

Bi-Weekly Investment Outlook

Sunday March 13th, 2005 Issue # 213

"Among the hazards of speculation the happening of the unexpected -I might even say the unexpectable – 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-

Sunday March 13th 2005
4:00 AM eastern time

Please Note: Due to time constraints today's Bi-Weekly does not have charts

[Open BW Positions](#) are at end of the letter

Stocks and Dollar:

The Dow, S&P 500 rallied above their year end highs on March 4th. On that day, the Dow added 107 points, and finished the day 0.79% above its prior recent market highs set on December 28th. The Dow Transports also broke through its prior highs, thus giving us another Dow Theory buy signal. Which was impressive as the Transports hit all time highs. In addition the S&P 500 moved up 0.71% above their recent highs...

While the market has sold off since those highs and as of Friday's close vs. Year end the Dow is a hair lower by .08 %, Transports are higher by .90 %, the SP500 lower by .98 %, Russell 2000 is lower by 3.8 %, the Nasdaq composite is 6.15 % lower and the NYSE composite is up by 1.1 %. We remain in the bull camp ..

Typically the market exhibits a bit of weakness into the end of March .. traders should look to buy dips over the next two weeks as we see grinding but higher mkt in front of us ..

The Dollar while pressed from a plethora of negative sentiment and piling on shorts in front of trade numbers Remains largely unchanged to marginally higher as of Friday from Year end levels versus Euro, Yen , Swiss and Canadian , while it is lower versus the British Pound and Aussie Dollar.. The Dollar index itself is higher..

We suspect the Growth rate and interest rate differential will continue to support the dollar .. and keep the Dollar in a large range bound bottoming pattern for some time..

The Dollar decline is long in the tooth and the upside potential far outweighs the downside ..

No change in posture and ideas since our Economic report in early January. There are however millions more Free and in one way or another Democratic persons on this earth..

The Sensational Stock and Bond Markets

Dow Jones Industrial Average

Resistance is near 10820 and 10960.00 to 11010.00

Support should appear near 10680 to 10580 and 10470.. Below that 10360 to 10320 should contain a decline

June SP500

Resistance should appear near 1232.00 to 1238.00

Support should appear near 1203.00 to 1192.00.. Below that buyers should appear near 1180.50 and the 1169 to 1164.00 region. Traders can buy at 1169.10 and hold for higher prices..

Aggressive Traders should go long if a close over 1217.60 occurs

Nasdaq Composite

Support should appear near 2043 to 2034 and the 1996 to 1982 region

Resistance should appear near 2080.00 to 2089.00 and the 2126 to 2134 region

June Mini Nasdaq 100

Resistance should appear near 1529 to 1535 and 1569.00 to 1576.00

Support is at 1496 to 1484 and the 1459 to 1553 region.

Traders can buy for a bounce at 1497 and risk a close under 1481 for three days in a row.

June Mini Russell 2000

Recommended open position long at 645.50

Support is at 627.00 to 625.70 and 619.00 to 616.50.. Below that buyers should appear near 611.3 to 610.1 under that 603.5 to 602.3 should contain a decline .

Resistance is at 633.70 to 635.00 and 641.7 to 643.00. A close over is friendly and augurs for a test of 648.3 to 650.9 and eventually the 657.7 to 659.1 region.

June 10 Year T-Note

Resistance should appear near 109-07 and 109-22.. Beyond that sellers should appear near 110-07 and 110-22, which should cap a rally..

Support remains at 108-22 and 108-07 .. Below that a test of 107-22 and the 107-07 region is likely.. Which should contain the decline .

The Frenzied Forex Front

June Yen

Resistance should appear near 9706 to 9737 and the 9821 to 9837 region .. Beyond that a test of 9921 to 9937 is likely

Support should appear near 9641 to 9625 and the 9542 to 9526 region.. Below that a test of 9445 to 9429 is likely.

Traders should go long for a month end rally if a close over 9739 occurs.

June Euro Currency (EC)

Recommended open position short at 13337

Support should appear at 13430 to 13400 and 13340 .. A close under augurs for a test of 13320 and eventually the 13100 to 13040 region.

Resistance should appear near 13615 and the 13770 to 13830 region.

June Swiss Franc

Resistance should appear near 8762 to 8777 and the 8856 to 8871 region. Beyond that sellers should appear near 8934 to 8964.. traders can sell at 8933 and risk a close over 8971 for three days in a row.

Support should appear near 8683 to 8668, a close under is negative and augurs for a test of 8589 to 8560 and eventually much lower.. Traders should go short if a close under 8668 occurs.

June British Pound

Support should appear near 19090 to 19020 and the 18650 to 18580 region

Resistance should appear near 19460 to 19530 and the 19820 to 19960 region.

June Canadian Dollar

Support should appear near 8300 then 8223 to 8194 and 8134 to 8119

Resistance is at 8391 to 8406 and the 8848 to 8499 region

June Aussie Dollar

Resistance should appear near 7939 to 7954 and 8029 to 8044. Beyond that 8119 to 8134 should cap a rally.

Support should appear at 7864 to 7836 and 7777 to 7763.. Below that a trade towards 7601 to 7587 is likely.

Precious Metals

April Gold

Resistance should appear at 450.3 to 451.4 and the 457.1 to 458.2 region. Beyond that 463.9 to 465.0 should cap a rally..

Support is at 444.6 to 442.5, a close under augurs for a test of 438.1 to 437. Below that 431.5 to 430.4 offers support. Traders should go short if a close under 442.4 occurs.

May Copper

Support should appear near 14590 to 14530.. A close under is negative and augurs for a slip towards 142.1 to 141.5 and eventually the 138.30 to 137.70 region

Resistance should appear near 15290 to 15350 and 15690 to 15760.. Traders can sell at 152.70 and risk a close over 1.5830 for three days in a row.. Beyond that sellers should appear near 16090 to 16150. Traders should go short if a close under 145.10 occurs.

May Silver

Support should appear near 750.5 to 748.5 and 734.5 to 732.5 Below that a test of 717.0 to 714.0 is likely,.

Resistance is at 767.5 to 769.0 and 776.0 to 777.5 Beyond that sellers should appear near 802.5 to 804.5 and the 811.5 to 813.5 region.

The Exciting Energies

April Crude Oil

Resistance should appear near 5490 to 5504 and 5553 to 5577.. Beyond that 5640 to 5653 should cap a rally.

Support should appear near 5356 to 5344 and 5282 to 5259. A close under is negative and augurs for a test of 5137 to 5129

April Unleaded Gas

Resistance should appear 15290 to 15350 and 15690 to 15760

Support should appear near 14960 to 14840 and 14590 to 14530

April Heating Oil

Resistance should appear 15690 to 15760 and the 16090 to 16150 region Beyond that sellers should appear near 16420 to 16550, which should cap a rally .

Support should appear near 15350 to 15290 and 14960 to 14840...Below that a test of 14210 to 14150 and the 13830 to 13770 region is likely.

Trade Accordingly ...

The Lively Livestock

Cattle

A Montana judge's decision to not allow the USDA to open the border to Young Canadian cattle as planned in early March will probably continue support prices .. However our belief is the decision will be tossed out. While we continue to be concerned about beef demand there remains only marginal evidence of reduced demand. However there does appear to be less 'panic buying' than last year.

We do continue to believe that cattle producers are building the breeding herd and substantially lower prices are in front of us, perhaps for some time ...No change in posture

Hogs

April hogs closed lower from sloppy cash and from massive fund rolling to the June futures as the spreads we have been following moved out nicely.. June hogs closed sharply higher on the session but still closed lower on the week. The new high for June and lower close on the week could make a few bull nervous if it stalls early next week.

Data continues to show hog producers are building the breeding herd at a somewhat slow pace. Our early estimates of the March 1 Hogs and Pigs is total herd at 101% of a year earlier, breeding herd at 100% and market herd at 101% .. However we suspect we might see numbers 1 % either side of the estimates. The report Hog Crop Reports will be released on March 24 ... anything more than that would result in a tendency for lower trending prices into past May of this year..

Building the breeding herd while productivity growth continues in the US herd, combined with large breeding herd in Canada. (Canadian breeding herd on January 1st was up nearly 2% and Canada is also getting productivity growth.) is not constructive for higher prices down the road

Peoria live hogs were \$2.50 lower on Friday and the 2-day lean index as of March 9th came in at 74.01, up 1.03 on the session and up from 70.42 last week at this time..

We suggest now the index will more likely be near or lower than 72.00 cents in early April ..While slaughter came in at 357,000 head on Friday , the bulls expected 365,000-376,000 head. This is the 4th trading day in a row that kills have come in below expectations ... this is indicative of poor demand

While the week ended with cash prices under pressure , cash prices were also below a week earlier. The cash terminal prices were \$0.75 to 3.50 lower than a week earlier. Slaughter this week was estimated to be 1.918 million head , down 1.7% from a year earlier. Slaughter for the past three weeks is down about ½ of a percent from a year earlier. The weekly average weight as of March 5th for barrow and gilts in the Midwest was 266.7 pounds up a fraction from last week and up 0.4 lb from a year ago. Marketings therefore are pretty much current with a year earlier..

No change in posture. Stay tuned for updates and spread ideas.. traders should at the minimum look to reinstate the spreads

April Cattle

Support should appear near 8872 to 8857 and 8682 to 8667.. Below that a test of 8592 to 8562 is likely.

Resistance is at 8932 to 8967 and 9137 to 9157 Traders can sell at 8927 for a turn lower and risk a close over 9162 for three days in row.. .. Beyond that sellers should appear near 9317 to 9347

Traders should go short if a close under 8847 occurs

June Cattle

Recommended open position Short at 8585

April Hogs

Support should appear near 7172 to 7142 and 7087 to 7072.. Below that a test of 6922 to 6907 and the 6838 to 6807 region is likely.

Resistance should appear near 7242 to 7257 and the 7327 to 7342 region. Beyond that sellers should appear near 7412 to 7427 and the 7487 to 7512 region.

June Hogs

Support is at 8137 to 8117 and the 7957 to 7932 region .. A close under augurs for a test of 7867 to 7837 and eventually the 7602 to 7587 region.

Resistance should appear near 8300 to 8317 and the 8392 to 8407 region Beyond that 8557 to 8587 should cap a rally.

May Pork Bellies

Resistance should appear near 9042 to 9062 and the 9142 to 9157 region. . Traders can sell at 9137 and hold for lower prices Beyond that sellers should appear near 9317 to 9347 and the 9427 to 9447 region

Support is at 8967 to 8937, a close under is negative and augurs for a test of 8727 to 8762 and the 8682 to 8667 region. Below that a test of 8502 to 8487 is likely.

Traders should go short if a close under 8932 occurs.

--Stay tuned for Updates and Flashes --

The Grande' Grains

Soybeans: Over the last few weeks there have been plenty of buyers in the grain markets, which now have risen sharply during late February and early March, as we expected. The strength we mentioned back on January 22nd (*"Traders should begin testing the long side of Grains we see a higher market past mid February"* 1-22-2005) and again in the Feb 12 Bi-Weekly has now become full blown. To reiterate from our 2-12 BW *"From a Seasonal standpoint, generally Speaking Corn and the Bean Complex tend to perk up thru March and into early May"* ... However 'Perk' is a word that now is inappropriate.

The question is now what? Traders should look for a more two sided market for a bit.. We would expect some backing and filling if only for a brief period.. With massive fund buying 'running amok' first short covering and now purportedly as a hedge against a declining dollar. The depth of the rally seems a bit overdone and we recommended option traders take a small position in May bean puts on Friday..

On Thursday March 10th the USDA released its WASDE report (World Agriculture Supply and Demand Estimates) Most of the supply/demand changes were about as expected. Domestic soybean crush estimates were decreased by 5 million bushels and exports projections were increased by 35 million bushels. U.S. soybean supply of beginning stocks, production, and imports were unchanged...

On the Southern Hemisphere Supply side.... what the USDA did was included a reduction in the Brazilian soybean crop. It estimates that dry weather has reduced Brazilian soybean production from the February forecast of 63 mmt to 59 mmt. However on March 11, Brazil's Vegetable Oils Industry Association (Abiove) projected the Brazil soybean crop at just 53.9 million tons versus its' March 2nd forecast of 58.2 million tons and the January forecast of 61.5 million tons. Rains might help ease deterioration.

On the Demand side In the US, the total 2005 crop year use is now estimated at 2.848 billion bushels. The U.S. Soybean Ending Stocks estimate while reduced from February's report of 440 million bushels to 410 million bushels, the figure still leaves the US soybean market with an 18 year high in ending stocks.

On March 31, the USDA will release its Prospective Planting Reports. Before and after that traders (both Bull and Bear) will have ideas about weather and disease and they will surface..

To sum it all up while these combined reductions decreased expected World Soybean Ending Stocks from the prior estimate of 61.35 mmt to around 50 mmt, this still represents a level of World Ending Stocks that is roughly a third higher than last year.....Or to put it mildly about the size of Brazil's crop if they reduce it again..

Corn : Corn tends to make its highs during March then dip a bit before peaking again in May..

There is still lots of corn around ...USDA left domestic corn use estimates unchanged and reduced estimates of exports by 50 million bushels to 1.850 billion bushels. Corn import projections were dropped by 5 million bushels resulting in an increase in estimated corn ending stocks to 2.054 billion bushels.

The USDA foresees increases in Argentine, South African, and Chinese corn production. Toss it all together and it ends up to more than a 4 mmt increase in estimated world corn ending stocks at 122.04 mmt. Although projected domestic and world ending stocks increased somewhat, The USDA price estimates also were increased 10 cents and now expected to range from \$1.95 to \$2.15.

Wheat : Tends to be sloppy into March and April while a noted price slide after that into July is normal

The USDA reduced U.S. wheat food use estimates by 20 million bushels, but increased exports by 25 million bushels. Which better get going as there is a somewhat near-term slack in demand for US wheat with optional origin tenders this week going to France, Australia and others..

While the USDA reduced projected ending wheat stocks from 558 million bushels to 553 million bushels, a number of small changes in world wheat supply/demand estimates resulted in the USDA increasing world wheat ending stocks estimates from 145.38 to 146.78 mmt. Weather conditions look ok for the US wheat

Unless the World experiences another disaster the likes of the 1815 Volcanic Eruption in Indonesia, there is still going to be plenty of grains around and plenty of farmers with lawns to plow under and plant.

May Soybeans

Support is $659 \frac{1}{4}$ to $657 \frac{3}{4}$, a close under augurs for a test of $650 \frac{3}{4}$ to $648 \frac{1}{4}$ and eventually the 643 to $641 \frac{3}{4}$ region. .. Below that 635 to $633 \frac{3}{4}$ and 627 to $625 \frac{3}{4}$ offers support.. Under that 619 to $616 \frac{1}{2}$ should hold.. Traders can buy at $619 \frac{3}{4}$ for a bounce and risk a close under $601 \frac{1}{4}$ for three days in a row.

Resistance should appear near $665 \frac{3}{4}$ to $667 \frac{1}{4}$ and the $674 \frac{1}{4}$ to $675 \frac{1}{2}$ region. Beyond that sellers should appear near $680 \frac{3}{4}$ to $683 \frac{3}{4}$ and the 699 to $700 \frac{1}{4}$ region.

May Soymeal

Support should appear near 195.3 to 194.6 , a close under is negative and augurs for a test of 186.4 to 185.8 and eventually the 182.2 to 180.8 region .. Below that buyers should appear near 173.8 to 173.1

Resistance should appear near 203.4 to 204.2 and 208 to 208.9 beyond that sellers should appear near 212.6 to 213.4 and the 217.0 to 218.5 region. Traders can sell at 216.9 and risk a close over 222.9 for three days in row.

May Soybean Oil

Resistance should appear near the 2461 to 2469 region .. beyond that 2511 to 2519 should cap a rally.

Support should appear near 2370 to 2354 and 2322 to 2315 , a slip under augurs for a test of 2275 to 2267 and the 2226 to 2219 region .

May Corn

Support should appear near $222 \frac{3}{4}$ to $221 \frac{3}{4}$ and $218 \frac{1}{2}$ to 217 , a close under augurs for a test of $213 \frac{1}{2}$ to $212 \frac{3}{4}$ and most likely the $208 \frac{3}{4}$ to 208 region. .

Resistance is at $226 \frac{3}{4}$ to $227 \frac{1}{2}$ and the $231 \frac{1}{2}$ to $232 \frac{1}{4}$ region .. beyond that sellers should appear near $235 \frac{1}{2}$ to 237 and the $241 \frac{1}{4}$ to $241 \frac{3}{4}$ region. Traders can sell at $239 \frac{3}{4}$ and risk a close over $247 \frac{3}{4}$ for three days in a row.

May CBOT Wheat

Recommended open position short $355 \frac{1}{4}$

Resistance should appear near the $361 \frac{1}{4}$ to $362 \frac{1}{4}$ and the $366 \frac{1}{4}$ to $368 \frac{1}{4}$ region. Beyond that sellers should appear near $373 \frac{3}{4}$ to $374 \frac{1}{4}$, which should cap a rally.

Support should appear near $356 \frac{1}{4}$ to $355 \frac{1}{4}$, a close under augurs for a test of $344 \frac{1}{4}$ to $342 \frac{1}{2}$

Stay tuned for Updates and Flashes in Grains

The Satisfying Softs

May 'The Monster' Coffee

Recommended open position Long at 121.80

Support is near 13460 to 13340 and 13100 to 13040 .. Traders can buy at 13465 and hold for higher prices.. Below that buyers should appear near 12740 to 12680 and contain a decline.. Traders can buy at 12750 and risk a close under 11890 for three days in a row.

Resistance should appear near the 13770 to 13830, a close over is friendly and augurs for a test of 14150 to 14210 and the 14530 to 14590 region. Beyond that sellers should appear near 15290 to 15350 and the 15690 to 15760 region.

Traders should go long if a close over 13840 occurs

Be long and patient.

May Cocoa

Support is at 1780 to 1774, a close under is negative and augurs for a test of 1738 to 1731 and the 1696 to 1689 region, which should hold..

Resistance is at 1808 to 1822 and the 1858 to 1865 region. .. Beyond that sellers should appear near 1902 to 1909 and 1946 to 1953 , which should cap a rally.

May Sugar

Support should appear near 912 to 907 and 882 to 877 . Below that 852 to 847 should hold..

Traders can buy at 912 and risk a close under 869 for three days in a row.

Resistance should appear near 932 to 941 and 968 to 972 .. Beyond that a test of 1000 to 1005 and 1032 to 1036 is likely.

May Cotton

Recommended open position Long at 5155

Support should appear near 5355 to 5345 and the 5285 to 5260 region. Below that buyers should appear near 5140 to 5125 and the 5070 to 5055 region, which should contain a decline.

Resistance should appear near 5490 to 5505 and the 5555 to 5575 region .. Beyond that a test of 5715 to 5730 is likely , while sellers should appear near 5855 to 5880 and cap a rally for a bit..

Traders should go long if a close 5435 occurs

Trade Accordingly.. .

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

Happy Trading!

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1:24 PM South Florida Beach Time

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BW Recommended Open Positions

Long June Mini Russell 645.50

Short June EC 13337

Short June Cattle 8585

Short May Wheat 355 ¼

Long May Coffee 12180

Long May Cotton 5155
