RBC Capital Markets

Energy and Soft Markets Commentary
Friday May 30, 2008

New Trade Recommendations - 05/30/08
SUGAR: Buy October sugar 11.50/14.50 bull call spread for 53 points and sell October 10.00 put at 30.
CORN: Buy December Corn at 585 with an objective of 709. Risk to close under 567.

Today's Market Roundup - 05/30/08
BONDS:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: 1) Long 4 September Bond 111 puts from 52 and long a September Bond at 116-00. 2) Short a June bond 116 put from 110 and long July Bond 115 put from 135. *Hit the objective of 40 on the short, *Should have banked profits on the July 115 put at 2-58. 3) *Short July bond 112 puts for 50 with an objective of 0. Risk the position to a June futures trade below 112-00.
STOCKS:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
CURRENCIES:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
ENERGIES:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
PRECIOUS METALS:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
COPPER:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
SOYCOMPLEX:
TODAY'S MARKET IDEAS: July oil broke through its key sell point at 61.45 yesterday and more than met the initial downside objective at 60.35. November soybeans pushed through key support at 1309 yesterday and again this morning. Aggressive traders can sell July oil again at 61.00 with the next objective at 58.00, or sell July soybeans at 1345 with an objective at 1290.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: 1) Long November soybean 1320/1460 bull call spread from 48 and also short the November soybean 1100 put from 47. Hold for an objective of 1473 in November soybeans and risk a total of 40 cents on the entire spread. 2) Long the August soybean oil 67.00 call from 169 with an objective of 335. Risk to 94.
CORN:
TODAY'S MARKET IDEAS: We neared our initial objective at 570 in the July contract yesterday. End-of-month selling by funds is widely expected to continue today. If that materializes we could reach that objective today. Shorts should take profits at that level and aggressive short term traders can buy near 570 for a quick bounce. Position traders can consider buying December corn on a further collapse today.
NEW RECOMMENDATIONS: Buy December Corn at 585 with an objective of 709. Risk to close under 567.
PREVIOUS RECOMMENDATIONS: 1) Long Dec08 corn and short Dec10 corn at +6 Dec08 with an objective of +58 Dec08. Risk 11 cents from entry.
WHEAT:
TODAY'S MARKET IDEAS: While wheat joined the decline yesterday, it was strictly as a follower. Weather, harvest progress and world crop conditions add up to a very mixed bag with a slightly negative bias. Aggressive traders can again sell on a bounce to 758-759 in the July contract with an objective of 722.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
CATTLE:
TODAY'S MARKET IDEAS: June resistance is near 96.20 with 94.87 and 94.35 as first support levels.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: Short August cattle 104 call from 225 with an objective of zero. Risk 87 points from entry. Short the June cattle 88 put from 85 with an objective of zero. Risk to 27.
HOGS:
TODAY'S MARKET IDEAS: July hog close-in support is at 75.80 and 75.15. Keep 80.40 and 80.90 as next upside targets. Consider selling the July 72.00 put near 115.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: Long July hogs from 76.52 with an objective of 80.87. Risk to 75.07.

COTTON:
TODAY'S MARKET IDEAS: For now, watch for a recovery to 77.65 for December cotton but don't rule out a rally all the way to 79.80. Consider buying the Dec 75.00/80.00 bull call spread.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: Short July cotton 73.00 call from 97 with an objective of 0. Risk to 152.
COFFEE:
TODAY'S MARKET IDEAS: Look for choppy to lower trade ahead.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
COCOA:
TODAY'S MARKET IDEAS: Resistance for July cocoa comes in around at $2,745 then near $2,760 and again at $2,800 with support at $2,700 then near $2,680 and again near $2,640.
NEW RECOMMENDATIONS: None.
PREVIOUS RECOMMENDATIONS: None.
SUGAR:
TODAY'S MARKET IDEAS: None.
NEW RECOMMENDATIONS: Buy October sugar 11.50/14.50 bull call spread for 53 points and sell October 10.00 put at 30.
PREVIOUS RECOMMENDATIONS: None.

Today's Headline Summary - 05/30/08

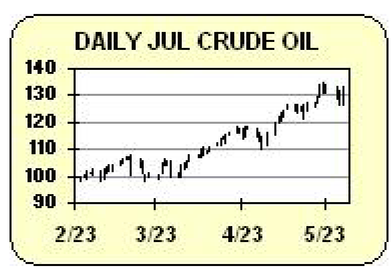
FUNDAMENTAL:
STOCKS: PATH OF LEAST RESISTANCE IS POINTING UP BUT MKT NEEDS HEADLINE HELP
BONDS: THE FEAR OF RECESSION HAS BEEN REMOVED INFLATION BECOMES THE FOCAL POINT
CURRENCIES: MORE DOLLAR GAINS TODAY MOST AGAINST THE SWISS AND EURO
COPPER: FOR THE TIME BEING A LOW LOOKS TO BE IN PLACE
METALS: LESS PRESSURE ON PRICES BUT THE OVERALL TREND HASN'T TOTALLY SHIFTED
CATTLE: OVERBOUGHT AND HAS ALREADY PRICED-IN BIG JUMP IN CASH; CORRECTION
HOGS: CASH TONE COULD SHIFT FROM WEAK TO STRONG NEXT WEEK; BUY BREAKS
BEANS: LONG TERM DAMAGE TO JULY CHART YESTERDAY SHOULD TAKE US DOWN TO 1290.
CORN: MARKET IS IN A LIQUIDATION DOWNTREND UNTIL WEATHER OR DEMAND INTERVENES.
WHEAT: OUTLOOK LOWER, BUT MARKET ACTION TELLS US WHEAT HAS FEW WEAK LONGS.
ENERGY: THE BEARS STILL CONTROL ESPECIALLY IF THE DOLLAR RALLY EXTENDS TODAY
COTTON: NO SIGN OF LOW YET BUT MORE THREATENING WEATHER MIGHT SUPPORT
COFFEE: THE CONSOLIDATION PHASE CONTINUES; SLIGHT NEGATIVE BIAS ON SUPPLY
SUGAR: PROBE FOR LOW; BRAZIL ETHANOL EXPORTS COULD SLOW SUGAR PRODUCTION
COCOA: NEED ONGOING CROP PROBLEMS TO SUSTAIN TECH RALLY IF DOLLAR STAYS STRONG

TECHNICAL:
BEANS: A big range down failure makes $13.07 3/4 very critical today
CORN: Failure at long term consolidation support counts to $5.60 July
WHEAT: Another new low for the move counts down to $7.06 3/4 July
CATTLE: A quasi triple top hints at a 2-3 day correction
HOGS: Failure to hold 76.00 June, counts down to 75.40 gap
SUGAR: To turn down trend off requires a close above 11.47 trend line
COTTON: Inside day down Thursday leaves the bears camp in control
ENERGY: A big range trade, with poor close counts July crude to $123.56
METALS: Big range down failure counts June gold down to $862.3
FORX: June Dollar Index poised to test top of the range up at 74.00
BONDS: Downside targeting in the June bonds is now the December lows
S&P: Range up extension puts the bears on the run June S&P to 1417.40

DAILY ENERGY COMPLEX COMMENTARY

05/30/08

THE BEARS STILL CONTROL ESPECIALLY IF THE DOLLAR RALLY EXTENDS TODAY



OVERNIGHT CHANGES THROUGH 3:15 AM (CT):
CRUDE -134, **HEATING OIL** -455, **UNLEADED GAS** -132

CRUDE OIL MARKET FUNDAMENTALS: The crude oil market's sharp sell off yesterday following a mostly supportive inventory report has left a major failure pattern on the charts. Further price weakness over night pushed July crude oil below retracement support at $125.34 leaving the market vulnerable to a deeper price correction. But with crude oil also trimming over night losses, more of a two sided trade may be seen this session as some pre weekend short covering looks possible later in the Day. However, we suspect the selling in the energy complex is being propagated in part by news that the CFTC had begun an investigation of the oil markets last December and that the agency plans more monitoring of both the US and UK futures markets. Therefore, the news leaves the market with a certain degree of uncertainty and concern that government intervention could discourage investment in oil and other commodity markets. It is also bearish that the trade quickly discounted the 8.8 million barrel decline in crude oil stocks, since the EIA said the drop in supplies was due to a tanker delivery delay that lowered imports while refinery demand also rose. But we question this explanation since the 278,000 barrels per day drop in oil imports and a nearly unchanged refinery operating rate doesn't seem to fully explain the sharpest drop in crude oil stocks in 3 1/2 years. But seeing US distillate stocks rise above expectations at a time when sentiment in the energy complex is being undermined by fears of sagging global oil demand certainly seemed to be the focus of yesterday's selling. Oil demand in the US is clearly being affected by record oil prices and a report this week showed oil demand in Britain is also beginning to sag and that should serve to deflate prices somewhat. With Asian governments and possibly India starting to lift oil subsidies, the market is also fearful of more significant global demand destruction ahead. Furthermore, there are other negatives facing crude oil including indications of rising OPEC exports into mid-June and persistent ongoing strength in the US Dollar. In fact, the surging Dollar this week is no doubt turning up the fund liquidation heat in a number of physical commodities like the energies. While crude oil may be able to bounce on some pre weekend short covering later on today, the ability to bounce may be limited by a variety of bearish elements that may keep the bear camp in control until a distinct fresh supply threat arises. With July crude oil still technically overbought, an eventual break back to the $122.34 to $120.00 price range looks possible.

PRODUCT MARKET FUNDAMENTALS: GASOLINE: The key reversal action on the chart yesterday is certainly a strong bearish technical signal for July gasoline. Given the market's overbought technical condition a break back to $3.20 seems possible if July gasoline fails to hold in the $3.30 to $3.28 price range. However, gasoline seems to be recovering a bit after pushing lower over night and the market may see a price bounce this session on short covering ahead of the weekend. But the upside may be limited since the market focus has clearly shifted to the demand side of the equation and so the 3.3 million barrel decline in gasoline stocks is apparently giving traders little cause for concern. With the refinery operating rate holding steady last week and still 5.6% below the 5 year average for this time of year, gasoline stocks still look set to fall during the time period of strongest demand ahead. In fact, it is also clear from the data that refiners are making an effort to produce more distillate supplies at a time of year when gasoline stocks are typically building and that could eventually end up supporting gasoline prices. While retail pump surveys confirm high oil prices and a weak economy have reduced gasoline demand compared to year ago levels, the EIA data shows gasoline demand down by only.4% over the past four weeks compared to year ago. Therefore, the market's concern over demand destruction seems a bit exaggerated but until sagging demand fears begin to ebb or supply issues take center stage again, gasoline seem vulnerable to more price weakness, with a possible downside target of $3.2987 in the July contract.

HEATING OIL: The dramatic sell off yesterday leaves the heating oil market in a bearish chart set up and since retracement support at $3.67 failed to hold, a break back to $3.4457 seems possible. It wasn't too surprising to see the market focus on the bearish distillate stocks data yesterday since concerns of tightening global diesel supplies have been the key driver behind the market's recent dramatic gains. But now the market is beginning to doubt that robust global diesel demand will be able to hold up if Asian governments and India start cutting fuel subsidies and this outlook has certainly soured sentiment across the entire energy complex. But news that China's June diesel imports will be near a record high may begin to calm oil demand fears. The gain in distillates does give the trade more evidence that a stock rebuilding cycle is occurring. But US distillate supplies remain tight at 14.3 million barrels below year ago levels and it may be a difficult task to really boost supplies if refinery operations remain low and this factor could become a supportive issue again if global demand concerns begin to ease. While some short covering ahead of the weekend seems possible, the break down of the market's short-term chart pattern will likely leave the bears in control unless July heating oil can manage a close back over $3.8271.

TODAY'S ENERGY MARKET GUIDANCE: The bear camp retains the edge early today, look for more declines with a possible short covering bounce late in the session.

Energy Stocks Report

Crude Oil (Millions of Barrels)

Week Of	EIA Wk Chg	API Wk Chg	EIA Chg From Last Yr.	API Chg From Last Yr.	EIA Opper Rate % Wk Chg	API Opper Rate % Wk Chg	API Imports
5/23/08	-8.883	-8.743	-33.641	-43.9	0	-0.5	9

Gasoline (Millions of Barrels)

Week Of	EIA Wk Chg	API Wk Chg	EIA Chg From Last Yr.	API Chg From Last Yr.	EIA Demand	EIA Demand 8yr Avg	EIA RFG Stocks
5/23/08	-3.258	-3.043	5.06	6.8	9.4	9.5	2

Distillates (Millions of Barrels)

Week Of	EIA Wk Chg	API Wk Chg	EIA Chg From Last Yr.	API Chg From Last Yr.	EIA Demand	API Demand 8yr Avg	EIA Imports
5/23/08	1.641	-0.266	-14.27	-12.24	4.1	4.3	0.25

NATURAL GAS: The sharp break in July natural gas yesterday may set the stage for a deeper price correction today, especially if support near $11.47 fails to hold. Market sentiment seemed to sour on yesterday's larger than expected gain in natural gas storage. But with natural gas price direction closely tied to the ebb and flow of the crude oil market, seeing additional losses in crude oil this session will certainly give the bear camp some more leverage. On the other hand, short covering in crude oil should also help natural gas recover to a certain degree. However, a price bounce may be limited right now unless supply concerns come back into focus. With energy markets in general concerned that high oil prices and a weak US economy are dragging down oil demand, seeing natural gas storage rise a bit above expectations apparently gave the report enough of a bearish tilt in the current environment. Natural gas storage rose 87 bcf compared to a median estimate for an 85 bcf rise. The 5 year average stock change for this time of year is for an injection of 91 bcf with stocks rising 107 bcf last year. We suspect the market's overbought condition added to the selling pressure yesterday and the sharp rally in the Dollar again today could keep up the selling pressure in a wide range of physical commodity markets. Some traders may also be taking profits in anticipation of the Independence Hub pipeline restart expected in the next two weeks. However, we hesitate to become too negative on this market, since natural gas storage at 1,701 bcf is still 26 bcf below the 5 year average and 321 bcf below year ago levels. The weather outlook is also turning warmer for the Midwest and southern third of the US which is likely to boost cooling demand. In addition, the start of hurricane season begins on June 1st with weather forecasters already concerned over activity in the Caribbean. While July natural gas may be pressured back towards $11.00 if crude oil stays weak today, we suspect it may only be a temporary event. Support for July natural gas comes in near $11.40 and then near $11.22, with resistance at $11.72 and $12.00.

Natural Gas Storage Report (Billions of Cubic Feet)

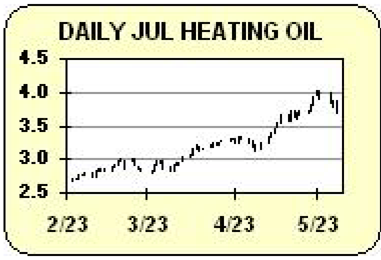
Week Of	Week Chg	Chg From Last Yr	4wk Combined Wkly Chg	Stocks Above or Below 11yr Avg	Stocks Below Wkly 11yr High	Stocks Above Wkly 11yr Low
5/23/08	87	-321	330	163	542	620

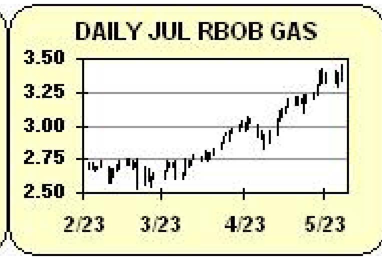
TODAY'S MARKET IDEAS:
None.

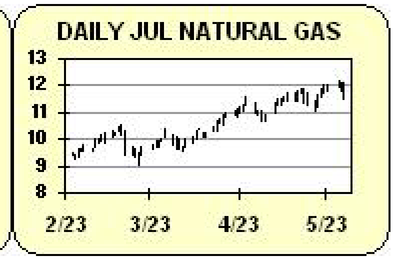
NEW RECOMMENDATIONS:
None.

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 (JUL) 05/30/2008: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The daily closing price reversal down puts the market on the defensive. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 121.03. The next area of resistance is around 129.95 and 135.04, while 1st support hits today at 122.95 and below there at 121.03.

HEATING OIL (JUL) 05/30/2008: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The outside day down is somewhat negative. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 353.60. The next area of resistance is around 381.16 and 395.01, while 1st support hits today at 360.46 and below there at 353.60.

RBOB GAS (JUL) 05/30/2008: The rally brought the market to a new contract high. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 322.83. The next area of resistance is around 339.84 and 349.52, while 1st support hits today at 326.50 and below there at 322.83.

NATURAL GAS (JUL) 05/30/2008: The daily stochastics gave a bearish indicator with a crossover down. 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. 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 10.967. The next area of resistance is around 11.792 and 12.256, while 1st support hits today at 11.148 and below there at 10.967.

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									
CLAN8	126.45	48.95	54.66	76.39	64.82	126.21	119.46	116.00	114.07
HOAN8	370.81	49.63	55.60	77.87	64.57	3.67	3.43	3.32	3.25
RBAN8	333.17	60.31	63.19	83.46	78.08	3.22	3.06	2.98	2.93
NGAN8	11.470	46.31	51.34	76.36	67.75	11.57	11.09	10.83	10.68
LGAN8	170.45	44.23	53.07	58.52	38.29	1.72	1.66	1.62	1.60

Calculations based on previous session. Data collected 05/29/2008

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						
CLAN8	Crude Oil	121.02	122.94	128.03	129.95	135.04
HOAN8	Heating Oil	353.59	360.45	374.30	381.16	395.01
RBAN8	RBOB Gas	322.82	326.49	336.17	339.84	349.52
NGAN8	Natural Gas	10.966	11.147	11.611	11.792	12.256
LGAN8	Propane	170.45	170.45	170.45	170.45	170.45

Calculations based on previous session. Data collected 05/29/2008
Data sources can & do produce bad ticks. Verify before use.

DAILY COCOA COMMENTARY

05/30/08

NEED ONGOING CROP PROBLEMS TO SUSTAIN TECH RALLY IF DOLLAR STAYS STRONG

July cocoa settled sharply higher on Thursday as the trade seemed to disregard outside market influences and instead focus on the market's internal fundamentals. It was impressive to see the cocoa market pulse higher yesterday despite sharp gains in the Dollar and a beak in energy prices since it led to selling in a wide range of commodity markets as inflation concerns were cooled, but that didn't seem to take away from cocoa's appeal. Instead with cocoa pushing above key price levels, bullish technical signals triggered aggressive fund buying in both the NY and London cocoa markets in yesterday's trade. July cocoa's close back above $2,700 has turned the chart posture bullish again and with the global supply outlook becoming more uncertain, a retest of the April highs may now be possible. The market has seen some profit taking over night, but so far July cocoa has held above support at $2,700 which keeps the chart setup positive. It seems as if nearly every major cocoa producer is running into crop problems that could lower supply for both the current mid-crop and next season's main crop and that has certainly revived the bull case for cocoa. It appears that cocoa output in both the Ivory Coast and Indonesia could be trimmed by pest and disease problems and if left untreated, production could be significantly cut for the 2008/09 season. Mid crop cocoa bean harvest has also been disappointing as bean quality has been poor in the Ivory Coast and in southwest Cameroon since heavy rains are making it difficult to dry and transport beans to ports leaving beans susceptible to mould. In contrast, growing conditions remain too dry in southwestern Nigeria and the lack of rainfall over the past two and a half weeks is keeping mid crop bean size small and also setting up poor conditions for the development of the 2008/09 main crop. Therefore, with both the fundamental and technical setup for cocoa turning positive the bull camp has certainly gained an edge and that raises the odds for the market to trend higher. NY daily certified cocoa warehouse stocks fell 15,160 bags to 3.683 million bags.

TODAY'S GUIDANCE: While the situation for cocoa has turned bullish again, the market may encounter some pre-weekend profit taking, especially if the Dollar continues to trade higher. But if crop conditions remain unfavorable and global production is threatened, particularly in the Ivory Coast and Indonesia, then an eventually rally back above $2,800 in July cocoa seems possible.

TODAY'S MARKET IDEAS:
Resistance for July cocoa comes in around at $2,745 then near $2,760 and again at $2,800 with support at $2,700 then near $2,680 and again near $2,640.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

COCOA TECHNICAL OUTLOOK:

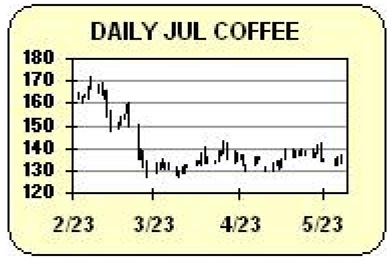
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (JUL) 05/30/2008: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market's close above the 2nd swing resistance number is a bullish indication. The next upside objective is 2833. The next area of resistance is around 2794 and 2833, while 1st support hits today at 2666 and below there at 2577.

DAILY COFFEE COMMENTARY

05/30/08

THE CONSOLIDATION PHASE CONTINUES; SLIGHT NEGATIVE BIAS ON SUPPLY



The market remains in a relatively tight consolidation phase. The idea that prices are cheap enough given the potential cold weather risk to the Brazil crop ahead of harvest clashes with concerns over the potential harvest pressures which could occur with the crop expected to exceed 50 million bags as compared with near 34-35 million last year. The market saw an early rally attempt yesterday, but the jump in the US dollar and a sell-off across a wide spectrum of commodity markets helped to pressure. The choppy action in the recent past along with end-of-month selling and talk of good weather in Brazil for now helped spark some of the selling. While crop conditions have certainly improved since last fall, many Brazil producers still do not see the crop over 50 million bags. Talk in weather circles that the right combination of longer-term weather forces may be developing to see a colder than normal winter in Brazil has helped to provide some weather support to the coffee market in recent days. Indonesian producers are apparently more aggressive sellers of old stocks into the heart of their harvest time as cash was needed for harvest. This may have helped pressure London coffee. Providing some underlying support was talk that Colombian producing areas may be receiving too much heavy rain which might be a bit disruptive to the flowering process and impact the crop production later this year. After open interest declined steadily from mid-March to mid-May, the recent jump of nearly 5,000 contracts may be seen as a positive technical signal. Daily exchange certified stocks were up 7,694 bags to 4.342 million bags with 60,074 bags pending review.

TODAY'S GUIDANCE: September coffee resistance comes in at 139.95 with 134.30 as close-in support. A move outside of this range might point to the next direction.

TODAY'S MARKET IDEAS:
Look for choppy to lower trade ahead.

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 (JUL) 05/30/2008: The close below the 40-day moving average is an indication the longer-term trend has turned down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend has turned down with the cross over back below the 18-day moving average. The daily closing price reversal down puts the market on the defensive. The close below the 1st swing support could weigh on the market. The next downside target is 12875.00. The next area of resistance is around 13490.00 and 13835.00, while 1st support hits today at 13010.00 and below there at 12875.00.

DAILY COTTON COMMENTARY
05/30/08

NO SIGN OF LOW YET BUT MORE THREATENING WEATHER MIGHT SUPPORT

After recent sharp losses the market did not see aggressive selling from fund traders yesterday which wasn't the case for most other commodity markets. Given the independent action, the market may have already seen prices slip to a value zone and with a shift to a hot and dry weather trend for the southern US, buying could emerge to support. December cotton closed just slightly lower on the session yesterday after a choppy and two-sided trade for much of the session. The quiet action came in sharp contrast to sharply lower trade in grains, metals and energy markets and the relative strength of cotton was seen as somewhat positive. A positive supply and demand outlook from the USDA attache in China along with ideas that the market was oversold technically helped to provide some support. Temperatures are expected to reach near 100 degrees over the near-term in Texas with dry conditions. In addition, the 6-10 day and 8-14 day weather models show above normal temperatures and below normal precipitation. Perhaps the shift to a hot period for the south in the next few weeks may spark some buying interest in cotton. The USDA attache in China believes China's cotton imports for the 2008/2009 season will rise to 3.7 million tonnes, up from 2.7 million this past season. A shift in land was noted away from cotton to other crops and demand remains firm. The attache believes cotton consumption in China will continue to rise to 11.8 million tonnes, up 5% from last year. In the weekly export sales report today, traders will monitor weekly shipments of cotton which need to average near 300,000 bales per week to reach the USDA projection for the year.

TODAY'S GUIDANCE: A shift to hot and dry weather in Texas could begin to provide some support.

TODAY'S MARKET IDEAS:
For now, watch for a recovery to 77.65 for December cotton but don't rule out a rally all the way to 79.80. Consider buying the Dec 75.00/80.00 bull call spread.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
Short July cotton 73.00 call from 97 with an objective of 0. Risk to 152.

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 (JUL) 05/30/2008: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 65.21. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 66.43 and 66.98, while 1st support hits today at 65.55 and below there at 65.21.

DAILY SUGAR COMMENTARY
05/30/08

PROBE FOR LOW; BRAZIL ETHANOL EXPORTS COULD SLOW SUGAR PRODUCTION

There is still no technical sign of a low with futures in a well defined downtrend. Trade house estimates for a larger than expected surplus for the 07/08 season and for a slight surplus for 08/09 helped pressure the market. The USDA sees a slight deficit for the coming season. A sharp rise in Brazil production is expected to be offset by sharp declines in Europe, Eastern Europe and India. The bull camp believes that historically high energy prices could cause a larger portion of the Brazil cane crop to be used for ethanol production; especially if Brazil ethanol exports were to jump. Weather in Europe will be monitored closely and traders will also watch for signs of normal monsoons in India. While July sugar continued to push lower on the session yesterday, October sugar managed to push slightly higher on the session with an inside trading day. Massive long liquidation selling from speculators was noted in commodity markets yesterday led by a sharp break in the energy markets and a jump in the US dollar. Outside markets are quiet this morning but weakness in London futures helped pull sugar values down overnight. End of month long liquidation selling along with continued talk that the government will attempt to regulate fund trader activity was seen as a negative factor yesterday. Fears of continued supply pressures for sugar over the near-term were somewhat offset by talk that ethanol demand for export from Brazil is on the rise.

TODAY'S GUIDANCE: October futures have managed to hold key support at 11.17 so far this week. It will take a move back over 11.55 today for some sign of a near-term low.

TODAY'S MARKET IDEAS:
None.

NEW RECOMMENDATIONS:
Buy October sugar 11.50/14.50 bull call spread for 53 points and sell October 10.00 put at 30.

PREVIOUS RECOMMENDATIONS:
None.

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 (JUL) 05/30/2008: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 9.62. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 10.16 and 10.38, while 1st support hits today at 9.78 and below there at 9.62.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/30/2008: The market was pushed to a new contract low. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 102.20. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 106.35 and 108.05, while 1st support hits today at 103.45 and below there at 102.20.

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									
SBAN8	9.97	19.60	24.64	8.44	7.38	10.98	11.82	11.91	12.18
CTAN8	65.98	24.18	29.99	27.82	17.51	69.88	72.33	72.88	74.54
CCAN8	2730	64.33	58.82	32.34	45.56	2647.45	2624.85	2575.58	2609.82
OJAN8	104.90	28.32	33.16	7.73	6.37	112.92	115.30	115.36	117.07
KCAN8	13250.00	43.48	45.19	45.55	32.97	134.81	135.10	134.70	137.82

MAN8	20.55	48.28	55.63	88.65	76.93	20.43	19.70	19.27	18.92

Calculations based on previous session. Data collected 05/29/2008
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						
SBAN8	Sugar	9.61	9.77	10.00	10.16	10.38
CTAN8	Cotton	65.20	65.54	66.09	66.43	66.98
CCAN8	Cocoa	2577	2666	2705	2794	2833
OJAN8	Orange Juice	102.15	103.40	105.10	106.35	108.05
KCAN8	Coffee	12875.00	13010.00	13355.00	13490.00	13835.00
MAN8	Milk	20.06	20.22	20.71	20.87	21.36

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