

Bi-Weekly Investment Outlook

Saturday October 2nd 2004 Issue # 202

"Observation, experience, memory and mathematics--These are what a successful trader must depend on. He must not only observe accurately but remember at all times what he has observed. He cannot bet on the unreasonable or on the unexpected, however strong his personal convictions maybe about man's unreasonableness or however certain he may feel that the unexpected happens very frequently. He must bet always on probabilities--that is try to anticipate them. Years of practice at the game, of constant study, of always remembering, enables the trader to act when the unexpected happens as well as when the expected comes to pass. A man can have great mathematical ability and unusual power of accurate observation and yet fail in speculation unless he also possesses the experience and memory "

--Reminiscences of a Stock operator-- 1929

Saturday October 2nd, 2004
4:00 AM eastern time

The Frenzied Forex Front

The world's top economic leaders met on Friday .. to sum it up they asked oil producers to turn on the spigots, asked consumers to conserve and demanded better market data to determine why oil prices have hit levels that may stunt the best world growth in 30 years .

Here are some quotes from the G-7 text and some specific comments made by some ministers.. *"Oil prices are high and remain a risk," . "So first, we call on oil producers to provide adequate supplies to ensure that prices moderate," "Second, it is important consumer nations increase energy efficiency."*

"We are urging the countries with reserves to do everything they can to make sure that the supplies are adequate to meet market requirements," U.S. Treasury Secretary John Snow said.

"That commitment on their part to make adequate reserves available will help deal with some market uncertainty, which I think is feeding some speculation and which is taking the stock price well above the fundamentals in the market." The ministers also are asking the International Energy Agency to improve *"oil data transparency."*

Oil consuming nations are asking the agency (whose roots go back to the 1974 oil crisis) to make an assessment of whether scarce oil supplies speculation or raging demand is the main culprit behind a relentless upward march in prices. The agency has already said it is not lack of supply , which in itself implies demand while hefty should not account for the run up.. leaving only speculation (It means the a plausible next step would be accusations of a 'corner' and threats of a 'silver style' forced liquidation once the Oil producers hedge virtually all their production for the next several years.)

"Global economic growth is strong and the outlook for 2005 remains favorable," "Inflation and inflation expectations remain low in our economies." The G7 said it would *"return to the issue of medium-term energy demand and supply at our next meeting."*

After the meeting the ministers participated in a working dinner with China's finance minister Jin Renqing and central bank chief Zhou Xiaochuan. Part of those talks covered Beijing's steps to loosen its Yuan currency. China's central bank governor said the country had more preparatory work to do before freeing its Yuan.

"China's forex regime could change on certain conditions but we need to do more preparation," governor Zhou said before he met with the G7. After dinner he told Reuters "It is impossible to change it (now)"

The G7 forex statement should be considered a non event in forex markets , it is the same statement made at the Boca meeting in May...

That pretty much sums up the meeting and surrounding babble. The communiqué may also put an end to senseless dribble from overseas publications' 'sources', which claim some countries are calling for a de-facto devaluation of the US dollar. On to the nitty Gritty...

Dec Yen

Resistance should appear near 9140 to 9156 and 9237. Traders can sell at 9132 and risk a close over 9242 for three days in a row. Beyond sellers should appear near 9316 to 9347.

Support should appear near 9060 to 9044, a close under augurs for a test of 8964 to 8934
Traders should go short if a close under 9099 occurs

Short Term seasonal weakness usually confronts the Yen past mid October until Early November

Dec Euro Currency (EC)

Recommended Open Position Short 2 at 12155 avg

Last week Eurozone manufacturing PMI came in at 53.1 and appears to have stagnated.. Despite rising exports, Europe isn't getting the business investment and hiring needed to boost a tepid economic recovery. Confidences in some top sectors of European economies are showing signs that the export boom of the past year may die out before domestic demand comes alive. AKA Japan... In Europe's airline industry budget carrier EasyJet said it would expand its fleet next year by only 16%, rather than 24% as previously planned. Corporate investment in Western Europe is rather slow as companies are being attracted by opportunities in more demand economies including Asia and Eastern Europe. German Giant BASF AG is choosing to invest outside Germany as company a Spokesman said "We invest where the markets are, and the markets with growth potential are in Asia," "Demand in Germany isn't growing much, and what's needed in Germany can be supplied from the capacity we already have." Spanish based clothier Zara said it would open more than 300 new outlets this year. many of them would be outside the euro zone.

Granted , exports from the Eurozone increased 5.2% in the first six months of this year as demand soared in the U.S. and China. However corporate investment in the euro zone rose only 0.1% in second quarter of this year after falling 0.2% in the first quarter.

Let me clarify my stance here , I do not want to sound like a worrywart here. Fundamentals support a continued recovery in Europe, but robust is hardly the word .. Jean-Claude Trichet, president of the European Central Bank, said recently that during a normal recovery, a pickup in exports normally would be followed by "the booster of investment and the booster of consumption." He said he still expects this to happen over the course of this year and next, but that in some countries it would happen only "with a lot of difficulty."

The European Union's own index measuring economic sentiment in the euro zone declined slightly to 100.7 in September from 100.9 in August. While the survey showed slight gains in the optimism of manufacturers and consumers, they were offset by waning confidence in the service, retail and construction sectors.

The current weak investment growth comes despite an improvement in corporate profit margins since 2003, reflecting restructuring and reduced labor costs. Instead of investing these profits, many companies have been paying off debts they took on during the 1999-2000 economic boom. Unemployment remains a big issue. Without any further fiscal stimulus from the corporate and domestic side a boom is unlikely

---Again we call for The ECB to do what it can to boost consumption and for the Fiscal mavens in Europe to accelerate pro-growth economic policy..

Support should appear at 12380 to 12350 and 12320. Bulls are entrenched about 9 thousand longs as of Tuesday ..commercials met the selling .. Below 12320 a slip towards 12175 is ultimately a likely scenario if liquidation occurs..

Resistance is at 12455 and 12530.. Above that selling should appear near 12680 to 12740

Dec Swiss Franc

Recommended open Position Short 2 at 7944 avg

Resistance should appear near 8029 to 8044 and the 8119 to 8134 region

Support should appear near 7954 to 7939 and 7864 to 7836

Dec British Pound

Recommended open Position Short at 17732

Support should appear near 17800 to 17740 and 17380 to 17310

Resistance should appear near 17962 and 18080 to 18220

Dec Canadian Dollar

Recommended open Position Short at 7762

Resistance should appear near 7939 to 7954 and 8119 to 8134

Support is at 7864 top 7834 and 7777 to 7763.

Dec Aussie Dollar

Support should appear near 7170 to 7143 and 7003 to 7990

Resistance should appear at 7242 to 7255 and 7414 to 7428.

The Sensational Stock and Bond Markets

Dow Jones Industrial Average

Resistance should appear near 10320 to 10360 and 10470

Support should appear near 10185 and the 10136 to 10104 region.

December SP500

Recommended open position Long at 1123.90

Resistance should appear near 1136.00 and 1150.00.

Support should appear near 1115.50 and 1101.00 to 1096.00

Traders should stay tuned for BW Updates and Flashes

Nasdaq Composite

Support should appear near 1909 to 1902 and 1865 to 1858

Resistance should appear near 1946 to 1953 and 1982 to 1996

Dec Mini Nasdaq 100

Resistance is at 1459 and 1484 to 1496

Support is at 1437 and 1421 to 1415

December 10 Year T-Note

Resistance should appear near 112-07 and 112-22.. Above that 113-07 and 113-22 should rallies

Support is at 111-22.and 111-07 ..below that 110-22 and 110-07 should hold.

Precious Metals

December Gold

Recommended Open Position Short 3 at 404.4 avg

Resistance should appear at 423.8 to 424.9 and 430.4 to 431.5.

Support is at 418.3 to 416.3 and 412 to 411

December Copper

Recommended open Position Short at 130.20

Support should appear near 13460 to 13340 and the 12740 to 12680 region.

Resistance should appear near 14150 to 14210 and 14530 to 14590

Dec Silver

Recommended open Position Short at 657

Support should appear near 683.5 to 680.5 and 667.5 to 665.5.

Resistance is at the 699 to 700.5 and 714.5 to 717.0. Beyond that sellers should appear near 732.5 to 734.5.

The Exciting Energies

Due to the nature of the Crude market our numbers in the Energy section are very wide.

Nov Crude Oil

Resistance should appear near 5127 to 5139 and 5344 to 5356.

Support should appear near 4995 to 4973 and 4785 to 4775

Nov Unleaded Gas

Recommended open Position Short 2 at 12925 avg

Resistance should appear near 13770 to 13830 and 14530 to 14590.

Support should appear near 13460 to 13340 and 12740 to 12680 .

Nov Heating Oil

Resistance should appear near 14150 to 14210 and 14840 to 14960 .

Support should appear near 134609 to 13340 and 12380 to 12320

The Lively Livestock

Some analysts are questioning the size of the US Hog Breeding herd numbers in the last USDA Hog Report. 77% of the increase in the size of the breeding herd on September 1 was in North Carolina. Apparently in North Carolina the breeding herd is rounded to the nearest 50 thousand head. If so the increase may be less than a 50,000 increase... This would Support next summer hogs prices and possibly cause a bot of widening of the price differential between winter hog and next summer prices

Looking to the 4th quarter we expect slaughter to be up 1-2% compared to last years numbers which were down from the previous year.. The unknown is demand .. and the obvious is that cheap corn continues to act as a carrot for hog producers to increase heard size in both the US and Canada for some time...

No Change in pork posture or opinion....

December Cattle

Recommended open position short at 8697

Support should appear near and 8777 to 8762.. A close under augurs for a test of the 8587 to 8557 region. Below that buyers should appear near 8317 to 8302

Resistance is at 8932 to 8967 and the 9042 to 9062 region. Beyond that 9137 to 9157 should cap a rally..

December Hogs

Recommended open position short at 6987

Support is at 6837 to 6812 and 6757 to 6742. A close under augurs for a test of 6672 to 6657 and the 6592 to 6577 region. Below that buyers should appear near 6512 to 6482 and the 6352 to 6337 region.

Resistance is at 6907 to 6922 and 6992 to 7002. Above that sellers should appear near 7062 to 7077 and the 7137 to 7172 region. Beyond that 7327 to 7342 should cap a rally.. Traders can sell at 7237 and risk a close over 7362 for three days in a row..

Seasonal Weakness tends to occur, after the first week or so of October

Aggressive traders should go short if a close under 6802 occurs.

February Pork Bellies

Resistance should appear near 9707 to 9737 and 9922 to 9937. BW Traders can sell at 9917 and hold for lower prices.. Beyond that sellers should appear near 10022 to 10037 and the 10317 to 10362 region.

Support is .9642 to 9627 and 9542 to 9527 a close under augurs for a test of 9347 to 9317 and the 9157 to 9142 region

--Stay tuned for BW updates and Flashes in the Livestock complex --

The Grande' Grains

December Corn

Support should appear near $204 \frac{1}{4}$ to $203 \frac{1}{2}$ and $199 \frac{3}{4}$ to $198 \frac{1}{4}$..Below that a test of $195 \frac{1}{4}$ to $194 \frac{3}{4}$ and the $190 \frac{3}{4}$ to $190 \frac{1}{4}$ region is likely.

Resistance is at 208 to $208 \frac{3}{4}$ and $212 \frac{3}{4}$ to $213 \frac{1}{2}$.. Above that sellers should appear near 217 to $218 \frac{1}{2}$ and $221 \frac{3}{4}$ to $222 \frac{3}{4}$. Traders can sell at $220 \frac{3}{4}$ and risk a close over $228 \frac{1}{4}$ for three days in a row.

November Beans

Support is at $528 \frac{1}{4}$ to $525 \frac{3}{4}$ and the $521 \frac{1}{2}$ to 521 region. .. A close under augurs for a test of $506 \frac{3}{4}$ to $505 \frac{3}{4}$ and the $499 \frac{1}{2}$ to $497 \frac{1}{4}$ region. Below that buyers should appear near $485 \frac{3}{4}$ to $484 \frac{1}{2}$ and contain a decline.

Resistance is at $541 \frac{3}{4}$ to 543 and $549 \frac{1}{4}$ to $550 \frac{1}{2}$ beyond that sellers should appear near the $555 \frac{1}{4}$ to $557 \frac{3}{4}$ region. ...Traders can sell at $554 \frac{3}{4}$ and risk a close over $567 \frac{1}{4}$ for three days in a row.

Traders should go short if a close under $533 \frac{3}{4}$ occurs.

December Soymeal

Support should appear near 161.5 to 160.9 and 157.6 to 156.9. A close under augurs for a test of 153.5 to 152.9 and the 149.6 to 148.4 region.

Resistance should appear near the 164.2 to 165.5 and 168.9 to 169.6 .Beyond that sellers should appear near 173.1 to 173.8 and the 177.4 to 178.0 region, which should cap a rally. Traders can sell at 173.0 and risk a close over 179.7 for three days in a row.

Traders should go short if a close under 160.7 occurs

December Soybean Oil

Resistance should appear near 2126 to 2134 and 2170 to 2185 . Beyond that sellers should appear near 2219 to 2226 and the 2267 to 2275 region. Traders can sell at 2212 and risk a close over 2329 for three days in a row.

Support should appear near 2089 to 2080, a close under augurs for a test of 2042 to 2034 and the 1996 to 1982.

Traders should go short if a close under 2077 occurs.

December CBOT Wheat

Recommended open Position Long 2 at $330 \frac{1}{2}$

Support should appear near 299 to $297 \frac{1}{4}$ and $293 \frac{3}{4}$ to $292 \frac{3}{4}$.Below that $288 \frac{1}{4}$ to $287 \frac{1}{2}$ contain a decline..

Resistance should appear near $309 \frac{1}{4}$ to $310 \frac{1}{4}$ and $314 \frac{3}{4}$ to $315 \frac{3}{4}$, a close over is friendly and augurs for a test of $326 \frac{1}{4}$ to 327 and the $331 \frac{3}{4}$ to $332 \frac{3}{4}$ region.

Wheat tends to firm into the last week of October.. Traders should go long if a close over $304 \frac{3}{4}$ occurs.

The Satisfying Softs

December Coffee

Support is near the 7955 to 7940 then 7865 to 7835 and 7780 to 7765. Under that buyers should appear near 7690 to 7675 and the 7605 to 7585 region. which should hold. Traders can buy at 7865 and risk a close under 7570 for three days in a row.

Resistance should appear near the 8030 to 8045 and 8300 to 8315. A close over augurs for a test of 8485 to 8505 and the 8760 to 8775 region.

Traders should go long if a close over 8045 occurs.

December Cocoa

Support is at 1421 to 1415 and the 1383 to 1377 region. Below that a test of 1346 to 1334 and the 1310 to 1304 region is likely.

Resistance is at 1453 to 1459 and 1484 to 1496 Above that sellers should appear near 1521 to 1535 and the 1569 to 1576 region. Which should cap a rally. Traders can sell at 1517 and risk a close over 1579 for three days in a row.

March Sugar

Recommended open Position Short at 858

Support should appear near 882 to 877 and 852 to 847

Resistance should appear near 907 to 912 and the 932 to 941 region.

December Cotton

Support should appear near 4650 to 4635 and the 4585 to 4570 region. Below that a test of 4515 to 4505 and the 4445 to 4425 and the 4380 to 4370 region is likely.

Resistance should appear near 4775 to 4785 and 4845 to 4855. Beyond that sellers should appear near 4970 to 4995 , which should cap a rally for, a bit..

- A Ship in Harbor is Safe...But that is not what ships are built for -

Happy Trading !

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BW Open Positions

Short 2 December EC 12155 avg

Short 2 December Swiss Franc 7944 avg

Short Dec Canadian Dollar 7762

Short December British Pounds 17732

Long Dec SP500 1123.90

Short 3 Dec Gold 404.4 avg

Short Dec Copper 130.20

Short Dec Silver 657

Short 2 Nov Unleaded Gas 12925 avg

Short Dec Cattle 8697

Short December Hogs 6987

Long 2 December Wheat 330 1/2 avg

Short March Sugar 858