

## Bi-Weekly Investment Outlook Saturday February 12th, 2005 Issue # 211

"Among the hazards of speculation the happening of the unexpected -I might even say the unexpectedable - ranks high. There are certain chances that the most prudent man is justified in taking - chances that he must take if he wishes to be more than a mercantile mollusk--" Reminiscences of a Stock operator-

Saturday February 12th 2005  
4:00 AM eastern time

### The Sensational Stock and Bond Markets

Amidst a large amount of negative babble by various talking heads and pundits the Dow closed at it's highest weekly close of the new year and the highest since Dec 20, 2004, which was the highest close since the week ending June 4<sup>th</sup> 2001 - We feel that higher prices are in front of us across the board.

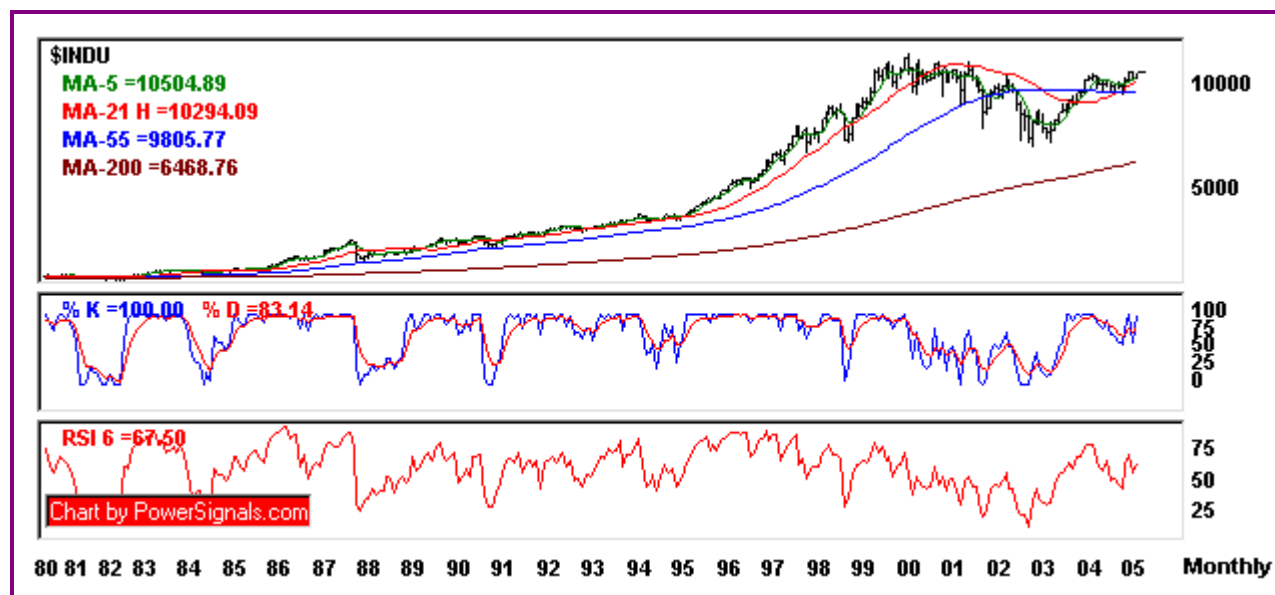
-No change in trading posture-

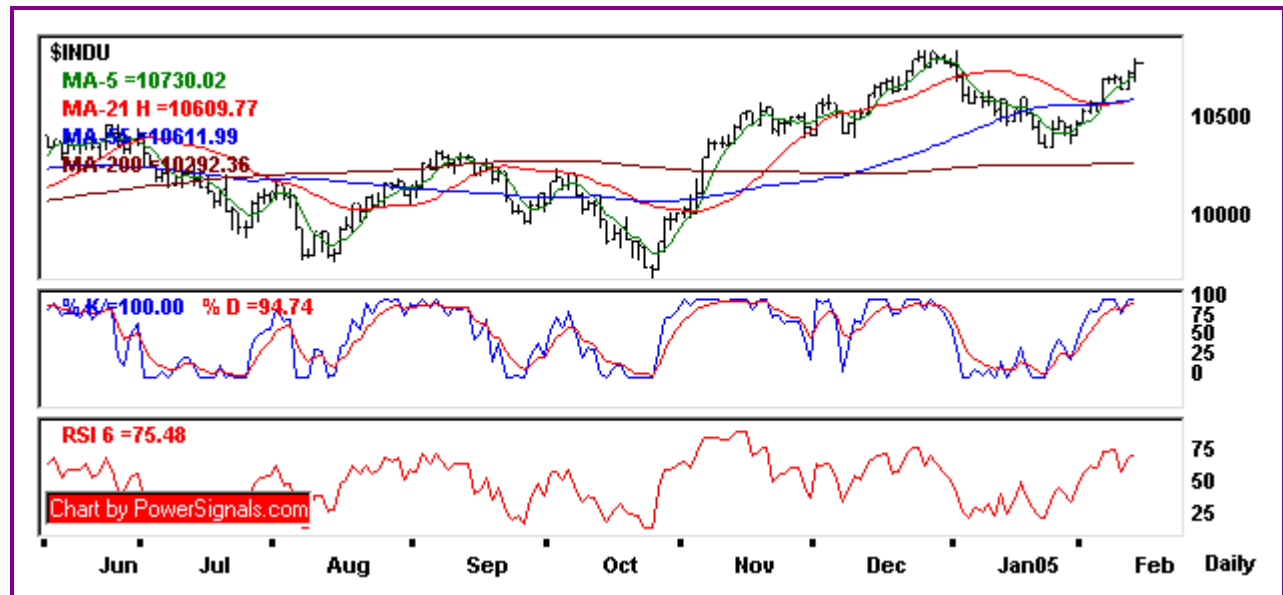
#### Dow Jones Industrial Average

**Resistance** should appear near 10820 and the 10960 to 11010 region

**Support** should appear near 10757 and the 10680 to 10580 region.. Which should contain a decline.

Below that support should appear near 10470

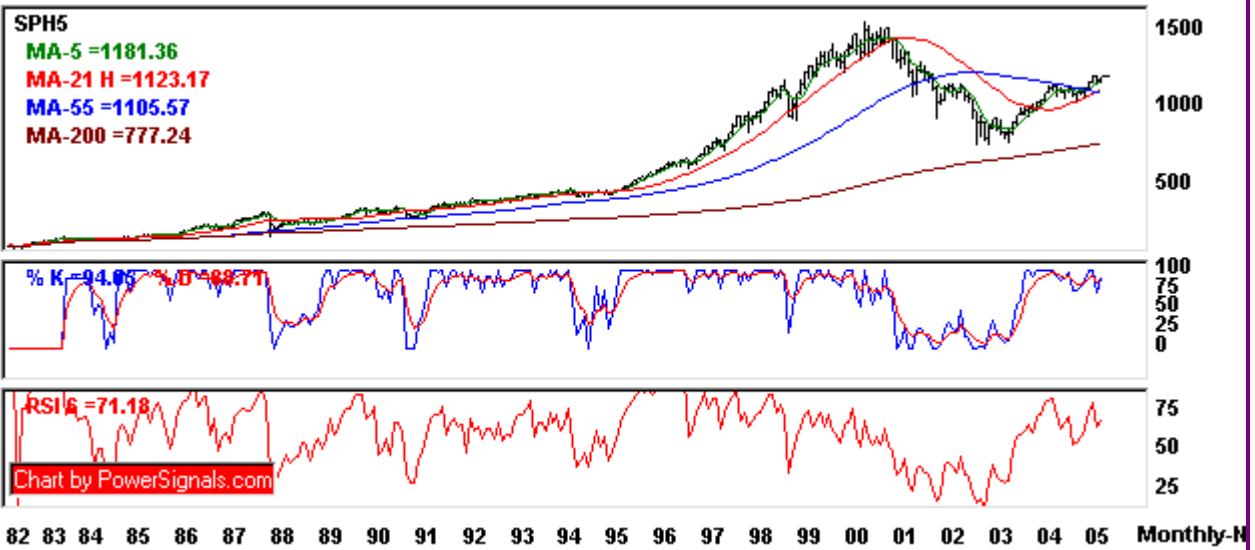




### March SP500

**Resistance** should appear near 1217.50 an extended trade over augurs for a test of 1232 to 1238.

**Support** should appear near the 1203.00 to 1196.00 and 1192.00 Traders can buy at 1203.1 for a bounce and hold for higher prices .. Below that Buyers should appear near 1180.5 and the 1169.00 to 1164.00 region Traders can buy at 1180.5 and risk a close under 1171.90 for three days in a row..



## Nasdaq Composite

**Support** should appear near 2042 to 2034.. Below that a test of 1996 to 1982 is likely and while selling may be heavy , a decline should contain itself

**Resistance** should appear near 2080 to 2088.. An extended trade over is friendly and augurs for a test of 2126 to 2134, as it is our belief that most are now upside down from where the market is going.





### March Mini Nasdaq 100

**Resistance** is at 1535 and 1569 to 1576, beyond that a test of 1609 to 1615 is likely.

**Support** is at 1529 and the 1496 to 1484 region. Below that buyers should appear near 1459 to 1453 and at give pause to a decline..

Traders should go long if a close over 1535.5 occurs



### March Mini Russell 2000

**Support** is at 627 to 625.7 and 619 to 616.5. Below that buyers should appear near 611.3 to 610.1 and the 603.50 to 602.30. Which should hold. Traders can buy at 603.50 for a bounce and risk a close under 600.9 for three days in a row.

**Resistance** is at the 633.70 to 635.00 region. Beyond that a trade towards 641.7 to 643 and the 648.30 to 650.9 region is likely.

Traders should go long if a close over 635.5 occurs

## March 10 Year T-Note

**Resistance** should appear near 112-22 and 113-07, which should cap a rally..

**Support** is at 112-07 and 111-22., a close under augurs for a test of 111-07 and 110-22



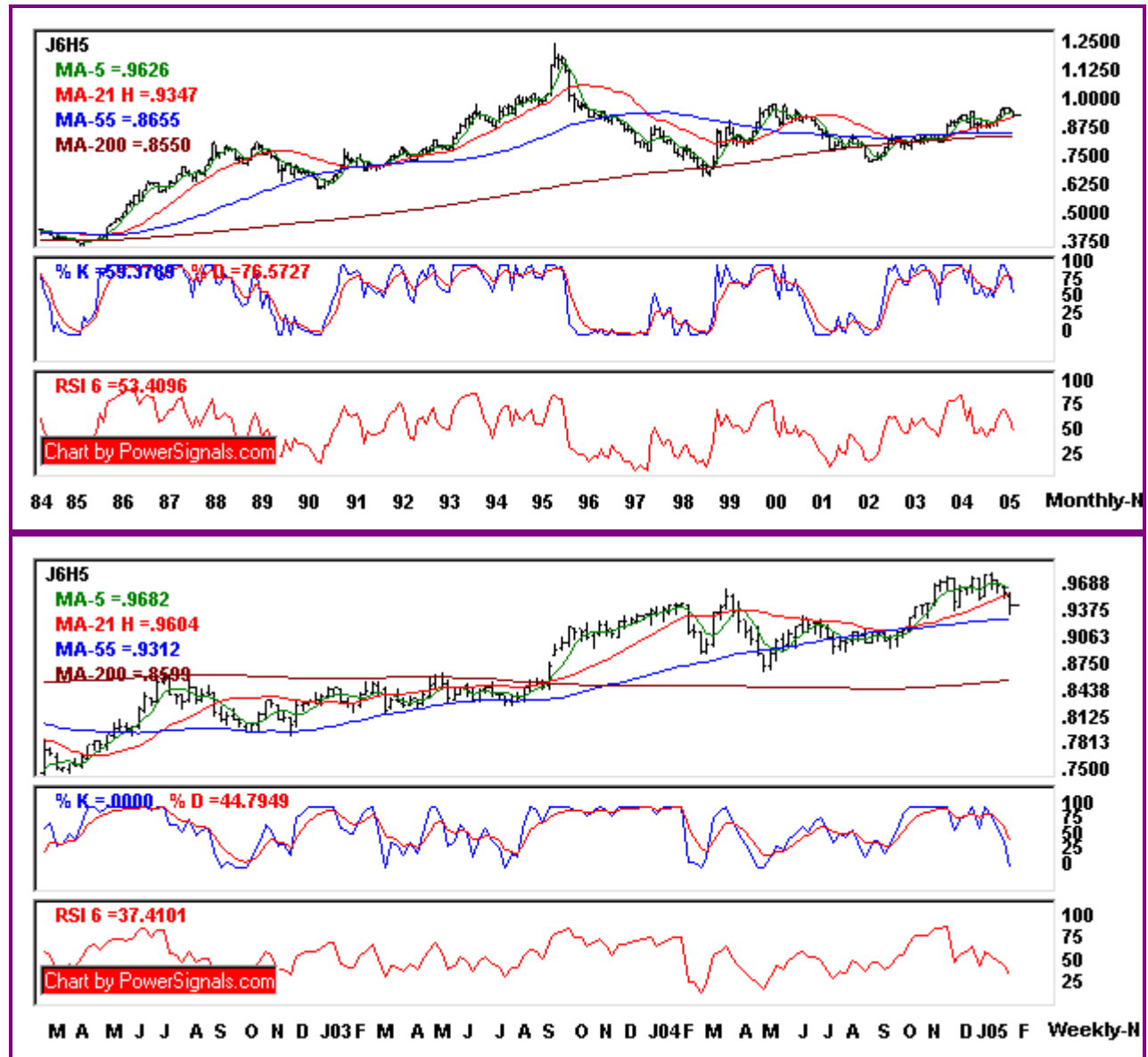
# The Frenzied Forex Front

March Yen

**Resistance** should appear near 9526 to 9542 and 9625 to 9641. Above that sellers should appear near 9706 to 9737.. Traders can sell at 9705 and hold for lower prices. Beyond that sellers should appear near 9821 to 9837 and 9921 to 9937

**Support** should appear near 9445 to 9429.. Below that buyers should appear near 9347 to 9316....Failure there augurs for a test of 9156 to 9140 and the 9060 to 9044 region is likely.

Aggressive traders should go short if a close under 9427 occurs





### March Euro Currency (EC)

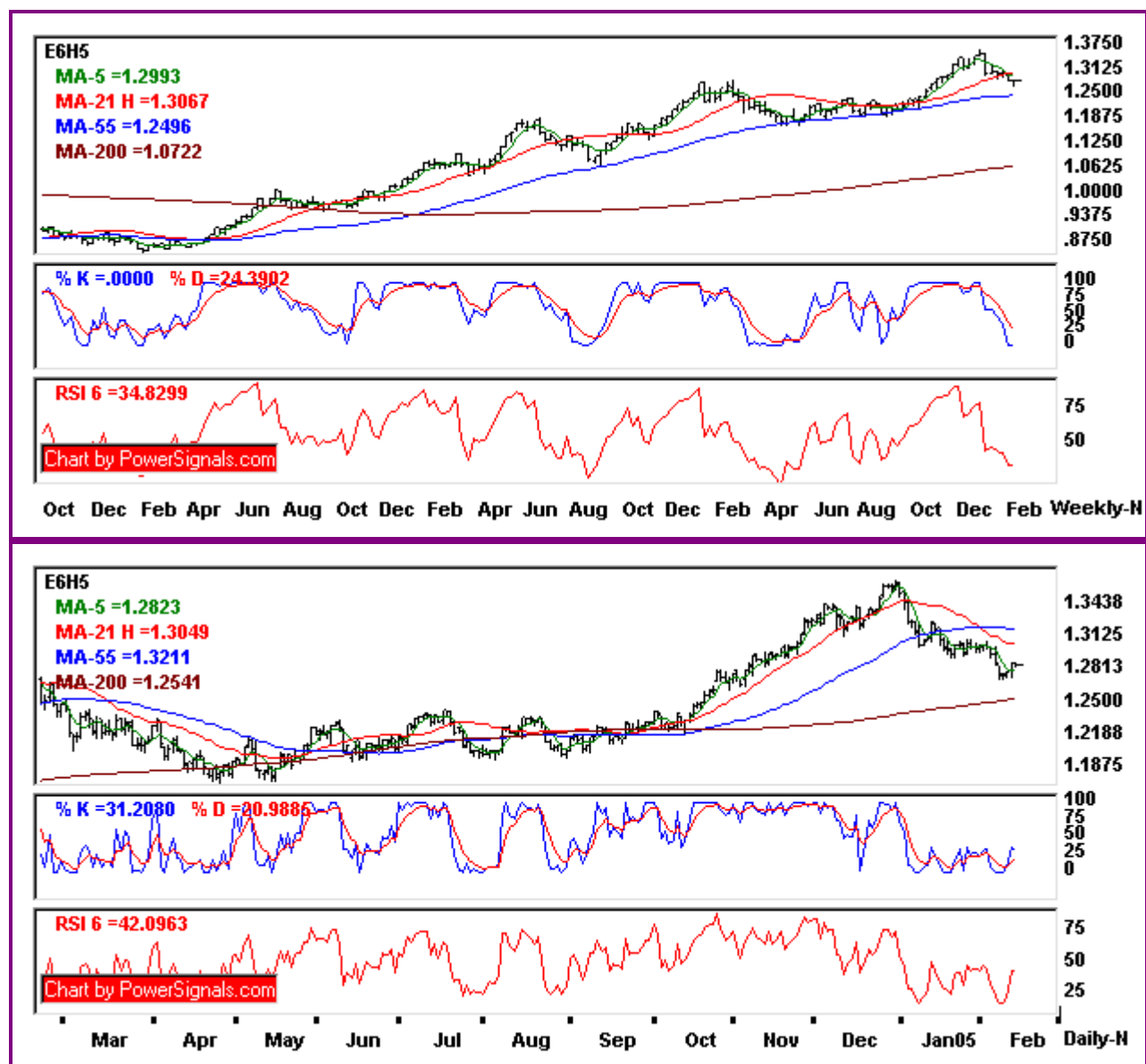
**Support** should appear at 12815 and the 12740 to 12680 region.. A close under augurs for a test of 12530 .. below that buyers should appear near the 12380 to 12320 region

**Resistance** should appear near 12890 and 13030 to 13100.. Traders can sell at 13027 and risk a close over 13107 for three days in row. Beyond that sellers should appear near 13220 and the 13340 to 13460 region Which should cap a rally for some time ..

Traders should go short if a close under 12890 occurs







### March Swiss Franc

**Resistance** should appear near 8300 to 8314 and 8391 to 8406.. Traders can sell at 8389 for a turn lower and risk a close over 8417 for three days in row. Beyond that 8484 to 8499 and the 8560 to 8589 region should cap a rally

**Support** should appear near 8223 to 8194.. Below that support should appear near 8134 to 8119 .. However failure there augurs for a test for 8044 to 8029 and most likely the 7954 to 7949 region  
Traders should go short if a close under 8261 occurs



## March British Pound

**Support** should appear near 18650 to 18580 and 18220 to 18080

**Resistance** should appear near 18876 and 19020 to 19090



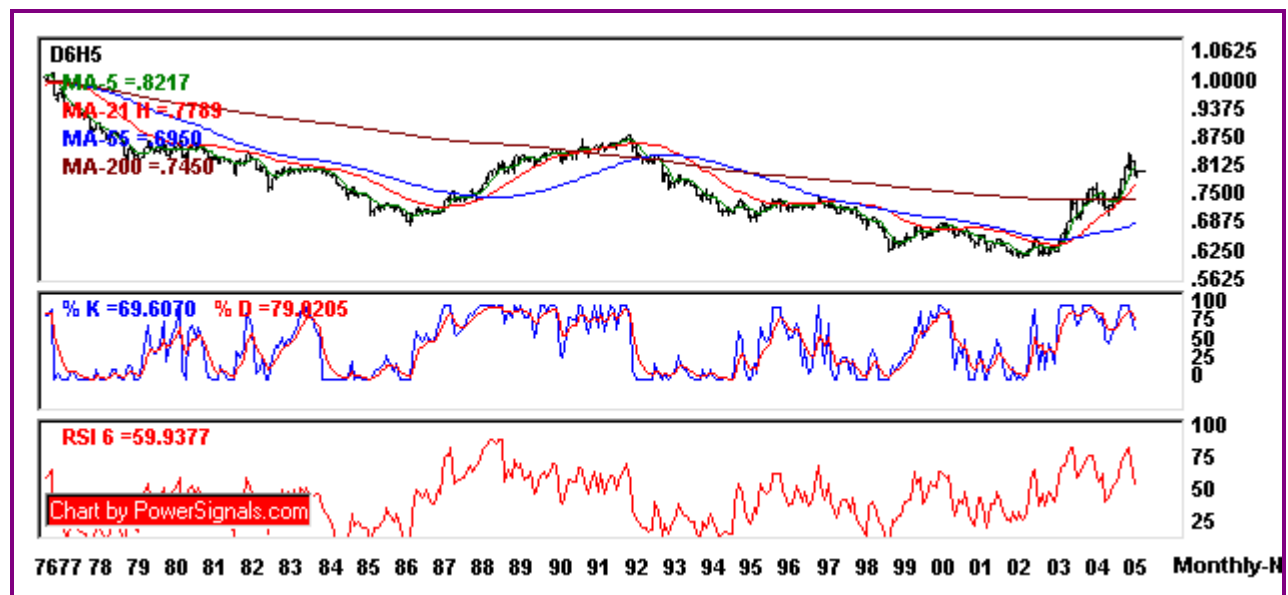


### March Canadian Dollar

**Support** should appear near 8044 to 8029 and 7954 to 7939 and the 7864 to 7836 region

**Resistance** is at 8119 to 8134 and the 8194 to 8223 region .. Traders can sell at 8117 for a turn lower and risk a close over 8167 for three days in a row ..

Traders should go short if a close under 8026 occurs.



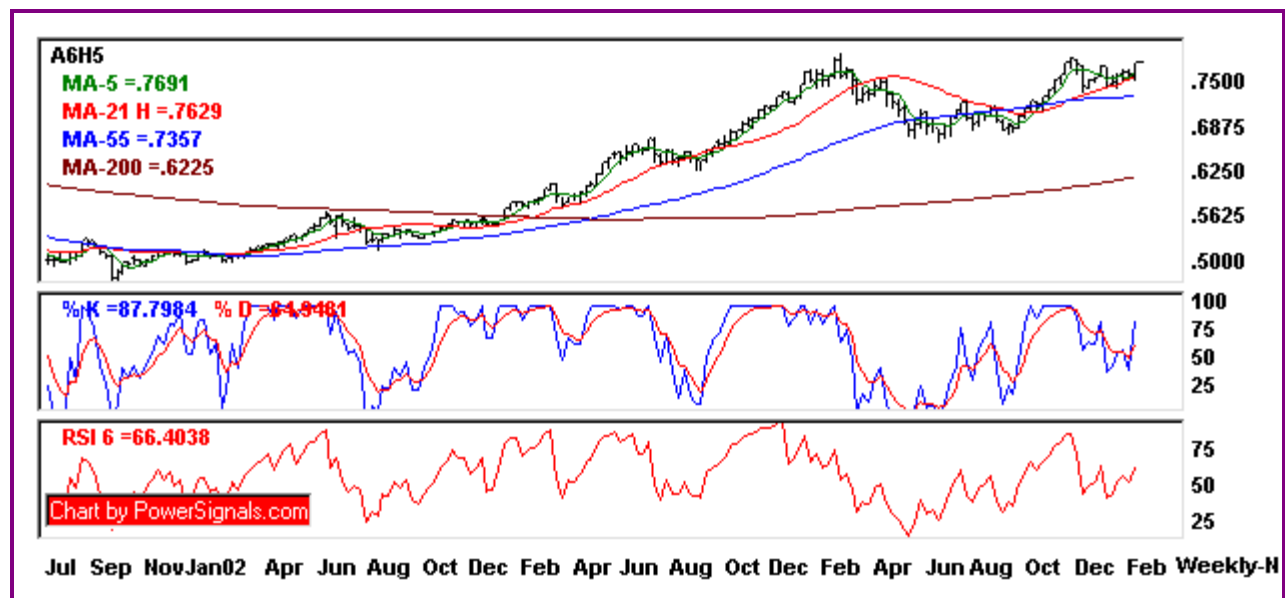


### March Aussie Dollar

**Resistance** should appear near 7864 and the 7939 to 7954 region

**Support** should appear at 7777 to 7763 and 7689 to 7675..





# Precious Metals

## April Gold

**Resistance** should appear at 423.8 to 424.9 then 430.4 to 431.5 and the 437 to 438.1 region  
Traders can sell at 436.9 and risk a close over 439.5 for three days in a row

**Support** is at 424.9 to 423.8 and 418.3 to 416.3

Aggressive Traders should go short if a close under 415.9 occurs..





### May Copper

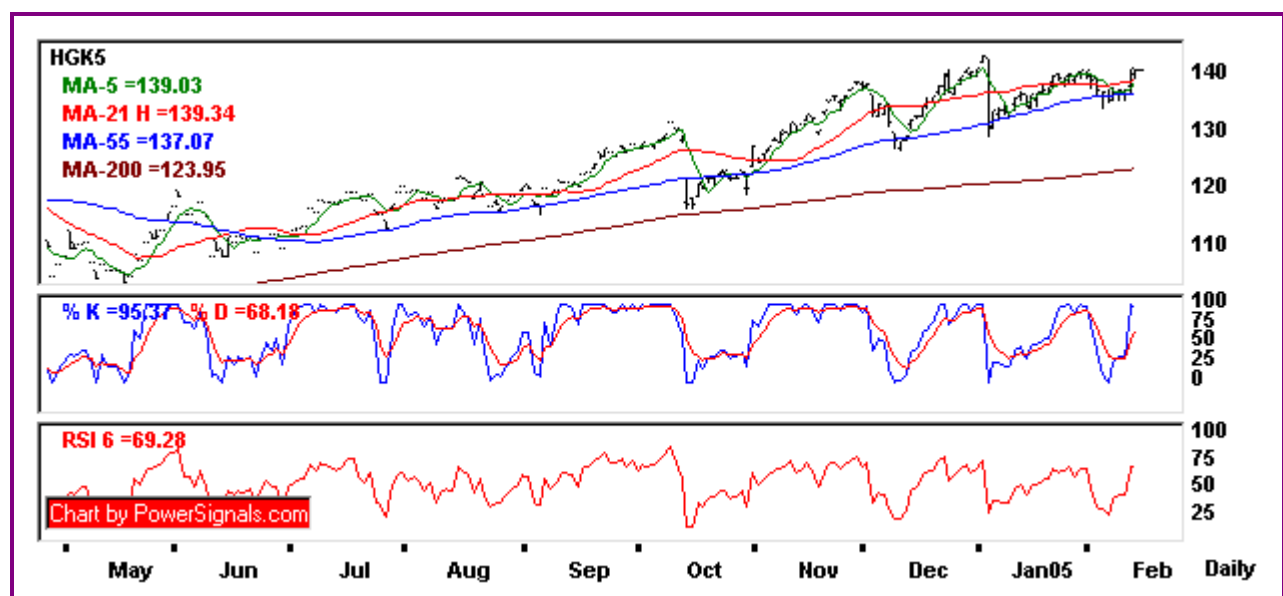
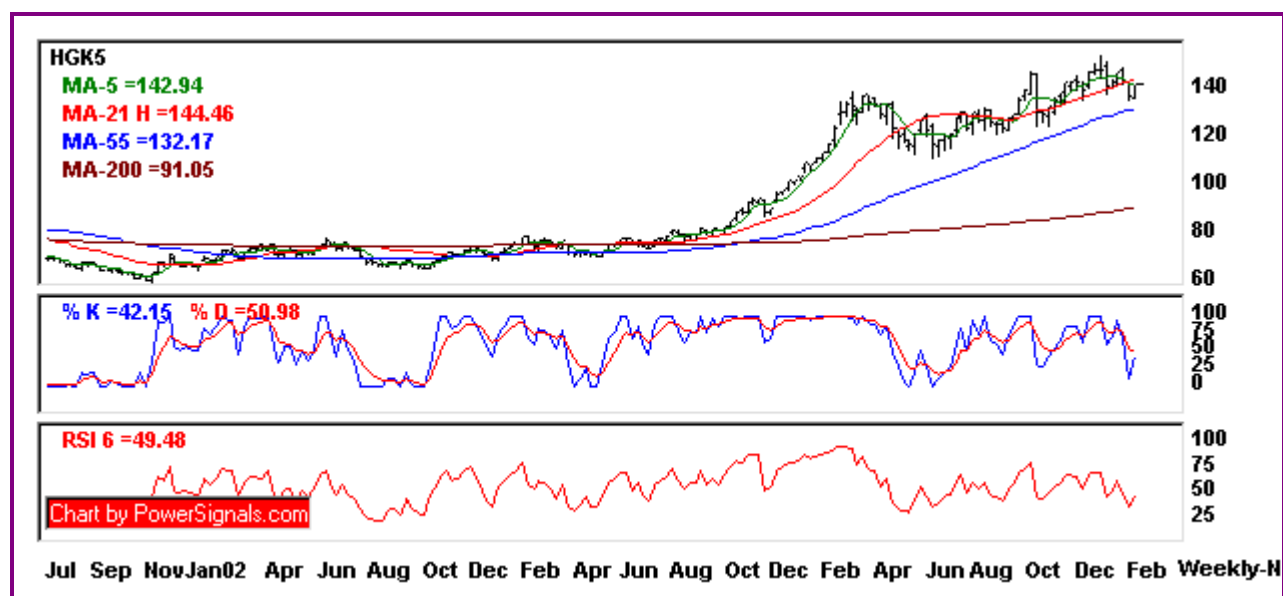
**Support** should appear near 13830 to 13770 , a close under augurs for a test of 13460 to 13340 and the 13100 to 13040 region

**Resistance** should appear near the 14150 to 14210 and the 14530 to 14590 region.

Traders should go short if a close under 13740 occurs



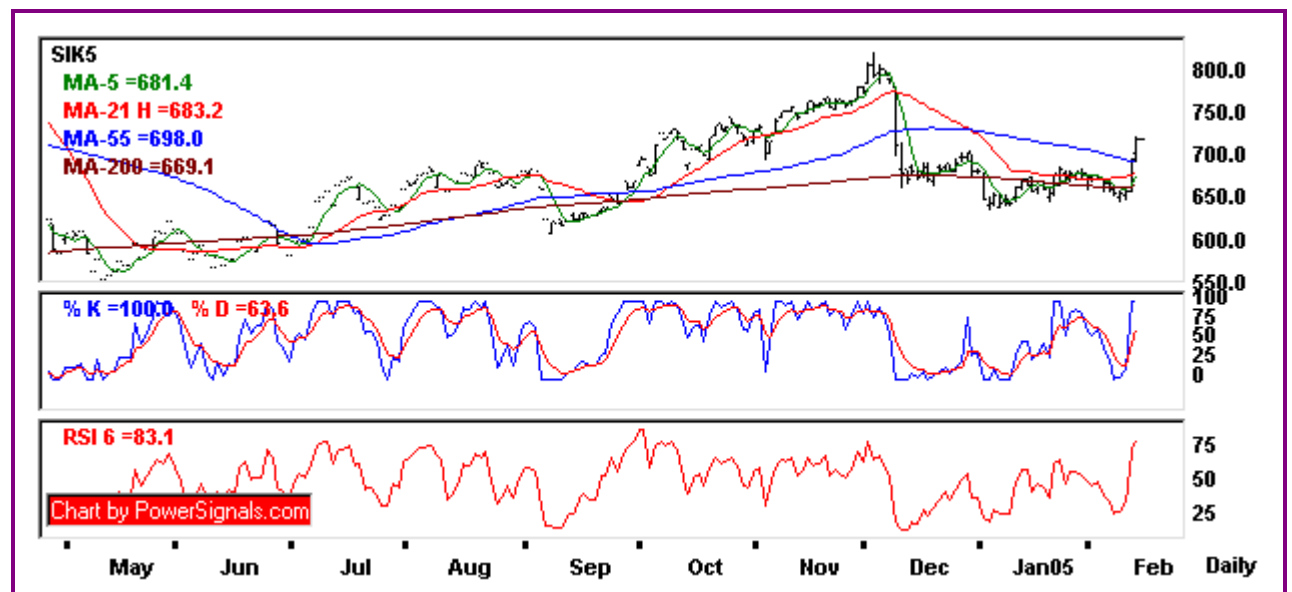
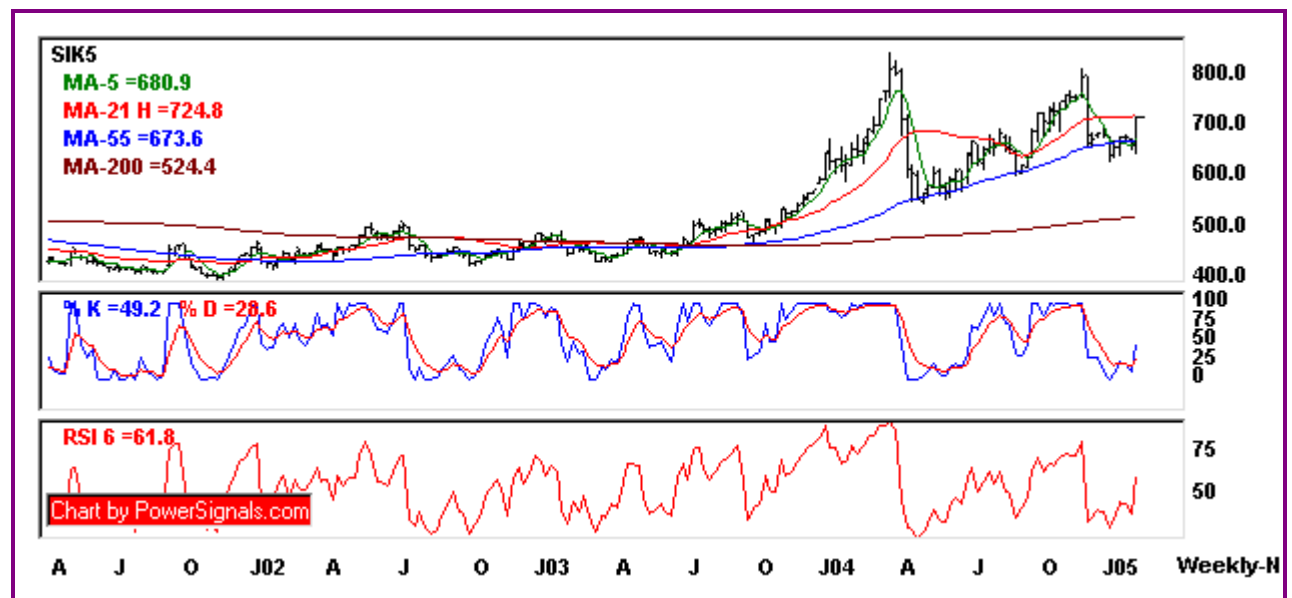




## May Silver

**Support** should appear near 717 to 714.0 and the 700.5 to 699.0 region

**Resistance** is at 732.5 to 734.5 and the 748.5 to 751.5 region

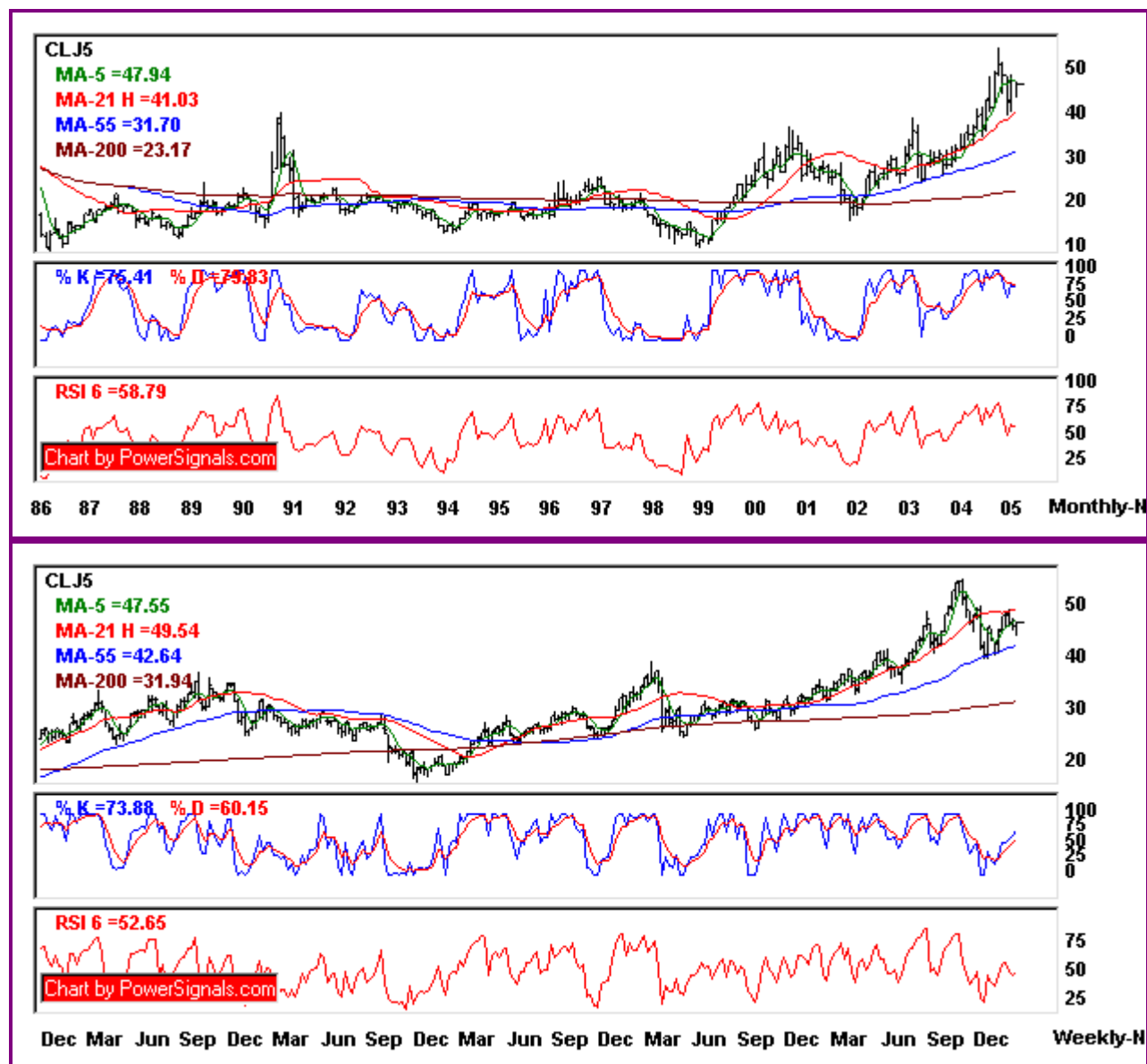


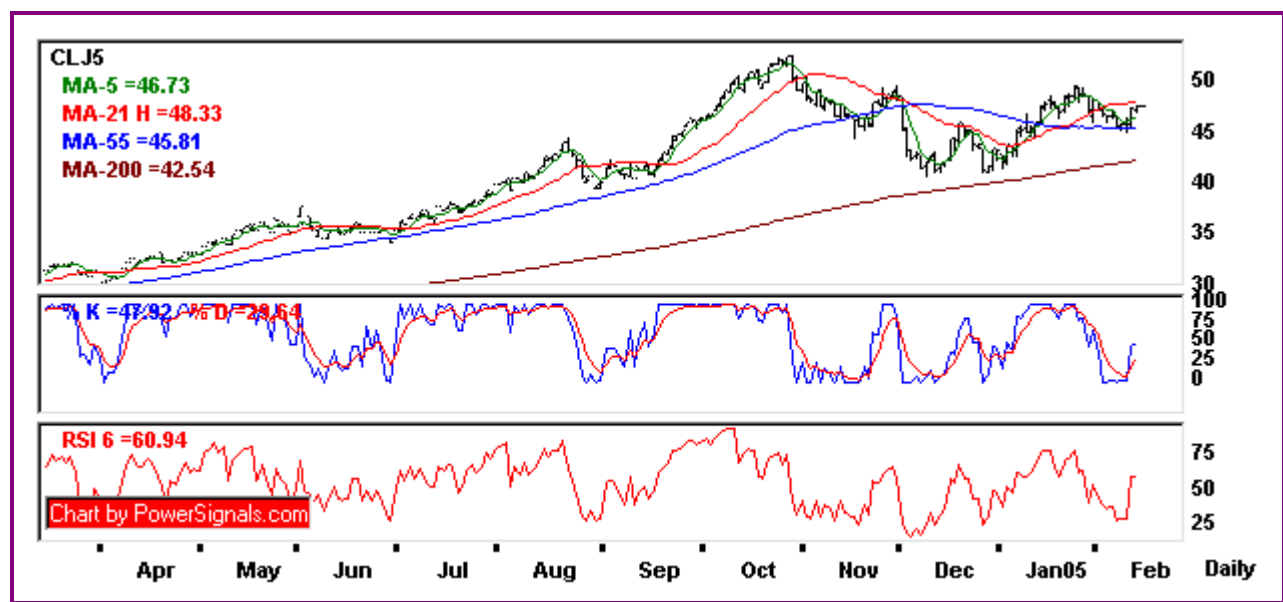
# The Exciting Energies

## April Crude Oil

**Resistance** should appear near 4785 and the 4915 to 4926 region. Beyond that sellers should appear near 5056 to 5067

**Support** should appear near 4717 to 4695.. a slip under augurs for a test of the 4650 to 4639 region. Below that test of 4582 to 4571 and eventually the 4514 to 4503 region is likely





### March Unleaded Gas

**Resistance** should appear near 13040 to 13100 and the 13340 to 13460 region. Beyond that sellers should appear near 13770 to 13830, which should cap a rally..

**Support** should appear near 12740 to 12680. A close under augurs for a test of 12030 to 11920 and the 11690 to 11640 region.

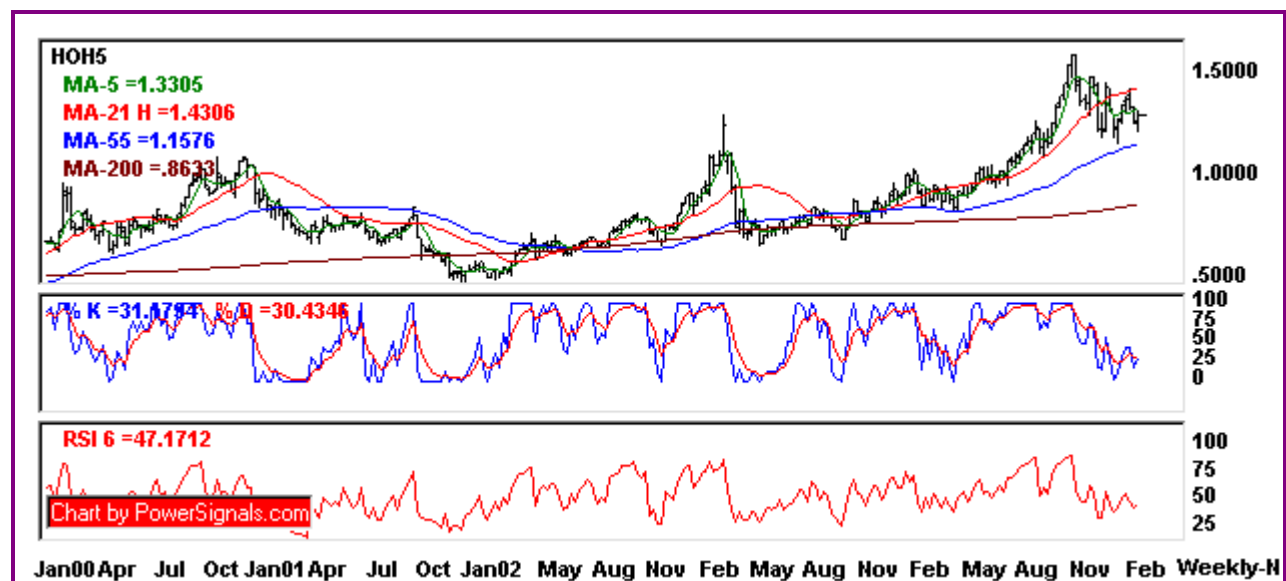




### March Heating Oil

**Resistance** should appear 13340 to 13460 and the 13770 to 13830 region. Beyond that sellers should appear near 14150 to 14210 and 14530 to 14590.. Which should cap a rally..

**Support** should appear near 13040 and the 12740 to 12680 region. Below that a test of 12380 to 12320 is likely. Failure there augurs for a trade towards 11690 to 11640.



# The Lively Livestock

## Cattle :

USDA has decided not to import beef from animals over 30 months of age starting in March as first announced. How long beef from cattle over 30 months will be delayed is not known. Secretary of Agriculture Mike Johannas said Wednesday that our ongoing investigations into the recent finds of BSE in Canada in animals over 30 months of age are not complete. He feels it is prudent to delay the effective date for allowing imports of meat from animals over 30 months of age from Canada.

Irregardless of when it happens cash prices most likely will come under sustainable pressure when the border is opened. While estimates vary on how moo s' will cross border and range from 900 thousand to 2 million head, we want to avoid the long side of cattle until we see prices substantially below current levels...

Maybe somewhere in the region of where the whole mess began. Under 70 cents.

In addition we would recommend traders to avoid paying too much attention to the daily rumors and babble running about . The only thing to listen to is the market.

## Hogs :

Since we issued our Special Hog report Hog prices have declined nicely with February Hogs becoming a real mess over the last few weeks



There are some expectations for prices to move higher in the weeks ahead from a seasonal perspective.. that and news that the US may not have to absorb increased cattle imports from Canada in March helped support the market on Friday..

However, after witnessing the disaster in Feb Hogs we want Nothing to do with the long side of April and remain generally bearish. We are willing to buy June Hogs at sharply lower levels than current prices if given the chance.

On the cash side , the lean index for the period ending February 9th came in 69.88, down \$.81 from the previous session and down from 73.56 from a week earlier.

One question remains and is yet to be resolved. Is the weakness in hog prices for the last two weeks due to a softening of demand or just large slaughter ? or is it a bit of both..?

Most likely Both ...

For the last three weeks, kills are up over 3% from a year earlier( which was large)

Slaughter for this week was estimated at above two million head at 2.03. In 2004 , the last two million head plus slaughter was for the week of January 22nd. While the next one came in late August...

Data continues to show that the probabilities are quite high that producers are building the breeding herd at a relatively slow rate. .. But building nevertheless.. Doing that will lead to lower prices ..

Our feeling is that if prices over time start to drift generally lower.. The large corps. will speed up the expansion and try to capture all they can from the generally higher price we have now.. this is a feeling and there is nothing yet to substantiate this ...

The demand growth of 2004 is all that kept hog prices from holding in the 2002-2003 range in 2004.

A 1. 5% demand growth in 2005 from 2004 is expected BUT there is no guarantee that this will occur.

In the past when there was an unusual increase in demand for pork for a year, demand tended to soften the following year. - No Change in Posture - Stay tuned for Updates

### April Cattle

**Support** should appear near 8682 to 8667 .. below that a test of 8587 to 8557 and the 8407 to 8392 region is likely

**Resistance** is at 8857 to 8872 and 8937 to 8967.. beyond that sellers should appear near 9042 to 9062.

Traders should go short if a close under 8662 occurs



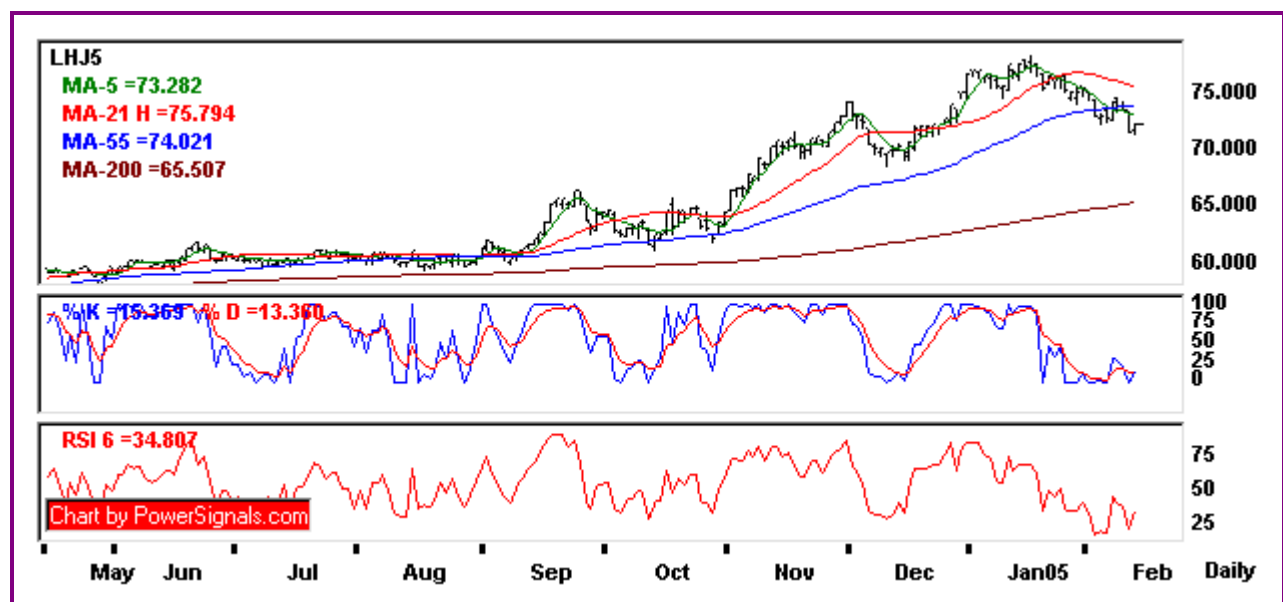
### April Hogs

**Support** is should appear near 7242 then 7172 to 7142.. a close under augurs for a test of the 7007 to 6992 region. below that a trade towards 6837 to 6807 and the 6757 to 6742 region is likely..

**Resistance** should appear near 7327 to 7342 and the 7417 to 7427 region. traders can sell at 7322 and risk a close over 7447 for three days in a row ..Beyond that sellers should appear near the 7587 to 7602 region.

Which should cap a rally.. Traders should go short if a close under 7232 occurs





### June Hogs

**Support** is at 7602 to 7587 , a close under is negative and augurs for a test of 7517 to 7487 , below that buyers should appear near 7427 to 7412 and the 7342 to 7327 region. Failure there augurs for a test of 7172 to 7142 and the 7087 to 7072 region , which should contain .. Traders can buy at 7092 and risk a close under 6977 for three days in a row

**Resistance** should appear near 7672 to 7687. Beyond that sellers should appear near 7762 to 7777 and the 7837 to 7862 region. Which should cap a rally.. Above resistance should appear near 7937 to 7957 and the 8027 to 8047 region.



### March Pork Bellies

**Resistance** should appear near 8857 to 8872 and the 8932 to 8962 region .. Beyond that sellers should appear near 9042 to 9062 and the 9137 to 9157 region. Traders can sell at 9037 and risk a close over 9162 for three days in row.. Above that 9317 to 9347 should cap a rally..

**Support** is at 8777 to 8762. A close under is negative and augurs for a test of 8592 to 8562 and the 8317 to 8302 region.. Below that buyers should appear near 8137 to 8117 and the 8047 to 8027 region



# The Grande' Grains

From a Seasonal standpoint , generally Speaking Corn and the Bean Complex tend to perk up thru March and into early May. A long trading posture can be assumed for now .. As the market now tends to focus on weather, planting and disease.. However traders should treat both beans and Corn as trading affairs... Be willing to play both sides of the market..

On the US Crop production side of the mix:

The USDA released preliminary Corn planting and production estimates for 2005. The initial forecast is for a crop near 10.715 billion bushels. This compares with 2004/05 usage at 10.77 billion bushels. With a steady increase in ethanol consumption and production, usage is expected to increase by 250-350 million bushels. For Beans the USDA preliminary planting and production estimates is for a crop near 2.91 billion bushels. This compares with 2004/05 usage at 2.818 billion bushels.

On the Exports and Demand side the February 9 USDA WASDE (World Agriculture Supply and Demand Estimates) showed only small adjustments in domestic demand projections and slight adjustments in world supply/demand estimates.

Corn:

The USDA lowered Corn export projections by 50 million bushels to 1.900 billion bushels, the slow export pace leaves much to be desired as the adjustment now puts estimated corn ending stocks above 2 billion bushels. Some small adjustments to world corn supply/demand estimates resulted in increased world-ending stocks from 114.96 mt in January to 117.27 mt . While world-ending stocks are expected to increase this year, most of the increase comes from U.S. production.

If the US has a crop problem this year it could impact prices as foreign ending corn stocks of 66.20 mt remain lower than last year's 73.33 mt.

.However for now no matter how you look at it , there is plenty of corn around.

Soybeans and Complex

Domestic crush estimates were pulled down 5 million bushels, from 1.660 billion bushels to 1.655 billion bushels. Soybean export projections were left unchanged. The decrease in crush resulted in increase in ending stocks now estimated at whopping 440 million bushels..

Traders should note, this is the highest ending stocks since 1985-86. Beans Closed Jan 1985 at 601 hit highs in March at 614 , made lows in November at 478 and ended Jan 1986 at 533. then hit highs in April at 563 , made lows in Sept and Oct just under 470 and closed Jan 1987 at 500.

Brazilian estimated production was reduced 1.5 mt from previous estimates of 64.5 mt to 63 mt,

However it is still expected to be a record and reducing it by 1.5 metric tons is like dust on a doorknob.

World soybean ending stocks estimates increased slightly from January's 60.80 mt to the current estimate of 61.35 mt.

Overall these estimates change little... the fact is corn and soybean supplies are large.

The expected carryovers and record world soybean ending stocks projections can be expected to continue put weight on prices.

However 'You can't kill them till you plant them' and any reductions in supply will come from this point forward Perhaps Bean Oil can sustain a rally if palm oil supplies out of Indonesia are a mess from the Tsunami...

Wheat :

Wheat has a tendency firm up past the end of February and into Mid March before turning rather sloppy  
The USDA Wheat Crop estimate is near 2.155 billion bushels. This compares with 2004/05 usage at 2.212 billion bushels. The only change to U.S. wheat supply/demand estimates is a 25 million bushels increase in export projections and corresponding decrease in wheat ending stocks to 558 million bushels from 583 million bushels. World wheat supply/demand estimates had negligible changes...

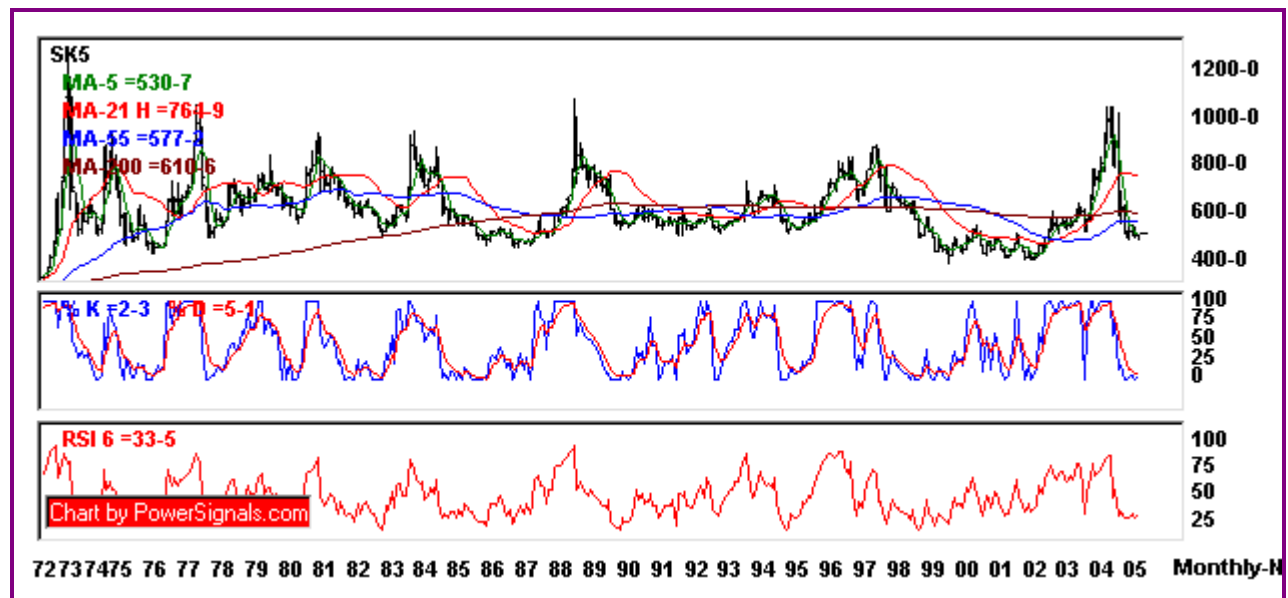
--Trade Accordingly --

### May Soybeans

**Support** is 525  $\frac{3}{4}$  and 521  $\frac{1}{4}$  to 520.. Below that buyers should appear near 513  $\frac{3}{4}$  to 512  $\frac{3}{4}$  and the 506  $\frac{3}{4}$  to 505  $\frac{3}{4}$  region. Traders can buy at 514  $\frac{1}{4}$  for a bounce and hold for higher prices.. .. Below that slip towards 499  $\frac{1}{2}$  to 497  $\frac{1}{2}$  and the 492  $\frac{3}{4}$  to 491  $\frac{1}{2}$  region is likely.. Under that buyers should appear near 485  $\frac{3}{4}$  to 484  $\frac{1}{2}$ . Traders can buy at 485  $\frac{1}{4}$  and risk a close under 476  $\frac{3}{4}$  for three days in a row..

**Resistance** is at 528  $\frac{1}{2}$  and the 534  $\frac{1}{2}$  to 535  $\frac{3}{4}$  region.. A close over is friendly and augurs for a test of 541  $\frac{3}{4}$  to 543 and 549  $\frac{1}{4}$  to 550  $\frac{1}{2}$  .. Beyond that sellers should appear near 571  $\frac{3}{4}$  to 572  $\frac{3}{4}$  . which should cap a rally.. for the time being

Traders should go long if a close over 528  $\frac{3}{4}$  occurs.



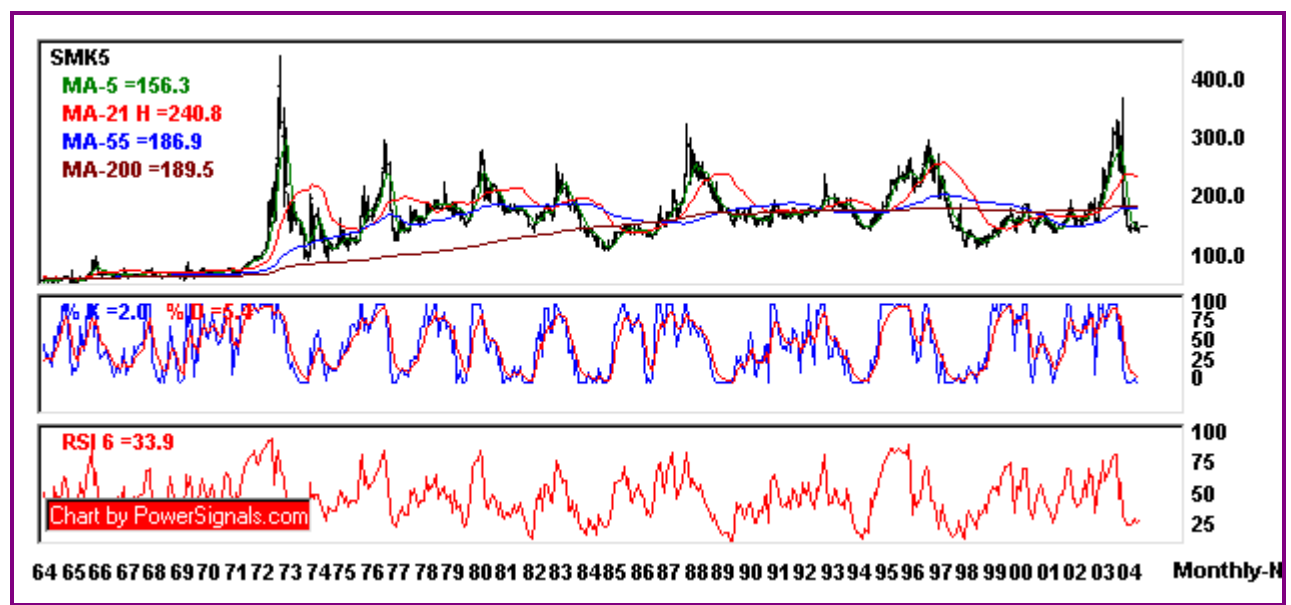


### May Soymeal

**Support** should appear near 153.5 to 152.9 and the 149.6 to 148.4 region.. Below that buyers should appear near 145.9 to 145.3 ... Traders can buy at 149.8 and hold for higher prices ...

**Resistance** should appear near 156.9 to 157.6 and the 160.9 to 161.5 region. Beyond that sellers should appear near 164.2 to 165.5

Traders should go long if a close over 157.9 occurs.



## May Soybean Oil

**Resistance** should appear near 2034 to 2042 and 2080 to 2089.. Beyond that a test of 2126 to 2134 is likely.  
**Support** should appear near 1996 to 1984 and 1953 to 1946. Below that buyers should appear near 1909 to 1902 .. Traders can buy at 1997 and risk a close under 1899 for three days in a row.

Traders should go long if a close over 2044 occurs

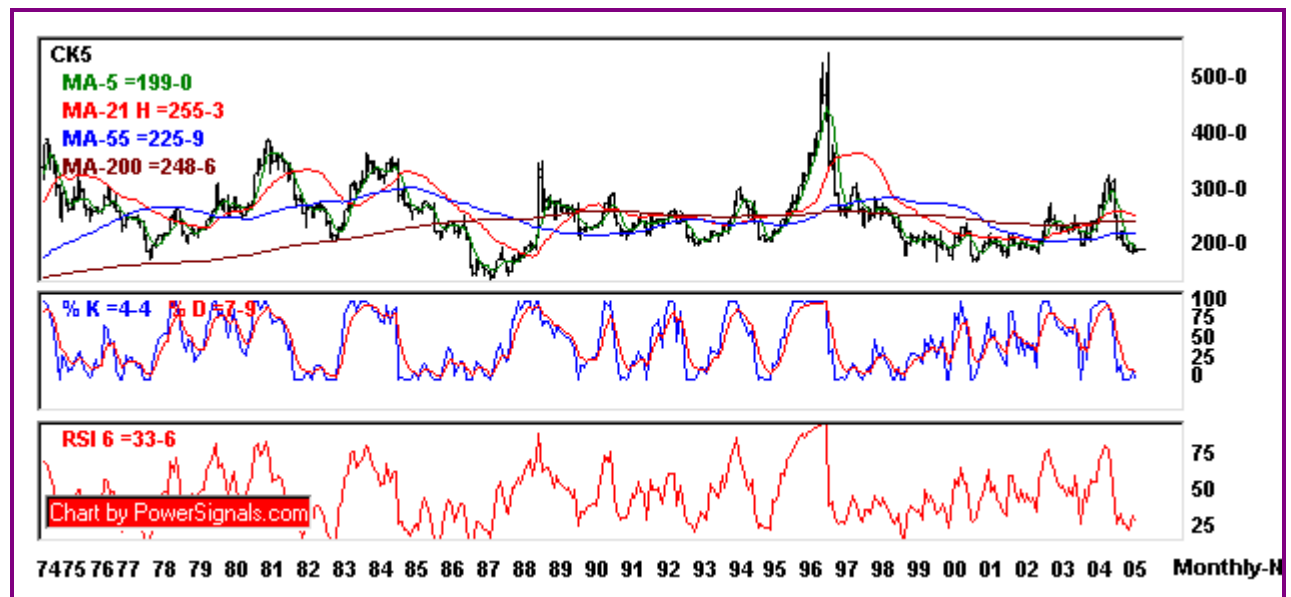




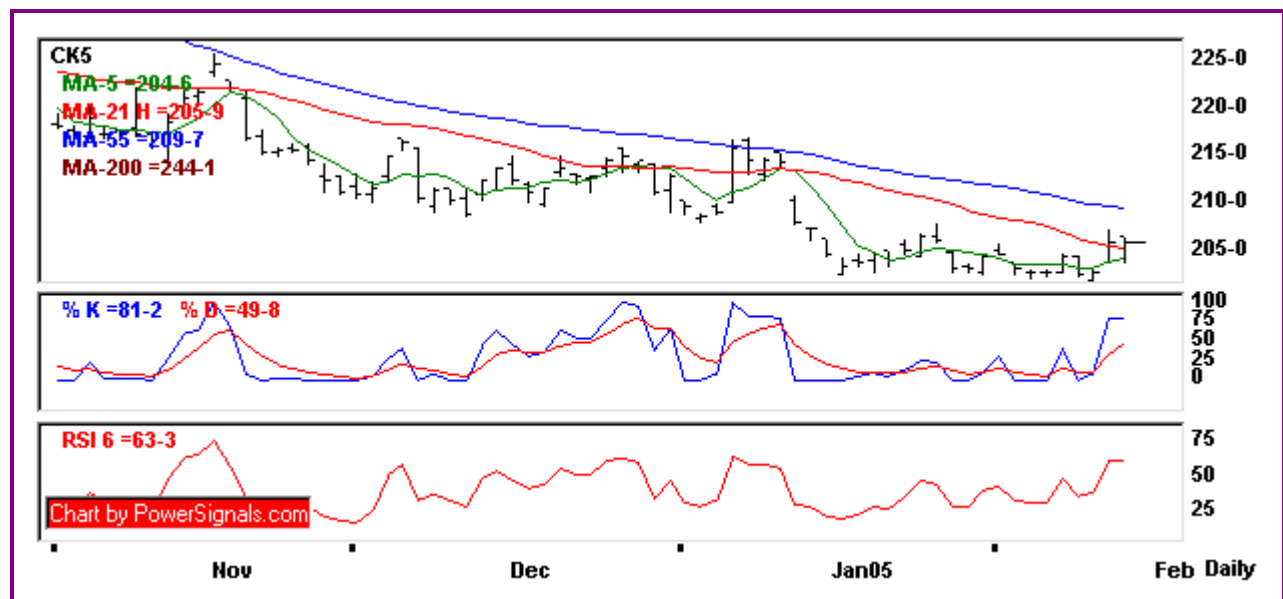
### May Corn

**Support** should appear  $195 \frac{1}{4}$  to  $194 \frac{3}{4}$  then  $190 \frac{3}{4}$  to  $190 \frac{1}{4}$  and the  $185 \frac{1}{2}$  to  $185 \frac{3}{4}$  region.

**Resistance** is at 208 to  $208 \frac{3}{4}$  and  $212 \frac{3}{4}$  to  $213 \frac{1}{2}$ . Beyond that sellers should appear near 2217 to  $218 \frac{1}{2}$  and the  $221 \frac{3}{4}$  to  $222 \frac{3}{4}$  region. Which should cap a rally..





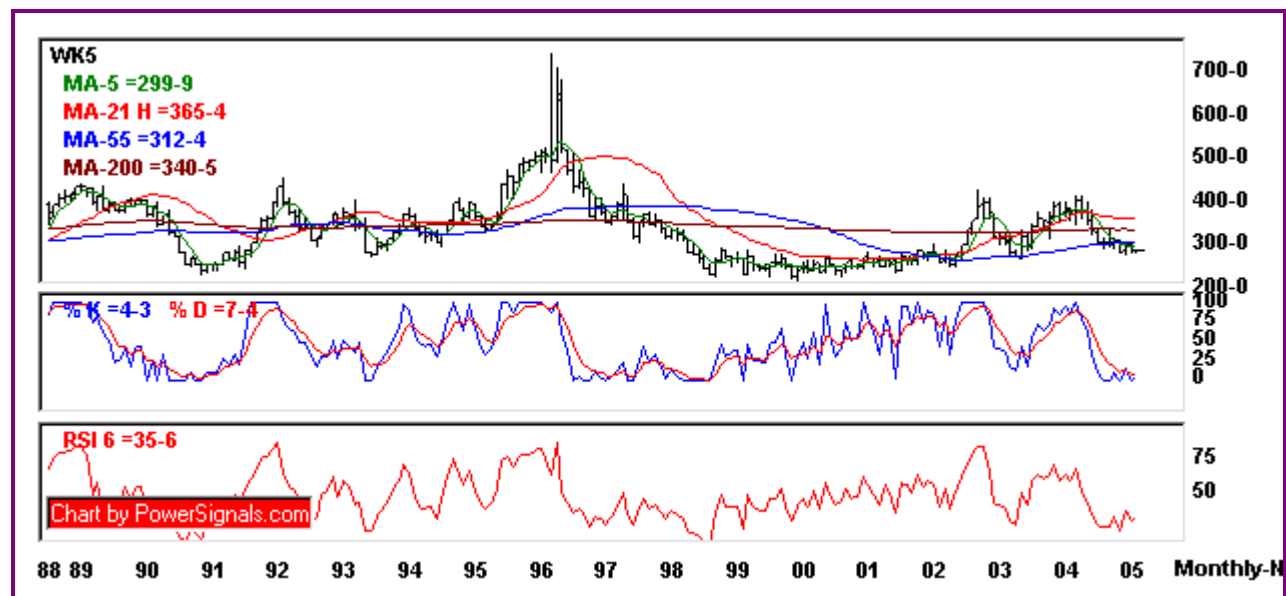


### May CBOT Wheat

**Support** should appear near 299 to 297  $\frac{1}{4}$  then 293  $\frac{3}{4}$  to 292  $\frac{3}{4}$  and the 288  $\frac{1}{4}$  to 287 region..

Traders can buy at 288  $\frac{3}{4}$  for a turn higher , risk a close under 275  $\frac{1}{4}$  for three days in a row. Under that 267  $\frac{1}{4}$  to 266  $\frac{1}{4}$  should contain the decline..

**Resistance** should appear near 303  $\frac{3}{4}$  to 304  $\frac{1}{2}$  , beyond that a test of 309  $\frac{1}{4}$  to 310  $\frac{1}{2}$  and the 314  $\frac{3}{4}$  to 315  $\frac{3}{4}$  region is likely.. Traders should go long if a close over 304  $\frac{3}{4}$  occurs..



# The Satisfying Softs

On Friday May Coffee hit a new contract high for the six trading session in a row before closing a hair lower. Recognizing that profit taking can occur at anytime traders should note that while prices are hitting nearly 5-year highs, we are substantially lower in price than any tops previously hit in years past., therefore sales made for profit should be done with intent to re-buy.

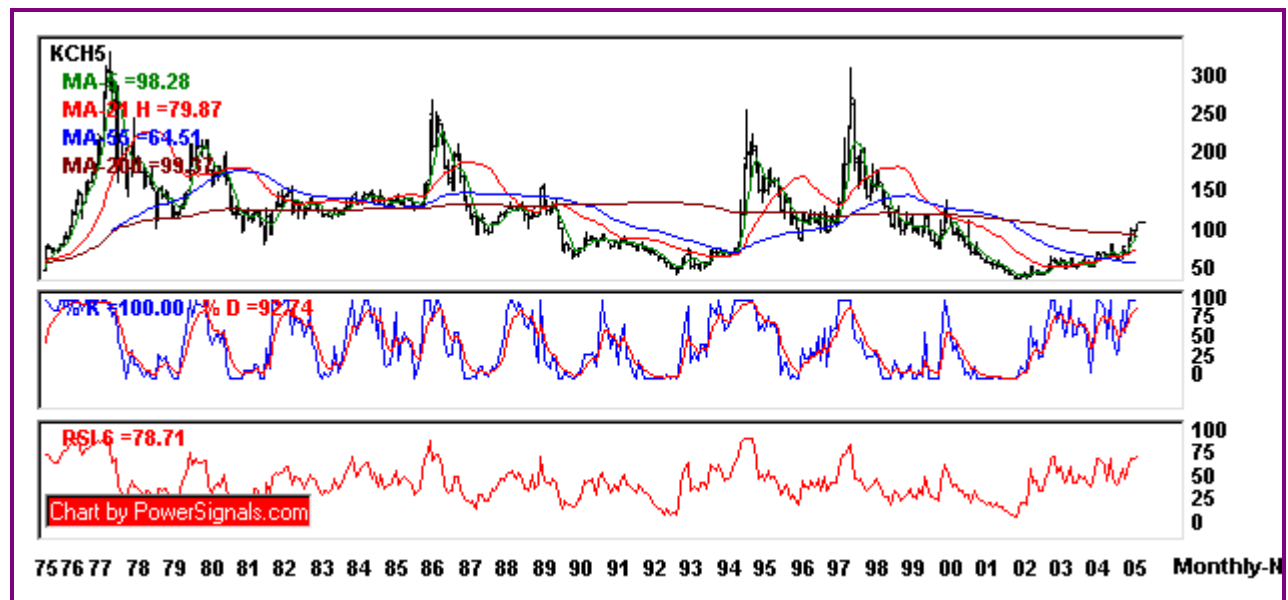
Traders should also now consider buying May or July and selling Dec. If Coffee does what it has in the past the spreads could widen substantially from these levels

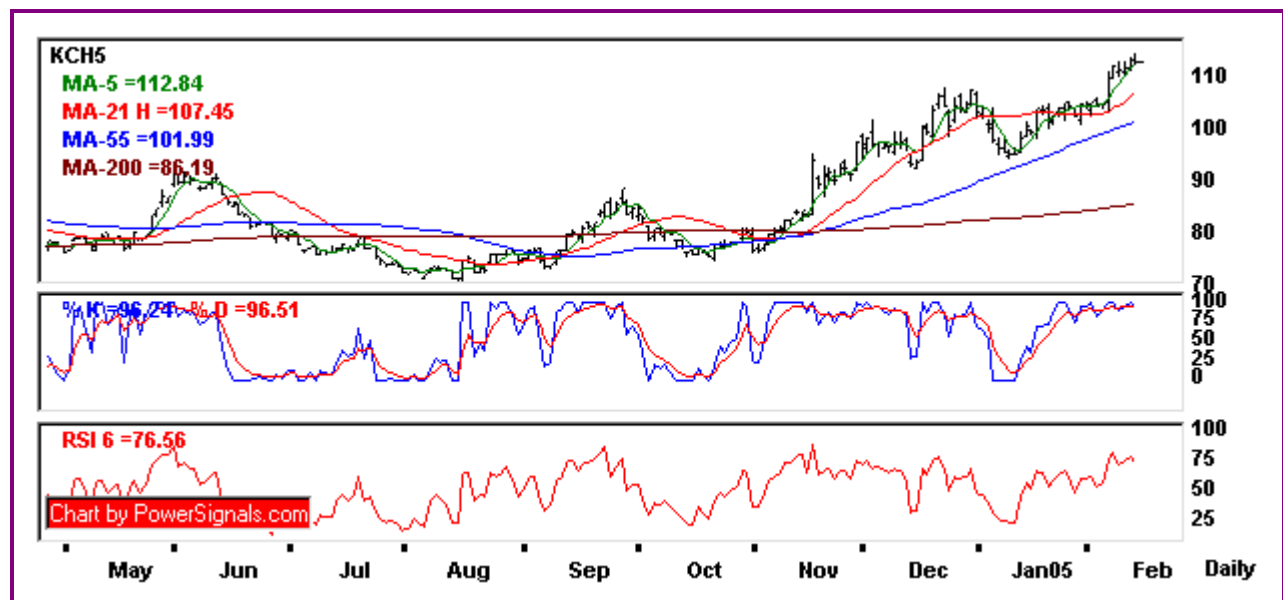
-- No change in posture -- Stay tuned for Flashes and Updates--

## March 'The Monster' Coffee

**Support** is near 11300 and 11010 to 10960 .. below that buyers should appear near 10680 to 10580 and the 1360 to 10320 region and contain a decline

**Resistance** should appear near 11640 to 11690, a close over is friendly and augurs for a test of 11920 to 12030 and the 12320 to 12380 region.





### May Coffee

Recommended open position Long 4 at 11205 avg

**Support** is near 11500, below that buyers should appear near the 11360 to 11300 region. Under that support should appear near 11010 to 10960 and the 10680 to 10580 region, which should contain a decline.

**Resistance** should appear near 11690 and the 11920 to 12030 region. A close over is friendly and augurs for a test of 12320 to 12380 and the 13040 to 13100 region.

Be long and Trade Accordingly - Stay tuned for Updates and Flashes



### May Cocoa

**Support** is at 1535 to 1529 and the 1496 to 1484 region.. A close under is negative and augurs for a test of 1459 to 1453 and eventually the 1421 to 1415 region.

**Resistance** is at 1569 to 1576.. Beyond that sellers should appear near 1609 to 1615 and the 1643 to 1655 region. ..Traders can sell at 1569 and risk a close over 1622 for three days in a row..

Traders should go short if a close under 1527 occurs..



## May Sugar

**Support** should appear near 941 to 932 and 912 to 907.. Below that buyers should appear near 882 to 877  
Traders can buy at 914 and risk a close under 905 for three days in a row.

**Resistance** should appear near 968 to 972 and 1000 to 1005





### May Cotton

**Support** should appear near 4585 to 4570 and 4515 to 4505 .. Traders can buy at 4525 and risk a close under 4365 for three days in a row.. Below that buyers should appear near 4315 to 4305 and the 4250 to 4235 region, which should hold.

**Resistance** should appear near 4635 to 4650 , a close over is friendly and augurs for a test of 4695 to 4715 and the 4845 to 4855 region. Beyond that sellers should appear near 4970 to 4995 and the 5055 to 5065 region

Traders should go long if a close over 4655 occurs.





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

Happy Trading!

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Saturday February 12th, 2005

11:30 PM South Florida Beach Time

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Current BW Recommended Open Positions

Long 4 May Coffee 11205 avg