

### DAILY SOY COMPLEX COMMENTARY

03/23/10

**Surge in meal helps to support jump but upside limited**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**SOY BEANS +2.4, BEAN OIL -0.2, SOYMEAL +1.6**

**OVERNIGHT DEVELOPMENTS:** May soybeans were 2 1/2 cents higher late in the overnight session. Palm oil futures in Malaysia were up .82% and China soybean futures closed up .3%. Outside markets are looking somewhat negative today led by weakness in energy and gold prices, a firm US dollar and concerns for weakness in world equity markets.



**NEAR-TERM MARKET FUNDAMENTALS:** The market continues to find support from tightness in supply in the US and concerns that "any hitch" in moving soybeans out of Brazil and Argentina this spring could result in more business for US exporters. China's commerce Ministry indicated that March soybean imports by China could reach 4.56 million tonnes which is up from 3.3 million as their previous estimate and would be the third highest monthly total on record if it is achieved. May soybeans pushed above Friday's highs early in the session yesterday. The May contract made another new high into early afternoon before easing somewhat into the close and while there appears to be hope of better US cash business, the May/July spread remains weak and gulf basis levels were steady with talk of slow demand. May meal has closed higher for six sessions in a row after moving to a new 1-year low on March 15th. This week's export inspections for soybeans came in above trade expectations at 32.1 million bushels, right in line with the previous two weeks' totals. Cumulative inspections stand at 85.0% of the USDA's export projection for the marketing year versus a 5-year average of 73.5%. Inspections need to average just 8.9 million bushels each week to reach the USDA's projection. November soybeans managed to move to the highest level since January 19th on the rally yesterday as traders seem to see the need for increased plantings for the coming season. There are some weather concerns in parts of South America due to wet weather which might slow harvest. Heavy rains are expected again today in a region from northern Rio Grande do Sul into Parana, Brazil. It has been too wet in Argentina over the past few weeks but the forecast is shifting to a dry and warm one which should help accelerate harvest.

**TODAY'S GUIDANCE:** Trend-following funds were caught net short 32,386 contracts into this week's trade and the surge up in meal has sparked some short-covering. Open interest is down with the meal rally and this suggests short-covering as well which is not a good foundation for an extended rally. Look for a large planted acreage estimate from the USDA on March 31st which is likely to pressure November soybeans. July soybean selling resistance is at 981 3/4 with 953 and 940 3/4 as support. July meal selling resistance comes in at 274.80 with 246.60 as downside objective. July oil buying support is back at 38.58.

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

Consider selling soybeans or meal on rallies.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

- 1) \* Hit stop on short July meal for a 4.60 loss.
- 2) \* Hit stop on July soybean 940/840 bear put for an 8 cent loss\*

## 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 (MAY) 03/23/2010:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 985 1/2. The next area of resistance is around 977 3/4 and 985 1/2, while 1st support hits today at 959 1/4 and below there at 948 3/4.

**SOYBEAN OIL (MAY) 03/23/2010:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 38.91. The next area of resistance is around 40.06 and 40.27, while 1st support hits today at 39.38 and below there at 38.91.

**SOYMEAL (MAY) 03/23/2010:** Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 276.7. The next area of resistance is around 274.1 and 276.7, while 1st support hits today at 268.6 and below there at 265.6.

## DAILY CORN COMMENTARY

03/23/10

**Wet versus dry weather looks to be the main market driver in corn.**

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

**CORN +0.4**

**OVERNIGHT DEVELOPMENTS:** May corn was unchanged overnight. The dollar was mostly higher.



**NEAR-TERM MARKET FUNDAMENTALS:** Corn remains mired in a narrow trading range near the lows of the past 2-3 months. A higher dollar overnight is credited with keeping a lid on prices. However, burdensome supplies and improved weather are also considered negative influences to start the week. Floods have crested in the northern Plains and some analysts and traders are taking this as a signal that this spring's planting season will not be as wet as feared in recent weeks. This in turn is raising hopes that we will not see the extended delays in corn planting that the US experienced over the past two seasons. However, soil moisture is still ample to surplus in many areas and forecasts call for additional moisture later this week and into the weekend, so the matter is far from being decided according to one analyst. With planting season still a few weeks away in most areas, conditions can now be described as mixed with good soil moisture an underlying plus in all but the most saturated areas. Yesterday, corn lost ground to both wheat and corn. Traders said that this was due in part to reduced concern over planting delays for corn. A wet late planting season tends to shift acres out of corn and into soybeans which supports corn prices. A more normal planting season tends to increase corn acres at the expense of soybeans which is viewed as negative to corn prices. Forecasts call for mostly dry weather to continue across the Corn Belt into tomorrow. Moderate rains are then expected to push into the central Midwest and Delta on Thursday with heavier amounts in the extreme eastern Corn Belt on Friday. This week's export inspections for corn were 41.6 million bushels. Total inspections to date stand at 48.7% of the USDA's export projection for the marketing year versus a 5-year average of 52.8%. Inspections need to average 40.8 million bushels each week to reach the USDA's projection. South Korea's Major Feedmill Group bought 165,000 tonnes of corn after passing on tenders earlier in March. Origin is either the US or South America. Private buyers in Taiwan bought 60,000 tonnes of US corn.

**TODAY'S GUIDANCE:** Yesterday's action indicated that the corn market is very sensitive to changes in weather forecasts ahead of planting season since this is expected to have an impact on the amount of acreage planted to corn. A normal planting season could increase the area planted to corn by 1-3 million acres versus a wet to very

wet planting season, and this alone would be enough to determine whether corn would extend below the lows established earlier this year. Next support in May corn is near 365. First resistance is near 376 3/4 and 380.

**TODAY'S MARKET IDEAS:**

First selling resistance for December corn is near 402 3/4 with some support near 393 3/4 to 394 3/4 and a swing objective of near 386.

Look for modest erosion in May and July call premiums.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long 3 Sept corn 460 calls from 18 cents each and short one Sept corn from 390 3/4. Hold position for now but look to exit September futures at 364. Risk a total of 12 cents.

**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 (MAY) 03/23/2010: The close under the 40-day moving average indicates the longer-term trend could be turning down. 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. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 377 3/4. The next area of resistance is around 373 1/2 and 377 3/4, while 1st support hits today at 368 and below there at 366 1/2.

**DAILY WHEAT COMMENTARY**

03/23/10

**Wheat runs out of buyers on rallies and sellers on breaks. Status quo.**

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

**WHEAT +1.0**

**OVERNIGHT DEVELOPMENTS:** May wheat was 1/2 cent lower overnight. The dollar was mostly higher.



**NEAR-TERM MARKET FUNDAMENTALS:** May wheat made new lows for the year on March 11th and has remained poised in a narrow range just above those lows ever since. Traders indicate that the market is responding to outside markets, but that there is a balance between good demand on the one hand and ample supplies on the other which is keeping gains and losses to a minimum. The wheat market is turning its attention to the spring growing season and conditions for winter wheat as well as the planting outlook for spring wheat. The cresting of floods in the northern Plains is setting the stage for an earlier spring wheat planting season than was the case last year, especially since the high points of the flood were near the low end of expectations. Weekly crop condition reports were released for the major hard red winter wheat states of Kansas, Oklahoma and Texas. As of March 21st, the Kansas wheat crop was rated 64% good-to-excellent compared to just 43% last year and 63% the previous week. In addition, 77% of the crop is breaking dormancy. Soil moisture is overwhelmingly adequate to surplus. Oklahoma to the south of Kansas is basically out of dormancy with 67% of the crop rated good to excellent, also up from last year. Texas is rated 53% good-to-excellent. This week's inspections were 18.8 million bushels in wheat, well above last week's disappointing total of 10 million bushels. Cumulative inspections stand at 81.4% of the USDA's projected export total for the marketing year versus a 5-year average of 79.7%. Inspections need to average 14.3 million bushels each week to reach the USDA's projection. Wheat posted strong gains early in the session yesterday on moderate fund support and buying by spreaders versus corn. However, wheat gave up most of its gains into the close as traders evened up on the day. India reports that rice purchases by its state run Food Corporation fell 2.45% from last year during the period from October 1st through March 21st. India is working hard to stem food inflation as its economy expands and it plans to add

storage for wheat that will be bought after the wheat harvest that starts in April. This year's crop is expected to be a record 82 million tonnes.

**TODAY'S GUIDANCE:** Wheat has tended to run out of sellers on breaks in recent sessions and yesterday's action showed that it is also running out of buyers on rallies. Narrow ranges and a lack of follow through tend to reinforce the broader trend which is down. Look for sideways action with an eventual push to new lows for the year. Light support remains at 480 3/4 in the May contract and then just above the early October low at 472. We would again put first light resistance near 492 in the May contract although we pushed just through that level yesterday. Next resistance is at 504 1/2 to 505 3/4.

**TODAY'S MARKET IDEAS:**

Expect continued erosion in call premiums and gradual price deterioration over the longer term.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

\* Exited long May KC wheat/Short May Chicago wheat for a 7 1/4 cent gain. \*

**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 (MAY) 03/23/2010: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 497 1/2. The next area of resistance is around 491 3/4 and 497 1/2, while 1st support hits today at 481 1/4 and below there at 476 1/2.

KC WHEAT (MAY) 03/23/2010: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The next upside objective is 504 1/2. The next area of resistance is around 499 and 504 1/2, while 1st support hits today at 489 and below there at 484 1/2.

MINN WHEAT (MAY) 03/23/2010: 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 upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 521 3/4. The next area of resistance is around 516 and 521 3/4, while 1st support hits today at 506 1/2 and below there at 502 1/2.

RICE (MAY) 03/23/2010: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 13.079. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 12.974 and 13.079, while 1st support hits today at 12.685 and below there at 12.500.

**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>										
CNAKO	370 3/4	46.15	45.76	31.57	35.69	373.81	368.92	374.72	374.32	385.88
CNAZO	399 1/4	46.95	47.20	37.11	39.75	403.00	398.39	402.38	399.62	409.42

SSAK0	968 1/2	62.88	56.80	54.13	70.84	962.19	948.64	951.03	949.99	970.35
SSAN0	976 3/4	63.38	57.19	54.79	71.69	970.13	956.53	958.92	957.41	977.16
SMAK0	271.4	64.74	56.66	54.81	74.84	269.73	262.34	263.07	268.96	275.75
BOAK0	39.72	51.90	52.26	39.15	34.86	39.53	39.66	39.82	38.72	39.10
WHAK0	486 1/2	44.94	44.63	22.64	24.28	488.88	485.25	494.18	500.30	515.28
WHAN0	499	44.83	44.62	22.58	23.89	501.50	497.97	506.74	512.67	527.24
RCAK0	12.830	42.29	37.11	16.60	23.46	12.69	12.60	13.00	13.79	14.11
KWAK0	494	44.65	44.64	21.35	22.30	495.81	493.50	500.81	506.12	518.09
MWAK0	511 1/4	46.66	46.36	32.81	33.37	513.81	511.17	514.67	518.43	529.98
OTAK0	218 1/2	36.25	35.95	42.08	47.75	223.38	220.06	224.21	232.98	243.50

Calculations based on previous session. Data collected 03/22/2010

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>						
CNAK0	Corn	366 1/4	368	372	373 1/2	377 3/4
CNAZ0	Corn	394 1/2	396 1/4	400 1/2	402 1/4	406 1/2
SSAK0	Soybeans	948 1/2	959 1/4	967	977 3/4	985 1/2
SSAN0	Soybeans	956 1/2	967 1/2	975	986	993 1/2
SMAK0	Soymeal	265.5	268.5	271.1	274.1	276.7
BOAK0	Soybean Oil	38.90	39.38	39.59	40.06	40.27
WHAK0	Wheat	476 1/2	481 1/4	487	491 3/4	497 1/2
WHAN0	Wheat	489	493 3/4	499 1/2	504 1/4	510
RCAK0	Rice	12.500	12.684	12.790	12.974	13.079
KWAK0	KC Wheat	484 1/2	489	494 1/2	499	504 1/2
MWAK0	MINN Wheat	502 1/4	506 1/2	512	516	521 3/4
OTAK0	Oats	213	215	220	222	227

Calculations based on previous session. Data collected 03/22/2010

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## DAILY CATTLE COMMENTARY

03/23/10

### Wet weather to keep some stress on feedlots; beef prices strong

The technical action turned weak and given a record high open interest and the overbought condition of the market, a correction appears likely. However, June is at a significant discount to the April contract and April is right in line with the cash market, so the correction could be shallow. Weakness yesterday may have been guided by a lower trade in the cash market in Texas which traded at \$97.00, down \$1.00 from late last week. This was seen as an odd development for the market, which normally sees cash trade set on Thursdays or Friday's for a given week. The monthly cold storage report, released after the close, showed frozen beef stocks at 401.6 million pounds, which was down 6% from the previous month and down 8% from last year. The news is somewhat supportive, but beef stocks typically decline by about 5% for the month of February. While beef stocks were tighter, the report showed the impact of the loss of the poultry export market to Russia. Leg quarters frozen stocks reached 95.53 million pounds, up 7% on the month and up 21% from last year. June cattle experienced follow-through technical selling from the key reversal action of Friday to close sharply lower on the session yesterday. A lack of bullish news from Friday's USDA report along with ideas that the market is overbought helped to spark some of the speculative long liquidation selling. The COT reports on Friday showed a record net long position from fund traders and by a wide margin. From 1995 until just a few weeks ago the record high net long position of the non-commercial trader was near 75,000 contracts, as the position moved to 121,987 contracts as of March 16th. The estimated cattle slaughter came in at 125,000 head yesterday which was near the high end of expectations. This was unchanged from last week but up from 117,000 a year ago as this time. Boxed beef cutout values were up \$1.55 at mid-session yesterday and closed \$2.56 higher at \$159.20. This was up from \$150.83 a



week ago and is the highest beef price since September 24th, 2008.

**TODAY'S GUIDANCE:** Muddy conditions on feedlots, a lack of a premium structure for the market and the steady rise in beef prices are all supportive forces. The market is technically overbought but with solid cash fundamentals, the set-back could be shallow.

**TODAY'S MARKET IDEAS:**

Look for June cattle to gain on June hogs over the next month or so and a further correction in June cattle in the next few days may be an opportunity to enter this spread. Look for June to end up taking a premium of near 19 cents to June hogs. There is light support for June cattle at 93.87 but with the reversal, we may see a set-back to better support at 93.10 with 98.72 as a longer-term objective.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long 3 August cattle 94 calls from 140 each and short 1 August futures contract from 90.62. Hold calls for now and look to exit the short August cattle futures at 90.07.

**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 (APR) 03/23/2010: A crossover down in the daily stochastics is a bearish signal. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 95.757. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 98.012 and 98.906, while 1st support hits today at 96.438 and below there at 95.757.

FEEDER CATTLE (APR) 03/23/2010: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside objective is 10582.000. The next area of resistance is around 10840.000 and 10970.000, while 1st support hits today at 10650.000 and below there at 10582.000.

**DAILY HOGS COMMENTARY**

03/23/10

**Cash a bit sloppy and market getting overbought; buy cattle/sell hogs**

June hogs are at an 1100 point premium to the cash market and have already priced-in a major run higher in pork prices into the spring. Given the decline in production and renewed hopes for exports, a rally is still a strong possibility but short-term the market appears a bit too overbought. Like cattle, the fund trader net long position for hogs has reached a record high level and the cash market has shown some weakness in the past week. In fact, the CME Lean Hog Index as of March 18th came in at 72.01, down 48 cents from the previous session and down from 74.95 the week before. It will be difficult for June to hold the hefty premium if cash markets are sloppy. The monthly cold storage report released after the close showed frozen pork stocks at 516.8 million pounds, which was up 5% from the previous month but down 17% from last year. Stocks typically increase by about 3% for the month of February. April hogs closed lower yesterday after some early strength and a move to their highest level since March 4th. June hogs closed higher and managed a move to new contract highs. Cash markets were steady to lower yesterday, which might have helped pull April down on the session but the strong recovery in the ham market late last week supported pork cut-out values and a firm trade for June hogs



yesterday. Cash hogs are expected to trade steady to lower for today. Average weights remain higher than normal for this time of the year and this may indicate that there are plenty of market-ready hogs to meet demand. Traders also seem optimistic that export news will gradually pick-up steam in the weeks ahead. The estimated hog slaughter came in at 418,000 head yesterday, which was below trade expectations and could be a sign of weak packer demand. This is down from 424,000 last week and down from 422,000 a year ago as this time. Pork cut out values, released after the close yesterday, came in at \$73.47, down 35 cents from Friday and down from \$74.05 the previous week.

**TODAY'S GUIDANCE:** June hogs still have one last upside swing objective short-term to 83.62, and the market looks vulnerable to a pullback to at least 81.12 and maybe 80.80 over the near-term.

**TODAY'S MARKET IDEAS:**

Consider selling a bounce in June hogs or the April hog 75.00 call near 92 points.

**NEW RECOMMENDATIONS:**

Buy June cattle and sell June hogs at +11.05 cattle with an objective of +19.75. Risk to a close under +10.00.

**PREVIOUS RECOMMENDATIONS:**

Long 3 June hog 86.00 calls from 180 each and short June futures from 81.97. Look to exit June futures on a break to 78.92 and hold the calls into the spring. Risk a total of 160 points on the entire position.

**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 (APR) 03/23/2010: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 74.368. The next area of resistance is around 73.787 and 74.368, while 1st support hits today at 72.763 and below there at 72.319.

**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>										
GLEJ0	97.225	72.93	72.15	88.95	85.80	97.21	95.86	94.36	92.29	91.54
FCJ0	10745.000	66.25	67.48	84.60	78.71	107.57	106.47	105.46	102.75	101.41
HEJ0	73.275	62.35	60.10	58.42	61.37	72.77	72.41	72.63	70.68	70.70

Calculations based on previous session. Data collected 03/22/2010

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**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>MEAT COMPLEX</b>						
GLEJ0	Live Cattle	95.756	96.437	97.331	98.012	98.906
FCJ0	Feeder Cattle	10580.000	10647.000	10775.000	10840.000	10970.000
HEJ0	Lean Hogs	72.318	72.762	73.343	73.787	74.368

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