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Bi-Weekly Investment Outlook

Sunday September 21st, 2003

Saturday September 20th, 2003
7:00 AM eastern time

"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- originally published in 1923--

The 'Frenzied' Forex Front

'Caught Sleeping at the Wheel '….
Dollar Bulls were 'Caught Sleeping at the Wheel 'just past midnight on Friday when a preliminary Draft of the G-7 Communiqué surfaced and sped it's way across Asia and onto the wire services by 1 AM….

The early draft wording contained its usual reference to forex rates, but included newly added wording for more flexibility in exchange rates ..which in of itself was construed to be generally dollar negative

There was also some purported reference to China and Japan , however that was discounted via babble from the Japanese and various Government finance ministries ..

From the Official draft on Saturday ..
" We reaffirm that exchange rates should reflect economic fundamentals," `we emphasize that more flexibility in exchange rates is desirable for major countries or economic areas."

The draft also stressed cooperation and monitoring the forex mkts , as every communiqué has in recent past , but the flexibility part is a departure from the policy of the past three years.

Now that the G-7 meeting is over the babble will undoubtedly start to bubble over as speculators on Friday pushed the Yen to 2 and ½ year highs and into our sell area Friday….

U.S Sec. of Treas. Snow claimed victory.. " I expressed my long-held view that that the world trading system works best under a regime with market-based exchange rates," …. "I was pleased the communiqué reflected this view,"

Japan's vice Minister for International Affairs at Japan's Ministry of Finance, Zembei Mizoguchi said Japan's currency policy ``hasn't changed." ``Currencies should reflect fundamentals and we need to be flexible in our actions," he said. ``Japan will continue to watch the foreign exchange market closely and take appropriate action when necessary .. Meanwhile BOJ's Fukui said after the meeting he felt there was "absolutely no change" to the G-7's view on foreign-exchange markets.

We expect the Yen to remain rather range bound as a Japan induced exodus of long yen positions will remain a threat… One needs to note that while the Yen is at a 2 ½ year high it's price range has been rather muted and could easily become range bound again except from a bit higher on the downside …

The Euro and Swiss closed at levels not seen since early august , while the pound Aussie and Canadian hit highs not seen since the early July .

Notably the Dec Canadian Dollar and Aussie are within reach of contract highs made during the peak of the 'run to yield to avoid deflation' period of March thru June. As yield is again front and center in trading , but not in news…

During all of this late last week the Fed executed Repo's as low as 15 /16's below the target of 1 %.. and Dec Gold settled Friday at highest end of week close in the Dec contract's history. While the weekly continuation chart close is the highest close since late 1996, the high last week remains under the February evening session pre-war highs of 390ish

No change in recommended trading posture, On to the Nitty Gritty.

December Yen
Recommended Open Position Short at 8757
Support should appear near 8777 to 8762 , a close under augurs for a test of 8683 to 8668 and the 8589 to 8560 region Below that buyers should appear near 8499 to 8484 and the 8407 to 8391 region. Traders can buy at 8411 and risk a close under 8387 for three days in a row.

Resistance should appear near 8856 to 8871 and 8934 to 8964. Beyond that sellers should appear near the 9044 to 9060 ……
Monthly Yen

Weekly Yen

Daily Yen

December Euro Currency (EC)

Support should appear at 11300 then 11227 and 11155… Traders can buy at 11252 and risk a close under 11201 for three days in a row.

Resistance is at 11330 to 11360 then 11430 and the 11500 region.. A close over is friendly and indicates an eventual test of 11640 to 11690

Aggressive Traders should go long if a close over 11337 occurs.

Monthly Spot EC

Weekly Stop EC

Daily EC

December Swiss Franc

Recommended open position Long at 7321

Resistance should appear near the 7328 to 7342 region.. Beyond that sellers should appear near 7414 to 7428 and the 7486 to 7513 region…

Support should appear near 7291 and the 7255 to 7243 region below that buyers should surface near 7170 to 7143 …Traders should go long if a close over 7346 occurs

Monthly Swiss Franc

Weekly Swiss Franc

Daily Swiss Franc

December British Pound

Support should appear near 1.6150 to 1.6090 , below that buyers should appear near 1.6002 and 1.5924. Traders can buy at 1.6008 and risk a close under 1.5922 for three days in a row..

Resistance should appear near 1.6286 and the 1.6420 to 1.6550 region

Traders should go long if a close over 1.6292 occurs

Monthly British Pound

Weekly British Pound

Daily British Pound

December Canadian Dollar
Recommended Open Position Long 7379
Support should appear near 7342 to 7328 and 7255 to 7242…

Resistance is at the 7414 to 7428 and the 7486 to 7513 region

Monthly Canadian Dollar

Weekly Canadian Dollar

Daily Canadian Dollar

December Aussie Dollar

Support should appear near 6591 to 6577 Traders can buy at 6596 for a bounce and hold for higher prices . Below that buyers should begin to step in and contain a decline near the 6509 to 8483 region .. Traders can buy at 6514 and risk a close under 6476 for three days in a row.. Under that support is at 6430 to 6417

Resistance should appear near 6673 , a close over augurs for a test of 6741 to 6755 and most likely the 6809 to 6836 region..

Traders should go long if a close over 6677 occurs.

Monthly Australian Dollar

Weekly Australian Dollar

Daily Australian Dollar

Dow Jones Industrial Average
Resistance should appear near 9707 to 9737 and 9821 to 9837, beyond that a test of 9921 to 9937 is likely.

Support should appear near 9641to 9625, a close under augurs for a test of 9445 to 9429 and the 9347 to 9316 region.

Monthly Dow Jones Industrial Avg.

Weekly Dow

Daily Dow

December SP500

Recommended Open position Short at 1016.20

Resistance should appear near the1034.00 to 1036.00 region, beyond that sellers should appear near 1047.00 then 1058.00 to 1068.00 and 1096 to 1101 .. Traders can sell at 1095.90 and risk a close over 1101.90 for three days in a row

Support should appear near 1018.50 and 1013.60 to 1010.40 . Below that buyers should appear near 1005.00 and 1003.70 to 1002.10. Under that support is 993.70 to 992.10 and the 983.70 to 982.10 region.

Monthly SP500

Weekly SP500

Daily December SP500

Nasdaq Composite

Resistance should appear near 1909 then 1946 to 1953 and the 1982 to 1996 region..

Support should appear near 1865 to 1858 and 1822 to 1808

Monthly Nasdaq

Weekly Nasdaq

Daily Nasdaq

December Mini Nasdaq 100

Resistance is at 1415 to 1421 ..beyond that sellers should appear near 1453 to 1459 and the 1484 to 1496 region..

Support is at 1383 to 1377 and 1346 to 1334 . Below that buyers should appear near 1310 to1304

December 10 Year T-Note

Resistance should appear near 112-23 then 113-07 and 113-23

Support is at 112-07 and 111-23.. Under that buyers should step in near 111-07 and 110-22

Weekly Ten –Year Note

The Precious Metals

December Gold

Recommended Open position Long at 382.80

Support should appear at 380.6 to 379.5 and 374.3 to 373.6 Below that buyers should appear near 368.20 to 366.20 and the 362.3 to 361.3 region. Traders can buy at 362.7 and risk a close under 354.90 for three days in a row..

Resistance is at 385.8 to 386.7.. beyond that a test of 390.90 to 392.90 and 398.20 to 399.20 is likely . Traders should go long if a close over 386.9 occurs

Monthly Gold

Weekly Gold

Daily December Gold

December Copper
Recommended Open position Short at 8200
Support should appear near 8315 to 8300 , a close under is negative and augurs for a test of 8225 to 8190 and the 8135 to 8115 region.. Below that 8045 to 8025 should hold.

Resistance should appear near 8390 to 8405 and the 8485 to 8495 region. .. Beyond that sellers should appear near 8560 to 8590 Traders can sell at 8555 and risk a close over 8785 for three days in a row..

Monthly Copper

Weekly Copper

Daily December Copper

December Silver

Support should appear near 528.5 to 525 and 521.5 to 520. Below that buyers should appear near 514 to 512.5.. Traders can buy at 522 and risk a close under 512 for three days in row.

Resistance is at the 534.5 to 535.5 and 541.5 to 543.0 Beyond that a test of 549 to 550 is likely.

Monthly Silver

Weekly Silver

Daily December Silver

The Exciting Energies

November Crude Oil
Recommended Open position Long at 2800
Support should appear near 2620 to 2612 and the 2568 to 2552 region

Resistance is at 2758 to 2775 and 2874 to 2883

Monthly Crude Oil

Weekly Crude Oil

Daily November Crude Oil

November Unleaded Gas
Resistance should appear near 7665 to 7685 and 735 to 7865

Support should appear near 7170 to 7140 and 7005 to 6990
Monthly Unleaded Gas

Weekly Unleaded Gas

Daily November Unleaded Gas

November Heating Oil
Recommended open Position Long 2 at 7230
Resistance is at 7325 to 7345 and 7485 to 7515

Support should appear near 7005 to 6990 and 6755 to 6740
Monthly Heating Oil

Weekly Heating Oil

Daily November Heating Oil

The Lively Livestock

The USDA released its monthly cattle-on-feed report and was deemed neutral …

October Live Cattle
Support should appear near 8482 and 8407 to 8392.. under that a test of the 8317 to 8297 region is likely.. A close under is negative and augurs for a test of 8137 to 8117 and 8047 to 8027..

Resistance is at 8557 to 8587 and the 8662 to 8687.. traders can sell at 8652 and risk a close over 8782 for three days in a row. Beyond that sellers should appear near 8857 to 8872 and the 8932 to 8867 region..

Traders should go short if a close under 8477 occurs..
Daily October Live Cattle

December Live Cattle
Support should appear near 8222 to 8197 under that a test of the 8047 to 8027 region is likely.. A close under is negative and augurs for a test of 7957 to 7942 and the 7867to 7837 region ...

Resistance is at 8300 to 8317 and 8392 to 8407 .. Traders can sell at 8297 and risk a close over 8417 for three days in a row. Beyond that sellers should appear near 8557 to 8587

Traders should go short if a close under 8187 occurs.
Daily December Live Cattle

On Friday the USDA released it's monthly Cold storage data , seen as a bit bearish / neutral for bellies. The 17.895 mil pound end August Belly figure was near the high end of pre-report guess and In line with seasonal belly stock declines. Strong consumer taste for the bacon remains, however some resistance to high prices is evident ..The report as we suspected does show less usage from non-reporting warehouses than most traders expected as the fast-food industry has been not as aggressive in featuring bacon

August ham stocks came in at 127.78 million pounds, compared to forecasts for 125.0-million. Ham inventories a year ago were at 140.2 million pounds while at the end of July were at 121.158 million. The five-year average for end August is 122.6 million.

August's total frozen pork was reported at 426.09 million pounds compared to estimates of 410 to 412 million pounds. This compares with the July inventory of 433.58… Total pork inventory a year ago was at 467.4 million, a record August amount. Its five-year average is 415.6 million.

--The All Important Quarterly USDA Hogs crop report is due out on Friday Stay tuned for Updates--

October Lean Hogs
Recommended open Position Short 5547
Support is at 6022 and 5957 to 5942 a close under is negative and augurs for a test of 5857 to 5807 and the 5732 to 5717 region…
Resistance is at 6102 to 6117 and 6162 to 6192 . beyond that sellers should appear near 6337 to 6352 .

Daily October Lean Hogs

December Lean Hogs
Support is at 5732 to 5717 and the 5577 to 5552 region…Failure there is negative and augurs for test of 5432 to 5417 and the 5357 to 5342 region.. Traders can buy at 5362 and risk a close under 5197 for three days in a row.

Resistance is at 5852 to 5882 region.. beyond that sellers should appear near 5947 to 5957 then 6102 to 6117 and the 6162 to 6192 region.. Traders can sell at 6157 and risk a close over 6357 for three days in a row. Trader should go short if a close under 5787 occurs.

Daily December Lean Hogs

February Pork Bellies

Support should appear near 8777 to 8762 and 8682 to 8667. Below that a test of 8502 to 8487 and the 8317 to 8302 region is likely. Below that buyers should appear near the 8137 to 8117 region.

Resistance is at 8857 to 8872 region. Beyond sellers should appear near 9042 to 9062 then 9137 to 9157 and the 9317 to 9347 region.

Traders should go short if a close under 8757 occurs

Daily February Pork Bellies

The Grande' Grains

Soybeans …
Over the last two weeks the soybean production number in the September USDA report provided the biggest surprise to the market. The USDA is predicting a 2.643 billion bushel crop in 2003. This number was 114 mil bushels below the average estimate and 219 million bushel under the USDA's August number. The market has now gone from expecting increasing US stocks to facing a carryout that is projected to be smaller than the currently tight 2002-2003 numbers ..

In addition , the USDA lowered the 2003-2004 carryout number to 135 million bushels, 5 million less than the 2002-2003 carryout. ..However the USDA did not lower the whole production in the carryout as they also reduced exports and usage.

What's Near is still dear.. but how near..
In its world stocks estimates the USDA has reversed its trend towards increasing soybeans stocks.

The USDA lowered world ending stocks by 4.2 million metric tons from August, a 500,000 tm decrease in world stocks from the September 2002-2003 report. However it's forecasting a drop in the soybean crush(demand) to offset some of the decline in production.

Short-term maybe , over the long term.. Don't bet on it .

Even with large acreage increases in South America.(as we said many times over the last couple years) we see demand outstripping supply during this decade... However, higher prices may increase global production perhaps even further. One thing to note , and this has been going on for a while now , is that South American export infrastructure is not keeping pace the growth in soybean production. Not enough roads , railroads and ports close to the growing regions.. they are working on it, but it will be some time before they catch up..

Therefore it's March thru May export period can now carry forward to into the U.S. October thru December post harvest marketing year and could pressure the Bull Spreads , thus causing some bulls to get a bit nervous as we enter the seasonal weak period that typically runs from Mid-September thru early November.

Beyond that another surge in the bull spreads and prices is likely. Down the road during weakness we want to work our way into some Long March and July Beans and Short November 2004 crop
--more on that in forthcoming Bi-Weekly Outlooks --

All in all the seasonal tends to be weak this time of year through the end of October. However, weakness may be short-lived or muted so to speak by tightness, weak dollar, and hopeful exports to China. lower yield realities during harvest or even harvest delays.. not to mention the usual problem or two in Brazil down the road , once the crop there is planted..Nimble traders can perhaps trade both sides with a bias to the long side.
.
No change in trading posture .. be wary of a choppy market , with ever increasing ranges..

November Soybeans
Resistance is at 641 ¾ to 643 and 648 ½ to 650 ¾ and the 657 ¾ to 659 ¼ region. Beyond that sellers should appear near 674 ½ to 675 ½ and 680 ¾ to 683 ¾ ..

Support should appear at 635 to 633 ½ and 627 to 625.. which should contain a brief decline. Traders can buy at 627 ½ for a bounce and hold for higher prices.. Below that buyers should appear near 619 to 616 ½ and 603 ½ to 602 ¼ Traders can buy at 603 ¾ and risk a close under 593 ¾ for three days in a row. Under that buyers should appear near 588 top 585 ½ .

Monthly Soybeans

Weekly Soybeans

Daily November Soybeans

December Soymeal

Support should appear near 186.5 to 185.8 and 182.2 to 180.8.. Traders can buy at 186.7 and risk a close under 180.4 for three days in a row. Below that buyers should appear near the 178.0 to 177.4 and the 173.8 to 173.1 region..

Resistance should appear near 190.2 to 190.9 and the 194.6 to 195.3 region Beyond that sellers should appear near 198.2 to 199.6 then 203.4 to 204.2 and the 208.0 to 208.8 region .. Traders can sell at 203.1 and risk a close over 209.2 for three days in a row.

Monthly Soymeal

Weekly Soymeal

Daily December Soymeal

December Soybean Oil

Recommended open Position Short 2262

Resistance should appear near 2354 to 2370 and 2411 to 2419 . Beyond that sellers should appear near 2461 to 2469

Support should appear near 2322 to 2315 and 2275 to 2267 , a close under is negative and augurs for a test of 2185 to 2170 ..

Monthly Soyoil

Weekly Soyoil

Daily December Soyoil

Corn……
The September USDA Crop estimate came in above the trade guesses. The USDA is estimating a 2003 corn crop of 9.944 billion bushels. This was 120 million bushels lower than the August report , but still over the 'trade guess' and remains the second largest crop in US history.

However , Longer-term, we are friendly to corn ..

In the U.S, I see an increase in feed and industrial use coming.,… We have record animal prices and should see an increase in animal herds over time. (That's primarily why we are bucking the trend, shorting the Cattle and Hogs for now) In addition, corn for use in production of ethanol should increase due to new ethanol plants firing up . Political pressure in the U.S post 911 should encourage ethanol production in the wake of high Crude Oil prices / link between oil producing countries and terrorism.. Additionally , thoughts the region will undergo a ' nuclear build up ' courtesy of Iran will only encourage ethanol use.

World corn production and demand are slightly friendlier for corn levels. The USDA estimates that global corn production will drop by 7 mt., which is to be offset, by a 3 mt drop in feed usage. The net result has global 2003-2004 corn carryout at 74.plus mt. Down 4 million from the August numbers. Global corn stocks have been reduced by over 23.5 mt since last years USDA numbers.

South American corn exports should decrease due to an increase in domestic feed and ethanol use. Animal numbers and ethanol production in South America have both been growing and are projected to grow further. Farmers in South America , witnessing the rally in Soybeans will undoubtedly shift more acres from Corn to Soybeans…
.
Looking Over-Seas .. the Decimating drought in Europe has decreased its wheat production. Since Europeans tend to feed more wheat to animals than we do, the reduction in Wheat crops there should cause more corn to be used for feed, thus leaving less for export. The Chinese government is considering reducing export subsidies for grain beginning next year to increase domestic bean production, which will reduce corn production and exports beyond early 2004 if it occurs..

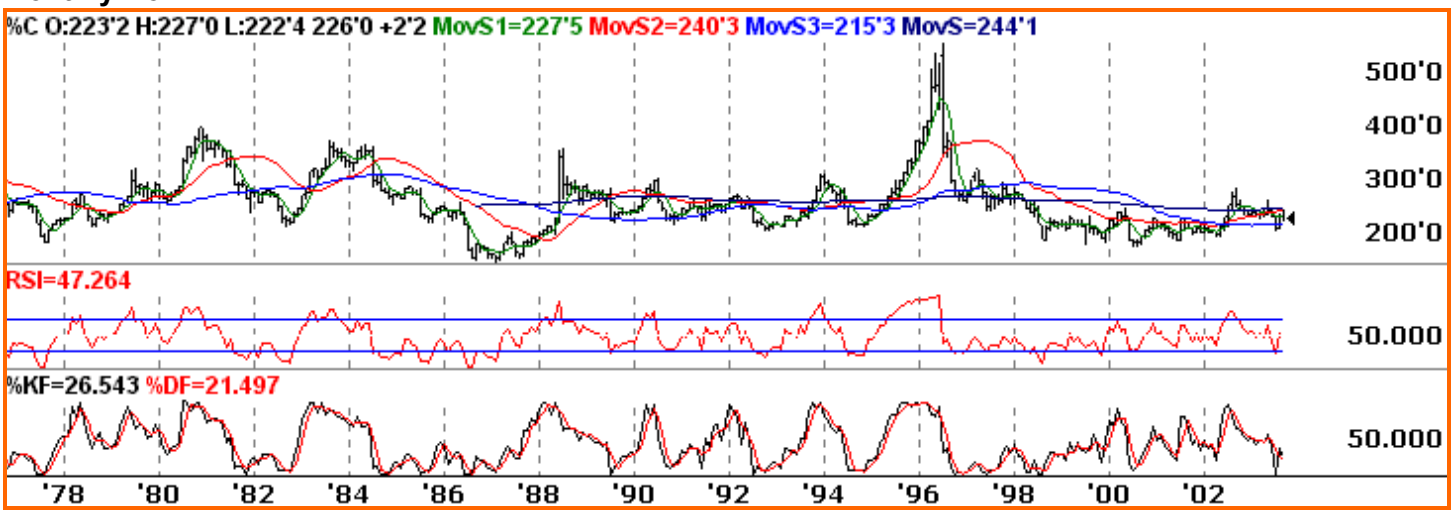
--Stay on Course—

No change in trading posture in Corn as well as Wheat.. .

December Corn
Recommended open Position Long 222 ¾
Resistance should appear near 231 ½ to 232 ¼ and 235 ½ to 237..

Support is at the 222 ¾ to 221 ¾ region. Below that buyers should appear near 213 ½ to 212 ¾

Monthly Corn



Weekly Corn

Daily December Corn

December CBOT Wheat

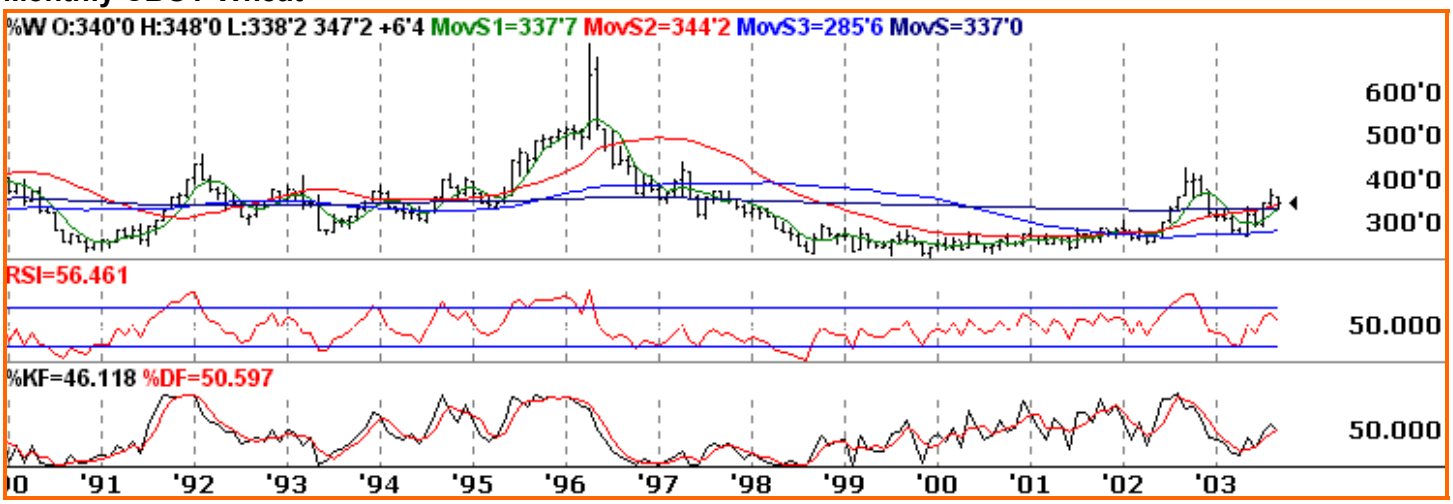
Recommended open Position Long 362 3/4

Support should appear near 344 ½ to 342 ½ , traders can buy at 344 ¾ and risk a close under 336 ¾ for three days in a row.. Below that buyers should appear near 338 ¾ to 337 ¾ and 3324¾ to 331 ¾ .

Resistance is at 349 ¼ to 350 ¼ and the 355 ¼ to 356 ½ region..Beyond that a test of 373 ¾ to 374 ¾ is likely.

Traders should go Long if a close over 351 ¼ occurs

Monthly CBOT Wheat



Weekly CBOT Wheat

Daily December CBOT Wheat

The Satisfying Softs

Global coffee supplies have been robust…Nevertheless supplies are expected to tighten following Brazil's 2003-04 harvest which is just being completed … The crop might be only 25 million bags, less than half last year's,.. .. Brazilian exports for Sept. 1-17 were up compared to August 1-17 period and was helpful in offsetting the nasty technical fund led sell-off last week..

Still see no reason to short it at essentially 30 year lows ..No change in Posture..

December the 'Monster' Coffee
Recommended open Position Long at 7035
Support is near 6270 to 6255 and 6115 to 6105 . Traders can buy at 6125 and risk a close under 5845 . for three days in a row .Below that buyers should appear near 5955 to 5940 and 5880 to 5855 .
Resistance should appear near 6335 to 6350 and the 6415 to 6430 region... A close over augurs for a test of 6575 to 6590 and the 6740 to 6755 region… Traders should go long if a close over 6445 occurs..

Monthly Coffee

Weekly Coffee

Daily December Coffee

December Cocoa

Support is at 1496 to 1489 then 1459 to 1453 and the 1421 to 1415 region .. Below that buyers should appear near 1383 to 1377, which should hold..

Resistance should appear near 1529 toi 1535 and the 1569 to 1576 region . beyond that sellers should appear near 1642 to 1655 and the 1689 to 1696 region

Monthly Cocoa

Weekly cocoa

Daily December Cocoa

March Sugar
Recommended open Position Long at 610
Support should appear near 609 to 601 and 586 to 583. Traders can buy at 587 for a bounce and risk a close under 554 for three days in a row. Below that support should appear near 562 to 558 and the 538 to 534 region.

Resistance should appear near 630 to 634 then 656 to 661 and 682 to 686.. Beyond that sellers should appear near .704 to 712

Traders should go long if a close over 637 occurs.

Monthly Sugar

Weekly Sugar

Daily March Sugar

December Cotton

Support should appear near 6510 to 6485 and the 6430 to 6415 region.. Below that buyers should appear near 6350 to 6335 and the 6190 to 6165 region. Traders can buy at 6355 and hold for higher prices, risk a close under 6100 for three days in a row..

Resistance should appear near 6655 to 6670 and the 6740 to 6755 region, a close over is friendly and augurs for a test of 6810 to 6835 and the 6990 to 7005 region.. . Traders should go long if a close over 6765 occurs..

Monthly Cotton

Weekly Cotton

Daily December Cotton

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

Happy Trading!
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Sunday September 21st 2003
11:35 AM .. South Florida Beach Time

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