Daily Energy and NY Softs Commentary
Friday December 28, 2007

New Trade Recommendations - 12/28/07
SUGAR: Buy the May sugar 11.50 call for 48 and then look to sell a March sugar 11.50 call for 24. On a near term break, liquidate the short March call at 9 and continue to hold the longer term call for a position. Risk a combined $800 on the position.
SOYBEANS: 1) Buy March beans at the market, buy two February $11.90 puts for 35 cents, sell a March 1360 call for 21 cents. Net premium cost (risk) is only 14 cents and the maximum objective is over $6,000.
WHEAT: *Buy March wheat at 912, with an initial objective of 975. Risk 18 cents on the trade.

Today's Market Roundup - 12/28/07
BONDS:
TODAY'S MARKET IDEAS: Given the grudgingly bullish mentality, it could take soft numbers and a dive in equities to push these markets above close in resistance.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
STOCKS:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
CURRENCIES:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: Long a March Canadian futures at 99.40. *liquidated puts, hold the long futures with an objective of 102.50.
ENERGIES:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
PRECIOUS METALS:
TODAY'S MARKET IDEAS: Long gold and short silver might be a way to play the metals over the coming two trading sessions.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: Short February gold 760 put from 9.80 with an objective of zero. Risk to 13.60.
COPPER:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: *Liquidated the long futures recommendation at the open on Thursday around $3.1450, with the options registering an approximate net credit of 135 points! Long March copper from $3.0030 and long a March Copper 290 put, with a short March copper 345 call at a net debit of approximately 610 points.
SOYCOMPLEX:
TODAY'S MARKET IDEAS: We bought January soybeans yesterday with a very short term acceleration in mind. While we still expect the same accelerating rally, we are trimming our objective and raising the stop point in the January soybean position due to the advent of the delivery period next week. This does not mean that the rally is at an end, but simply that we need to move all positions to the March contract. The bull case remains in place with objectives of 1285 to 1295 in the January contract and 1295 to 1315 in March. The fact that both meal and oil are full participants in the rally and that deferred old crop soybean contracts are trading at premiums to January is very supportive to the bull case. We have only two caveats in mind: stochastics show the market to be overbought and farmer selling seems to have increased after Wednesday's sharp runup. Neither of these factors appears to be a rally stopper. Aggressive traders can buy March soybeans at 1232 today or roll the long January position into March by means of a March/January spread.
NEW RECOMMENDATIONS: 1) Buy March beans at the market, buy two February $11.90 puts for 35 cents, sell a March 1360 call for 21 cents. Net premium cost (risk) is only 14 cents and the maximum objective is over $6,000.
PREVIOUS RECOMMENDATIONS: 1) Bought January soybeans at 1218. We are lowering our objective to 1228, and raising the stop point to 1223 or better. This is due to the advent of deliveries next week. 2) Sold a February soybean 11.80 put to take in 16 cents and bought the March soybean 12.80 call at 41 for a net cost of 25 cents. Risk the combination to a net loss of 19 cents with an objective in the futures of 1288.
CORN:
TODAY'S MARKET IDEAS: If it were not for the dampening influence of the holidays, the uncertainty of the global economy and the Chinese reserve sales the bear camp would have an even worse week. While technicals are overdone the markets seem to have launched the primary battle for acres ahead of the start of the new year. As suggested yesterday the only way we suggest that players become involved is to buy futures and purchase two just out of the money March puts for protection against temporary corrective setbacks! Another variation would be to buy March corn, buy 2 March corn $4.40 puts for a total of 24 cents and then sell a March corn $4.20 for 6 cents to cheapen up the put coverage.
NEW RECOMMENDATIONS: None.

PREVIOUS RECOMMENDATIONS: 1) Long 2 March corn 430 puts for 19 and long a March corn futures at 452 1/2. Look for an objective of $510 on the futures and risk the combination to a net loss of 12 cents. In the event of a break in futures below 440, look to liquidate 1 put and hold the rest of the positioning. 2) Long the July corn 410/470 bull call spread from 17 with an objective of 36. Risk to 20.

WHEAT:

TODAY'S MARKET IDEAS: The ability of bears to press the market may be coming to an end in the area of 910 basis the March Chicago contract. This correlates to the September 12th high at 910 1/4 which we think will be a major low in the current retracement and, therefore, a place to reestablish long positions. Our goal is new highs - initially at the 1010 to 1020 area in March wheat, and then from 1090 to 1104. Aggressive traders need to buy from 915 on down to 908. We may look at long wheat/short corn positions on Monday. Closes below 900 in March would weaken the bull case. One could also buy March Wheat 9.80 calls for 33 cents and then look to sell a February wheat 980 call for 18 to finance a portion of the trade. Look for a near term objective of 9 on the short call and look to hold the March call for a position.
NEW RECOMMENDATIONS: *Buy March wheat at 912, with an initial objective of 975. Risk 18 cents on the trade.
PREVIOUS RECOMMENDATIONS: None.

CATTLE:

TODAY'S MARKET IDEAS: April cattle did not even make it half way into the 97.10-97.60 gap from Monday's open yesterday, and a failure to close it today would suggest further downside ahead. Key resistance is at 97.60 with support and next objective down at 95.55.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.

HOGS:

TODAY'S MARKET IDEAS: A bearish surprise in this afternoon's Hogs and Pigs report may be an opportunity to consider the long side, and a less than bearish surprise may also be one as well, predicated on the idea that this report could represent a peak in supply. Look for support in February hogs at the 60.00-58.15 zone, with resistance at 61.00 and 61.55. Consider selling the Feb 58.00 put or buying the Feb 61.00 call or doing both on continued weakness into the report.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.

COTTON:

TODAY'S MARKET IDEAS: The advance in cotton is increasingly impressive as it pushes through heavy resistance that runs all the way to 70 cents or better in the March contract. Look for the impressive up channel on the March chart to produce follow-through gains into next week. The next objective for December cotton is 78.55.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: 1) Long the December 08 cotton 73/80 bull call spread at 230 points and also short the December 08 cotton 64 put for 225 points. Hold the spread for a test of 78.55 in the December 08 futures. 2) Long December 08 cotton from 71.05 with an objective of 78.55. Risk to 72.78.

COFFEE:

TODAY'S MARKET IDEAS: The market's overbought condition and the weak close in March coffee on Thursday raises the odds for another probe below the 130.00 price level. If retracement support at 129.12 fails to hold, a break to 127.50 cannot be ruled out. Ideas that the Brazilian government estimate may come in on the high side of expectations may keep the market under pressure ahead of the January 8th release date.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.

COCOA:

TODAY'S MARKET IDEAS: While March cocoa may still be vulnerable to price dips, the tightening supply picture and more importantly strong indications of very robust demand for cocoa should limit price breaks based on technical profit taking.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.

SUGAR:

TODAY'S MARKET IDEAS: Extremely critical support is seen today at 11.23 and then again down at 11.18. Those not long already should consider a calendar option spread play.
NEW RECOMMENDATIONS: Buy the May sugar 11.50 call for 48 and then look to sell a March sugar 11.50 call for 24. On a near term break, liquidate the short March call at 9 and continue to hold the longer term call for a position. Risk a combined $800 on the position.
PREVIOUS RECOMMENDATIONS: From an original position of short 1 May sugar 9.75 put and long two May sugar 11.00 calls, traders should still be left with long 1 May sugar 11.00 call and short 1 May sugar 12.00 call. By exiting one of the calls and the put, we pulled 29 points off of the table, which leaves traders long the 11.00/12.00 bull call spread for 2 points.

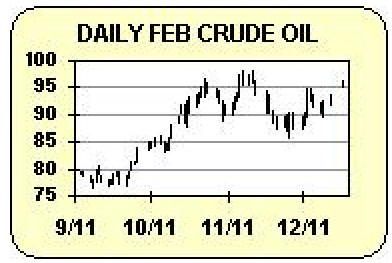
Today's Headline Summary - 12/28/07

FUNDAMENTAL:

STOCKS: BEAR ITEMS CONTINUE TO SURFACE WITH FINANCIAL CONCERNS ALSO PRESENT
BONDS: A MINOR UPWARD BIAS TODAY OFF ONGOING PATTERN OF WEAK US NUMBERS
CURRENCIES: DOLLAR UNDER PRESSURE FROM SOFT ECON OUTLOOK & GEOPOLITICAL RISK
COPPER: A DISTINCT NEGATIVE BIAS FROM BOTH THE TECHNICALS & THE FUNDAMENTALS
METALS: A MINOR BULLISH BIAS EARLY BUT THE BULLS NEED FURTHER $ DECLINES TODAY
CATTLE: ANEMIC POST-HOLIDAY CASH TRADE NO OFFSET TO BEARISH ON FEED DATA.
HOGS: 4TH QUARTER PRODUCTION SURGE COULD HINT AT BEARISH HOGS & PIGS DATA
BEANS: STILL LOOKING FOR AN UPSIDE ACCELERATION. DON'T GET SHORT HERE.
CORN: THE BULLS STILL HAVE MULTIPLE FUNDAMENTAL THEMES TO CHOOSE FROM
WHEAT: WE'RE NEARING MAJOR RETRACEMENT SUPPORT. TIME TO ESTABLISH FRESH LONGS
ENERGY:
COTTON: EXPORT PACE LAGGING BUT 2008 SUPPLY IS THE ISSUE
COFFEE: PROFIT TAKING AHEAD OF BRAZIL CROP ESTIMATE FAVORS THE BEAR CAMP
SUGAR: SOME NEAR TERM TECH VULNERABILITY BUT THE BULL CASE CONTINUES TO BUILD
COCOA: STRIKE BY IVORY COAST INDUSTRY WORKERS KEEPS SUPPLY OUTLOOK TIGHT

TECHNICAL:
BEANS: An inside day down hints at a partial loss of momentum
CORN: Rejection of early weakness hints that the bulls have resolve
WHEAT: Another big range down failure targets March to 875
CATTLE: A massive reversal with a range up extension is very bullish
HOGS: Bull/bear line in February today is 59.20
SUGAR: A higher close Thursday doesn't shift the trend back up
COTTON: A range up gap up move points to a rise back above 68.00
ENERGY: Flirting with all time highs again, major decision ahead
METALS: A pattern of higher highs leaves the bulls in control again
FORX: A massive range down extension targets March Dollar to 75.92
BONDS: Rejection of sub 114-00 level hints at a near term low
S&P: Higher highs pattern undermined by Thurs failure 1479 target

DAILY ENERGY COMPLEX COMMENTARY
12/28/07



OVERNIGHT CHANGES THROUGH 3:15 AM:
CRUDE +12, **HEATING OIL** +34, **UNLEADED GAS** -43

CRUDE OIL MARKET FUNDAMENTALS: Crude oil saw a choppy trade over night, but we suspect there may be bouts of profit taking this session with Feb crude oil closing in on the contract highs and the end of the year approaching. However, the turn of events with escalating geopolitical tensions, tightening oil supplies and a weakening Dollar would seem to stack the deck in favor of the bull camp. Certainly the trade is pricing in more of a geopolitical risk premium into the energy market with yesterday's assassination of Pakistan's opposition leader which has come on the heels of stepped up attacks by Turkey's military on Kurdish rebels in Iraq. Traders are fearful that global security could be compromised or that there will be an escalation in terrorism if the assassination leads to a political crisis within Pakistan and that could potentially destabilize the oil producing Middle East region. But even if the geopolitical support begins to wane, the tightening supply situation for crude oil could on its own, eventually lift Feb crude oil above the $100 price level. The larger than expected drop in crude oil stocks of 3.3 million barrels leaves oil inventories near 3 year lows which may keep the supply outlook tight enough for the market to discount more bearish economic news. In fact, oil supplies seem to be tightening quicker than the anticipated slowing in oil demand and that outlook could serve to underpin prices even if the macro economic picture turns a bit softer. Certainly today's report on Nov new home sales and Dec Chicago PMI will be a test of the bull's resolve. But if the weak economic data pressures the Dollar, it could certainly be supportive to oil prices. While we can't rule out bouts of profit taking, it also looks like there will be enough geopolitical anxiety and supply risk to sustain the uptrend in Feb crude oil. Near-term support for the market comes in at $95.00 then $94.45 with resistance at $98.12 then $99.00.

PRODUCT MARKET FUNDAMENTALS: HEATING OIL: Feb heating oil is on track to be pushed to new contract highs as traders seem to be discounting the forecast for a mild winter and are instead focusing on the tightening supply situation. The inventory report showed another sizable contraction in distillate stocks of 2.7 million barrels and another decline in heating oil stocks which reduced inventories to 21 million barrel below year ago levels. Distillate demand over the past 4 weeks was up 5.7% compared to year ago. Therefore, with inventories so low, even a minor shift to colder temperatures could have an impact on supplies. In fact, we suspect the market is being supported by the forecast for a brief dip to very cold temperatures expected in the US heating region next week. While there could be some pre-weekend profit taking seen if Feb heating oil can't easily push through resistance at $2.70, we also suspect price dips will attract fresh buying interest.

GASOLINE: A lower than expected rise in gasoline stocks coupled with renewed geopolitical risks lifted Feb gasoline to a new contract high. While tightening supplies and geopolitical risks certainly keep the outlook positive for gasoline, we also suspect some pre-weekend and year end profit taking could be seen unless a fresh buying incentive crops up. Volume has been light over the last two sessions and today's economic reports may give some traders a reason to book profits. But overall, it certainly appears as if the market has pushed aside demand concerns to focus on supply issues again. The EIA reporting only a 636,000 barrel rise in gasoline stocks which was below trader's estimates and rising fears that the political turmoil in Pakistan could further destabilize the oil producing Middle East region are factors providing support to gasoline. There is also some speculation that a mild winter could keep gasoline demand firm during the winter months while a stronger reading on consumer confidence suggests high oil prices may not be curbing consumer spending and that to some degree improves the demand outlook for oil. Support for Feb gasoline comes in at $2.50then $2.48.

TODAY'S ENERGY MARKET GUIDANCE: While bouts of profit taking are likely to be seen this session, tightening oil supplies, escalating geopolitical risks and a weaker Dollar favor the bull camp.

NATURAL GAS: The price action in Feb natural gas on Thursday is somewhat supportive since a price dip under key support at $7.00 seemed to be rejected. Certainly seeing crude oil up sharply yesterday and at times within striking distance of the contract highs likely prevented Feb natural from sliding significantly below the $7 price level. We suspect traders are a bit hesitant to push Feb natural sharply lower since the wide spread between crude oil and natural gas prices (in Btu terms) certainly pegs natural gas as the "cheap" fuel. Therefore, we still hold out some hope for a short covering rally in natural gas to take place, especially since fund traders have accumulated such a large net short position in this market. While today's storage report may offer a bit of support if the draw down is larger than the 146 bcf decline expected by some traders, it is also obvious Feb natural gas is struggling to hold above the $7.00 level. In fact, without a bullish storage surprise and strong upward leadership from the crude oil market, we suspect the bear camp will eventually win the battle with Feb natural gas being dragged lower by generally warmer than normal winter weather conditions and relatively high natural gas supplies. While some weather forecasters have temperatures briefly turning much colder next week for one to two days, there still doesn't appear to be an extended cold period in the forecast and that keeps the demand outlook slack.

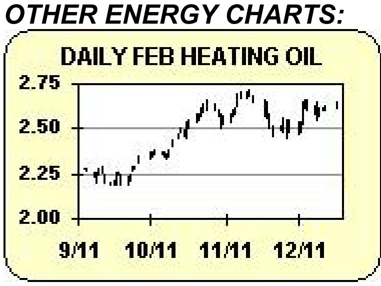
WEATHER OUTLOOK: Most weather forecasters still have temperatures staying above normal this week in the Northeast region so heating demand is likely to be slack. Temperatures in the Midwest look to be about normal to slightly above normal this week, but temperatures are forecasted to briefly dip next week with a blast of artic air expected next Tuesday/Wednesday.

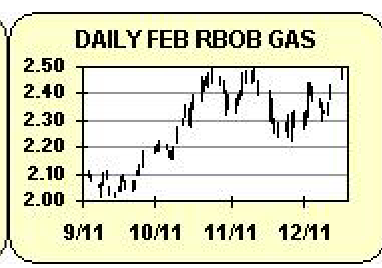
TODAY'S MARKET IDEAS:
None.

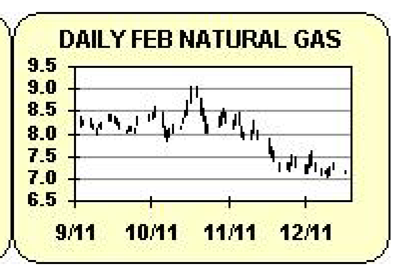
NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

OTHER ENERGY CHARTS:







ENERGY COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

CRUDE OIL (FEB) 12/28/2007: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 98.03. The next area of resistance is around 97.27 and 98.03, while 1st support hits today at 95.97 and below there at 95.44.

HEATING OIL (FEB) 12/28/2007: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 270.51. The next area of resistance is around 269.23 and 270.51, while 1st support hits today at 265.93 and below there at 263.92.

RBOB GAS (FEB) 12/28/2007: The market rallied to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 255.20. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 253.92 and 255.20, while 1st support hits today at 249.92 and below there at 247.21.

NATURAL GAS (FEB) 12/28/2007: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day up is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 7.512. The next area of resistance is around 7.374 and 7.512, while 1st support hits today at 7.025 and below there at 6.813.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	20 DAY M AVG	40 DAY M AVG	50 DAY M AVG	60 DAY M AVG
ENERGY COMPLEX									
CLG8	96.62	69.08	63.17	76.17	86.99	91.03	92.25	91.12	89.28
HOG8	267.58	66.23	62.00	74.09	84.47	256.40	258.21	254.58	249.87
RBG8	251.92	72.56	65.75	77.21	88.26	2.35	2.38	2.35	2.31
NGG8	7.200	41.84	40.74	26.96	30.46	7.27	7.76	7.85	7.91
LGG8	160.50	85.01	76.40	82.41	95.57	150.33	152.07	150.74	148.28

Calculations based on previous session. Data collected 12/27/2007
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLG8	Crude Oil	95.43	95.97	96.73	97.27	98.03
HOG8	Heating Oil	263.91	265.93	267.21	269.23	270.51
RBG8	RBOB Gas	247.21	249.92	251.21	253.92	255.20
NGG8	Natural Gas	6.812	7.024	7.162	7.374	7.512
LGG8	Propane	160.50	160.50	160.50	160.50	160.50

Calculations based on previous session. Data collected 12/27/2007
Data sources can & do produce bad ticks. Verify before use.

DAILY COCOA COMMENTARY

12/28/07

STRIKE BY IVORY COAST INDUSTRY WORKERS KEEPS SUPPLY OUTLOOK TIGHT

The supply/demand outlook for cocoa remains bullish into next year, which puts

March cocoa on track to take out the July highs. With the London market back from the Christmas holiday on Thursday, we suspect this week's price dip in cocoa was considered a buying opportunity. News that Ivory Coast industry workers have resumed an indefinite strike yesterday certainly tightens the supply outlook. Industry workers have not been able to negotiate a pay raise and pledge to strike until higher wage demands are met. If the strike is drawn out, it is likely to disrupt Ivory Coast cocoa processing and registration and effectively block exports. Cocoa prices have maintained an uptrend despite a 30% rise in Ivory Coast port arrivals so far this season compared to last season, as robust global demand has easily absorbed supply. With London back trading yesterday, the sell off in the Dollar and gains in the British pound not only attracted speculative buyers to cocoa, it also provided arbitrage buying support to NY cocoa market. NY daily certified cocoa warehouse stocks gained 95,228 bags, climbing to 2.835 million.

FUNDAMENTAL FOCUS: If the strike by cocoa industry workers in the Ivory Coast is drawn out, we suspect some chocolate manufacturers who still need 1st quarter coverage may be pressured into the market, and that situation could help lift March cocoa back to the $2,150 to $2,170 price range.

TODAY'S MARKET IDEAS:
While March cocoa may still be vulnerable to price dips, the tightening supply picture and more importantly strong indications of very robust demand for cocoa should limit price breaks based on technical profit taking.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

COCOA TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (MAR) 12/28/2007: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 2031. The next area of resistance is around 2081 and 2090, while 1st support hits today at 2051 and below there at 2031.

DAILY COFFEE COMMENTARY

12/28/07

PROFIT TAKING AHEAD OF BRAZIL CROP ESTIMATE FAVORS THE BEAR CAMP

The market's overbought condition and a lack of fresh bullish news may keep March coffee under pressure into year end. In fact, year end profit taking seemed to be the featured trade yesterday, and since fund and spec traders had recently built up a large net long position in this market, March coffee remains vulnerable to further price weakness. The market seemed to be undermined yesterday by news that Vietnam coffee exports in December were expected to rise 57% compared to November and climb 10% compared to a year ago. In another piece of negative news, Japanese coffee imports for this year through November were reported to be down 7.5% compared with 2006. The market seemed to shrug off news that Japanese coffee warehouse stocks fell 5.4% at the end of November, the lowest in 5 months, and that they were down 8.8% compared to November 2006. ICE certified exchange stocks were down 37,405 bags to 4.479 million, with 11,330 bags pending review.

FUNDAMENTAL FOCUS: The market continues to monitor growing conditions in Brazil, and it appears that better weather has improved the situation for the developing crop. Brazil will release an official estimate of the new coffee crop on January 8th, and since conditions seem to have improved, some traders are beginning to raise their crop estimate closer to 50 million bags. If that outlook takes hold, we suspect that March coffee could remain under pressure ahead of the official crop estimate.

TODAY'S MARKET IDEAS:
The market's overbought condition and the weak close in March coffee on Thursday raises the odds for another probe below the 130.00 price level. If retracement support at 129.12 fails to hold, a break to 127.50 cannot be ruled out. Ideas that the Brazilian government estimate may come in on the high side of expectations may keep the market under pressure ahead of the January 8th release date.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

COFFEE TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COFFEE (MAR) 12/28/2007: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 130.30. The next area of resistance is around 132.70 and 133.80, while 1st support hits today at 130.95 and below there at 130.30.

DAILY COTTON COMMENTARY

12/28/07

EXPORT PACE LAGGING BUT 2008 SUPPLY IS THE ISSUE

It looks as though cotton is playing catch-up in the battle for acres and in the competition for capital from trading funds. If this is the case, cotton has a long way to go. March cotton made another new high for the move yesterday and, like Wednesday, closed very near the highs of the day. The fact that cotton shrugged off weakness in the soybean, wheat and the equities markets yesterday was particularly impressive. The Export Sales Report is due out this morning, delayed one day due to the holiday. Last week's figure totaled 139,800 bales, which was the lowest weekly amount since September 28th, and as of last week the cumulative total for the year so far was 7.259 million bales or 48.6% of the USDA forecast for the season. Last year at this time cumulative sales had reached 5.592 million bales or 46.8% of the USDA forecast. The 5-year average for this point in the season of 57.8%, which suggests that sales, while ahead of a year ago, are lagging the normal pace. But while the demand side may be less than stellar at this point, the main issue is reduced supplies.

FUNDAMENTAL FOCUS: Despite ample near term supplies and a somewhat disappointing export season so far, based on recent planting estimates for the 2008/09 season, US ending stocks could fall to historically low levels next year.

TODAY'S MARKET IDEAS:
The advance in cotton is increasingly impressive as it pushes through heavy resistance that runs all the way to 70 cents or better in the March contract. Look for the impressive up channel on the March chart to produce follow-through gains into next week. The next objective for December cotton is 78.55.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:

1) Long the December 08 cotton 73/80 bull call spread at 230 points and also short the December 08 cotton 64 put for 225 points. Hold the spread for a test of 78.55 in the December 08 futures. 2) Long December 08 cotton from 71.05 with an objective of 78.55. Risk to 72.78.

COTTON TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COTTON (MAR) 12/28/2007: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The gap upmove on the day session chart is a bullish indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 68.15. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 68.02 and 68.15, while 1st support hits today at 67.54 and below there at 67.18.

DAILY SUGAR COMMENTARY

12/28/07

SOME NEAR TERM TECH VULNERABILITY BUT THE BULL CASE CONTINUES TO BUILD

While the sugar market did manage to open and close above the prior session's close yesterday, the outlook for sugar from a classic chart view would seem to favor the bear camp. Fundamentally, the whole biofuel theme seems to be coming back together again, especially with February crude oil on Thursday reaching within 33 cents of new highs. It is likely that Indian sugar market fundamentals and some increased producer sales are countervailing the energy bias in sugar, but with the funds thought to be nipping around the edges of the sugar market in advance of what is expected to be a larger 2008 allocation, it isn't surprising that open interest continues to rise! Indian traders might view the December rise as chance to sell at a favorable level, but until the government gives guidance on the quota, they might be handcuffed. In other potentially supportive news, the recent rise in energy prices has made talk of increased ethanol production in Brazil topical again, and as long as oil prices are firm, traders will assume that Brazil will be working aggressively to grab an even larger portion of the world ethanol pie. Given the overall supply and demand fundamentals in sugar, the bull case needs an aggressive escalation in Brazilian consumption for ethanol and perhaps lower production in India, due to soaring soybean prices.

FUNDAMENTAL FOCUS: From the energy front the bulls are emboldened, but the US soybean market having softened a bit yesterday might downplay the idea of Indian sugar areas being shifted to soy. Nonetheless, the relationship between soybean and sugar prices is into a modern day extreme. Classic fundamentals are still a limiting force for the bulls, but change in the numbers is being fomented. Temporary overbought and vulnerable tech positioning makes fresh buys right here inadvisable.

TODAY'S MARKET IDEAS:
Extremely critical support is seen today at 11.23 and then again down at 11.18. Those not long already should consider a calendar option spread play.

NEW RECOMMENDATIONS:
Buy the May sugar 11.50 call for 48 and then look to sell a March sugar 11.50 call for 24. On a near term break, liquidate the short March call at 9 and continue to hold the longer term call for a position. Risk a combined $800 on the position.

PREVIOUS RECOMMENDATIONS:
From an original position of short 1 May sugar 9.75 put and long two May sugar 11.00 calls, traders should still be left with long 1 May sugar 11.00 call and short 1 May sugar 12.00 call. By exiting one of the calls and the put, we pulled 29 points off of the table, which leaves traders long the 11.00/12.00 bull call spread for 2 points.

SUGAR TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

SUGAR (MAR) 12/28/2007: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 10.88. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 11.02 and 11.07, while 1st support hits today at 10.92 and below there at 10.88.

OJ TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

ORANGE JUICE (MAR) 12/28/2007: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. More selling pressure is likely given yesterday's gap lower price action on the day session chart. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 141.25. The next area of resistance is around 144.35 and 145.15, while 1st support hits today at 142.40 and below there at 141.25.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	20 DAY M AVG	40 DAY M AVG	50 DAY M AVG	60 DAY M AVG
SOFTS MARKETS COMPLEX									
SUH8	10.97	73.59	71.74	89.83	87.22	10.31	10.12	10.12	10.08
CTH8	67.78	73.71	64.15	87.13	95.59	65.16	66.38	66.81	66.88
CCH8	2066	50.52	54.39	64.74	49.11	2064.00	2004.18	1975.52	1957.52
OJH8	143.40	45.14	50.11	74.35	59.91	144.11	140.00	141.62	140.78
CFH8	131.80	45.75	50.88	75.62	66.19	132.15	129.16	129.15	130.91
MAH8	17.45	71.61	67.85	55.23	74.24	16.89	16.70	16.54	16.41

Calculations based on previous session. Data collected 12/27/2007
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
SOFTS MARKETS COMPLEX						
SUH8	Sugar	10.87	10.92	10.97	11.02	11.07
CTH8	Cotton	67.17	67.53	67.66	68.02	68.15
CCH8	Cocoa	2030	2051	2060	2081	2090
OJH8	Orange Juice	141.15	142.35	143.15	144.35	145.15
CFH8	Coffee	130.25	130.90	132.05	132.70	133.80
MAH8	Milk	17.32	17.36	17.49	17.53	17.66

Calculations based on previous session. Data collected 12/27/2007
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