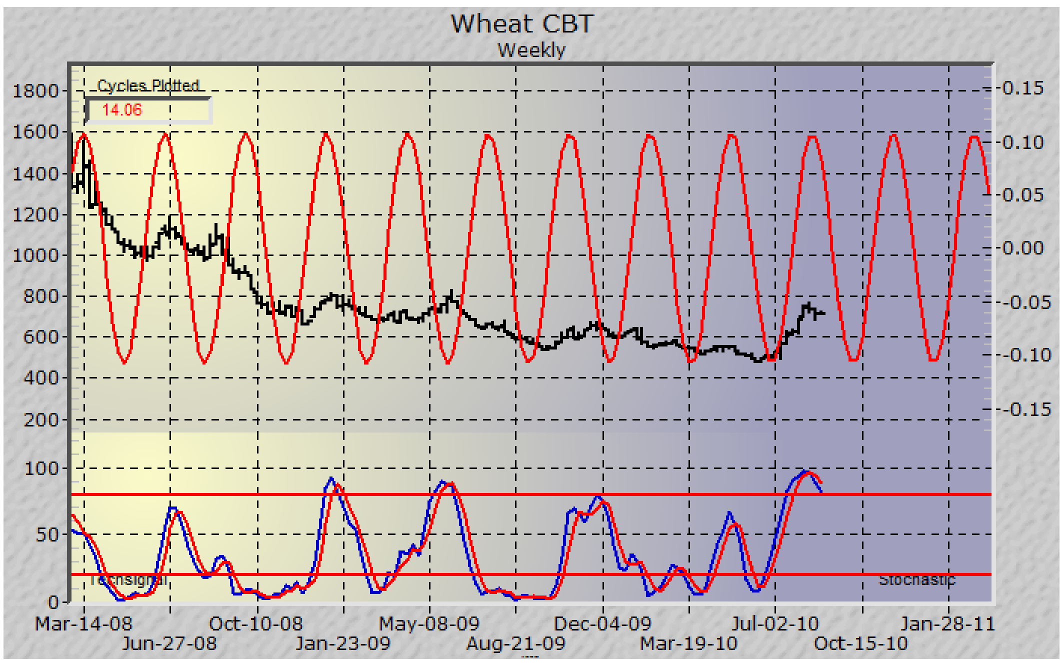
Cycle Projections - Commodities

COMMODITIES : CRB, SOYBEANS, CORN, WHEAT, COTTON, MEATS, ETC.

VOLUME III, ISSUE 7

Can there be a further commodity price rally in 2010?

In the last issue we felt that the 77-week cycle, despite being up, would only support the market in its longer down leg. You may ask but what about wheat? It has sky rocketed. Can it and other agriculturals spurt the CRB to new highs? But a consideration of the construction of the CRB Index sheds some insights into this issue. The CRB index is about 41% agriculturals, 39% energy, 13% base and industrial metals with 7% precious metals making up the balance. If you total the economically sensitive side and exclude the agriculturals you have over half the index likely to underperform due to poor economic activity. We grant that precious metals will outperform and that leaves the agricultural, which are heading into their normal seasonal decline; although with the existing drought in many growing ranges that trend will be ameliorated. In the past, recessions have put major dampers on agricultural prices; although bad crops will always cause prices to rally, but will not change the trend. Notice the chart of weekly wheat with the important 14-week trading cycle. This is now down, but the most important factor is the overall trend from the 28-year cycle high in 2008. The run up in wheat was significant, but it is not a trend breaker, and the overall trend is down. However, we do not expect wheat prices to drop to zero nor do we expect them to drop significantly below the lows that followed the 2008 major highs. due to increased demand. The picture is as follows. With the emerging markets, overall demand will continue to rise for all commodities; however, that will be dampened by the continued poor economic activity. Thus we expect a trading range between the recent 2010 highs and major lows made after the 2008 high. Therefore wheat and commodity prices should again remain range bound. The most profitable cycle will be the 14-week cycle shown above in our wheat chart.



Grains and Oil Seeds: Agriculturals will now drift lower in a new range. **Energy**: Crude, like all commodities, remains in a trading range with a floor around $68. **Metals**: The metals are not in a trading range and we expect a major rally in the fall. **Food and Fiber**: The food and fiber markets will also drift sideways. Lumber will follow construction. In short, without new economic activity, the word is “sideways”. **Meats**: We remain neutral with a slight bullish bias; but with higher grain prices don’t expect a major rally.

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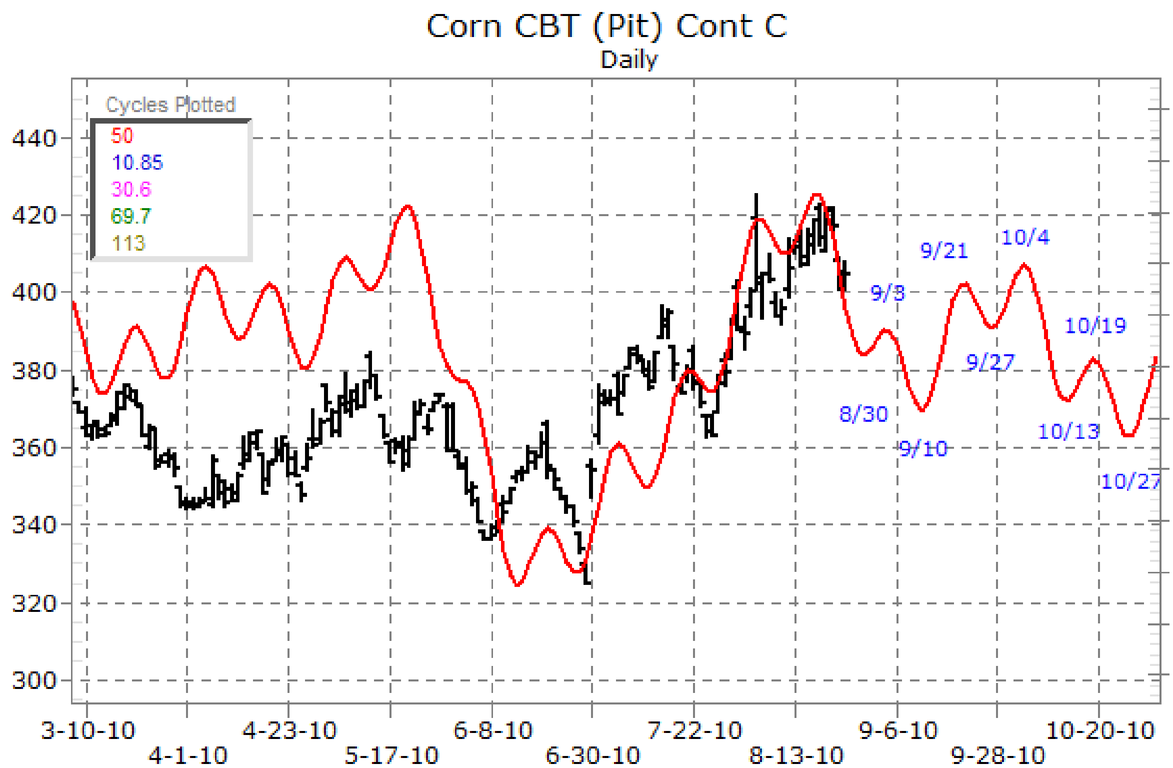
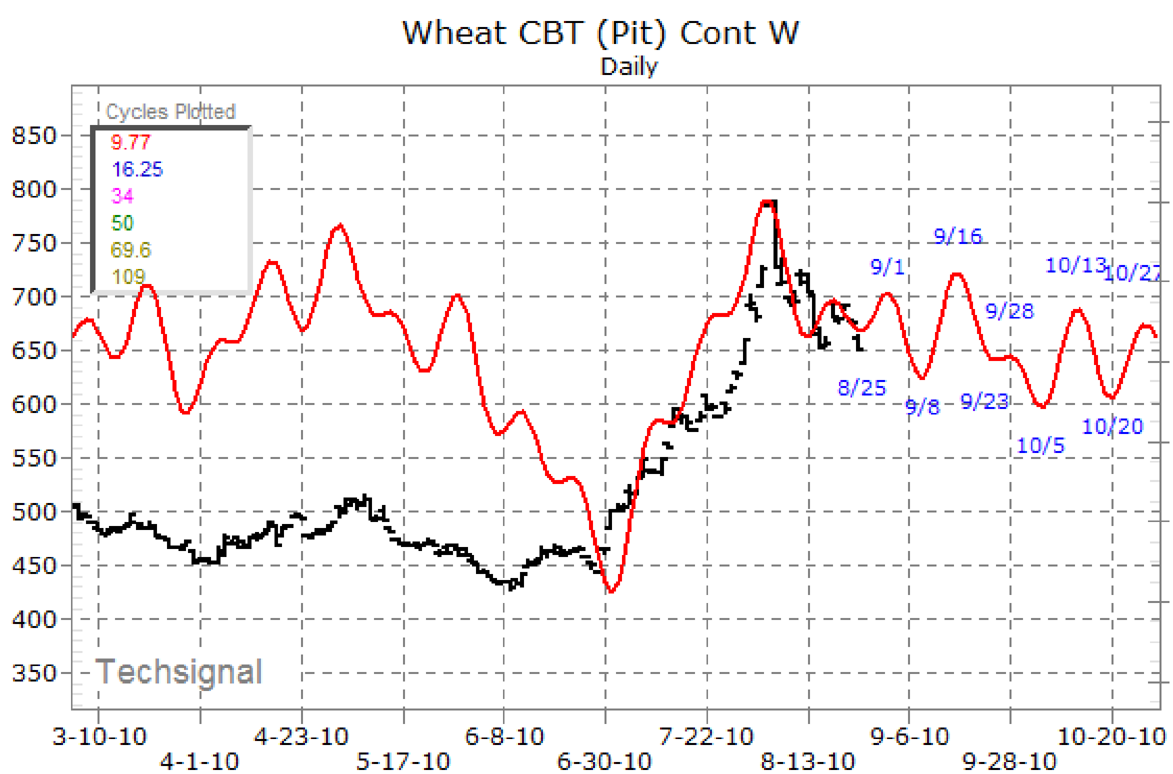
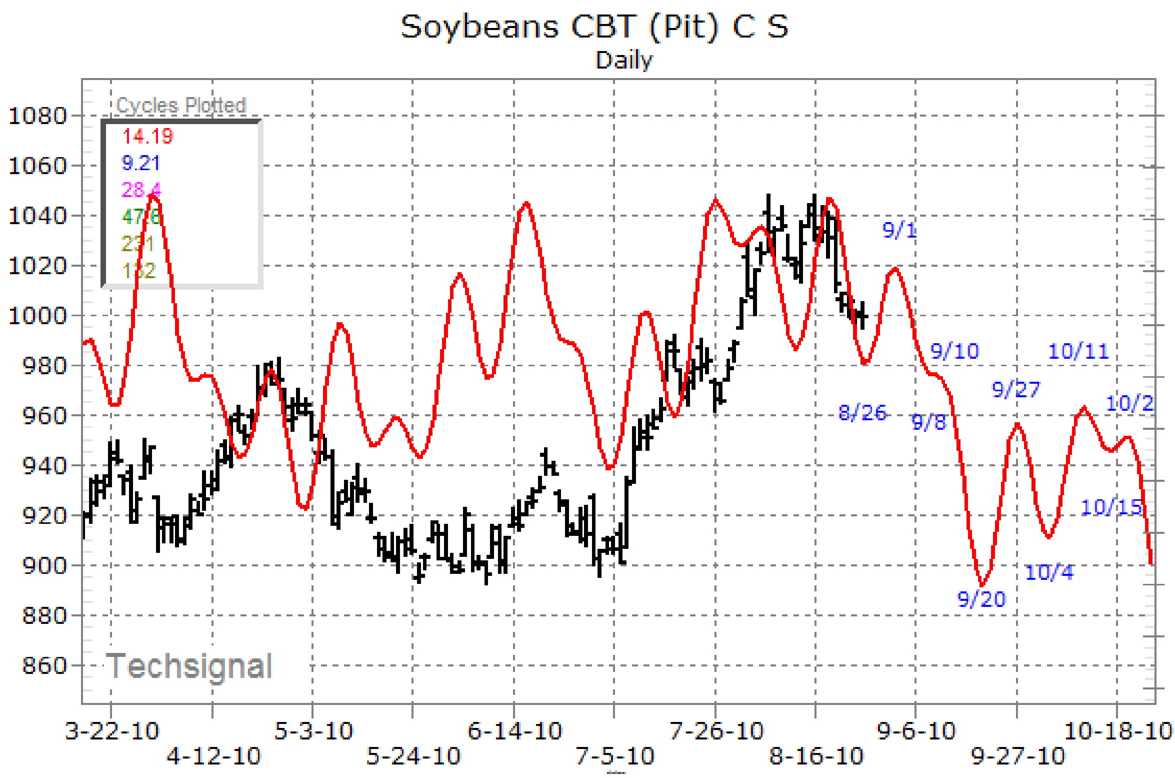
Daily Corn



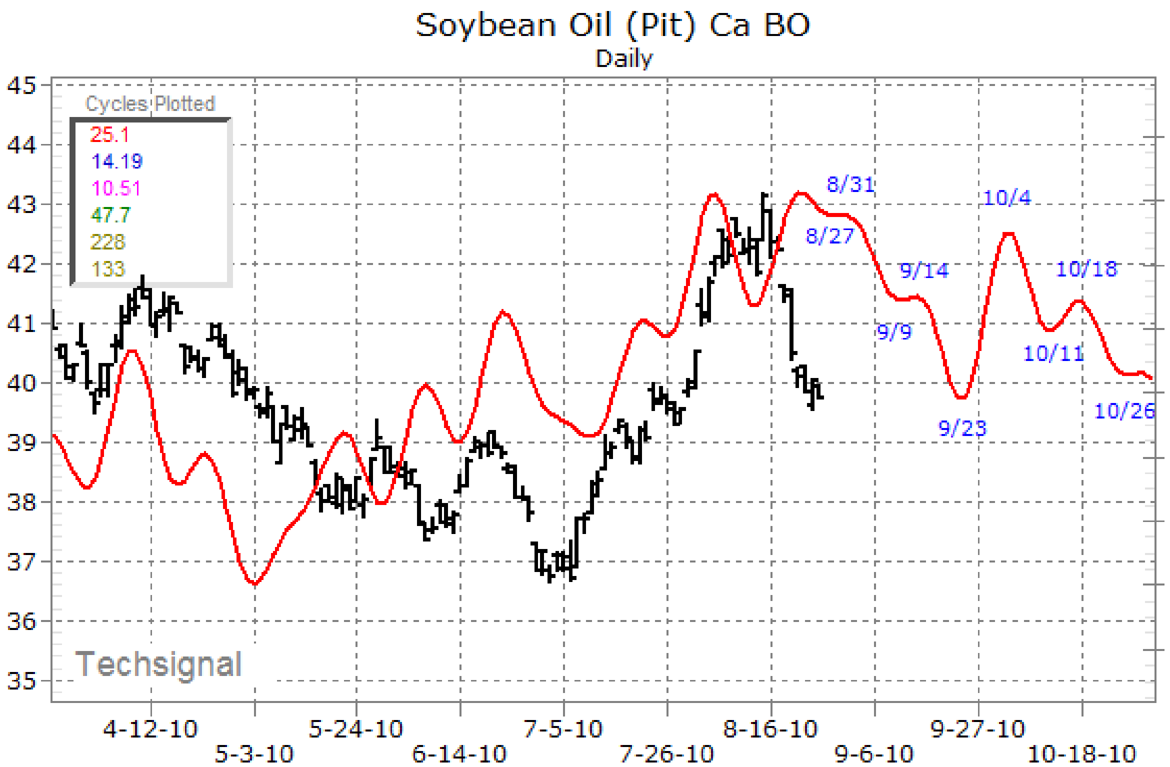
Daily Wheat



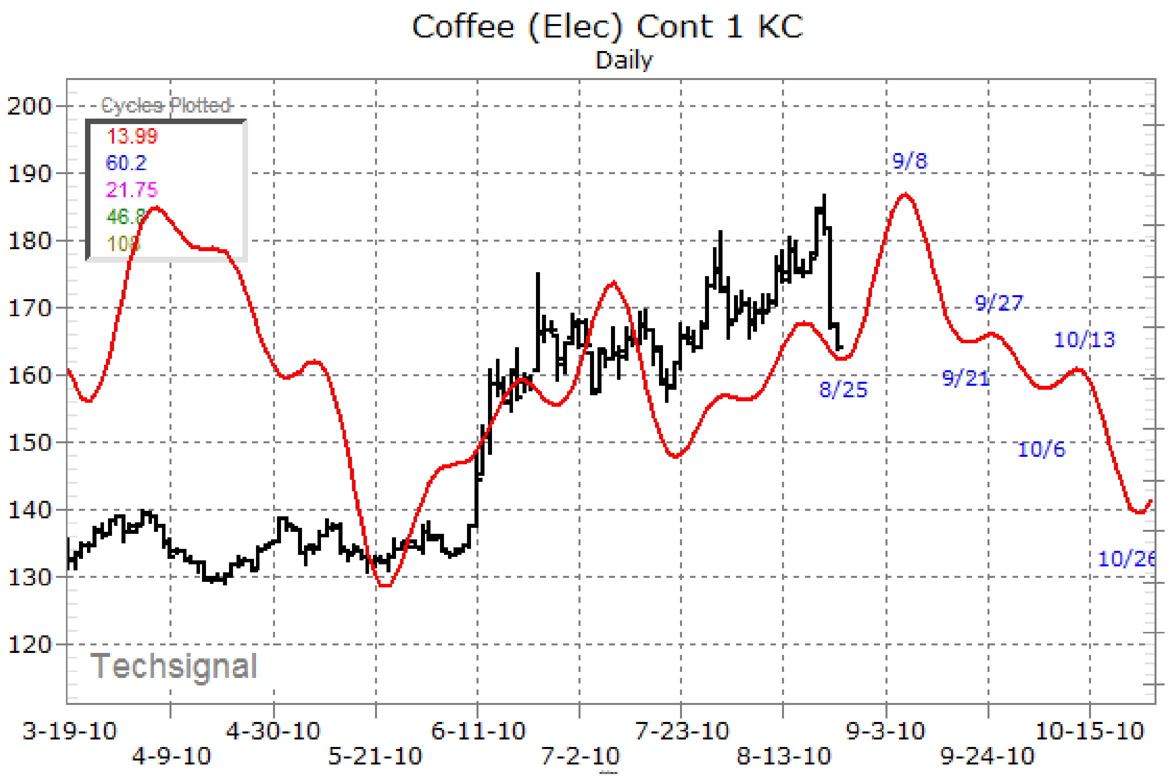
Daily Soybeans



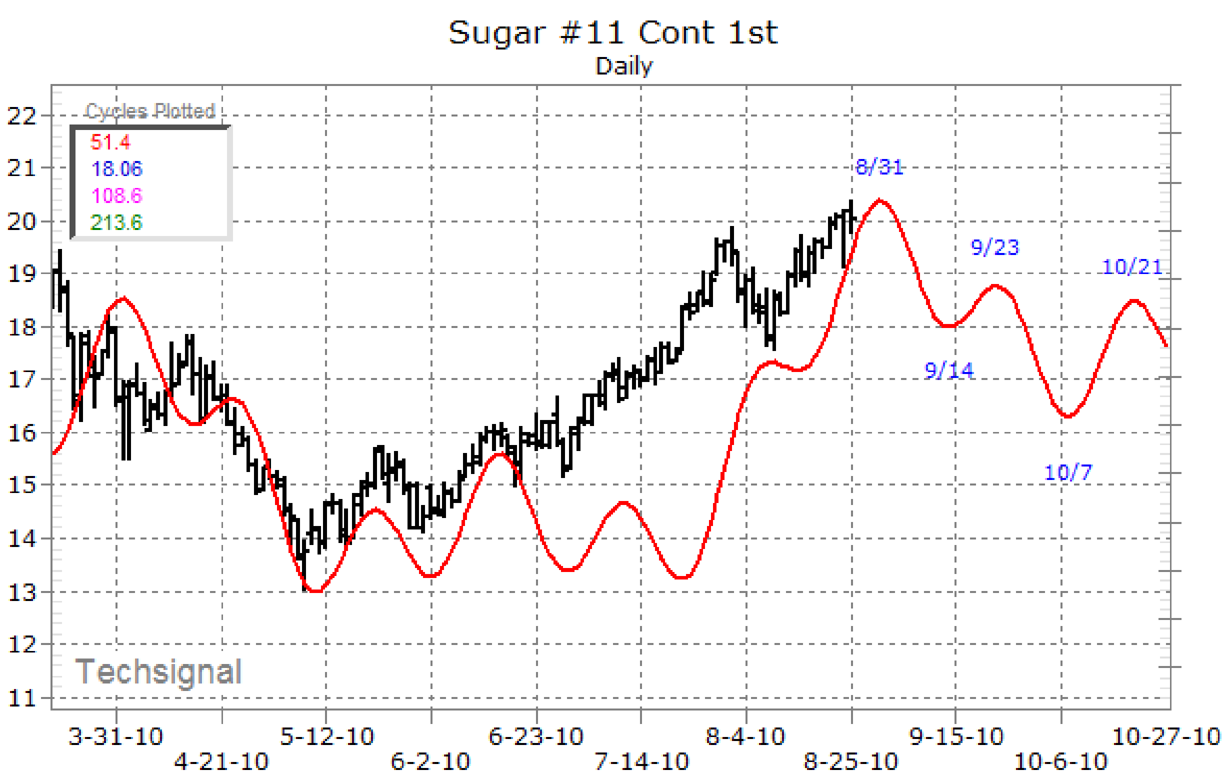
Daily Soybean Oil



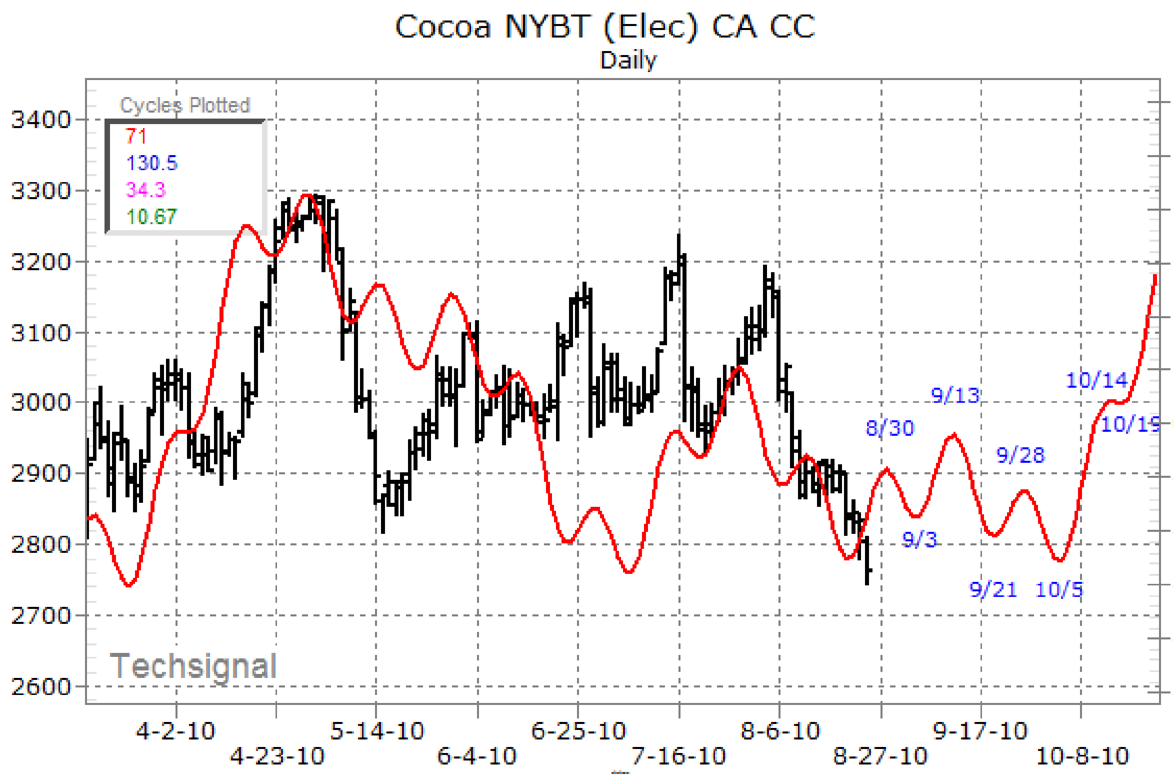
Daily Coffee



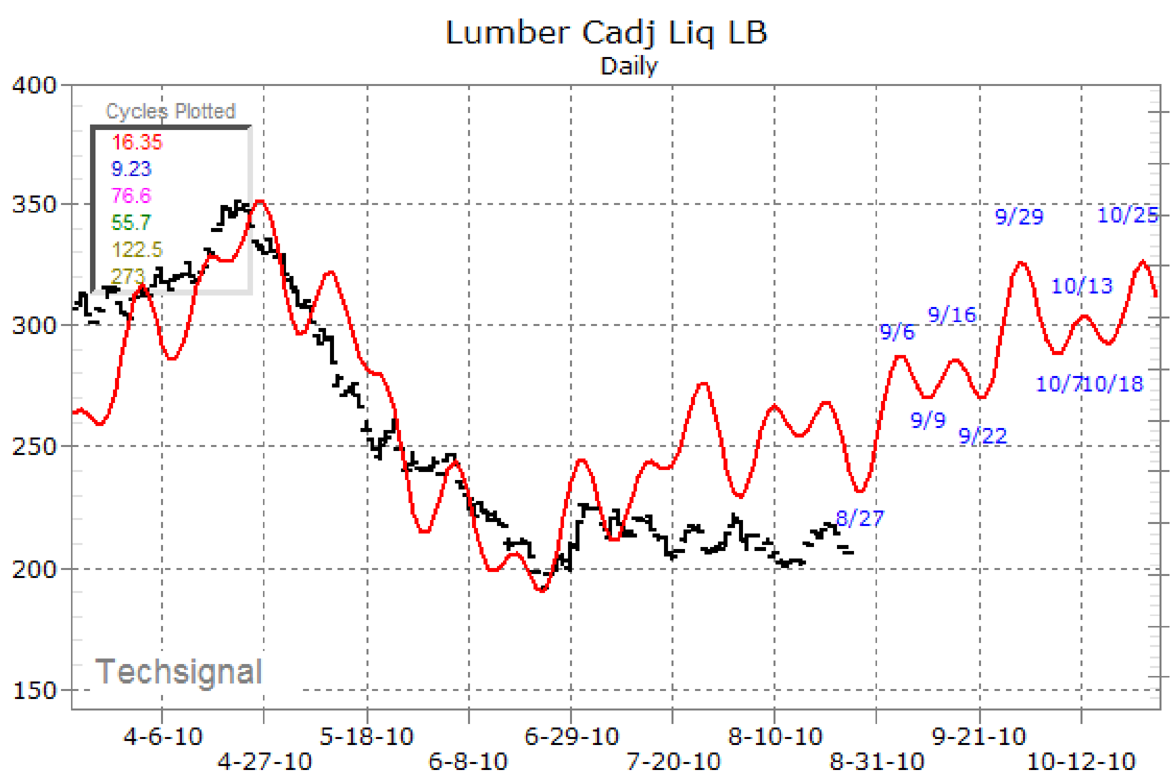
Daily Sugar



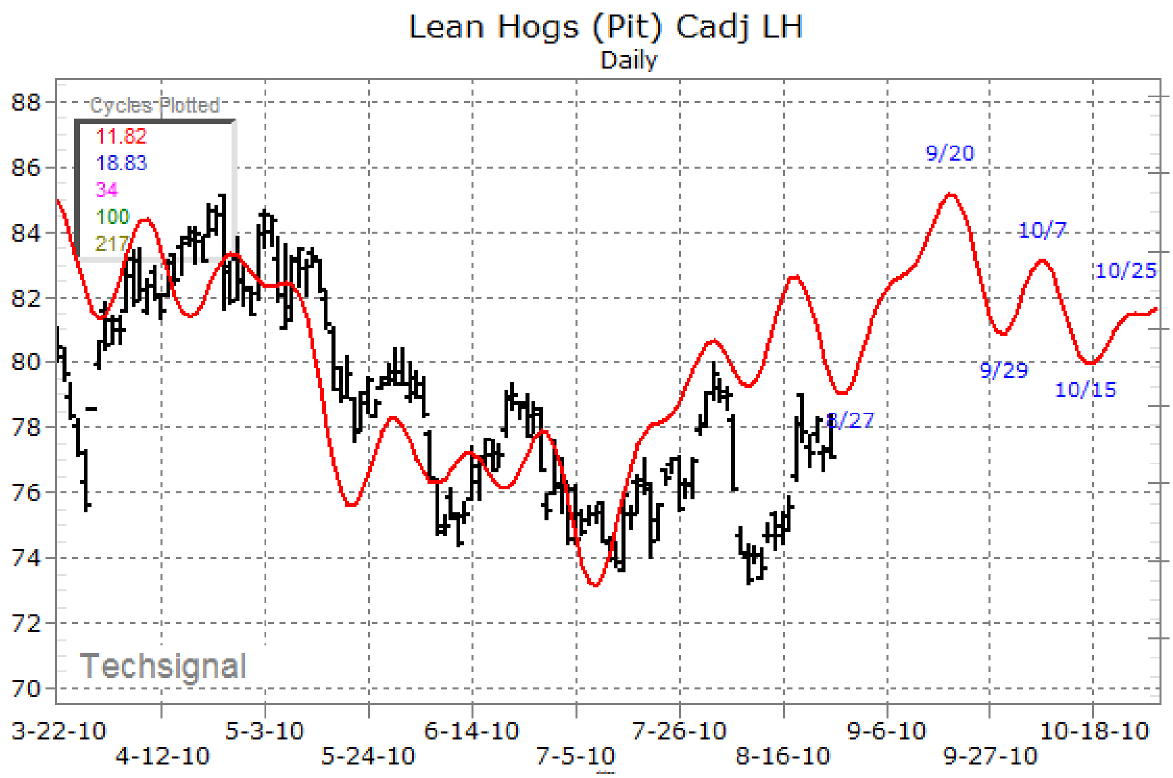
Daily Cocoa



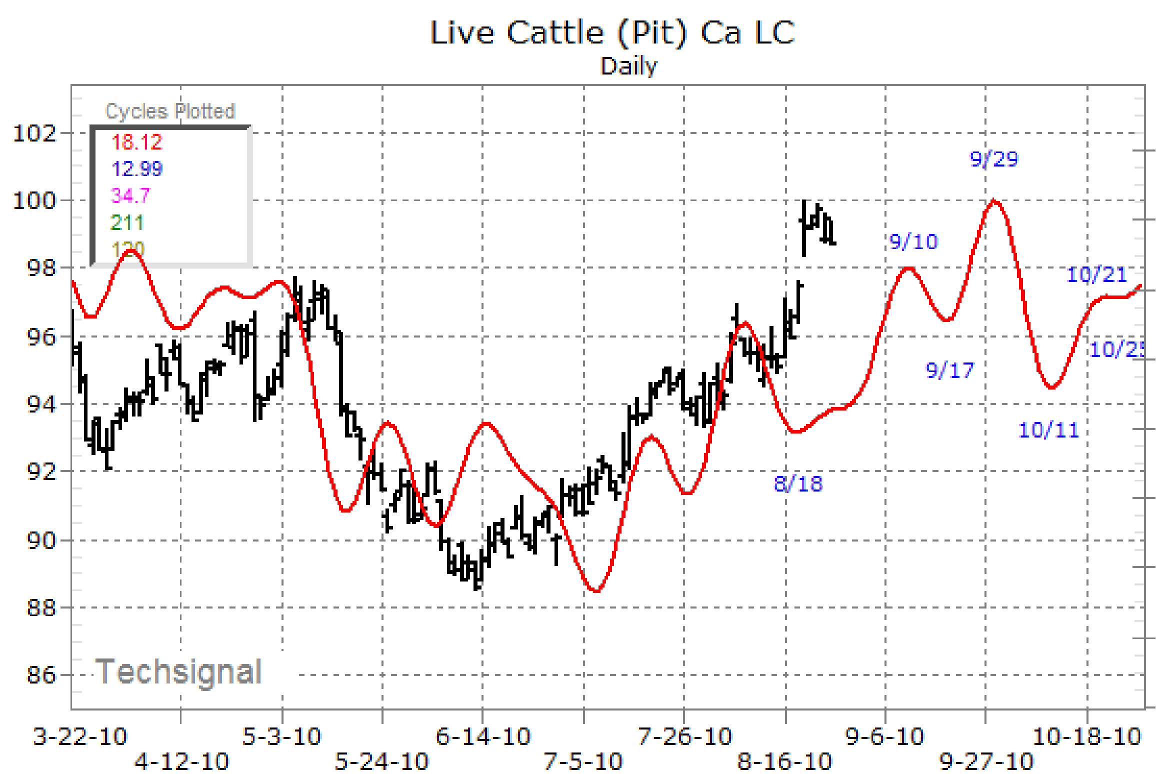
Daily Lumber



Daily Lean Hogs



Daily Live Cattle



Notice to Subscribers

Begging with this publication we have created new analyses for all individual markets covered. Next month and for the following months we will be adding a feature called "How It Came Out" showing how each projection turned out compared to the market itself for the most recent month or two. In situations where time or market conditions warrant a new analysis we will not include a "How It Came Out" section until the following month. We will also let you know that we have conducted a new analysis. Our goal is to create a tracking of how well the analysis used performs through time. Also for this and all following issues we include a window listing the cycles used in our synthesis as well as presenting prices in the high, low close format.

One further comment: Given we have had to construct new analyses for all series in all publications we are behind our publishing schedule. All subscribers will receive all 12 issues in their subscriptions. We thank you for your patience.