



The Line in the Sand

For March 8th - March 12th 2010

							Trend		
Commodity	Symbol	Month	Sentiment	Support	Resistance	short	medium	long	
Energy									
Crude oil	CL	J	BULLISH	80.25, 78.25	82.50, 84.50	UP	UP	SIDEWAYS	
Heating oil	HO	J	BULLISH	2.07, 2.03	2.11, 2.15	UP	UP	SIDEWAYS	
Gasoline	XRB	J	BULLISH	2.24, 2.17	2.28- 2.30	UP	UP	SIDEWAYS	
Natural gas	NG	J	BEARISH	4.50, 4.25	4.75, 4.90	DOWN	DOWN	SIDEWAYS	
Livestock									
Live cattle	LC	J	BULLISH	92.60, 91.75	93.25- 93.50	UP	UP	UP	
Feeder cattle	FC	J	BULLISH	104.00, 103.00	105.60- 106.00	UP	UP	UP	
Lean hogs	LH	J	NEUTRAL	72.75, 71.75	74.00- 74.40	SIDEWAYS	UP	SIDEWAYS	
Financials									
Dow	DJ	H	BULLISH	10425, 10325	10600, 10700	UP	UP	SIDEWAYS	
S&P 500	SP	H	BULLISH	1120, 1105	1140- 1148	UP	UP	SIDEWAYS	
30-yr Bonds	US	M	NEUTRAL	116'10, 115'16	117'8, 118'00	SIDEWAYS	SIDEWAYS	SIDEWAYS	
10-yr Notes	TY	M	NEUTRAL	116'22, 116'00	117'16, 118'00	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Euro-dollars	ED	H 11'	NEUTRAL	98.70, 98.58	98.85- 98.90	SIDEWAYS	UP	UP	
Currencies									
Euro	EC	H	NEUTRAL	1.3525, 1.3440	1.3700, 1.3800	SIDEWAYS	SIDEWAYS	DOWN	
Aussie	AD	H	NEUTRAL	.8970, .8860	.9100, .9200	UP	UP	SIDEWAYS	
Swissie	SF	H	NEUTRAL	.9250, .9170	.9370, .9450	SIDEWAYS	SIDEWAYS	DOWN	
Loonie	CD	H	NEUTRAL	.9650, .9535	.9750- .9800	UP	UP	SIDEWAYS	
Cable	BP	H	NEUTRAL	1.5000, 1.4850	1.5200, 1.5325	SIDEWAYS	DOWN	DOWN	
Yen	JY	H	BEARISH	1.1000, 1.0880	1.1160, 1.1300	DOWN	SIDEWAYS	SIDEWAYS	
Kiwi	NZ	H	NEUTRAL	.6850, .6790	.7000, .7075	SIDEWAYS	SIDEWAYS	SIDEWAYS	
US Dollar	DX	H	NEUTRAL	79.75, 79.00	81.00- 81.50	SIDEWAYS	SIDEWAYS	UP	
Grains									
Corn	C	K	NEUTRAL	3.70, 3.60	3.90, 4.03	DOWN	UP	SIDEWAYS	
Soybeans	S	K	NEUTRAL	9.30, 9.10	9.60, 9.85	DOWN	SIDEWAYS	DOWN	
Soybean oil	BO	K	NEUTRAL	39.50, 38.60	40.50, 41.00	SIDEWAYS	UP	SIDEWAYS	
Soybean meal	SM	K	BEARISH	255, 240	263, 272	DOWN	SIDEWAYS	DOWN	
CBOT wheat	W	K	NEUTRAL	4.87, 4.72	5.05, 5.20	SIDEWAYS	SIDEWAYS	SIDEWAYS	
KC wheat	KW	K	NEUTRAL	4.95, 4.85	5.10, 5.20	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Oats	O	K	NEUTRAL	2.20- 2.24	2.30, 2.40	SIDEWAYS	SIDEWAYS	DOWN	
Softs									
Cocoa	CO	K	NEUTRAL	2775- 2800	2900, 3000	SIDEWAYS	DOWN	DOWN	
Sugar #11	SB	K	NEUTRAL	21.50, 21.00	22.75, 23.65	DOWN	DOWN	SIDEWAYS	
Cotton	CT	K	BULLISH	81.40, 80.00	83.50, 84.60	SIDEWAYS	UP	SIDEWAYS	
Coffee	KC	K	NEUTRAL	1.2980, 1.2825	1.32, 1.34	SIDEWAYS	SIDEWAYS	DOWN	
Orange Juice	OJ	K	NEUTRAL	1.47, 1.42	1.51, 1.55	UP	UP	SIDEWAYS	
Lumber	LB	K	NEUTRAL	267, 260	276, 283	SIDEWAYS	DOWN	SIDEWAYS	
Metals									
Gold	GC	J	NEUTRAL	1125, 1110	1145, 1165	UP	UP	SIDEWAYS	
Silver	SI	K	BULLISH	17.00, 16.60	17.50, 18.00	UP	UP	SIDEWAYS	
Copper	HG	K	NEUTRAL	3.34, 3.20	3.48, 3.55	SIDEWAYS	UP	SIDEWAYS	

Month - Jan F, Feb G, Mar H, Apr J, May K, June M, July N, Aug Q, Sept U, Oct V, Nov X, Dec Z

Trend - short 7 day, medium 30 day, long 90 day

Risk Disclosure: The risk of loss in trading commodity futures and options can be substantial.
Past performance is no guarantee of future trading results.

Energies Crude traded to its highest level since mid-January back near \$82/barrel. We've been expecting a correction back to \$75/76 and are still positioning our clients thinking that is the likely scenario. We've opted not to use futures again until there is evidence of an interim top so until then we suggest \$5 put spreads. What is a little concerning is that even in the face of bearish inventory reports oil has not been able to break so there probably is not too much downside. Being our timing has been off with oil, we feel there is no need to have any exposure in the distillates with clients, though we would like to be a buyer of RBOB from lower levels. Natural gas has lost ground for the last 4 weeks and is trading at fresh 2010 lows approaching \$4.50. At the moment clients are long and wrong but we think a sharp turnaround is just around the corner. Clients have a small position long April futures and also have purchased June \$5/5.50 call spreads. Let's assume we turn around from these levels we think a trade back over \$5 could happen relatively swiftly. I understand we are catching a falling knife but I do not want to chase a move once it gets underway because we expect 10-15% quickly.

Livestock April lean hogs were higher on the week but failed to get thru 74.00 cents; the same level that acted as stiff resistance the first of the year. Aggressive traders could get short futures with stops just above that level with a target of 72.00 followed by 70.75. April live cattle seems to be running into resistance around the 93.00 cent level and being the Goldman roll is underway and we have record open interest we would expect a break to occur immediately. That being said April should fall harder than the back months so we may investigate putting some spreads back on for clients. At the moment clients own April puts in live cattle and are short April futures anticipating a break to 89.00 cents. Feeder cattle are near contract highs and have gained for the last 6 sessions. The last time prices were near these levels was in July of last year which was preceded by 10% sell off in about 2 months time. Past performance is not indicative of futures results.

Financials

Stocks: Stocks are back in the green for the year with the S&P gaining almost 10% in the last 5 weeks, the Dow up by 8% and the NASDAQ higher by just over 10% fast approaching previous resistance. As it stands now we feel the January resistance levels will act as a ceiling but if prices get thru those levels we will advise clients to cut loses on their short futures and we may need to re-evaluate their June put options. We remain convinced prices should move lower but when we get faulty data on reports, prices will move otherwise. We are doubtful that unemployment stayed at 9.7% and we only lost 36,000 jobs but that was the number and the market reacted. Historically the market tends to see a tendency for early month strength so this move is not out of character. However being this is the end of the first quarter we should see funds taking profits which should add to potential late month weakness. The long equity trade to us is getting too crowded so if prices do turn south we should get some bearish momentum as the weak hands let go.

Bonds: Treasuries closed lower this past week but this is only the third down week in the last 10. Prices have really not gone anywhere as we've had a trading range of roughly 4 points in 30-yr bonds and 10-yr notes. In the medium to long term we favor being short Treasuries as we think rates have the ability to move higher in the months to come, but for now we think traders should be on the sidelines looking for an entry point to be a seller from higher ground. We see resistance at 118'00 followed by 119'16 in 30-yr bonds with support at 116'00 followed by 115'10. On 10-yr notes resistance comes in at 117'22 followed by 118'10 and support at 116'20 and then 115'20. The Euro-dollar has traded lower for the last 3 sessions and though it is too early to say we could be carving out an interim top? We are operating under the influence that in Q3, Q4 this year the Fed will start tightening and if so you would want to be short this instrument. We have light exposure with clients but to date have been way too early on the trade. If in agreement with the Fed's timing join the trade but understand we could still be too early. We are suggesting contracts at least 1 year out.

Currencies The fact that the dollar has been unable to make higher highs the last 2 weeks leads me to believe that an interim top was made 3 weeks ago just under 81.50 in the March contract. Remember 82.00 serves as the 50% Fibonacci retracement level for the dollar in the last 2 years and we do NOT think prices can penetrate those levels. We suggest at this juncture being a seller of rallies expecting a move to 79.50 and potentially 78.70 in the coming weeks. We do not see a total collapse just yet and instead think we will be sideways between 78.00-81.00. If our assessment is correct in the dollar expect the Euro and Pound to catch a bid as things are starting to get cleaned up in Greece and beyond. We do not think this problem with sovereign debt is resolved but a bounce from oversold levels is likely. By that

we mean 1.38/1.39 in the Euro and 1.5350/1.5500 in the Cable. If we get a correction in commodities in the coming weeks like we anticipate expect the 3 commodity currencies to get hit. We advised clients to get short the Loonie on Friday thinking a move back under .9500 is likely. As for the Yen after the 300 point break last Thursday and Friday we advised clients to book a profit on their shorts.

Grains *USDA report out on Wednesday.* Since the first week of February corn has been able to hold the up sloping trend line that comes in at about \$3.75 on the May contract. If it were to give way which we feel is likely we would see May corn makes its way closer to \$3.50/bushell. We would suggest being an aggressive buyer of July or December corn if May was to trade \$3.30-3.50. We do not think prices can stay at those devalued levels for long and being we expect a friendly report the end of the month on Planting Intentions. Clients that own December futures have been advised to lighten up or sell May against December. Looking at a weekly chart soybeans are sitting on support that has held since the summer of 06' so we don't see much downside but on the daily chart we could get 20-40 cents break without doing any chart damage. Like corn we would suggest being a buyer on breaks but we currently hold no positions for clients. We do however have a small long position in soybean meal and short position in soybean oil for clients. As for CBOT and KCBOT wheat at the moment we think it is the weak sister and looking for guidance from the other Ags so we have no interest.

Softs After a 20% break in cocoa prices it appears we found some buying mid-last week and if we are correct in our dollar and Pound prediction cocoa could find its way back up to 3055; which is the 200 day moving average. Cocoa is not the only commodity that has come off viciously of late as sugar has dropped almost 25% in the last 6 weeks. This has taken prices to oversold level and as long as the 200 day moving average can support we think enough is enough. Clients are buying May and July call options expecting a trade back near 26 cents in the coming weeks. May cotton closed lower for the first time in 4 weeks albeit marginally. We think all the bullish news is factored in and unless we get more bullish surprises this week from the USDA cotton should correct. We have clients positioned in a July fence trade expecting a trade back near 75/76 cents. We think OJ prices have the ability to move higher but prices are too high for us to be interested in gaining exposure for clients. We think there is too much risk of a break if the USDA does not confirm a smaller crop due to the weather in Florida this year. Until coffee gets closer to \$1.25 or we see a fundamental shift we have no interest in having exposure for clients.

Metals Rarely will we trade copper but we stepped out of character late last week and bought some lottery tickets for clients. We are positioning for a "black swan" event where we get a total collapse on the economy once again. If that were to happen we think copper would be one of the hardest hit. Clients bought December \$2 puts and paid \$875/per. In all likelihood these options could expire worthless but if we do get a major leg down we think prices could make their way to \$2.50/2.70/lb and these options should be worth \$2,500-3,500/per. If you decide to follow this trade make sure you are willing to lose the entire premium paid. We would not be shocked to see gold move \$50 higher or lower in the immediate future so we have advised clients to step to the sidelines. Use consecutive closes above \$1150 or below \$1120 in April gold to help guide you on the direction of the next leg. May silver has been one of the top performers in the last month gaining just shy of 19% but remember the month prior prices dropped 21%. Last Friday clients were advised to exit their remaining May longs and now they are all on the sidelines or in July via call spreads depending on their risk tolerances. We are expecting prices to make their way to \$18.50/ounce but not before some back and fill action drags prices back to \$16.50. We suggest buying closer to that level; scaling into futures and purchasing more July call spreads for clients.

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