The Hightower Report
Futures Analysis & Forecasting

Daily Grain and Livestock Commentary
Wednesday March 10, 2010

DAILY SOY COMPLEX COMMENTARY
03/10/10

USDA report to set tone today; massive S America crop to absorb

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +2.2, **BEAN OIL** +0.3, **SOYMEAL** -0.3

OVERNIGHT DEVELOPMENTS: May soybeans were up 2 1/2 cents late in the overnight session. Palm oil futures in Malaysia closed up 1.32%. China soybean futures closed slightly higher. March soybean deliveries were 7 contracts. Meal deliveries were 1 and oil deliveries came in at 73 contracts. A firm tone to gold and energy markets overnight provided some support.

NEAR-TERM MARKET FUNDAMENTALS: The results of the USDA supply/demand report released this morning and possible Crop production revisions due to the resurvey of some states where harvest was delayed should set the price direction today. Talk of the large South America crop potential and fund selling along with the hefty meal deliveries from a key commercial trader yesterday helped spark the early weakness but markets managed to recover most of the losses late and further short-covering supported the bounce overnight. Brazil supply officials pegged the soybean crop at a new record high 67.57 million tonnes, up more than 10 million tonnes from last year and traders also see Argentina soybean production up near 21 million tonnes from last year. A well-known think tank associated with the University of Missouri pegged the 2010/11 US soybean planted area at just 76.6 million acres from 77 million posted in the USDA Outlook Forum and from 77.5 million acres last year. The planted acreage outlook from many analysts and from the USDA Outlook forum appear supportive but many traders are reluctant to believe that planted area will be lower than last year. China's February soybean imports fell 28% to 2.95 million tonnes. Poor crush margins and continued talk of a slowdown in demand from the pork sector were seen as reasons for the decline in imports. Palm oil stocks in Malaysia fell 10.9% in February from January to 1.785 million tonnes which is the lowest in four months. Traders indicate that El Nino has caused palm production in Malaysia to be negatively impacted and that dry weather into the second quarter could also cause disruption in production. February production was thought to be down near 6% from last year. Traders see higher crush and export numbers for this morning's USDA update. Traders are looking for the USDA to lower its estimate of 2009/10 ending stocks to near 195 million bushels. Ending stocks were lowered to 210 million bushels in February from 245 the prior month. Argentina and Brazil are experiencing mostly dry conditions with scattered rains forecast into this week in southern growing areas of Argentina and in northern growing areas of Brazil. The rains in Brazil are expected to be light enough to cause only minimal harvest delays with about 1/3rd of the crop there already harvested.

TODAY'S GUIDANCE: On supportive news from the report, May soybeans could challenge key resistance levels of 954 and 960. July oil could bounce to 41.35 next. On bearish news, July soybeans look vulnerable to put in another leg down if the market closes under key support at 946 3/4. If so, don't rule out a break to 893 as next objective.

TODAY'S MARKET IDEAS:
None.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:

1) Long 1 May soybean 920 put from an effective price of 9 cents. Hold for now and risk to 15 cents. 2) Long July soybean 940/840 bear put spread from 34 3/4 with an objective of 66. Risk to 26 3/4.

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) 03/10/2010: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 931 1/4. The next area of resistance is around 954 1/4 and 958, while 1st support hits today at 940 3/4 and below there at 931 1/4.

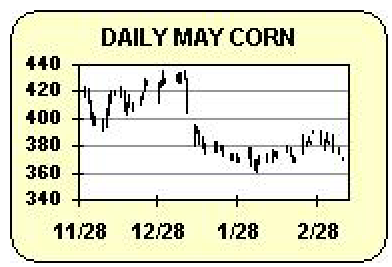
SOYBEAN OIL (MAY) 03/10/2010: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 39.69. The next area of resistance is around 40.56 and 40.74, while 1st support hits today at 40.04 and below there at 39.69.

SOYMEAL (MAY) 03/10/2010: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 253.9. The next area of resistance is around 260.7 and 261.8, while 1st support hits today at 256.7 and below there at 253.9.

DAILY CORN COMMENTARY

03/10/10

USDA to set tone today; technical action weak into report



OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CORN -0.2

OVERNIGHT DEVELOPMENTS: May corn was down 1 cent late in the overnight session. Outside market forces appear slightly supportive. Deliveries against the March corn contract came in at 1,058 contracts.

NEAR-TERM MARKET FUNDAMENTALS: Ideas that the USDA may lower demand in the supply/demand report this morning along with a steady flow of fund selling helped drive the market lower yesterday and again overnight. Traders see ending stocks near unchanged from last month but many analysts assume a drop in production and a drop in demand to hold stocks near unchanged. However, there appears "less" certainty on the potential for the re-survey of states which were running late on harvest to show lower yield and lower production. In other words, the market seems to have confidence in the lower demand estimate but there is less confidence in an adjustment lower in production. Traders said that the fund activity yesterday along with evening up ahead of the USDA reports were the main features of the day. A well-known think tank associated with the University of Missouri forecast the 2010/11 US corn planted area at 89.6 million acres from 89 million posted in the USDA Outlook Forum and from 86.5 million acres last year. There seems to be plenty of traders looking at the possibility of corn acres above 90 million and there is a concern that a dry spring planting period could spark additional planted area to emerge. The short-term weather remains a potentially positive force as wet weather across much of the Midwest this week should keep late planting fears alive. However, there are plenty or traders warning that it is still way too early to worry about getting the crop planted. While traders see US ending stocks near unchanged, world supply/demand numbers are expected to carry a bearish tilt as higher production for Argentina and maybe Brazil add to the supply. Selling yesterday and overnight took the May contract to its lowest level since February 19th.

TODAY'S GUIDANCE: On bearish news this morning, May corn looks poised for a test of the February lows at 359 and another swing down to 346 1/2 with resistance at 371 1/2. On bullish news, December corn upside resistance should emerge near 405 1/4 and 409 1/2 which would put the market back on track for an eventual bounce to 417 1/2.

TODAY'S MARKET IDEAS:
None.

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) 03/10/2010: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 363 1/2. The next area of resistance is around 372 1/2 and 377 1/4, while 1st support hits today at 365 1/2 and below there at 363 1/2.

DAILY WHEAT COMMENTARY

03/10/10

Downtrend gaining a bit of momentum. Need a bullish surprise to rally.

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT -0.2

OVERNIGHT DEVELOPMENTS: May wheat was 1 cent lower overnight. The dollar index started higher overnight, but then sold off later in the grain's overnight session. Deliveries against the March wheat contract as of March 10th were 399 contracts with total deliveries for the month now at 5,789.

NEAR-TERM MARKET FUNDAMENTALS: The wheat market has been under selling pressure from funds so far this week, and this has helped to push the May contract to within less than 5 cents of the 2009 lows during the overnight session. Traders indicate that export demand for wheat softened on the firming trend in late February and that this, along with a relatively firm dollar in recent weeks had been a consistent negative price factor in the wheat market. The dollar was higher again to start the overnight session and this coincided with the latest round of selling in wheat. One analyst noted that the weakening price action in wheat has come against a general improvement in economic sentiment and he added that this may have diminished investor interest in a number of commodities. An official with the Canadian Wheat Board said yesterday morning that Canada may benefit from Brazil's decision to triple tariffs on non-hard wheat imports from the US. If this is the case, it would add to the lack of competitiveness of US wheat on international markets. An upswing in freight rates could also add to the US disadvantage in areas where competing exporters are closer to the customer than the US is.

TODAY'S GUIDANCE: Funds sold again yesterday in wheat and this is leading some traders and analysts to conclude that trend-following funds may once again be willing to increase their big net short position in this market. Wheat does show some signs of being oversold, and a short covering rally back to as high as 510 to 515 in the May contract is possible. However, it may take a lower dollar or a bullish surprise on today's USDA supply and demand report to trigger that rally given how close we are to the 2009 lows and sell stops that may be associated with those lows. First light support in the May contract is just above 480 3/4 with next support at 472. First resistance is 504 1/2 to 505 3/4 with next resistance near 515.

TODAY'S MARKET IDEAS:

None.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
Long May KC wheat/Short May Chicago wheat at +1 KC with an objective of +25 cents premium KC. Risk 9 cents from entry.

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) 03/10/2010: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is now at 484. The next area of resistance is around 492 3/4 and 496 3/4, while 1st support hits today at 486 1/4 and below there at 484.

KC WHEAT (MAY) 03/10/2010: 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's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 494. The next area of resistance is around 499 1/2 and 502, while 1st support hits today at 495 1/2 and below there at 494.

MINN WHEAT (MAY) 03/10/2010: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 507 1/4. The next area of resistance is around 513 1/2 and 516 1/4, while 1st support hits today at 509 and below there at 507 1/4.

RICE (MAY) 03/10/2010: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 12.819. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 13.112 and 13.188, while 1st support hits today at 12.928 and below there at 12.819.

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
GRAIN COMPLEX										
CNAK0	369	37.36	41.04	56.02	40.23	375.63	380.53	378.46	384.39	392.45
CNAZ0	397	40.42	43.43	62.71	49.36	402.75	406.36	403.69	407.29	414.84
SSAK0	947 1/2	44.25	44.91	38.87	29.24	945.06	953.42	956.99	965.66	984.38
SSAN0	956	44.87	45.34	40.62	31.02	953.25	961.31	964.46	972.49	990.67
SMAK0	258.7	30.56	34.49	17.92	12.82	258.25	263.80	268.55	275.21	281.67
BOAK0	40.30	64.33	60.89	86.15	85.75	40.16	39.98	39.51	38.86	39.13
WHAK0	489 1/2	39.64	42.07	33.53	18.19	495.06	503.11	505.82	516.38	524.18
WHAN0	502 1/4	39.90	42.25	34.77	19.15	507.56	515.50	518.35	528.27	535.83
RCAK0	13.020	24.47	28.32	8.72	6.19	13.08	13.40	13.78	14.27	14.59
KWAK0	497 1/2	40.68	42.97	31.45	19.86	501.94	508.11	510.40	519.31	524.58
MWAK0	511 1/4	42.53	43.91	33.89	24.40	514.19	518.17	520.08	530.19	535.67
OTAK0	225	26.28	30.80	16.25	9.17	226.38	228.36	234.19	243.87	250.63

Calculations based on previous session. Data collected 03/09/2010
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
GRAIN COMPLEX						
CNAK0	Corn	363 1/2	365 1/2	370 1/2	372 1/2	377 1/2
CNAZ0	Corn	390 1/2	393	398 1/4	401	406
SSAK0	Soybeans	931	940 3/4	944 1/2	954 1/4	958
SSAN0	Soybeans	940	949 1/2	953	962 1/2	966
SMAK0	Soymeal	253.8	256.7	257.8	260.7	261.8
BOAK0	Soybean Oil	39.68	40.03	40.21	40.56	40.74
WHAK0	Wheat	484	486 1/4	490 1/2	492 3/4	497
WHAN0	Wheat	496 1/4	498 3/4	503 1/4	505 3/4	510 1/4
RCAK0	Rice	12.818	12.927	13.003	13.112	13.188
KWAK0	KC Wheat	494	495 1/2	498	499 1/2	502
MWAK0	MINN Wheat	507 1/4	509	511 3/4	513 1/2	516 1/4
OTAK0	Oats	222 3/4	223 1/2	225 3/4	226 1/2	228 3/4

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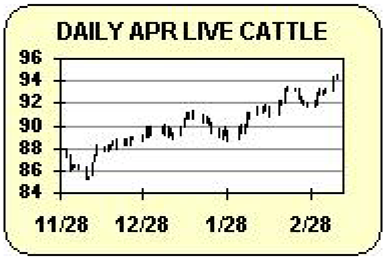
DAILY CATTLE COMMENTARY

03/10/10

Overbought with beef prices down on week and higher cash expected



The market remains in a steep uptrend but new buyers seem hesitant to jump in on the long side given the overbought condition of the market. April cattle is already up near 7% from the February lows and managed to inch higher in quiet trade yesterday. The supply fundamentals remain supportive with more rain in the plains this week expected to keep feedlots muddy and keep weight-gains slow. April cattle inched higher and managed to move to the highest level since May, 2009 yesterday which was near the contract high of 95.00. Fund buying continues to support the market even with outside markets weaker. Cash cattle are priced near $94.00 this week after trading at $92.00 on Friday. Bids have not emerged yet. Open interest pushed to another record high for the 7th day in a row. The estimated cattle slaughter came in at 123,000 head yesterday. This brings the total for the week so far to 243,000 head, up from 242,000 last week at this time and up from 241,000 a year ago. Boxed beef cutout values were up 23 cents at mid-session yesterday and closed 21 cents higher at $149.50. This was down from $151.25 a week ago. The increase in beef production from the 1st quarter to the second quarter is expected to be the smallest increase in 10 years and this should help support a stronger than normal seasonal rise in prices into the spring.

TODAY'S GUIDANCE: The market is overbought and beef prices are beginning to show some weakness with beef lower than last week. Traders expect cash cattle to trade at least $2.00 higher this week so the bar is set high for the bulls. On the weekly continuation chart, 94.77 becomes next key resistance level with close-in support for April cattle at 93.42 and 93.05.

TODAY'S MARKET IDEAS:
Position traders might consider buying 3 August cattle 94 calls near 155 each and then sell 1 futures. The trader can then lift the futures on a meaningful correction and hold calls.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
* Long 1 June cattle 92.00 call from 140. We took a gain of 45 points on one of the calls and 130 points on the second call and also took a loss of 222 points on a June futures position. Hold 1 call for now. *

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) 03/10/2010: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 94.806. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 94.562 and 94.806, while 1st support hits today at 94.088 and below there at 93.857.

FEEDER CATTLE (MAR) 03/10/2010: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 objective is at 10287.000. The next area of resistance is around 10257.000 and 10287.000, while 1st support hits today at 10215.000 and below there at 10200.000.

DAILY HOGS COMMENTARY

03/10/10

Short-term weakness but still in bull trend; packer margins weak

The market is still under the negative technical influence of the March 4th reversal for June hogs and also still at a hefty premium of futures to the cash market. Packer margins have moved from positive last week to negative this week which could significantly crimp packer demand to own live inventory. This may cause some short-term pressure on the cash market. Recent weight data suggests that there are plenty of hogs available for slaughter near-term and a plant closing in Indiana with a slaughter capacity of 15,000 head is just another reason to expect a short-term correction to the downside. With the trend up, breaks still look like buying opportunities but buyers can be patient. June hogs closed sharply lower on the session yesterday and down to the lowest level since February 25th. Cash markets were steady on the day but traders see the large premium of futures to the cash market and weakness in loins as a "reason" to exit longs after the strong rally of the past 4-5 weeks. Ideas that the market is overbought after the recent bull trend with June hogs still trading near 325 points premium to the 100-day moving average was also seen as a negative force. The CME Lean Hog Index as of March 5 came in at 73.00, up 61 cents from the previous session and up from 69.79 the week before. The estimated hog slaughter came in at 402,000 head yesterday which was below trade expectations and might be considered a sign of weaker packer demand. This brings the total for the week so far to 811,000 head, down from 861,000 last week at this time and down from 837,000 a year ago. Pork cut out values, released after the close yesterday, came in at $74.60, down 12 cents from Monday but up from $73.96 the previous week.

TODAY'S GUIDANCE: June hog support is back at 79.40 and 78.40. April hog support should emerge near 70.95.

TODAY'S MARKET IDEAS:

With the longer-term trend up and the short-term overbought condition, consider buying multiple out-of-the-money calls and then sell the futures. A futures correction could help pay for part of the premium spent.

NEW RECOMMENDATIONS:

None.

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) 03/10/2010: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 71.638. The next area of resistance is around 73.125 and 73.737, while 1st support hits today at 72.075 and below there at 71.638.

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
MEAT COMPLEX										
GLEJ0	94.325	75.80	70.87	77.39	84.30	93.63	92.84	92.56	91.03	90.29
FCH0	10235.000	63.02	63.47	77.60	77.83	102.40	102.06	101.70	99.61	98.22
HEJ0	72.600	60.15	59.16	84.60	80.40	73.01	72.86	71.06	70.50	70.32

Calculations based on previous session. Data collected 03/09/2010
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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
GLEJ0	Live Cattle	93.856	94.087	94.331	94.562	94.806
FCH0	Feeder Cattle	10197.000	10212.000	10242.000	10257.000	10287.000
HEJ0	Lean Hogs	71.637	72.075	72.687	73.125	73.737

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