



The Line in the Sand

For June 21st - June 25th 2010

Commodity Symbol	Month	Sentiment	Support	Resistance	Trend				
					short	medium	long		
Energy									
Crude oil	CL	Q	NEUTRAL	76.65, 75.00	80.00, 82.00	UP	UP	DOWN	
Heating oil	HO	Q	NEUTRAL	2.11, 2.06	2.1850, 2.25	UP	UP	SIDEWAYS	
Gasoline	XRB	Q	NEUTRAL	2.11, 2.08	2.19, 2.2450	UP	UP	SIDEWAYS	
Natural gas	NG	Q	NEUTRAL	5.00, 4.80	5.25, 5.50	SIDEWAYS	UP	SIDEWAYS	
Livestock									
Live cattle	LC	Q	NEUTRAL	88.00, 87.25	89.10, 90.00	UP	DOWN	SIDEWAYS	
Feeder cattle	FC	Q	NEUTRAL	109.60, 108.15	111.00 - 111.50	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Lean hogs	LH	Q	NEUTRAL	82.00, 80.50	83.30, 84.20	UP	SIDEWAYS	SIDEWAYS	
Financials									
Dow	DJ	U	NEUTRAL	10250, 10000	10525, 10700	UP	SIDEWAYS	DOWN	
S&P 500	SP	U	NEUTRAL	1106, 1083	1130, 1160	UP	SIDEWAYS	DOWN	
30-yr Bonds	US	U	NEUTRAL	122'15, 121'00	124'24, 125'20	SIDEWAYS	SIDEWAYS	UP	
10-yr Notes	TY	U	NEUTRAL	119'22, 119'00	120'28, 121'10	SIDEWAYS	SIDEWAYS	UP	
Euro-dollars	ED	M 11'	BULLISH	98.90, 98.80	98.975 - 99.00	UP	SIDEWAYS	UP	
Currencies									
Euro	EC	U	BULLISH	1.2240, 1.2100	1.2475, 1.2600	UP	SIDEWAYS	DOWN	
Aussie	AD	U	BULLISH	.8520, .8420	.8740, .8860	UP	SIDEWAYS	DOWN	
Swissie	SF	U	BULLISH	.8975, .8875	.9100, .9240	UP	SIDEWAYS	DOWN	
Loonie	CD	U	NEUTRAL	.9675, .9600	.9850, .9910	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Cable	BP	U	NEUTRAL	1.4675, 1.4590	1.4900, 1.5040	UP	SIDEWAYS	SIDEWAYS	
Yen	JY	U	BULLISH	1.0940, 1.0800	1.1100, 1.1160	UP	SIDEWAYS	SIDEWAYS	
Kiwi	NZ	U	BULLISH	.6950, .6870	.7110, .7210	UP	SIDEWAYS	SIDEWAYS	
US Dollar	DX	U	BEARISH	85.60, 84.75	86.80, 87.50	DOWN	SIDEWAYS	UP	
Grains									
Corn	C	Z	BULLISH	3.75, 3.67	3.90, 4.00	UP	SIDEWAYS	SIDEWAYS	
Soybeans	S	X	BULLISH	9.22, 9.05	9.48, 9.70	UP	SIDEWAYS	SIDEWAYS	
Soybean oil	BO	Z	NEUTRAL	38.75, 38.00	39.40, 40.00	UP	SIDEWAYS	SIDEWAYS	
Soybean meal	SM	Z	BULLISH	259, 253	270, 280	UP	SIDEWAYS	SIDEWAYS	
CBOT wheat	W	U	NEUTRAL	4.70, 4.55	4.85, 5.00	UP	SIDEWAYS	SIDEWAYS	
KC wheat	KW	U	BULLISH	5.00, 4.84	5.20, 5.35	UP	SIDEWAYS	SIDEWAYS	
Oats	O	Z	BULLISH	2.50, 2.38	2.75, 2.95	UP	UP	SIDEWAYS	
Softs									
Cocoa	CO	U	BEARISH	2910, 2850	3000, 3070	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Sugar #11	SB	V	BEARISH	15.00, 14.65	15.80, 16.20	DOWN	SIDEWAYS	SIDEWAYS	
Cotton	CT	Z	BEARISH	78.20, 76.40	79.25, 80.00	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Coffee	KC	U	BULLISH	1.55, 1.50	1.6450, 1.70	UP	UP	SIDEWAYS	
Orange Juice	OJ	U	NEUTRAL	1.43, 1.39	1.4650, 1.49	SIDEWAYS	SIDEWAYS	SIDEWAYS	
Lumber	LB	U	BEARISH	200 - 201	212, 225	DOWN	DOWN	DOWN	
Metals									
Gold	GC	Q	BULLISH	1238, 1223	1267, 1300	UP	SIDEWAYS	UP	
Silver	SI	N	BULLISH	18.75, 18.25	19.50, 19.85	UP	SIDEWAYS	SIDEWAYS	
Copper	HG	N	BEARISH	2.84, 2.72	3.03, 3.10	SIDEWAYS	SIDEWAYS	DOWN	

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 The trend in recent weeks has been up and though we feel that it will continue we're expecting a \$3-5 set back in Crude oil in the immediate future. In the August contract we expect \$79 to act as solid resistance, as for support we see \$76, 74.90 and then 74.00. We should have some long trade ideas for September and October this week if prices pullback as anticipated. If our analysis is correct that should mean a 15-20 cent correction in the distillates as well. Since natural gas prices bottomed in late May prices have advanced just over 25%. These gains have erased four months of losses and caught a number of traders short. Heading into hurricane season and with temperatures remaining above normal we suggest being long but as for our clients we're looking to buy a dip. We're expecting prices to fill the gap from early last week and are willing to establish longs for clients on a 6-10% correction. We will likely be moving clients into August futures and September and October call spreads.

Livestock There were no surprises in last weeks Cattle on Feed report as it came in line with expectations. Over the past weeks we've advised clients to start scaling into longs in December live cattle via futures and options and we would continue to do so. Both the daily and weekly charts point to prices finding a bottom very soon. This is seasonally one of the best times to buy cattle; beef consumption starts to decline in hot weather, but so does supply, as feed lots are short on inventory. This supply/demand imbalance generally sets a bid under the market. Past performance is not indicative of future results. Our expectation is that December can find its way back to 96/97 in the coming months. We expect feeder cattle to continue meandering sideways and see no viable play long or short. In the past two weeks lean hogs have rallied 5% and though we do not expect that pace to be sustainable we think this run may have a little more gas. If prices were to appreciate another 3-5% we would start shopping bearish plays for clients.

Financials

Stocks: It has been awhile since we've seen two positive weeks in a row but now we have with indices gaining last week carrying price back above the 200 day MA. The volumes have been less than stellar and though we expect prices to gain 2.50-4.0% more we've started to prep clients for short opportunities in the coming sessions. The major hurdle that we expect to act as solid resistance is the 50 day MA which comes in at 1133 in the S&P and 10505 in the Dow. Our feeling is we could get a trade up to the 61.8% Fibonacci level but we do not expect any rallies to hold. That being said at the most our upside targets would be 1145 and 10560 respectively. Above 1130 we would be willing to start scaling into short futures and we also will be looking to establish bearish option plays for clients in September ES. The calendar is light this week but we do have a FOMC meeting which ought to be shrugged off as we expect no new developments.

Bonds: Treasuries traded higher last week approaching a two week high but we think this probe higher will turn into a failed rally as prices should do an about face and head lower. That being said on a stock rally and trade south in 30-yr bonds we suggest exiting your shorts. We've revised our downside target to 121'20 and at that level we will be exiting clients NOB spreads (*short 30-yr bonds/long 10-yr notes*). This is because if the indices falter in the coming weeks the Treasury complex would likely re-emerge as a flight to quality play and lift prices higher. So in review exit shorts on a trade lower this week, let the Treasury market rally and look for a short from higher levels in the coming weeks. Back off the bearish attempts in the Euro-dollar as prices are moving higher and it is more unclear to me now when the Fed will make a move on interest rates. I initially thought late this year now I'm thinking they could wait till 2011.

Currencies What a difference two weeks can make as the dollar is headed south and all other crosses have headed north. This could prove to be a real game changer. The dollar has shed 3.6% in the last two weeks dragging price back below the 31 day EMA for the first time since mid-April. On the daily chart prices are becoming oversold but we could still see another 2-3% before buyers appear. The Euro had one of its best weeks in years last week lifting prices back over the 20 day MA for the first time since mid-April. Clients were able to make a small profit playing longs but we chose to exit and move short the Loonie. As long as prices hold 1.22 we still could see 1.26 but we will be a spectator. Aggressive traders could short the Pound as we expect to see 1.4500 again before we see 1.5000. The commodity currencies have benefitted of late but we think the easy money has been made on longs and we would not recommend fresh longs in the Kiwi or Aussie until prices retrace. As for the Loonie clients are short via futures and options looking for .9550 in the coming weeks. The Swiss franc has appreciated 5% in the past two weeks and last week filled the gap that we predicted from early in May. If long tighten up stops as we feel too much too quick. The Yen broke out of the triangle formation to the upside closing back above the 20 day MA. Clients own July puts and are down on the trade; if prices do not trade significantly lower this will be a loser for clients. Worst case they could get hit for \$440/per option.

Grains It has been quite a run in corn as prices in December have gained every session in the last two weeks. Friday prices were unable to penetrate the 100 day MA or the trend line that has held since the collapse last January but we think it is just a matter of time. We will be lifting clients July short hedges this week on a setback and would advise others to gain bullish exposure on this dip via September options or December futures. We thought it may be time to exit longs in November soybeans and December soy meal but after doing a bit more homework we think it would be prudent to stay long but tighten up stops. We think on any weather problems, a jump in exports or funds finding their way back to the grain complex we could see further appreciation. In November soybeans a trade back to \$9.75 is not out of the question and December soy meal could see 285/290. Wheat and oats have been affected by wet weather in Canada and could see heightened volatility as the reports vary on the exact damage. After a 40% appreciation in oats in five sessions we decided to take a flyer with some of our clients buying July \$2.50 puts willing to risk the entire premium and potentially catching a retracement and netting 125%. Risking \$220 per option with a profit objective of \$280. We have no suggestions in wheat as we backed off the KCBOT/CBOT wheat spread that we mentioned last week. On a 15-20 cent retracement we may look for out right longs...stay tuned.

Softs Cocoa should continue to grind lower as long as the trend line we mentioned last week acts as resistance. We would be willing to lightly start buying for clients on a trade closer to 2800 as that level has served as solid support in recent months. Being October sugar prices have wandered between 14 and 16 cents for several weeks we do not expect much but we would be willing to lightly buy near 15 cents with stops just below potential playing a push to 16 cents. Those still long from months ago with October contracts would need to see a trade closer to 17 cents before I would look for an exit door. With three months time it is feasible but this is not historically the strongest seasonal time for sugar. December cotton remains on our sell list; we advise short exposure in December via futures and options being we imagine prices to be closer to 70 cents than 80 in the coming months. The move in coffee has been spectacular but sad to say we missed this one and view it as too risky to get involved at this point. We could see a move of 10 cents either way at any point (\$3,750/per futures). Aggressive traders could buy dips in September or November OJ; while it is not our favorite trade many clients are interested. If forced to be long we would prefer to be long futures and sell calls against that position. Contact us for a further explanation. With horrendous housing numbers it is no wonder lumber price have collapsed 40% in the last two months. These markets are called futures for a reason though we're not calling a bottom in the housing market examining the daily and weekly charts in lumber aggressive traders could start scaling into longs. We should have specific trading ideas this week.

Metals The yellow metal continues to shine setting another record high last week clearing the \$1260 level with little problem. Clients remain long their December \$75 call spreads as long as the 20 day MA and trend line both at \$1225 hold. Though the long gold trade is getting crowded we do feel prices could make an attempt at \$1300 in the coming sessions. Traders that trade gold recognize that gold typically takes the stairs up and the elevator down so on a trade to \$1300 we would be looking for the exit door on client's options. Those long futures continue to trail stops because one day we will get a wicked correction and you do not want to give back too much. Silver gained nearly \$1 last week lifting prices to a five week high and back above \$19/ounce as predicted. Clients remain long futures and September call spreads looking for slightly more but if prices fail to challenge the May highs this week we will be lightening up. We feel prices are destined for \$22 this year but do not expect it to be a smooth ride. On a correction those not in yet should be willing to step up to the plate between \$16.70 and \$17.35. Copper continues to be a sell rallies market and the next leg lower should resume when indices roll over in the coming weeks. As most followers know we rarely trade copper but rather use it to help guide trades elsewhere.

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