

# THE ROSE REPORT

Sunday, Sept 28, 2014

*This publication constitutes copyrighted material and contains proprietary information and information derived from proprietary analytical procedures and tools. It is intended exclusively as information for and use by the subscribing party. Reproduction or redistribution of material contained herein in any manner, either in part or in whole, without prior written consent from "The Rose Report" is expressly prohibited.*

## Cotton

Dec cotton posted a very poor performance last week, its attempt to redeem itself on Fri notwithstanding. Dec gave up 250 points on the week, all but one point of its 357 point trading range was south of last week's 64.39 settlement.

Bearish news from China and India were likely responsible for the lion's share of last week's losses, but impending seasonal harvest pressure (both domestically and internationally), continued strength in US currency and general bearishness in agricultural commodities also likely helped Dec cotton to post consecutive W/W losses.

Concerning US supply, data revisions to crop insurance acreage data lead us to believe that final US cotton acreage will fall within a range of 10.75M – 10.9M bales. And, we have adjusted our production estimate to near 16M bales. Very soon, classing data will enable us to be more certain of this year's production. We do expect overall yield to be debited a bit more

on the Oct WASDE report, given less than optimal weather conditions that endured over much of the US production area recently.

On the demand side, US export sales improved last week at approximately 155K RBs. On-call sales against all contract months within the current MY continue to languidly increase, although commitments against the Dec contract continue to decrease W/W.

Internationally, the Cotton Association of India has projected this season's Indian production at 31.5M bales, 1M bales higher than the USDA's latest projection. Too, estimates out of China call for a 2M MT (about 9M bales) shortfall between China's production and consumption for the current MY, which is greater than the USDA's latest projection of the deficit. Such suggests that production in China this season may be lower than currently expected. Further, and perhaps most unexpectedly, it was announced that the subsidy program afforded to producers in Xinjiang would also

be made available to producers in eastern provinces. Such could push 2015 production in China well above the previously estimated 23M bale level.

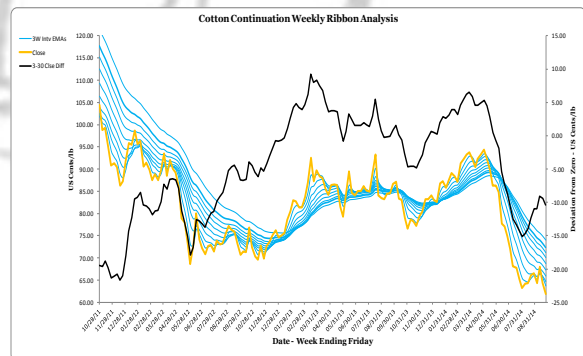
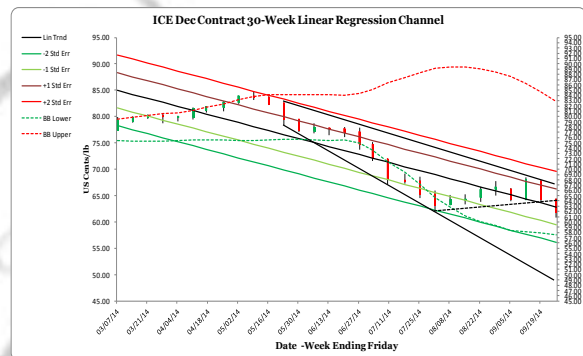
At this time, we still expect 2014/15 world production to either remain near or somewhat exceed the USDA's Sept projection of nearly 118M bales.

With respect to demand, spot prices across most major world geographies continued their decline last week amid reports of high yarn inventories and decreasing demand. This, coupled with likely continued strength in the US dollar, should keep US export sales under pressure for the near-term. In another surprise announcement last week, China announced that it would suspend sales of stocks from its reserve until Aug or Oct, 2015 in an effort to promote consumption of domestic new crop stocks. This news seems counterintuitive to many that we speak with and also seems to have spawned an air of confusion regarding China's designs moving forward.

For the week ending Sept 23, the aggregate non-commercial sector held a net short futures position of approximately 29K contracts vs a net long position for the week ending Sept 16 of 13K contracts. Managed money firms reduced their net long futures position by approximately 50% W/W to 5K contracts. However, when accounting for the likely distribution of spreading activity, managed money entities most likely hold a significantly longer position against the Dec contract than the data imply upon glancing. Further, these firms appear to continue to be sellers of volatility.

Dec OI has decreased approximately 10K contracts since recent highs near 68.50 were reached, and such suggests that upward movement is possible.

Dec has given up 2205 points over the last 21 weeks, and 611 points over the last 2 weeks. Dec is now trading within the middle portion of the 30-week regression channel - below former key support near 62.00 - while the 30-week trend remains quite negative. Gaps remain above the market at 67.88 - 68.00 and 77.80 - 78.00.



Initial weekly resistance is expected to begin near 63.00 and continue upward to near 68.00, although we think that Dec's trading up to recent highs is unlikely without unexpected bullish news being made known to the market. Initial support will likely be encountered near 60.80 and 60.00 and

continue downward to near 57.00. The front month should open the week below its weekly pivot point.

<b>Cotton - Dec Pivot Points</b>			
<b>Pivot Point (W):</b>		<b>62.37</b>	
<b>PPW-S1:</b>	<b>60.35</b>	<b>PPW-R1:</b>	<b>63.92</b>
<b>PPW-S2:</b>	<b>58.80</b>	<b>PPW-R2:</b>	<b>65.94</b>
<b>PPW-S3:</b>	<b>56.78</b>	<b>PPW-R3:</b>	<b>67.49</b>
<b>S = Support Level, R = Resistance Level</b>			

The standard weekly technical analysis remains bearish with several momentum oscillators continuing to register oversold. Money flow into the Dec contract remains bearish, although it is no longer in a technically oversold condition.

The latest weekly settlement is significantly below all of the most referenced weekly SMA periods, and the 3-, 6-, 9- and 12-week SMAs are converging within a range of 64.76 – 65.37. Such should provide a formidable area of technical resistance over the near-term. Weekly downward momentum continues to increase; the 3- - 30-week EMA difference is now at (1035) vs (940) last week.

An analysis of the weekly chart of the Dec contact suggests that Dec could eventually fall below the 50.00 level; however, the continuation chart suggests that the 60.00 level may provide formidable support. An analysis of put OI suggests that the 60.00 level is an area of major contention.

Weekly, we calculate an approximate conditional probability of 52% for realizing a settlement on Friday, Oct 3 that is less than last week's. Approximate conditional probabilities of 19% and 24% were calculated for realizing weekly high or low

values of 300, or more, points *off/on*, respectively, last week's settlement.

<b>ICE Dec Contract Conditional Probabilities for Weekly Hi - Lo - Settle</b>							
<b>Close Down</b>		<b>Close Up</b>		<b>Lo</b>		<b>Hi</b>	
<b>Level</b>	<b>Prob.</b>	<b>Level</b>	<b>Prob.</b>	<b>Level</b>	<b>Prob.</b>	<b>Level</b>	<b>Prob.</b>
Clse. Dn	47.62%	Clse. Up	52.38%	<0, >	90.48%	>0, <100	85.71%
<= (100)	23.81%	>= 100	33.33%	<= (100)	57.14%	>= 100	66.67%
<= (200)	19.05%	>= 200	28.57%	<= (200)	52.38%	>= 200	38.10%
<= (300)	9.52%	>= 300	23.81%	<= (300)	19.05%	>= 300	23.81%
<= (400)	9.52%	>= 400	9.52%	<= (400)	9.52%	>= 400	14.29%
<= (500)	9.52%	>= 500	4.76%	<= (500)	9.52%	>= 500	9.52%
<= (600)	4.76%	>= 600	4.76%	<= (600)	4.76%	>= 600	9.52%
<= (700)	4.76%	>= 700	4.76%	<= (700)	4.76%	>= 700	4.76%
<= (800)	4.76%	>= 800	0.00%	<= (800)	4.76%	>= 800	0.00%
<= (900)	4.76%	>= 900	0.00%	<= (900)	4.76%	>= 900	0.00%
<= (1000)	4.76%	>= 1000	0.00%	<= (1000)	4.76%	>= 1000	0.00%

Odds favor intraweek breaks of 200 – 300 points this week while also favoring intraweek rallies of 300 – 500 points. Odds are directionally even for intraweek moves of 500, or more, points.

<b>Cotton Conditional Odds of Breaks/Rallies</b>		
<b>Magnitude of Move</b>	<b>Odds Break</b>	<b>Odds Rally</b>
<b>200 - 300 Points</b>	<b>1.2:1</b>	-
<b>300 - 400 Points</b>	-	<b>1.5:1</b>
<b>400 - 500 Points</b>	-	<b>1.5:1</b>
<b>500+ Points</b>	<b>1:1</b>	<b>1:1</b>

Technically, the trading range for this week is expected to be somewhat negatively skewed with expected and median ranges of 367 and 353 points, respectively. Further, weekly technical risk to the upside is expected to be less than that to the downside.

<b>Cotton Adjusted Historical Price Movement</b>				
<b>Parameter</b>	<b>Average</b>	<b>Median</b>	<b>Min</b>	<b>Max</b>
<b>Range</b>	367	353	30	878
<b>Settlement</b>	-6	37	-1442	727
<b>Low</b>	-214	-200	-1442	0
<b>High</b>	153	171	0	795

Per the market's current fundamental and technical structure, the table below provides the average, median, minimum and maximum gains and losses for an outlook period of 2 – 5 weeks from the most recent settlement. At this time our analysis suggests that Dec is likely to trend lower over the outlook period with longer-term risk to the downside expected to be significantly greater than that to the upside.

Cotton Historical Price Movement Weeks 2 - 5				
Statistic	Week 2	Week 3	Week 4	Week 5
Avg Gain/Loss vs Current	-0.03	-0.27	-1.65	-1.25
Median Gain/Loss vs	0.13	-0.63	-1.94	0.80
Min Loss vs Current	-15.24	-12.11	-12.30	-13.36
Max Gain vs Current	11.39	10.08	4.54	6.76

## Conclusion and Outlook

Looking forward, numerous economic data releases are scheduled for this week, including an interest rate decision from the ECB, which could further affect the value of US currency. Concerning the weekly export report, the volume weighted average price and average intraday low prices for the period ending Sept 25 are at approximate 400 and 350 discounts to the period reported upon most recently. However, reports of demand at current price levels are generally for smaller lots, and, although total net sales to be put forth in the report could very well be significant, we are not convinced at this time that they will exceed the most recent sales figure.

Further, per month's end (which is also the end of Q3), some volatility may be introduced into the market as trading entities adjust positions or, perhaps, book some profits.

It is worth noting that similarities between this year and 2008, a year in which Dec futures traded down into the upper 30's, are striking. And, although this year lacks the economic meltdown of 2008, things are not upbeat across much of the world.

The average Dec futures settlement price in June, 2008 was 78.02 with the US Dollar Index exhibiting an average closing value of 72.89; for this year the respective figures were 76.87 and 80.43. In Sept, 2008 the average daily Dec settlement and US Dollar Index closing values were 63.27 and 77.68, respectively; for this year (through Thu, Sept 25) the values are 65.21 and 84.17. In Nov, 2008 the average daily Dec settlement and US Dollar Index closing values were 42.17 and 85.65, respectively.

Fundamentally, the USDA projects the US S/U ratio at exactly the same level as in 2008/09, although actual C/O is expected to be significantly less this year. However, the aggregate world C/O is projected much larger for the current MY with projected C/O in the "World Less China" category less for this season vs 2008/09. And, although projected world consumption is currently projected nearly 4M bales greater than in 2008, the trend of estimates and projections has been lower M/M. And, consumption is projected 10M – 12M bales (depending on source) lower than in the years immediately preceding 2008/09.

To be certain, we are not predicting a similar crash will occur as did in 2008. It is a bit too early to predict such an occurrence. Still, history can provide us with some perspective on the current situation.

Both fundamentally and technically, the analysis remains bearish. The overall analysis leads us to believe that Dec retains downside potential below the 60.00 level.

We expect Dec to finish this week near unchanged to lower on the settlement while trading a range of 60.00 – 63.00 on the inside or 58.50 – 64.00 on the outside.

Cotton - Dec Weekly Expected Ranges			
Time Period	Low	High	Settle
Weekly Inside:	60.00	63.00	Near Unchgd - Lower
Weekly Outside:	58.50	64.00	Near Unchgd - Lower

## Corn

Dec corn gave up 8½ cents last week to settle at 323, another new contract low settlement, while posting its sixth consecutive W/W loss. Volume quickened while OI contracted slightly W/W.

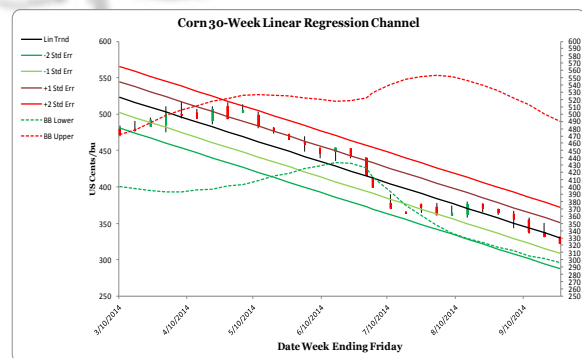
Weather is expected to be favorable for final maturity and harvest operations over most major US producing areas over much of the coming week. Internationally, recent wet conditions over portions of the southeastern EU, Ukraine and Russia may continue to hinder harvesting activities while recent showers over northern China will likely favor grain filling in later planted corn.

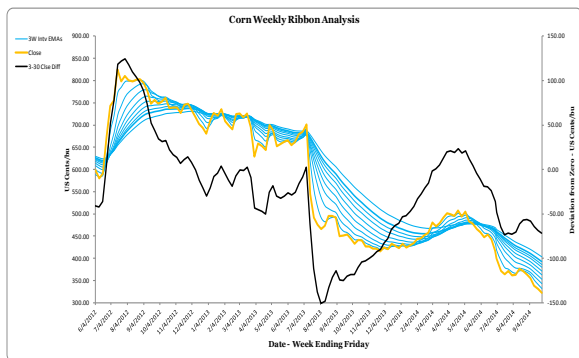
Harvest pressure in the US is increasing as basis levels continue to weaken ahead of expected record US production. The average trade estimate for stocks to be put forth on the Sept 30 quarterly stocks report is 1.185B bu.

Light commercial demand continues to be evident, although ethanol margins have come under considerable pressure recently. Export sales reported last week against the current MY of 836.4K MTs (33M bu) were within the upper portion of the range of pre-report expectations. Continued strength in US currency will likely not be friendly for the Dec contract.

For the week ending Sept 23, the aggregate non-commercial sector held a net short futures position of approximately 47K contracts, 3K contracts higher W/W. Managed money firms cut approximately 4K contracts from their net long position at 83K; however, when accounting for likely spreading activity, these entities are likely significantly less long Dec futures than the aggregate numbers imply.

The Dec contract has given up 182 cents over the last 21 weeks and 54 cents over the last 6 weeks. Dec continues to trade within the middle portion of the 30-week regression channel, which remains in a very steep downtrend.





Initial weekly resistance is expected to be encountered near 329 and continue upward through near 338; initial weekly support will likely be encountered near 320 and continue downward to 311. The lower weekly Bollinger Band, currently near 295, will also likely provide support.

<b>Corn Pivot Points</b>			
<b>Pivot Point (W):</b>		<b>325 3/4</b>	
<b>PPW-S1:</b>	<b>320</b>	<b>PPW-R1:</b>	<b>328 3/4</b>
<b>PPW-S2:</b>	<b>317</b>	<b>PPW-R2:</b>	<b>334 1/2</b>
<b>PPW-S3:</b>	<b>311 1/4</b>	<b>PPW-R3:</b>	<b>337 1/2</b>
<b>S = Support Level, R = Resistance Level</b>			

The standard technical analysis remains bearish with momentum oscillators continuing to register oversold on a weekly basis. Money flow into the Dec contract remains bearish and in a technically oversold condition. Dec OI has contracted only modestly since the contract's move below the 350 level. The latest weekly settlement is below all major weekly SMA periods. Weekly downward momentum continues to increase; the 3- - 30-week EMA difference is now at approximately (72) vs (68) last week.

Weekly, we calculate an approximate conditional probability of 55% for realizing a settlement on Friday, Oct 3 that is near unchanged to somewhat greater than last

week's. Approximate conditional probabilities of 12% and 15% were calculated for realizing weekly high or low values of 20, or more, cents *off/on*, respectively, last week's settlement.

<b>CME Corn Conditional Probabilities for Weekly Hi - Lo - Settle</b>							
<b>Close Down</b>		<b>Close Up</b>		<b>Lo</b>		<b>Hi</b>	
<b>Level</b>	<b>Prob.</b>	<b>Level</b>	<b>Prob.</b>	<b>Level</b>	<b>Prob.</b>	<b>Level</b>	<b>Prob.</b>
<b>Clse. Dn</b>	<b>45-45%</b>	<b>Clse. Up</b>	<b>54-55%</b>	<b>&lt;0, &gt;</b>	<b>69.70%</b>	<b>&gt;0, &lt;100</b>	<b>60.61%</b>
<b>&lt;= (2.5)</b>	<b>45-45%</b>	<b>&gt;= 2.5</b>	<b>33-33%</b>	<b>&lt;= (2.5)</b>	<b>57.58%</b>	<b>&gt;= 2.5</b>	<b>48.48%</b>
<b>&lt;= (5)</b>	<b>39.39%</b>	<b>&gt;= 5</b>	<b>27.27%</b>	<b>&lt;= (5)</b>	<b>51.52%</b>	<b>&gt;= 5</b>	<b>45.45%</b>
<b>&lt;= (7.5)</b>	<b>24.24%</b>	<b>&gt;= 7.5</b>	<b>27.27%</b>	<b>&lt;= (7.5)</b>	<b>39.39%</b>	<b>&gt;= 7.5</b>	<b>39.39%</b>
<b>&lt;= (10)</b>	<b>21.21%</b>	<b>&gt;= 10</b>	<b>12.12%</b>	<b>&lt;= (10)</b>	<b>36.36%</b>	<b>&gt;= 10</b>	<b>30.30%</b>
<b>&lt;= (12.5)</b>	<b>15.15%</b>	<b>&gt;= 12.5</b>	<b>12.12%</b>	<b>&lt;= (12.5)</b>	<b>24.24%</b>	<b>&gt;= 12.5</b>	<b>30.30%</b>
<b>&lt;= (15)</b>	<b>12.12%</b>	<b>&gt;= 15</b>	<b>9.09%</b>	<b>&lt;= (15)</b>	<b>18.18%</b>	<b>&gt;= 15</b>	<b>21.21%</b>
<b>&lt;= (17.5)</b>	<b>9.09%</b>	<b>&gt;= 17.5</b>	<b>9.09%</b>	<b>&lt;= (17.5)</b>	<b>12.12%</b>	<b>&gt;= 17.5</b>	<b>15.15%</b>
<b>&lt;= (20)</b>	<b>9.09%</b>	<b>&gt;= 20</b>	<b>6.06%</b>	<b>&lt;= (20)</b>	<b>12.12%</b>	<b>&gt;= 20</b>	<b>15.15%</b>
<b>&lt;= (22.5)</b>	<b>6.06%</b>	<b>&gt;= 22.5</b>	<b>6.06%</b>	<b>&lt;= (22.5)</b>	<b>12.12%</b>	<b>&gt;= 22.5</b>	<b>12.12%</b>
<b>&lt;= (25)</b>	<b>6.06%</b>	<b>&gt;= 25</b>	<b>6.06%</b>	<b>&lt;= (25)</b>	<b>9.09%</b>	<b>&gt;= 25</b>	<b>12.12%</b>

Odds slightly favor intraweek breaks of up to 20 cents while also slightly favoring intraweek rallies of more than 20 cents.

<b>Corn Conditional Odds of Breaks/Rallies</b>		
<b>Magnitude of Move</b>	<b>Odds Break</b>	<b>Odds Rally</b>
<b>10 - 15 Cents</b>	<b>1.12:1</b>	<b>-</b>
<b>15 - 20 Cents</b>	<b>1.2:1</b>	<b>-</b>
<b>20 - 25 Cents</b>	<b>-</b>	<b>1.25:1</b>
<b>25+ Cents</b>	<b>-</b>	<b>1.33:1</b>

Technically, the trading range for this week is expected to be nearly symmetrically distributed with expected and median ranges of near 24 and 19 cents, respectively. Further, weekly technical risk to the upside is expected to be nearly equal of that to the downside.

<b>Corn Adjusted Historical Price Movement</b>				
<b>Parameter</b>	<b>Average</b>	<b>Median</b>	<b>Min</b>	<b>Max</b>
<b>Range</b>	<b>24 1/2</b>	<b>19 1/4</b>	<b>13/4</b>	<b>71</b>
<b>Settlement</b>	<b>-3/4</b>	<b>-4 1/2</b>	<b>-45 3/4</b>	<b>66</b>
<b>Low</b>	<b>-10 1/4</b>	<b>-8</b>	<b>-46</b>	<b>16 1/2</b>
<b>High</b>	<b>11 1/4</b>	<b>6 1/2</b>	<b>-11 1/2</b>	<b>70 1/2</b>

Per the market's current fundamental and technical structure, the table below provides the average, median, minimum and maximum gains and losses for an outlook period of 2 – 5 weeks from the most recent settlement. At this time our analysis suggests that Dec could be either entering into or nearing a period of consolidation.

Corn Historical Price Movement Weeks 2 - 5				
Statistic	Week 2	Week 3	Week 4	Week 5
Avg Gain/Loss vs Current	1 1/2	3	4	3 1/2
Median Gain/Loss vs	-1 3/4	-5 3/4	3 1/2	3
Min Loss vs Current	-5 1	-8 1/4	-5 2 1/2	-8 1/2
Max Gain vs Current	88	118 3/4	118 3/4	117 1/4

## Conclusion and Outlook

Despite market suggestions that corn offers significant economic value near its current price level and the suggestions from our proprietary analyses that Dec may enter a consolidation period over the near-term, both the fundamental and technical outlook remains bearish. Volatility will likely increase this week around the USDA's quarterly stocks grain report and, possibly, due to some profit-taking or liquidation per the culmination of both Sept and Q3.

We continue to think that near-term upside potential for the corn market continues to be limited. Longer-term, we think that the corn market retains downside potential, but also acknowledge that a period of short-term consolidation may ensue prior to the Oct WASDE report release.

We expect Dec to finish this week near unchanged to lower on the settlement while trading a range of 312 – 330 on the inside or 300 – 340 on the outside.

## Soybeans

Nov soybeans gapped 4 cents lower on the opening bell last Sun evening, recovering less than 2 cents of the gap, en route to a 46 3/4 cent loss on the week. The Nov contract settled at 910 1/4, only 1/2 cent on its latest contract low. The Nov contract has given up 335 1/2 over the last 18 weeks and 174 1/2 over the last 7 weeks, each of which exhibited W/W losses. Volume quickened considerably while OI expanded slightly W/W.

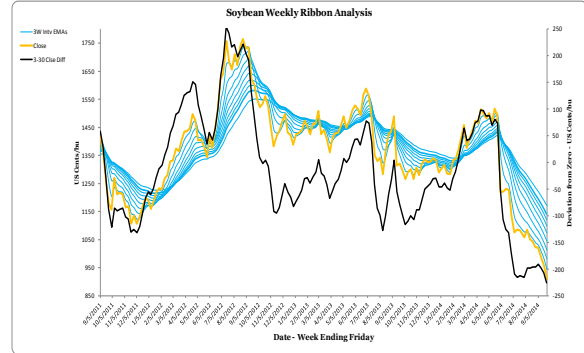
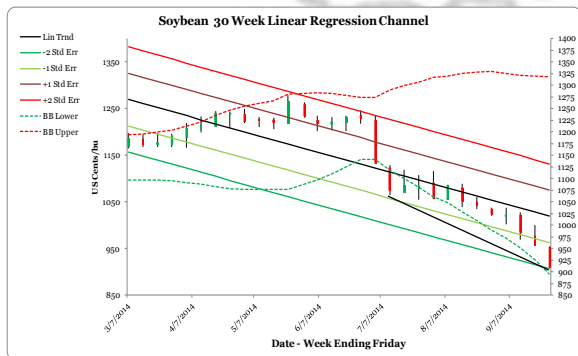
Weather over the Midwestern US is expected to be favorable for final grain filling and early harvesting; weather over much of the southern US is expected to be favorable for maturity of late-sown and double-crop soybeans, but may intermittently interrupt harvest operations. Internationally, recent showers over northern China will likely favor seed filling while drier conditions over Indian production regions have been welcomed. Across the southern hemisphere, weather has been generally favorable for planting preparation, with the exception of some dryness in Mato Grosso, BZ.

At this time, both US and world production prospects remain excellent; yield reports from producing regions within the southern US continue to be, in general, above expectations. This is especially true, thus far, with respect to AR, LA, and MS. The average trade estimate of soybean stocks to be put forth on the USDA's quarterly grain report is 126M bu.

Light commercial demand continues to be evident within the market. Crush margins remain strong, but are significantly off their recent record high values. Export demand remains strong for US soybeans with new crop sales now standing at approximately 61% of the USDA's Sept export projection. In China, some concern regarding GMO imports exacerbated the market's bearish mood late last week. And, US basis continues to weaken ahead of an expected record US harvest.

For the week ending Sept 23, the aggregate non-commercial sector held a net short futures position of approximately 130K contracts. Managed money firms added approximately 5K contracts to their net long position at 28K; however, when accounting for likely spreading activity, these entities are likely short Nov futures.

The Nov contract is now trading near the bottom of the 30-week regression channel, which remains in a very solid downtrend.



Initial weekly resistance is expected to be encountered near 925 and continue upward through near 950; initial weekly support will likely be encountered near 895 and continue downward to near 850. The lower weekly Bollinger Band, currently near 895, may also provide initial support.

<i>Soybean Pivot Points</i>			
<i>Pivot Point (W):</i>		<i>925</i>	
<i>PPW-S1:</i>	<i>895</i>	<i>PPW-R1:</i>	<i>940</i>
<i>PPW-S2:</i>	<i>880</i>	<i>PPW-R2:</i>	<i>970</i>
<i>PPW-S3:</i>	<i>850</i>	<i>PPW-R3:</i>	<i>985</i>
<i>S = Support Level, R = Resistance Level</i>			

The standard technical analysis remains bearish with momentum oscillators continuing to register oversold on a weekly basis. Money flow into the Nov contract remains bearish and in a technically oversold condition. The latest weekly settlement is again below all major weekly SMA periods. Weekly downward momentum continues to increase; the 3- - 30-week EMA difference is now at approximately (225) vs (207) last week.

Weekly, we calculate an approximate conditional probability of 55% for realizing a settlement on Friday, Oct 3 that is near unchanged to somewhat greater than last week's. Approximate conditional probabilities of 25% and 50% were



calculated for realizing weekly high or low values of 25, or more, cents *off/on*, respectively, last week's settlement.

Soybean Conditional Probabilities for Weekly Hi - Lo - Settle							
Close Down		Close Up		Lo		Hi	
Level	Prob.	Level	Prob.	Level	Prob.	Level	Prob.
Clse. Dn	45.00%	Clse. Up	55.00%	<0, >(5)	60.00%	>0, <5	95.00%
<=(5)	40.00%	>=5	50.00%	<=(5)	60.00%	>=5	90.00%
<=(10)	35.00%	>=10	35.00%	<=(10)	50.00%	>=10	85.00%
<=(15)	20.00%	>=15	30.00%	<=(15)	35.00%	>=15	70.00%
<=(20)	15.00%	>=20	30.00%	<=(20)	25.00%	>=20	60.00%
<=(25)	15.00%	>=25	15.00%	<=(25)	25.00%	>=25	50.00%
<=(30)	10.00%	>=30	10.00%	<=(30)	20.00%	>=30	45.00%
<=(35)	10.00%	>=35	5.00%	<=(35)	15.00%	>=35	45.00%
<=(40)	5.00%	>=40	5.00%	<=(40)	15.00%	>=40	40.00%
<=(45)	5.00%	>=45	0.00%	<=(45)	15.00%	>=45	30.00%
<=(50)	0.00%	>=50	0.00%	<=(50)	10.00%	>=50	15.00%

Odds favor intraweek rallies vs breaks of up to 50 cents this week.

Soybean Conditional Odds of Breaks/Rallies		
Magnitude of Move	Odds Break	Odds Rally
20 - 30 Cents	-	2.5:1
30 - 40 Cents	-	2.67:1
40 - 50 Cents	-	3.5:1
50+ Cents	-	3:1

Technically, the trading range for this week is expected to be nearly symmetrically distributed to somewhat positively skewed, with expected and median ranges of near 63 and 46 cents, respectively. Further, weekly technical risk to the upside is expected to be nearly equal of that to the downside.

Soybean Adjusted Historical Price Movement				
Parameter	Average	Median	Min	Max
Range	62 1/2	46 1/4	22 1/2	252
Settlement	13/4	4 1/4	-47	43
Low	-12	-10	-50 1/4	18
High	30 1/4	25 3/4	-4	68 1/2

Per the market's current fundamental and technical stricture, the table below provides the average, median, minimum and maximum gains and losses for an outlook period of 2 - 5 weeks from the most recent

settlement. At this time our analysis suggests that Nov futures, most likely, have farther to fall.

Soybean Historical Price Movement Weeks 2 - 5				
Statistic	Week 2	Week 3	Week 4	Week 5
Avg Gain/Loss vs Current	-47	-47 1/3	-47 3/5	-43 1/6
Median Gain/Loss vs	-40	-30 1/2	-47	-49
Min Loss vs Current	-151 1/2	-233 1/2	-249 1/2	-279 3/4
Max Gain vs Current	1/2	14 3/4	29 3/4	111 3/4

## Conclusion and Outlook

Both the technical and fundamental analysis for Nov soybeans remains bearish. And, despite its grossly oversold condition, we expect that increasing harvest pressure can push Nov significantly lower.

We expect Nov to settle near unchanged to lower this week while trading a range of 875 - 920 on the inside or 850 - 940 on the outside.

## Wheat

Dec wheat finished near unchanged on the week, giving up 1/4 cent to settle at 474 1/4. The Dec contract has given up 77 3/4 cents on 5 consecutive W/W losses. Volume quickened while OI expanded slightly W/W for the Dec contract.

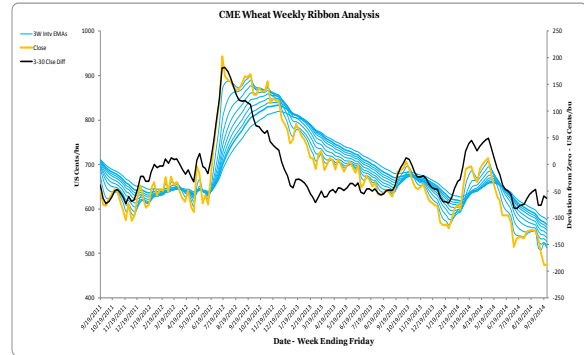
Weather is expected to remain favorable over the near-term for both harvesting of spring wheat and sowing of winter wheat across most major US producing regions. Recent rains over the EU are viewed as positive for winter wheat development while recent rains have improved winter wheat prospects in Australia.

Fundamentally, the analysis for wheat remains bearish ahead of expected record world production.

Demand has recently surfaced via commercial purchasing; wheat is believed to offer significant economic value near its current futures price level.

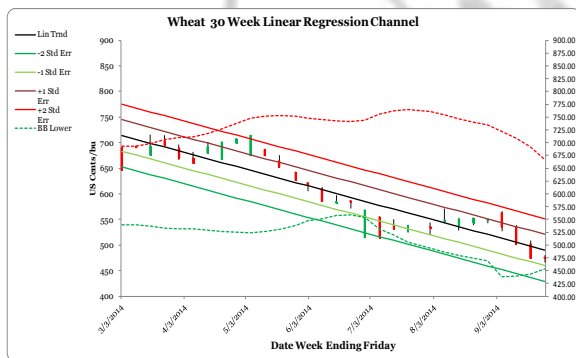
For the week ending Sept 23, the aggregate non-commercial sector increased its net short futures position 10K contracts W/W to approximately 74K. Managed money firms increased their net short position approximately 12K contracts to 63K, but may be considerably shorter Dec futures when accounting for the likely distribution of spreading activity.

The Dec contract continues to trade within the middle portion of the 30-week regression channel, which remains in a very steep downtrend.



Initial weekly resistance is expected to be encountered near 481 and continue upward through near 495; initial weekly support will likely be encountered near 467 and continue downward to near 452. The lower weekly Bollinger Band, currently just below 450, will also likely provide support.

<b>Wheat Pivot Points</b>			
<b>Pivot Point (W):</b>		<b>473 3/4</b>	
<b>PPW-S1:</b>	<b>466 3/4</b>	<b>PPW-R1:</b>	<b>481 1/4</b>
<b>PPW-S2:</b>	<b>459 1/4</b>	<b>PPW-R2:</b>	<b>488 1/4</b>
<b>PPW-S3:</b>	<b>452 1/4</b>	<b>PPW-R3:</b>	<b>495 3/4</b>
<b>S = Support Level, R = Resistance Level</b>			



The standard technical analysis remains bearish with momentum oscillators continuing to register oversold on a weekly basis. Money flow remains bearish and very near being in a technically oversold condition. OI against the Dec contract has steadily expanded along the recent slide, especially since the contract gained lead month status, and this is bearish. The latest weekly settlement is below all major weekly SMA periods, although very near the 5-day SMA. Weekly downward momentum continues to increase; the 3- - 30-week EMA difference is now at approximately (63) vs (59) last week. Longer-term support for the Dec contract is expected to reside near 425.

Weekly, we calculate an approximate conditional probability of 58% for realizing a settlement on Friday, Oct 3 that is greater than last week's. Approximate conditional probabilities of 33% and 58% were calculated for realizing weekly high or low values of 25, or more, cents *off/on*, respectively, last week's settlement.

CME Wheat Conditional Probabilities for Weekly Hi - Lo - Settle							
Close Down		Close Up		Lo		Hi	
Level	Prob.	Level	Prob.	Level	Prob.	Level	Prob.
Clse. Dn	41.67%	Clse. Up	58.33%	<0, >(5)	79.17%	>0, <5	79.17%
<=(5)	33.33%	>=5	54.17%	<=(5)	70.83%	>=5	70.83%
<=(10)	29.17%	>=10	41.67%	<=(10)	58.33%	>=10	66.67%
<=(15)	29.17%	>=15	29.17%	<=(15)	54.17%	>=15	66.67%
<=(20)	20.83%	>=20	29.17%	<=(20)	41.67%	>=20	58.33%
<=(25)	20.83%	>=25	20.83%	<=(25)	33.33%	>=25	58.33%
<=(30)	12.50%	>=30	20.83%	<=(30)	20.83%	>=30	45.83%
<=(35)	12.50%	>=35	16.67%	<=(35)	16.67%	>=35	25.00%
<=(40)	12.50%	>=40	16.67%	<=(40)	16.67%	>=40	25.00%
<=(45)	12.50%	>=45	12.50%	<=(45)	16.67%	>=45	25.00%
<=(50)	12.50%	>=50	8.33%	<=(50)	12.50%	>=50	16.67%

Odds favor intraweek rallies of up to 40 cents this week.

Wheat Conditional Odds of Breaks/Rallies		
Magnitude of Move	Odds Break	Odds Rally
10 - 20 Cents	-	1.11:1
20 - 30 Cents	-	1.67:1
30 - 40 Cents	-	2:1
40+ Cents	-	2:1

Technically, the trading range for this week is expected to be nearly symmetrically distributed to somewhat positively skewed with expected and median ranges of near 47 and 42 cents, respectively. Further, weekly technical risk to the downside is expected to be somewhat greater than that to the upside.

Wheat Adjusted Historical Price Movement				
Parameter	Average	Median	Min	Max
Range	46 3/4	41 3/4	15 1/4	82
Settlement	2 3/4	5	-7 3/4	66
Low	-17	-16 1/2	-82 1/4	25
High	25 1/4	27 1/2	-54 1/4	121 3/4

Per the market's current fundamental and technical stricture, the table below provides the average, median, minimum and maximum gains and losses for an outlook period of 2 – 5 weeks from the most recent settlement. At this time, our analysis suggests that Dec could be either entering a consolidation period or, perhaps, about to embark on a modest secondary uptrend.

Wheat Historical Price Movement Weeks 2 - 5				
Statistic	Week 2	Week 3	Week 4	Week 5
Avg Gain/Loss vs Current	10	17 1/2	14 1/4	15
Median Gain/Loss vs	3/4	8	2 1/4	16
Min Loss vs Current	-74	-124	-104	-166 1/4
Max Gain vs Current	110 1/4	141 1/2	153 1/4	171 3/4

## Conclusion and Outlook

As with corn, although increased commercial interest, the market's technically much oversold condition and our proprietary longer-term technical analysis suggest that Dec wheat may be about to consolidate or move somewhat higher, expected record world production, positions held by trading entities and continued expansion of OI also relay that wheat could fall significantly farther.

We expect Dec wheat to settle near unchanged to lower this week while trading a range of 460 – 490 on the inside or 452 – 500 on the outside.

***Disclaimer:*** This publication is presented for informational purposes only. While the information contained herein is believed to be accurate and factual, the possibility of error exists. Hypothetical models have known limitations and may diverge from actual market behavior. Past performance, whether actual or indicated by simulated historical tests of strategies, is not necessarily indicative of future results. Commodity trading is an inherently risky proposition and there is no guarantee that trades based on the information enclosed herein will result in profitable outcomes.

