy” button at about 1 p.m. CST. Fundamentalists will still argue that energy is overpriced at current levels, but if the U.S. Dollar continues to erode money will continue to flow into commodities. Early polls for Wednesday’s inventory data suggest a 1.5 million barrel build in Crude Oil, a 300k barrel build in Unleaded Gas and a 500k barrel draw in Distillate inventories...Brian Splitt



**Trade Recommendation(s):**

- (10/30) **Sell December Crude Oil @ \$79.45.** Risk to \$80.55 with an objective of \$75.55.

**Working Trade:**

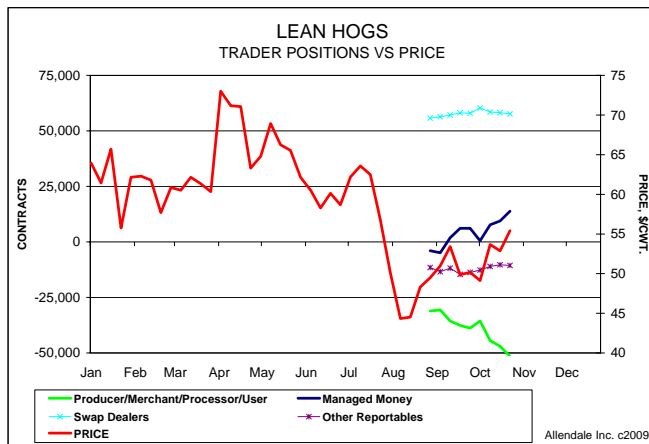
- (10/28) **Sold December Crude Oil (10/29) @ \$77.45.** Risk to \$80.55 with an objective of \$72.05. December Crude settled at \$78.13.

**Technical Commentary:** After rejecting lower trade early, the strong close suggests that a test of \$80 could be in the cards in the near future. Close-in support is \$77 and \$76.50 with \$76, \$74, \$71.25

and \$70 adding to support. Close-in resistance will be \$78.50 with \$80, \$81.50, \$81.99, \$82.40, \$83 and \$84.50 providing further resistance. Stochastics are pointing down.

**H1N1 in US Hogs:** An Indiana farm has been confirmed with the new H1N1 variant of swine flu. Both the human caretaker and the hogs themselves have fully recovered. The hogs will go to slaughter through the normal channels. You may remember last month six Minnesota pigs got it but that was contracted at the fair. This is the first case in a commercial herd on-farm in the US. To be realistic we should expect more cases of this flu to be found in pigs. It is almost a surprise more cases have not been found by now. If there is going to be a market reaction we could possibly stall the rally for a day or two. The key variable here is not US consumer reaction but how our foreign buyers react.

**Lean Hogs:** When updating the weekly CFTC charts this morning it was interesting to see the opposite action between the funds, labeled as managed money, and the pork industry. The CFTC, which groups producers, merchants, processors, and users as one group has noted the pork industry continues to sell. The speculative branch of traders has been buying, and continues to buy. View the chart yourself on the Special Reports section of the Research Center on our website. While this market is being run by the speculative audience, we still advise to hold from sales for now...Rich Nelson



**Trade Idea(s):**

- (10/29) Stand aside.

**Option Strategy(s):**

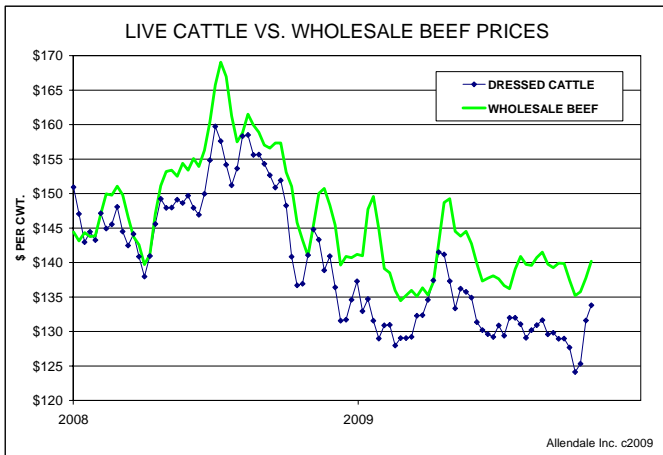
- (10/29) Stand aside.

**Have we seen the end of the small producers in the hogs? Rich Nelson has the answers but you have to attend the 2010 Allendale Outlook Conference to find out.**

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**Lean Hog Technical Commentary:** The trend is clearly up. New highs for the uptrend were made.

**Vital Technical Indicator:** Next projected major turn day for lean hogs is November 4.



**Live Cattle:** This morning we noted the two deaths and 26 illnesses related to e-coli should have no bearing on prices or beef demand. US consumers have little concern in the safety of their beef. In addition, the half million lbs of ground beef involved pale in comparison to previous e-coli concerns which involved millions of lbs. The real news of the day came in the form of \$88 cash cattle sales in the south. This was a surprise and indicates packers want to lock in cattle supplies now. That also implies they may bid higher by later this week. In the big picture futures are implying this red hot cash market will fizzle out. So far, it has not. While

we are still supportive for the next six weeks...Rich Nelson

**Trade Ideas(s):**

- (10/16) Bought Dec 85.10, risk 83.85, objective 88.00. Closed 86.22.

**Option Strategy(s):**

- (10/30) Stand aside.

**How closely related are cattle and beef prices to the jobless rate and what does it mean to your operation? Find out from Rich Nelson at the 2010 Allendale Outlook Conference.**

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**Cattle Technical Commentary:** A small rebound back to the 87.00 could be seen on the charts. Support can be seen at 85.45. A breakout either way could be a go-with trade.

**Vital Technical Indicator:** Next projected major turn day for live cattle is November 5 and for feeders is November 12.

[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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