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## 5 hot picks for the week of 9/8/08-9/12/08

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- 1.) Natural gas prices have advanced 60 cents in the last 4 sessions, but this is a far cry from the \$7 prices that have come off in the last 2 months. Essentially prices were cut in half and we think moved down too much too quickly and we're looking for a rebound. August through October have typically been the strongest months of the year for natural gas, will this year be different? Technicals are extremely oversold in the daily and weekly charts, we're in the heart of hurricane season and producers may step up to acquire inventories ahead of the heating season at these low prices. We don't know how immediate the move will happen, so we recommend an option with some time; we have been buying the December \$10 calls for approximately \$2000. You have 77 days, a delta of 26% and this option was valued at \$8000 just 2 weeks ago and over \$40,000 2 months ago. Seasonal tendencies /trends are already known and factored into the market.
- 2.) Shopping for value once again, lean hog prices in October have come off 11% in the last 3 weeks and have found support at 68.50 cents. October lean hogs have rallied 16 of the last 25 years in September, making it the second strongest month of the year for pork. The best Septembers have followed August's weakness; in August prices were off 700 points. Hogs have declined in August 12 times, 10 of those years prices have advanced in September for an average move of 600 points. We are looking for both gaps, that were recently formed, to be filled in the next 2-3 weeks taking prices back to 73.50. Buy the 70 or 72 October call for \$775 and \$500 respectively. Look to liquidate the 70 for \$1400 and the 72 for \$1000 on this advance. We would recommend working gtc orders after getting filled.
- 3.) Cotton has acted more as a follower's role as opposed to a leader so it has been hindered by weakness in outside markets of late. The move lower in the grains, energies and metals should be slowing and with a friendly USDA report this Friday, crop deterioration on the recent weather, and the smallest crop in 20 years we expect cotton to find its footing soon and make an attempt at 75-80 cents/lb. The true wild card is what price will entice demand, when will we see our exports start to move higher? At this moment we would recommend splitting your longs between December 08' and March 09'. We like the December 08' 70 calls for approximately \$1000 and the March 09' 80 calls for \$1250.
- 4.) Hurry up and wait, is the play in Silver. We expect prices to find their way back to \$15.50-17 by year's end, but the question is from what level? For now the \$12-12.50 level is being defended, but the charts do not indicate that this market is ready for an about face and immediate move north. We would rather be a little early and have suggested clients to start testing the waters with longs. We would not recommend diving in head first, but rather to obtain 30-50% of the long exposure you ultimately want. One could play with mini-futures looking to add on strength, but we prefer \$1.50 to \$2 call spreads in December 08' and March 09'. The December \$13/14.50 for \$1800 or the March \$14/16 for \$1900 is just 2 ideas.
- 5.) The December Euro is trading at an 11 month low and has gotten beaten down against the dollar on recent weak economic news out of the Euro zone. Interest rates may eventually come down, but for the time they are still worried about the effects of inflation, so we could see a bounce from these levels being that prices have come off roughly 12% with no real retracement as of yet. Buying the December Euro on September 10<sup>th</sup> and selling on October 2<sup>nd</sup> has been profitable 8 of the last 9 years for an average of \$2162. Past performance is not indicative of futures results.

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