

## DAILY SOY COMPLEX COMMENTARY

12/16/09

### Outside market forces continue to provide underlying support

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS +5.4, BEAN OIL +0.3, SOYMEAL +1.0

**OVERNIGHT DEVELOPMENTS:** January soybeans were up 6 3/4 cents late in the overnight session. Palm oil futures in Malaysia closed up 2.3% in overnight action moving to the highest level in 6 1/2 months. Dollar weakness and ideas of strong global growth ahead helped to support. China futures were up slightly overnight.



**NEAR-TERM MARKET FUNDAMENTALS:** The market saw a weak close and a late selling tendency yesterday but futures rebounded overnight on continued hopes that a strong global economy and an inflationary environment into 2010 will help support. More upfront demand from China continues to provide support as China bought another 290,000 tonnes of US soybeans yesterday. There continues to be a clash of fundamental views in the market with bulls seeing strong demand from China and improving domestic demand for meal while the bears continue to see a massive South America crop easing the world tightness and a shift to a more burdensome stocks situation into 2010. Weather conditions in Brazil remain favorable for crop development and increasing rains in Argentina could help ease dryness concerns. The weather appears to be a short-term negative force. Keep in mind, the USDA believes world ending stocks will increase by 34.6% (14.7 million tonnes) for the 2009/2010 season and this does not include private forecasters who see another 1-3 million tonnes in production due to improved weather conditions in South America. This will represent an increase of 539 million bushels in world ending stocks. The soybean market saw mixed trade yesterday with session highs in mid morning and then weakness into the close to finish unchanged to fractionally higher on the day. Basis levels were steady for soybeans at the Gulf yesterday, but firm in the interior where some traders noted a slowdown in selling by farmers. Outside market forces and expectations of more index fund buying into early next year has helped to provide underlying support. Taiwan is tendering to buy 40,000-60,000 tonnes of US soybeans.

**TODAY'S GUIDANCE:** We continue to believe that there is enough supply on the horizon to be able to turn the short-term trend down in soybeans but fund buyers continue to emerge on days of new China demand or on days of a weak US dollar. March soybeans is still having difficulty closing above 1062 3/4 and a close above this level would suggest a continuation of the uptrend with 1105 as next upside target. However, a move back under 1056 and especially 1049 1/2 might be seen as bearish signals. For now, keep 1019 3/4 and 1004 3/4 as next downside targets. The move to the highest level since June and lower close for March meal leaves support back at 306.70.

### TODAY'S MARKET IDEAS:

We continue to watch for a technical sign of a top with a bearish bias into the spring of next year.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### SOYBEAN COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

**SOYBEANS (JAN) 12/16/2009:** The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 1076. The next area of resistance is around 1064 1/2 and 1076, while 1st support hits today at 1045 1/2 and below there at 1038.

**SOYBEAN OIL (JAN) 12/16/2009:** Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 39.08. The next area of resistance is around 39.93 and 40.25, while 1st support hits today at 39.35 and below there at 39.08.

**SOYMEAL (JAN) 12/16/2009:** The daily stochastics have crossed over up which is a bullish indication. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 323.8. The next area of resistance is around 320.1 and 323.8, while 1st support hits today at 313.5 and below there at 310.6.

## DAILY CORN COMMENTARY

12/16/09

**It is getting harder to think of reasons why corn might go down.**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CORN +1.6**

**OVERNIGHT DEVELOPMENTS:** March corn was 1 1/2 cents higher late in the overnight session. The dollar index was lower overnight, making new lows later in the overnight session. Crude oil was higher.



**NEAR-TERM MARKET FUNDAMENTALS:** The corn market saw narrowly mixed trade yesterday and a modest rally overnight. This comes as farmer selling in cash markets appears to be tapering off as the harvest starts to finally wind down for the year. The reduced pace of farmer selling may be due to both a reduction in the volume of the harvest as it enters the final stages as well as the fact that there is less 'crisis corn' coming out of the fields which needs to be dried immediately. Farmers have been quick to sell such corn this year to avoid the expense of drying and the risks of storage. Forecasts call for mostly dry weather for the remainder of the week in the Midwest and this should allow further harvest progress by those farmers who do not intend to leave the rest of their corn in the fields this winter. The question of how much corn is still sitting in the fields is on a lot of traders' minds this week. If we take the 8% still not harvested as of Sunday and compare that to a total US crop of 12.921 billion bushels, that comes to just over 1.0 billion bushels if we use the average yield. However we may need to adjust that number lower since the unharvested fields may have somewhat lower yields and higher damage from moisture. They may also be in areas that were subject to ponding and spotty emergence in late spring. However, the yield on unharvested fields should not be dropped by too much overall since some of the best acreage in places like Illinois, Minnesota and Nebraska is included. In addition, farmers have had the chance to do more harvesting since Sunday, so the overall number is coming down in any case. The USDA will extend its weekly Crop Progress reports for a third time next week so we will get a better handle on how much acreage farmers intend to leave in the fields. Right now, we would say that 850 to 900 million bushels are still unharvested, and that this total could drop to 450 to 650 million bushels by next Monday's report. The USDA announced a sale of 120,000 tonnes of corn to Taiwan yesterday. This is for the 2009/10 crop marketing year. However, South Korea's largest feed mill passed on its tender for up to 165,000 tonnes of corn this morning.

**TODAY'S GUIDANCE:** It is getting harder to find reasons why the corn market might go down. Inflationary worries and fund buying are likely to remain as support. The winding down of harvest is also supportive as is the steady improvement in export demand. Signs of economic improvement in the US is also supportive. Support is at

402 and 396 1/2 for March corn with resistance at 425 and 442 1/2.

#### **TODAY'S MARKET IDEAS:**

Continue to look to buy corrective breaks or establish bull call spreads for the December 2010 corn.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

1) Long May corn from 402 with an objective of 451. Risk to 406. 2) Long the Dec10 430/500 bull call spread from 20 1/4 with an objective of 36. Risk to a close under 15.

#### **CORN TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

CORN (MAR) 12/16/2009: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 412 1/2. The next area of resistance is around 410 and 412 1/2, while 1st support hits today at 405 and below there at 402 1/2.

#### **DAILY WHEAT COMMENTARY**

12/16/09

**Wheat is stuck between lack of demand and inflation worries.**

#### **OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**

**WHEAT** +2.0

**OVERNIGHT DEVELOPMENTS:** March wheat was 2 cents higher late in the overnight session. The dollar index was lower overnight, making new lows later in the overnight session.



**NEAR-TERM MARKET FUNDAMENTALS:** Traders are concerned that the recovery in US wheat export sales that was seen in late October and November is starting to stall. After the close, Egypt announced a tender for 55,000-60,000 tonnes from various origins and traders do not see the US as competitive. In their December 3rd tender, Egypt bought 180,000 tonnes of Russia wheat and 60,000 tonnes of Australia wheat. Poor export demand for wheat is also in evidence in the UK where customs data show that wheat exports dropped off to 144,211 tonnes in October from 172,402 tonnes in September. UK exports through the first 4 months of the marketing year (July through October) were down even more sharply on the year at 582,380, versus 1.18 million during the same period last year. Adding to supply woes for wheat, reports from Europe indicate that planted area may be up in France and elsewhere in the West amid favorable planting conditions and the switching of some acreage from barley into wheat. In the absence of day-to-day news in wheat, some traders and analysts are taking a closer look at plantings in Europe and in the US where the situation is opposite that of Europe. In the US, poor planting weather, especially for soft red winter wheat, is expected to result in a substantial reduction in acreage versus last year. A government official in Australia reported yesterday that the value of Australia's wheat exports may fall by 15% for the current marketing year ending in June in comparison to the previous year. However, they project that the total volume of wheat exports will rise by 9.2% to 14.6 million tonnes. This divergence reflects the strength of the Australian dollar along with the fact that world prices are lower than the previous year. This outlook also reflects Australia's expectations that prices could fall even further on the world market. Generally beneficial rain and snow have been seen from the central Plains through much of the Midwest over the past week to ten days. However, the current week has been mostly dry and this is expected to continue in most areas through late in the week. Weather in Argentina is expected to be dry this week with scattered showers and thunderstorms this weekend. Beneficial rain and snow are expected in much of Europe this week.

**TODAY'S GUIDANCE:** Wheat has remained in a narrow range over the past several days and near the lows for the month of December. This comes in response to a mixed to higher dollar and an absence of sellers. Unfortunately, there is also an absence of buyers in the wheat export market. We will see updated export sales tomorrow, and while there may be an improvement from last week's lower overall total, soft red sales are expected to continue to lag. With large exportable surpluses of soft wheat across Europe and acreage on the rise there, the US is looking at the possibility of another increase in the already record large projected soft red ending stocks for 2009/10. First support is at 527 1/2 to 530 1/4 in March wheat. Next support is near 517 1/4. First resistance remains at 547 1/2 to 548 and then at 552 and 562 1/2 to near 565.

**TODAY'S MARKET IDEAS:**

Sell rallies.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**WHEAT TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

WHEAT (MAR) 12/16/2009: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 527 1/2. The next area of resistance is around 542 1/2 and 550 1/2, while 1st support hits today at 531 and below there at 527 1/2.

KC WHEAT (MAR) 12/16/2009: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 520 3/4. The next area of resistance is around 539 3/4 and 544, while 1st support hits today at 528 1/4 and below there at 520 3/4.

MINN WHEAT (MAR) 12/16/2009: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 526. The next area of resistance is around 544 1/4 and 554 1/4, while 1st support hits today at 530 1/4 and below there at 526.

RICE (JAN) 12/16/2009: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 16.083. The next area of resistance is around 15.977 and 16.083, while 1st support hits today at 15.743 and below there at 15.614.

**DAILY TECHNICAL STATISTICS**

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>GRAIN COMPLEX</b>										
CNAH0	407 1/2	57.72	55.22	40.72	53.42	403.38	395.00	401.56	399.71	389.47
CNAZ0	438	55.79	54.45	41.91	52.30	436.38	429.36	434.26	430.56	421.23
SSAF0	1055	61.09	59.99	48.26	49.17	1043.00	1043.06	1045.67	1012.99	991.94
SSAH0	1062	61.36	60.48	50.32	50.59	1050.63	1051.00	1052.57	1017.42	995.49
SMAF0	316.8	65.66	62.47	57.88	62.14	311.28	310.49	310.68	299.18	294.50
BOAF0	39.64	46.85	51.46	33.08	23.91	39.57	39.89	40.11	38.92	37.92
WHAH0	536 3/4	37.15	43.00	17.03	13.23	538.69	545.25	560.78	550.29	532.53

WHAN0	560 1/4	37.15	42.97	17.33	13.81	561.88	568.42	583.49	573.23	556.31
RCAFO	15.860	64.30	63.90	80.34	83.91	15.78	15.66	15.50	14.93	14.58
KWAHO	534	39.84	43.96	14.86	13.95	530.63	536.83	551.71	547.42	533.63
MWAHO	537 1/4	31.41	38.60	14.06	8.91	542.69	551.11	564.50	560.55	547.66
OTAH0	260	44.09	44.58	25.98	33.79	258.44	257.42	263.42	267.69	261.06

Calculations based on previous session. Data collected 12/15/2009  
Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>GRAIN COMPLEX</b>						
CNAH0	Corn	402 1/2	405	407 1/2	410	412 1/2
CNAZ0	Corn	434 1/4	436	438 1/2	440	442 3/4
SSAF0	Soybeans	1038	1045 1/2	1057	1064 1/2	1076
SSAH0	Soybeans	1045	1052 1/2	1063 3/4	1071 1/2	1082 1/2
SMAF0	Soymeal	310.6	313.5	317.2	320.1	323.8
BOAF0	Soybean Oil	39.07	39.34	39.66	39.93	40.25
WHAH0	Wheat	527 1/2	531	539	542 1/2	550 1/2
WHAN0	Wheat	551 3/4	555	562 1/2	565 1/2	573 1/4
RCAFO	Rice	15.613	15.742	15.848	15.977	16.083
KWAHO	KC Wheat	520 3/4	528	532 1/2	540	544 1/4
MWAHO	MINN Wheat	526	530	540 1/4	544 1/2	554 1/2
OTAH0	Oats	255 1/4	258	259 1/4	262	263 1/4

Calculations based on previous session. Data collected 12/15/2009  
Data sources can & do produce bad ticks. Verify before use.

## DAILY CATTLE COMMENTARY

12/16/09

**Could see more of a trading range short-term for Feb; 84.27 to 85.75**

February cattle have already recovered half of the October to December break with a 4-day surge higher off of the December and contract lows. The sharp rally leaves February at a near \$5.00 premium to the cash market as compared with a \$5.00 discount last year at this time and the 5-year average basis near a \$2.00 premium. This would suggest that either the cash market is going to rally in the next few weeks or that the upside appears somewhat limited. There were still no deliveries against the December futures this morning which is seen as a positive factor. Cash cattle traded at \$79.00-\$80.00 in the southern plains last week and there were still no bids yesterday with offers developing at \$83.00-\$84.00. Weather looks cold for a few more days but plains temperatures begin warming on Thursday before a new arctic system brings in bitter cold in the northern plains. The lack of much moisture in the next week suggests decent conditions for cattle feedlots. February cattle closed sharply higher on the session yesterday and closed higher for the 4th session in a row. Ideas that the market is oversold and ideas that higher pork values will just encourage better beef demand helped to support. The rally in beef prices over the past few sessions has helped boost packer profit margins and has given traders a little more confidence that cash cattle could see some strength this week. Ideas that placements during November were slow and that this could support less feedlot cattle in April and May helped support the spring contract months. For Friday's Cattle-on-Feed report, traders see placements down as much as 13% with most estimates near an 8% drop and some estimates looking for very little drop at all. Marketings are mostly expected to be up 1-3%. The estimated cattle slaughter came in at 125,000 head yesterday which was near the high end of expectations and suggests strong demand from the packer. This brings the total for the week so far to 247,000 head, up from 237,000 last week at this time and up from 239,000 a year ago. Packer profit margins have improved with the correction higher in beef prices and this may help support stronger demand for live inventory this week. Boxed beef cutout values were down 49 cents at mid-session yesterday and closed 22 cents lower at \$138.31. This was still up from \$136.59 a week ago.



**TODAY'S GUIDANCE:** Traders appear excited about the possibility of increased index fund buying ahead but besides short-covering and fund buying hopes, the upside seems a bit limited. Look for more of a trading range ahead with support at 84.27 and 83.47 for February cattle and next resistance at 85.75.

**TODAY'S MARKET IDEAS:**

None.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Lifted short February cattle 88 call for a gain of 185 points and still long 3 February cattle 91 calls from 120 each.  
\* Look to sell two of the calls at 35. \*

**CATTLE COMPLEX TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

**LIVE CATTLE (FEB) 12/16/2009:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 86.025. The next area of resistance is around 85.425 and 86.025, while 1st support hits today at 84.075 and below there at 83.325.

**FEEDER CATTLE (JAN) 12/16/2009:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 9370.000. The next area of resistance is around 9345.000 and 9370.000, while 1st support hits today at 9262.000 and below there at 9202.000.

**DAILY HOGS COMMENTARY**

12/16/09

**In position to move to higher price led by surge in loins; more up**

The market still looks a bit oversold when looking at the surge higher in pork values, the premium of futures to the cash market and the strong packer profit margins. Packer demand should be strong enough to keep the uptrend in cash hogs in tact and there is also talk that weather and wet corn may be keeping weight gains down. February hogs pushed sharply higher on the session yesterday with a late burst of speculative buying helping to drive the market to challenge last week's highs. Cash hogs traded steady to \$1.00 higher which helped provide some support. The market continues to climb a wall of worry with continued talk of a seasonal setback in pork product like hams into the holiday season but also a continued surge higher in pork cut-out values to the highest level since October 7th of 2008 helping to support the market. The jump in product is supporting high packer margins and helping to improve the cash market outlook. The CME Lean Hog Index as of December 11 came in at 63.87, up 88 cents from the previous session and up from 59.98 the week before. The estimated hog slaughter came in at 437,000 head yesterday which was well above trade expectations and suggests strong packer demand for live inventory just ahead. This brings the total for the week so far to 855,000 head, up from 837,000 last week at this time but down from 866,000 a year ago. The surge in pork values has helped boost packer profit margins and will leave packers interested in moving as many hogs through the pipeline as possible. This is a factor which should help keep producers current with marketings and help keep average weights down and production down. Traders remain concerned with the potential for a 2-3 week seasonal period of weakness just ahead but with production expected to shift to a lower level into the first quarter and the shift in production



expected to be even larger than normal, the upside potential in the cash market looks significant. Pork cut out values, released after the close yesterday, came in at \$71.98, up 84 cents from Monday and up from \$66.36 the previous week. For the second day in a row, ham prices were down significantly but loin values were up sharply suggesting strong export demand. Pork exports in October were the highest since October of 2008 and it appears that exports were better in November and December than last year. February hogs has seen a reduction in the premium of futures to the cash market from near \$10.00 just a few weeks ago to just \$2.87 on the close two days ago and \$3.55 yesterday. Last year, the basis pushed back out to a premium of over \$10.00 into early January.

**TODAY'S GUIDANCE:** The February hogs appear to have penetrated key resistance and look poised for a resumption of the uptrend with 69.67 as next upside objective. Setbacks still look like buying opportunities as the cash fundamentals into early next year look bullish. Buying support for February hogs comes in at 66.47 with 68.82 and 69.67 as near-term resistance.

**TODAY'S MARKET IDEAS:**

Look to buy on setbacks.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

1) Long February hogs from 65.37 with an objective of 70.70. \* Risk the trade to 65.37. \* 2) Long February hog 66.00/70.00 bull call spread from 150 with an objective of 335. Risk to a close under 105.

**PORK COMPLEX TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

LEAN HOGS (FEB) 12/16/2009: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 69.131. The next area of resistance is around 68.537 and 69.131, while 1st support hits today at 66.513 and below there at 65.082.

**DAILY TECHNICAL STATISTICS**

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>MEAT COMPLEX</b>										
GLEG0	84.750	57.32	51.60	26.91	42.88	83.54	83.18	84.27	85.62	85.59
FCF0	9302.000	54.50	49.76	34.58	43.27	91.81	92.18	92.58	94.06	94.59
HEG0	67.525	66.46	64.01	57.99	61.00	66.06	65.89	65.98	63.68	62.01

Calculations based on previous session. Data collected 12/15/2009

Data sources can & do produce bad ticks. Verify before use.

**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>MEAT COMPLEX</b>						
GLEG0	Live Cattle	83.324	84.074	84.675	85.425	86.025
FCF0	Feeder Cattle	9200.000	9260.000	9285.000	9345.000	9370.000
HEG0	Lean Hogs	65.081	66.512	67.106	68.537	69.131

Calculations based on previous session. Data collected 12/15/2009

Data sources can & do produce bad ticks. Verify before use.

*\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. This report should not be construed as a request to engage in any transaction involving the purchase or sale of a futures contract and/or commodity option thereon. The risk of loss in trading futures contracts or commodity options can be substantial, and investors should carefully consider the inherent risks of such an investment in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of The Hightower Report is strictly prohibited.*