

## DAILY SOY COMPLEX COMMENTARY

12/28/07

**STILL LOOKING FOR AN UPSIDE ACCELERATION. DON'T GET SHORT HERE.**

**OVERNIGHT CHANGES THROUGH 3:15 AM:  
SOY BEANS +16.0, BEAN OIL +0.4, SOYMEAL +4.1**



**RECAP:** Thin volume, the absence of many traders due to the holidays and steady erosion in equity markets throughout the day seemed to counteract the supportive influence of higher energy and gold prices today. The assassination of Pakistan's Benazir Bhutto today may have also cast a pall over the soybean complex along with ideas that yesterday's rally in the soybean complex had exceeded the advances in other markets such as palm, canola and even corn and cotton. Cash traders also indicate that farmer selling finally picked up after yesterday's sharp advance. Previous rallies had failed to attract a substantial increase in such selling. Traders will be watching closely tomorrow to see if farmers continue to sell in heavier amounts or if today's setback will reduce the flow. Traders are generally expecting that tomorrow's Export Sales Report will show a figure for soybeans in the same range that we have seen in recent weeks. Weather is a potential longer term concern in Argentina with hot, dry weather expected to return next week. Both US and Asian markets seem to have slipped back into a holiday mode after yesterday's surprising rally. No new tenders were announced today.

**OVERNIGHT DEVELOPMENTS:** January soybeans traded 12 1/2 cents higher in overnight trade. Crude palm oil in Malaysia was up nearly 1% again today on firm demand and the same supply concerns. Indonesia was virtually shut down by end-of-year holidays despite the strength in Malaysia. Crude oil is lower this morning, but the run up in crude in recent day has been a supportive factor.

**CASH NEWS AND TENDERS:** Farmer selling picked up fairly strongly yesterday after yesterday's sharp run up.

**WEATHER:** La Nina still expected to bring an extended period of hot and dry weather to much of South America, particularly Argentina for the remainder of the growing season. Weather there remains about the same with scattered rains in Argentina over the past 48 hours and very light scattered rains forecast on Sunday. Sunday is expected to be very hot, with only a slight easing of hot temps into next week and little or no more rain in sight after Sunday. Weather in Brazil is mostly good with normal to slightly above normal temps in most areas and scattered rains and thunderstorms continuing to move back and forth across most growing areas.

**NEAR-TERM OUTLOOK:** Soybeans show renewed signs of an acceleration phase to the upside as all contracts are within striking distance of all-time highs. Higher palm prices overnight, with renewed demand was a positive factor for soybeans overnight. Farmer selling in the US increased yesterday morning but early indications today suggest that farmer selling might have eased this morning. China's Grains and Oils Association's weekly survey showed a big increase in hog numbers. Increasing hog numbers has been a major goal of the government since prices for pork spiked earlier this year fueling public discontent over food inflation. Many traders see success in building hog numbers in China as a very supportive indicator for soybeans since soymeal is a major component of hog feed. Weather in South America remains about the same with scattered rains in Argentina over the past 48 hours and very light scattered rains forecast this weekend. Sunday is expected to be very hot, with only a slight easing of hot temps into next week and little or no more rain in sight after Sunday. Weather in Brazil is mostly good with normal to slightly above normal temps in most areas and scattered rains and thunderstorms continuing to move back and forth across most growing areas. The Export Sales Report is due out this morning at 7:30. In

last week's report, soybean sales came in at 929,600 tonnes for the old and new crop combined, bringing the total for the marketing year so far to 20.006 million tonnes or 73.9% of the USDA forecast for the entire season, well above the 5-year average for this time of year at 64.9%. Look for all old crop contracts to move through the all-time highs for any soybean contract that was established 34 years ago at 12.90.

**FUNDAMENTAL FOCUS:** The Export Sales Report is due out today. In last week's report, soybean sales came in at 929,600 tonnes for the old and new crop combined, bringing the total for the marketing year so far to 20.006 million tonnes or 73.9% of the USDA forecast for the entire season, well above the 5-year average for this time of year at 64.9%. For the same week last year, cumulative sales totaled 18.556 million tonnes or 61% of the USDA forecast.

**TODAY'S MARKET IDEAS:**

We suggested that traders buy January soybeans yesterday with a very short term acceleration in mind but yesterday action and the impending holiday window seems to have taken some of the bullish sting out of play. While we still expect the same accelerating rally, we are trimming our objective and implementing a profit stop point in the January soybean position. This does not mean that the rally is at an end, but timing could be pushed forward a bit. The bull case remains in place with objectives of 12.85 to 12.95 in the January contract and 12.95 to 13.15 in March. The fact that both meal and oil are full participants in the rally and that deferred old crop soybean contracts are trading at premiums to January is very supportive to the bull case. We have only two caveats in mind: stochastics show the market to be overbought and farmer selling seems to have increased after Wednesday's sharp run up. Neither of these factors appears to be a rally stopper. Aggressive traders can buy March soybeans at 12.32 today or roll the long January position into March by means of a March/January spread.

**NEW RECOMMENDATIONS:**

1) Buy March beans at the market, buy two February \$11.90 puts for 35 cents, then sell a March 1360 call for 21 cents. Net premium cost is roughly 14 cents

**PREVIOUS RECOMMENDATIONS:**

1) Long January soybeans from 1218. \*Lower the objective to 1228 today, and implement a tight profit stop point at 1223. This is due to the lack of acceleration yesterday, the advent of deliveries next week and the potential for holiday chop on Monday. 2) Short a February soybean 11.80 put to take in 16 cents, long the March soybean 12.80 call from 41 for a net cost of 25 cents. Risk the combination to a net loss of 19 cents, with an objective in the futures of 1288.

**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 (MAR) 12/28/2007: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside objective is 1249 3/4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1239 1/2 and 1249 3/4, while 1st support hits today at 1223 1/2 and below there at 1217 1/2.

SOYBEAN OIL (MAR) 12/28/2007: The market made a new contract high on the rally. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 50.17. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 49.70 and 50.17, while 1st support hits today at 49.04 and below there at 48.84.

SOYMEAL (MAR) 12/28/2007: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 349.9. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 346.7 and 349.9, while 1st support hits today at 341.1 and below there at 338.6.

## DAILY CORN COMMENTARY

12/28/07

### THE BULLS STILL HAVE MULTIPLE FUNDAMENTAL THEMES TO CHOOSE FROM

#### OVERNIGHT CHANGES THROUGH 3:15 AM: CORN +1.2

**RECAP:** Corn shrugged off the weakness in wheat and the soybean complex throughout the day and the market traded in narrow, slightly lower ranges for most of the session before firming in the last hour. All contracts made new contract highs late in the session and closed at new contract highs. Volume also held up relatively better in corn than was the case for wheat or soybeans with evidence of continued fund buying today. The return of potentially negative weather expectations for South American growing areas next week may have boosted prices somewhat, but traders are focusing far more attention on continued strength in export demand with the possibility that tomorrow's Export Sales Report will show the 8th straight week with sales of more than 1.0 million tons. The cash market remains strong with little evidence that the new highs are generating burdensome farmer selling as seemed to be the case in soybeans today. The battle for 2008 acres has been a one-on-one contest between corn and soybeans of late.



**OVERNIGHT DEVELOPMENTS:** Generally positive grain complex action overnight seems to have left corn prices minimally firmer just ahead of the US Friday action.

**CASH NEWS AND TENDERS:** Limited activity overnight.

**WEATHER:** Apparently Argentina has seen scattered and light rains across northern and southern growing areas but that pattern is expected to dry out and perhaps heat up after some minor precipitation again this weekend. However, in order to accentuate the production threat, temperatures will probably have to run above normal next week.

**NEAR-TERM OUTLOOK:** While the battle for 2008 acres continues to dominate the corn market, the trade also seems to be periodically garnering support from expectations of favorable demand news, the prospect of a reduction of US corn production figures and expectations that Chinese export flow will be pinched off. Just for good measure, the market is also fomenting concern for production in the Southern hemisphere, but if it were not for the fear of significant forward supply and demand tightness, the current weather situation probably wouldn't be seen as a major force. On the other hand, the apparent battle for US acres and the impressive strength in soybean prices has seemingly accentuated both supply and demand factors in corn and that probably also means that soybean prices will remain a key force for corn prices. With soybean prices reaching another high this morning and that market also being propelled by fresh demand expectations, one gets the impression that prices have yet to reach a high enough level to ration off demand! In the prior session, corn managed to carve out its own direction and since the first waves of the Chinese State Reserve sales failed to stem the rise in global corn prices, one probably doesn't have to fear that issue, unless of course the Chinese reserve sales are extended beyond the original expectations. As for the action today, the corn market could be confronted with a bit of a dilemma, as the trend in export sales has been for very solid sales, but the presence of significant new highs during this sales period and the fact that the Chinese sales also became widely known during this period, could cause a temporary throttling down.

**FUNDAMENTAL FOCUS:** In last week's report, corn sales came in at 1.169 million tonnes, bringing the total for the marketing year so far to 37.745 million or 60.7% of the USDA forecast for the entire season, which was well above the 5-year average for this time of year at 46.4%. For the same week last year, cumulative sales totaled 28.647 million tonnes or 53.1% of the USDA forecast. In short, the market could be seen as having a high bar for the exports release today, especially considering the impact of the holiday environment. On the other hand, unless the sales are distinctly disappointing, there would seem to be a host of other bullish angles that could provide support to corn prices. In fact, the positioning of the Argentina corn crop leaves the threat of hot and dry

next week as a key issue. As suggested yesterday, Argentina has had a series of rain events recently but most of those were light and scattered and that could reduce the influence of next week's weather concerns. However, as suggested before, the acres battle seems to have the capacity to make even minor supply and demand developments more important. In the end, there appears to be enough weather uncertainty and demand to leave the bull camp with control.

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

If it were not for the dampening influence of the holidays, the uncertainty of the global economy and the Chinese reserve sales, the bear camp would have an even worse week. While technicals are overdone, the markets seem to have launched the primary battle for acres ahead of the start of the new year. As suggested yesterday, players that want to become freshly involved should consider buying futures and purchasing two just out of the money March corn puts for protection against temporary corrective setbacks! Another variation for those with a strong mind, would be to buy March corn, buy 2 March corn \$4.40 puts for a total of 24 cents and then sell a March corn \$4.20 for 6 cents to cheapen up the put coverage.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

1) Long 2 March corn 430 puts for a net 19 cents and long a March corn futures from 452 1/2. Look for an objective of \$510 on the futures and risk the combination to a net loss of 12 cents. In the event of a break in futures below 440, look to liquidate 1 put and hold the rest of the positioning. 2) Long the July corn 410/470 bull call spread from 17, with an objective of 36. Risk to 20.

#### **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) 12/28/2007: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 next upside target is 458 1/4. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 457 and 458 1/4, while 1st support hits today at 452 1/2 and below there at 449 1/4.

#### **DAILY WHEAT COMMENTARY**

12/28/07

**WE'RE NEARING MAJOR RETRACEMENT SUPPORT. TIME TO ESTABLISH FRESH LONGS**

#### **OVERNIGHT CHANGES THROUGH 3:15 AM:**

**WHEAT +1.4**

**RECAP:** The wheat market was under the influence of thin holiday-week volume and a general lack of news yesterday. The lack of news and reportedly weak export markets brought technical selling and long liquidation early in the session. The March contract continued to erode during the middle of the day based on an almost total lack of outside buying interest. March KC wheat helped set the weak tone in nearby contracts by touching limit down during the early mid session. Kansas and Colorado are expected to be at the center of a storm that will bring around 2 to 4 inches of snow and somewhat colder temperatures. On balance this is a further improvement for generally good crop conditions across the western US wheat belt. The Export Sales Report is due out today. Traders are looking for a somewhat larger figure than last week's disappointing 221,500 tons, but still well below the highs of recent months. Current price levels are not generating an appreciable increase in farmer selling due to tight old crop stocks. For now, wheat remains on the sidelines in the battle for acres.



**OVERNIGHT DEVELOPMENTS:** March wheat traded 3 1/2 cents lower in overnight action.

**CASH NEWS AND TENDERS:** Egypt's Ministry of Trade and Industry said today that they plan to import 1.0 million tons of Black Sea wheat next year, specifically from Kazakhstan. Egypt's GASC buying agency also announced a tender for 55-60,000 tons of wheat. They are seeking a broad array of wheat classes from a wide number of export sources. US farmer selling remains fairly light. Basis levels were unchanged at the Gulf yesterday.

**WEATHER:** Temperatures remain seasonal to moderate across most growing areas in the US with increased snow recently in the western and central plains and more show due in northern areas of the Midwest starting today. On balance, this is beneficial to the largely dormant crop.

**NEAR-TERM OUTLOOK:** The March contract tested the September 12th high at 910 1/4 overnight, which we believe will be the low area for the current retracement. Cash markets are quiet with the exception of Egypt's tender for 55-60,000 tons of wheat. This tender is for a broad array of wheat classes and it appears to favor Russian origin. This tender appears to be a replacement for last week's cancellation of a similar sized tender. Export sales are due out this morning. Traders will be looking for any further signs of weakness in demand or outright cancellations. Many believe that importers are covered for immediate needs and are in a mood to wait for lower prices, but Egypt's tender today shows that the waiting period between cancellations and a replacement tender may be very short. In last week's Export Sales Report, wheat sales came in at 221,500 tonnes for the old and new crop combined, bringing the total for the marketing year so far to 28.852 million tonnes or 90.2% of the USDA forecast for the entire season, well above the 5-year average for this time of year at 68.7%. The overnight low in March Chicago wheat should become a basing area for the next move into new all-time highs.

**FUNDAMENTAL FOCUS:** Export sales are due out this morning. In last week's report, wheat sales came in at 221,500 tonnes for the old and new crop combined, bringing the total for the marketing year so far to 28.852 million tonnes or 90.2% of the USDA forecast for the entire season, well above the 5-year average for this time of year at 68.7%. For the same week last year, cumulative sales totaled 16.187 million tonnes or 65.4% of the USDA forecast.

**TODAY'S MARKET IDEAS:**

The ability of bears to press the market may be coming to an end in the area of 910 level basis the March Chicago contract. This correlates to the September 12th high at 910 1/4, which we think will be a major low in the current retracement and, therefore, a place to reestablish long positions. Our goal is new highs - initially at the 1010 to 1020 area in March wheat, and then from 1090 to 1104. Aggressive traders need to buy from 915 on down to 908. We may look at long wheat/short corn positions on Monday. Closes below 900 in March would weaken the bull case. One could also buy March Wheat 9.80 calls for 33 cents and then look to sell a February wheat 980 call for 18 to finance a portion of the trade. Look for a near term objective of 9 on the short call and look to hold the March call for a position.

**NEW RECOMMENDATIONS:**

\*Buy March wheat at 912, with an initial objective of 975. Risk 18 cents on the trade.

**PREVIOUS RECOMMENDATIONS:**

None.

**WHEAT TECHNICAL OUTLOOK:**

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WHEAT (MAR) 12/28/2007: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 888 3/4. The next area of resistance is around 931 3/4 and 955 1/2, while 1st support hits today at 898 1/4 and below there at 888 3/4.

KC WHEAT (MAR) 12/28/2007: Stochastics trending lower at midrange will tend to reinforce a move lower

especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 917 1/2. The next area of resistance is around 959 1/2 and 979 1/2, while 1st support hits today at 928 1/2 and below there at 917 1/2.

MINN WHEAT (MAR) 12/28/2007: 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 below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 1030. The next area of resistance is around 1066 3/4 and 1081 3/4, while 1st support hits today at 1040 3/4 and below there at 1030.

RICE (MAR) 12/28/2007: 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. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next upside target is 13.917. The next area of resistance is around 13.865 and 13.917, while 1st support hits today at 13.795 and below there at 13.778.

### DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	20 DAY M AVG	40 DAY M AVG	50 DAY M AVG	60 DAY M AVG
<b>GRAIN COMPLEX</b>									
CNAH8	454 3/4	84.96	79.37	90.07	93.23	427.16	412.64	406.68	399.62
CNAZ8	474 1/2	89.08	81.81	91.50	93.57	447.49	437.27	432.51	426.69
SSAH8	1231 1/2	82.11	79.56	91.25	91.94	1158.61	1117.61	1098.00	1080.33
SSAX8	1122 1/4	82.36	78.19	91.28	92.40	1059.18	1029.49	1017.23	
SMAH8	343.9	83.34	79.87	88.84	89.59	322.39	306.88	302.16	298.29
BOAH8	49.37	78.36	74.77	83.99	89.09	47.14	46.34	45.44	44.58
WHAH8	915	45.30	51.34	58.67	45.80	927.10	866.89	862.94	866.18
WHAN8	792	55.45	58.20	53.30	49.43	786.83	736.35	724.50	715.87
RCH8	13.830	66.81	66.65	79.15	85.03	13.57	13.34	13.11	12.96
KWAH8	944	46.57	53.37	60.79	48.28	952.73	887.04	880.50	879.89
MWH8	1053 3/4	59.32	64.70	86.08	80.21	1022.94	931.45	914.58	907.19
OH8	309	80.84	72.23	95.39	98.24	292.58	294.88	294.34	293.00

Calculations based on previous session. Data collected 12/27/2007

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>						
CNAH8	Corn	449 1/4	452 1/2	453 3/4	457	458 1/4
CNAZ8	Corn	466 1/2	471 1/4	473	477 3/4	479 1/2
SSAH8	Soybeans	1217 1/2	1223 1/2	1233 3/4	1239 1/2	1250
SSAX8	Soybeans	1103	1113	1121 1/2	1131 1/2	1140
SMAH8	Soymeal	338.5	341.0	344.2	346.7	349.9
BOAH8	Soybean Oil	48.83	49.03	49.50	49.70	50.17
WHAH8	Wheat	888 1/2	898 1/4	922	931 3/4	955 1/2
WHAN8	Wheat	771 1/4	779 1/2	796 1/4	804 1/2	821 1/4
RCH8	Rice	13.777	13.795	13.847	13.865	13.917
KWAH8	KC Wheat	917 1/2	928 1/2	948 1/2	959 1/2	979 1/2
MWH8	MINN Wheat	1030	1040 3/4	1056	1066 3/4	1082
OH8	Oats	305 1/4	307 1/2	308 1/4	310 1/2	311 1/4

Calculations based on previous session. Data collected 12/27/2007

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## DAILY CATTLE COMMENTARY

12/28/07

### BEARISH HOGS AND PIGS DATA COULD DRAG CATTLE LOWER INITIALLY

The snow that was predicted for the central and southern plains was apparently not as heavy as some earlier forecasts had called for, so the threat to cattle performance is not as great as feared. This may take some of the buoyancy out of the cattle market today, especially in light of the bearish Hogs and Pigs report yesterday afternoon. February cattle futures opened stronger and rallied sharply yesterday to their highest level in over a week. The market took back all of its losses that had followed last Friday's bearish Cattle on Feed report and then some. April and the deferred contracts posted similar gains. Forecasts for 2-4 inches of snow in parts of the Great Plains, mainly Kansas and Colorado, followed by much below temperatures early next week, seemed to spark a reversal in cash cattle prices. On Wednesday, cash live cattle traded at \$91/cwt, \$1 lower from last week, but yesterday cattle in the southern plains traded at \$93-\$93.50. With the recent COT report indicating an oversold condition, it would appear that a lot of yesterday's support came from fund trader short covering. Cattle slaughter came in at 130,000 head yesterday, bringing total slaughter for the week so far to 271,000 versus 477,000 for the same period last week and 344,000 a year ago. The choice boxed beef cutout ended yesterday 52 cents lower at \$147.83 but up slightly from \$147.77 a week ago. Boxed beef prices have fallen 5 out of the last 6 sessions. There have been 12 reported cattle deaths from an anthrax outbreak on 5 ranches in Australia, with the number expected to rise to 20. While the government says they have over 3000 vaccination doses ready to deploy, the size of the outbreak could be a concern. There are usually only 4-6 cases each year, according to a government representative there.



**FUNDAMENTAL FOCUS:** Despite strong cash cattle prices yesterday, the bearish Hogs and Pigs report released after the close yesterday could have negative repercussions for the cattle market this morning.

#### TODAY'S MARKET IDEAS:

Cattle could be struggling to maintain yesterday's gains with the hog market expected to be lower this morning. Key resistance for February cattle is at 96.85 with support at 95.67 and 95.17 and 94.90.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### CATTLE COMPLEX TECHNICAL OUTLOOK:

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**LIVE CATTLE (FEB) 12/28/2007:** The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The intermediate trend could be turning up with the close back above the 18-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 97.350. The next area of resistance is around 96.850 and 97.350, while 1st support hits today at 95.500 and below there at 94.620.

**FEEDER CATTLE (JAN) 12/28/2007:** Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. 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 next upside target is 105.370. Short-term indicators suggest buying pullbacks

today. The next area of resistance is around 104.950 and 105.370, while 1st support hits today at 103.770 and below there at 103.000.

## DAILY HOGS COMMENTARY

12/28/07

### HOGS AND PIGS REPORT BEARISH, BUT COULD BE SUPPLY PEAK

A bearish Hogs and Pigs report sent futures lower overnight, but while the report came in at the bearish end of expectations, we must remember that 1st Quarter 2008 pork production is expected to show a decline of 540 million pounds, the largest 1st quarter decline going back to at least 1970 and the largest decline in any quarter since 1980. The USDA Hogs and Pigs report, released after the close yesterday, was negative across the board. All Hogs and Pigs as of December 1st come in at 104.2% of a year ago, which was towards the high end of expectations. At 65.110 million head, the hog inventory number was the highest for December 1st since 1979 and the 3rd highest since 1970. Market Hogs came in at 104.5% of a year ago, which was also above average expectations and was considered negative for the nearby contract. The number of hogs Kept for Breeding came in at 101.1% of a year ago, which was more in line with expectations. The September-November Pig Crop came in at 104.2% of a year ago, which was also above expectations and is considered bearish for the June and August contracts. At 27.998 million head, it was the highest pig crop for the September-November time frame since at least 1970 and the highest overall since March-May of 1980. While the large current hog inventory is something the market has to contend with, we may have reached a peak in supply for now. The large pig crop suggests more supply issues later in the year, but as the recent Cold Storage data indicated, pork consumption (including exports) has been strong. Hog slaughter came in at 432,000 head yesterday, bringing total slaughter for the week so far to 982,000 from 1.723 million last week at this time and 1.176 million a year ago. The CME lean hog index as of December 21st was 53.53, down 64 cents from the previous session and down from 55.16 a week before. Index values have fallen five out of the past six sessions. The pork cutout was 23 cents higher at \$58.53 and up from \$57.61 a week ago.



**FUNDAMENTAL FOCUS:** A decline off of yesterday's bearish Hogs and Pigs report may bring about a buying opportunity, as markets tend to bottom when supplies peak.

#### TODAY'S MARKET IDEAS:

Look for support in February hogs at the 58.50 and 58.15 in the wake of yesterday afternoon's report. Overnight, February hogs traded 0.50 lower, finding support at 58.77. Consider selling the Feb 58.00 put or buying the Feb 61.00 call or doing both on a break today.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### 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) 12/28/2007:** Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 58.750. The next area of resistance is around 59.620 and 60.120, while 1st support hits today at 58.920 and below there at 58.750.

**PORK BELLIES (FEB) 12/28/2007:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the

9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 83.900. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 85.320 and 85.870, while 1st support hits today at 84.350 and below there at 83.900.

**DAILY TECHNICAL STATISTICS**

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	20 DAY M AVG	40 DAY M AVG	50 DAY M AVG	60 DAY M AVG
<b>MEAT COMPLEX</b>									
LCG8	96.150	51.33	48.10	23.05	27.15	96.07	97.05	97.33	97.60
FCF8	104.370	41.91	38.48	18.41	23.17	105.38	107.20	107.86	108.82
LHG8	59.250	35.53	39.12	15.87	10.67	60.91	60.89	61.19	62.01
PBG8	84.820	26.32	34.76	10.00	5.64	89.07	88.69	87.46	87.30

Calculations based on previous session. Data collected 12/27/2007  
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>						
LCG8	Live Cattle	94.600	95.470	95.970	96.850	97.350
FCF8	Feeder Cattle	102.970	103.750	104.170	104.950	105.370
LHG8	Lean Hogs	58.720	58.900	59.420	59.620	60.120
PBG8	Pork Bellies	83.870	84.320	84.870	85.320	85.870

Calculations based on previous session. Data collected 12/27/2007  
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