# THE ROSE REPORT

Tuesday, September 30, 2014

## Daily Soybean Brief

## Overview

The following technical analyses are based, in large part, on proprietary technical procedures developed by our firm. Many of these technical procedures involve the use of a multi-decade series of rolling front month futures data.

## *Executive Summary:*

Nov soybeans touched 930 today before ultimately losing 10¼ cents to settle at 913¼. Volume increased dramatically while OI was near unchanged D/D.

Fundamentally, the overall analysis remains bearish as basis levels continue their trek southward. Light to moderate rain over the Midwestern states this week will likely delay maturity and some harvest operations while sowing of the new crop continues across South America. USDA reported Q3 soybean stocks at a record low of 92M bu vs the average pre-report expectation of 126M.

Commercial demand continues to be evident, but continued strength in US currency continues to keep Nov futures under pressure. Crush margins have stabilized over the most recent 2 – 3 days, but remain well off their recent highs.

The standard technical analysis remains bearish with momentum indicators continuing to register oversold. Money flow into the front month also remains bearish. The latest settlement remains below all standard SMA periods. The strong downtrend remains intact with possible near-term support near 900.

Our proprietary analysis suggests that further downside movement is likely, with odds favoring rallies vs breaks over a 5-day outlook period. Further:

- Prob. Higher Settle D/D: 67%
- Risk Downside > Risk Upside
- Volatility: Decreasing

We see an opportunity for Nov to trade lower to near 895 and upward to near 930 without fresh fundamental news being made known to the market.

Nov futures certainly have the potential to move well below the 900 level, perhaps near to 850 in the not-too-distant future.

*The following table provides the conditional probabilities and odds ratios for 50 and 100 cent moves over a 5-day period forward.*



Nov Soybean 60-Day Linear Regression Channel and EMA Ribbons



Soybean Daily Candle and Ribbon Chart

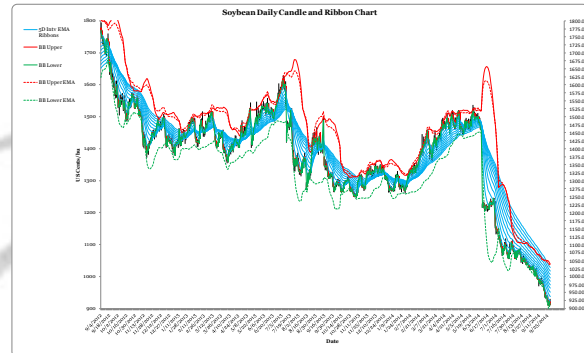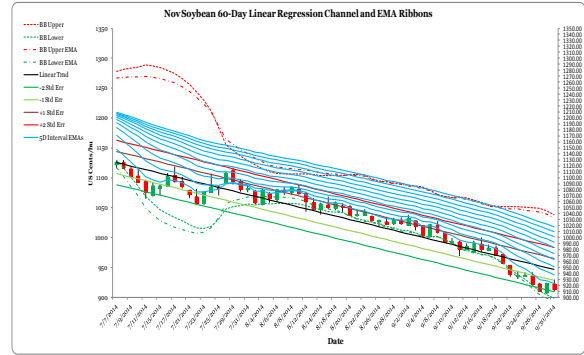| Soybean Conditional Odds of Breaks/Rallies - 5-D Outlook | | | |
|---|---|---|---|
| *Magnitue of Move* | *Prob* | *Odds Break* | *Odds Rally* |
| 50 Cents | 71% | - | 3:1 |
| 100 Cents | 14% | - | 2:1 |

## Buy/Sell Recommendation:

### Day trades:

- Short: 920 – 930
- Long: None

### Producer selling:

- Further rallies near 925 over the near-term should be viewed as selling opportunities

## Moving Averages and Pivot Points:

| Soybean Simple and Exponential Moving Avgs | | |
|---|---|---|
| **Period** | **SMAs** | **EMAs** |
| 5D | 921 1/4 | 922 3/4 |
| 10D | 939 1/4 | 937 1/2 |
| 20D | 968 1/2 | 963 1/4 |
| 50D | 1023 1/4 | 1028 |
| 100D | 1158 3/4 | 1119 1/4 |
| 200D | 1270 1/2 | 1215 1/2 |

## Charts:

| Soybean Daily and Weekly Pivot Points | | | | | |
|---|---|---|---|---|---|
| **Daily** | | | **Weekly** | | |
| Pivot Point(D): | | 917 3/4 | Pivot Point(W): | | 925 |
| PPD-S1: | 905 1/4 | PPD-R1: | 925 2/4 | PPW-S1: | 895 | PPW-R1: | 940 |
| PPD-S2: | 897 2/4 | PPD-R2: | 938 | PPW-S2: | 880 | PPW-R2: | 970 |
| PPD-S3: | 885 | PPD-R3: | 945 3/4 | PPW-S3: | 850 | PPW-R3: | 985 |
| S = Support Level, R = Resistance Level | | | | | |

## Support and Resistance:

The table below shows levels of support and resistance ($S_1 - S_6$, $R_1 - R_6$) per levels of recent historic daily high and low values, as well as the latest settlement and subsequent session limits in relation to these values.

The following table provides a linear series of shorter-term through longer-term support and resistance levels as well as major trading points for the most recent trading day and week for the front month.

| Soybean Recent Historical Hi-Lo Support and Resistance | |
|---|---|
| Hi-Lo R1 | 1536 3/4 |
| Hi-Lo R2 | 1246 1/4 |
| Hi-Lo S6 | 1202 1/2 |
| Hi-Lo R3 | 1118 3/4 |
| Hi-Lo R4 | 1116 1/2 |
| Hi-Lo R5 | 1089 1/4 |
| Hi-Lo S5 | 1065 |
| Hi-Lo S4 | 1055 |
| Hi-Lo S3 | 1054 |
| Hi-Lo R6 | 1038 |
| Hi-Lo S2 | 1019 3/4 |
| Lmt. Up | 1013 1/4 |
| Hi-Lo S1 | 969 1/2 |
| Settlement | 913 1/4 |
| Lmt. Down | 813 1/4 |

| Soybean Comprehensive Linear Support-Resistance Levels | |
|---|---|
| Support/Resistance Metric | Market Level |
| Hi-Lo R1 | 1536 3/4 |
| 200D SMA | 1270 1/2 |
| Hi-Lo R2 | 1246 1/4 |
| 200D EMA | 1215 1/2 |
| Hi-Lo S6 | 1202 1/2 |
| 100D SMA | 1158 3/4 |
| 100D EMA | 1119 1/4 |
| Hi-Lo R3 | 1118 3/4 |
| Hi-Lo R4 | 1116 1/2 |
| Hi-Lo R5 | 1089 1/4 |
| Hi-Lo S5 | 1065 |
| Hi-Lo S4 | 1055 |
| Hi-Lo S3 | 1054 |
| Bol Band Upper | 1038 1/4 |
| Hi-Lo R6 | 1038 |
| 50D EMA | 1028 |
| 50D SMA | 1023 1/4 |
| Hi-Lo S2 | 1019 3/4 |
| Lmt. Up | 1013 1/4 |
| Weekly Pivot Point-R3 | 985 |
| Weekly Pivot Point-R2 | 970 |
| Hi-Lo S1 | 969 1/2 |
| 20D SMA | 968 1/2 |
| 20D EMA | 963 1/4 |
| Previous Weekly High | 954 3/4 |
| Pivot Point-R3 | 945 3/4 |
| Weekly Pivot Point-R1 | 940 |
| 10D SMA | 939 1/4 |
| Pivot Point-R2 | 938 |
| 10D EMA | 937 1/2 |
| Daily High | 930 |
| Pivot Point-R1 | 925 1/2 |
| Weekly Pivot Point | 925 |
| 5D EMA | 922 3/4 |
| 5D SMA | 921 1/4 |
| Pivot Point | 917 3/4 |
| Settlement | 913 1/4 |
| Previous Weekly Settlement | 910 1/4 |
| Daily Low | 909 3/4 |
| Previous Weekly Low | 909 3/4 |
| Pivot Point -S1 | 905 1/4 |
| Bol Band Lower | 898 1/2 |
| Pivot Point -S2 | 897 1/2 |
| Weekly Pivot Point-S1 | 895 |
| Pivot Point -S3 | 885 |
| Weekly Pivot Point-S2 | 880 |
| Weekly Pivot Point-S3 | 850 |
| Lmt. Down | 813 1/4 |

## Directional and Range Distribution Analysis:

*The table below shows the conditional probability of realizing either a close higher or lower than the latest settlement, as well as the conditional probabilities associated with varying magnitudes of D/D gains or losses. The table further shows the conditional probability of realizing intraday high and low values of varying magnitudes.*

| Soybean Conditional Probabilities for Daily Hi – Lo - Settle | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Close Down** | | **Close Up** | | **Lo** | | **Hi** | |
| **Level** | **Prob.** | **Level** | **Prob.** | **Level** | **Prob.** | **Level** | **Prob.** |
| Clse. Dn | 33.33% | Clse. Up | 66.67% | <0, > (13) | 100.00% | >0, < 13 | 100.00% |
| <= (13) | 28.57% | >=13 | 38.10% | <= (13) | 33.33% | >= 13 | 66.67% |
| <= (25) | 14.29% | >= 25 | 19.05% | <= (25) | 23.81% | >= 25 | 33.33% |
| <= (38) | 4.76% | >= 38 | 19.05% | <= (38) | 9.52% | >= 38 | 23.81% |
| <= (50) | 4.76% | >= 50 | 14.29% | <= (50) | 4.76% | >= 50 | 19.05% |
| <= (63) | 4.76% | >= 63 | 4.76% | <= (63) | 4.76% | >= 63 | 14.29% |
| <= (75) | 4.76% | >= 75 | 0.00% | <= (75) | 4.76% | >= 75 | 4.76% |
| <= (88) | 4.76% | >= 88 | 0.00% | <= (88) | 4.76% | >= 88 | 0.00% |
| = (100) | 4.76% | = 100 | 0.00% | = (100) | 4.76% | = 100 | 0.00% |

*The following table contains average, median, minimum and maximum gains, losses, and expected daily high, low and settlement values from the most recent settlement based on our proprietary analysis of current market structure.*

| Soybean Adjusted Historical Price Movement Based on Conditional Probability | | | | |
|---|---|---|---|---|
| **Parameter/Scenario** | **Average** | **Median** | **Min** | **Max** |
| Range | 25 1/4 | 18 1/4 | 9 1/2 | 61 |
| Settlement | 4 | 6 1/4 | -100 | 62 3/4 |
| Low | -10 1/4 | -2 1/4 | -100 | 0 |
| High | 17 1/4 | 14 | 0 | 85 1/4 |
| Settlement (if lower) | -20 1/4 | -13 1/4 | -100 | -2 |
| Settlement (if higher) | 16 1/4 | 11 | 2 1/2 | 62 3/4 |
| Price movments are in relation to latest settlement value | | | | |

*The following table provides the conditional probabilities of surpassing minimum low and maximum high values for a 5-day look back period with a 5-day period forward.*

| Soybean Conditional Probability of Surpassing Recent Highs and Lows | | | |
|---|---|---|---|
| **Period** | **Price** | **Period** | **Prob** |
| Min Low 5-D Lookback | 905 1/2 | 5-D Forward Below | 71% |
| Max High 5-D Lookback | 942 | 5-D Forward Above | 24% |

*The following table provides probabilities from our proprietary analyses for the 1- through 5-day period beyond the current day, in which the conditional probabilities of realizing daily high, low and settlement values, relative to the most recent settlement (greater than or less than) are assayed.*

| Soybean Conditional Probability for High - Low - Settlement 1 -5 Days Forward | | | | | | |
|---|---|---|---|---|---|---|
| **Days Forward** | **Prob S < CS** | **Prob S > CS** | **Prob L < CL** | **Prob L > CL** | **Prob H < CH** | **Prob H > CH** |
| Day 1 | 33.33% | 66.67% | 52.38% | 47.62% | 71.43% | 28.57% |
| Day 2 | 47.62% | 52.38% | 47.62% | 52.38% | 57.14% | 42.86% |
| Day 3 | 38.10% | 61.90% | 38.10% | 61.90% | 42.86% | 57.14% |
| Day 4 | 33.33% | 66.67% | 38.10% | 61.90% | 42.86% | 57.14% |
| Day 5 | 33.33% | 66.67% | 33.33% | 66.67% | 33.33% | 66.67% |
| S = settle, L = low, H = high, CS= current settle, CL = current low, CH = current high | | | | | | |

*The following tables relay conditional probabilities for a 5-day forward period in which daily high, low and settlement values are either lower or higher D/D as the 5-day period progresses.*

| Soybean Conditional Probability 5-Day Outlook Trend - Down | | | | | |
|---|---|---|---|---|---|
| **Days Forward** | **Prob S** | **Days Forward** | **Prob L** | **Days Forward** | **Prob H** |
| 1<CS | 33.33% | 1<CL | 52.38% | 1<CH | 71.43% |
| 2D<1D, CS | 71.43% | 2D<1D, CL | 63.64% | 2D<1D, CH | 60.00% |
| 3D<2D, 1D, CS | 42.86% | 3D<2D, 1D, CL | 54.55% | 3D<2D, 1D, CH | 33.33% |
| 4D<3D, 2D, 1DS | 0.00% | 4D<3D, 2D, 1D, CL | 9.09% | 4D<3D, 2D, 1D, CH | 0.00% |
| 5D<4D, 3D, 2D, 1D, CS | 0.00% | 5D<4D, 3D, 2D, 1D, CL | 0.00% | 5D<4D, 3D, 2D, 1D, CH | 0.00% |
| S = settle, L = low, H = high, CS= current settle, CL = current low, CH = current high | | | | | |

| Soybean Conditional Probability 5-Day Outlook Trend - Up | | | | | |
|---|---|---|---|---|---|
| **Days Forward** | **Prob S** | **Days Forward** | **Prob L** | **Days Forward** | **Prob H** |
| 1>CS | 66.67% | 1>CL | 47.62% | 1>CH | 28.57% |
| 2D>1D, CS | 50.00% | 2D>1D, CL | 90.00% | 2D>1D, CH | 33.33% |
| 3D>2D, 1D, CS | 42.86% | 3D>2D, 1D, CL | 70.00% | 3D>2D, 1D, CH | 16.67% |
| 4D>3D, 2D, 1DS | 7.14% | 4D>3D, 2D, 1D, CL | 30.00% | 4D>3D, 2D, 1D, CH | 0.00% |
| 5D>4D, 3D, 2D, 1D, CS | 0.00% | 5D>4D, 3D, 2D, 1D, CL | 30.00% | 5D>4D, 3D, 2D, 1D, CH | 0.00% |
| S = settle, L = low, H = high, CS= current settle, CL = current low, CH = current high | | | | | |