RBC Dominion Securities

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MARKET FORCES

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Issue #1362 (888) 493-7707 or (780) 493-7707 May 31, 2008

Who's to Blame?

The US Senate is holding hearings on excessive commodity market speculation. Late this week, Joseph Lieberman, Chairman of the Senate Homeland Security Committee, stated: "My own conclusion is that index speculators are responsible for a big part of the commodity price increase." The committee reportedly plans a bill that will bar institutional investors (foreign and domestic) from investing in US commodity markets via index funds, swaps, and sovereign wealth funds.

The Senate bill is currently centered on the oil market. It would prevent US oil traders from routing transactions through offshore markets to evade position limits. It would also require the CFTC to substantially raise energy trading margins. In addition, the bill allows the Attorney General to enforce action against any country colluding to set prices of oil or natural gas (sovereign wealth funds?). The Senate website states: "Nations concerned with maintaining good diplomatic relations with the US will be reluctant to blatantly act in a way that is counter to US law."

US politicians have concluded, during this election year, that commodity speculation has hurt consumers by driving up food and energy prices. They apparently believe they can legislate lower prices by limiting investment fund participation in futures. But what about record high prices of steel, cement, coal and other commodities not traded on US futures markets?

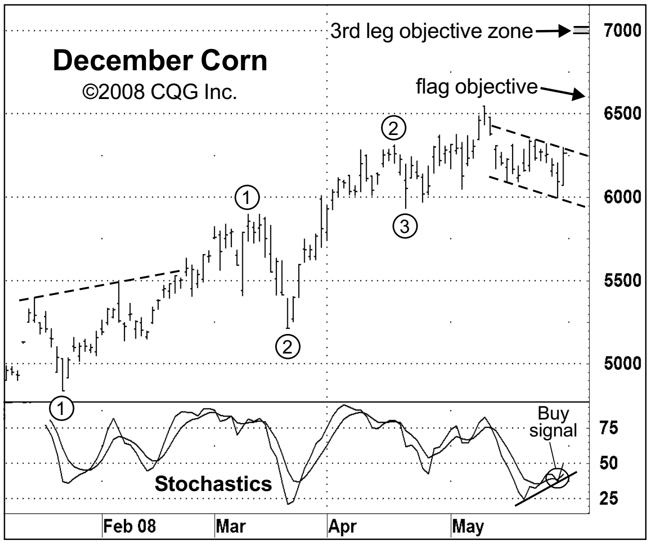
We agree index, pension, endowment and sovereign wealth funds have contributed to the recent advance in commodity prices. These funds now view commodities, as well as stocks, bonds, and real estate, as viable "asset class" investments. However, aren't they also providing a valuable economic function? July 2010 crude oil is currently trading near $130 per barrel. Doesn't this price provide an economic incentive to drill new wells or restructure old ones producing only five barrels per day? Also, aren't high energy prices encouraging investment in new technologies and shifting consumer attitudes toward more fuel efficient automobiles? Should we view this shift of investment toward commodities as a natural economic function, or market manipulation?

All markets, including commodities, experience temporary periods of excessive speculation. The most recent examples were "dot-com" stocks and the housing bubble. However, Congress did not legislate who could and couldn't trade stocks. They also haven't banned Wall Street banks from trading mortgages.

We believe the underlying reason for bubbles and the advance in commodities is due to excessive money printing by central banks. Central banks have underwritten politician's addiction to unsustainable growth rates. Until it is understood world resources cannot meet current global growth rates, commodity markets will continue to trade higher in the US, or on foreign exchanges.

Corn

FUNDAMENTALS TO OVERCOME NEGATIVE SENTIMENT !



Note: The chart has been reconfigured since the last issue. A continuation bottom was completed in February. The first leg (1) of the advance gained 1.06. The second leg (2) gained 1.10. If the third leg (3) is equal to either of the previous, objectives will range from 6.99 to 7.03. A bull flag is now evident. A close above the upper line will provide a near term objective of 6.60. Stochastics showed divergence on this week's low, indicating a loss in bearish momentum. A renewed buy signal was given on 5/30/08, confirming a recovery effort.

Overview

Market sentiment turned quite negative this week as the government looks for high food price excuses. It is somewhat surprising the market placed more emphasis on the government witch-hunt than developing problems in the crop. The first corn condition report is scheduled for release next Monday. If it is anywhere close to our suspicions, the market could finally resume its uptrend. However, if outside negative forces prevail, we doubt they will be able to hold the market down much longer.

Acreage

This has been a very difficult season for corn planting. Excessive rainfall and cold temperatures have delayed planting throughout May. The USDA reported 88% of intended acreage had finally been planted May 25. However, in past years of similar late planting, final acreage fell below intentions . . .

Lower Acreage!

US Corn – Intentions vs Actual Acreage – Million Acres

Year Ranked	% Planted by May 25	March Intentions	Actual Plantings	Difference
1995	71	75.323	71.479	–3.844
1996	78	79.920	79.229	–.691
1990	81	74.804	74.166	–.638
2002	83	79.047	78.894	–.153
1991	86	76.124	75.957	–.167
1993	87	76.486	73.239	–3.247
1986	88	78.066	76.580	–1.486
2003	88	79.022	78.603	–.419
2008	**88**	**86.014**	**?**	**?**
1989	89	73.253	72.322	–.931

Since 1985, there have been nine years when farmers had planted 89% or less of intended acreage by May 25. In all years, final planted acreage fell below intentions. New technology and better equipment have helped to narrow the gap in more recent years. Therefore, while this year is closely associated with years of lower than intended acreage, *final plantings this year are expected to decline only about 500,000 acres*.

Yield

We looked back at past years of late planting and emergence to find a situation similar to this year. The year we found most similar was 2002. The following compares the ten largest states planting and emergence percentages . . .

Continued on page 3 . . .

Worse Than 2002?

US Corn Planting and Emergence Progress
As of May 25 – 2002 vs 2008

	Acreage	% Planted		% Emerged	
State*	Intentions	2002	2008	2002	2008
MI	2.4	72	94	19	61
OH	3.4	45	64	20	43
WI	3.7	79	80	24	24
KS	3.9	98	94	82	66
SD	4.7	94	**85**	34	**23**
IN	5.7	43	77	13	54
MN	7.6	97	**95**	47	**34**
NE	8.8	97	**96**	71	**59**
IL	12.6	74	87	49	62
IA	13.2	98	**93**	76	**54**
18 states		83	88	53	52

*Ten largest states ranked by 2008 acreage intentions

In five of the seven largest corn states, this year's planting progress was behind 2002. In those states, this year's progress fell from 1 to 9% *behind*. In the 18 states, this year was 5% *ahead* of 2002.

However, in five of the seven largest states, emergence was behind 2002. In those states, this year's emergence ranged from 11 to 22% behind. In the 18 states, emergence was only 1% behind. Although planting progress and emergence in the 18 states is similar to 2002, *planting and emergence are significantly behind 2002 in five of the seven largest states.*

Below normal temperatures have seriously delayed emergence this year. Agronomists indicate late emergence creates a higher risk of damage due to seed rot and insects. Although some farmers will undoubtedly replant acreage, the late date points to less than normal replanting. This is expected to result in greater loss of acreage to other crops and/or lower yield potential.

The first corn condition report is scheduled for release on Monday afternoon, June 2. In 2002, the first condition report rated the good/excellent percentage at 43%, *the lowest initial rating of the past 22 years*. Although ratings increased to 62% by late June, the final yield fell to 129.3 bushels per acre, 8.4% below the 20 year trend. A similar decline this year would point to a final yield of 143.5. This season's crop is off to a poor start, as indicated by the forgoing studies. *Near perfect weather conditions will be required over the remainder of the season if yields are to reach the USDA's forecast of 153.9 bushels per acre.*

Other Market Forces

Market forces other than supply/demand fundamentals have become dominant in futures over recent weeks. A few of these forces are . . .

- Crude Oil: There is growing belief oil prices are near a major top. Any hint of lower oil prices has recently translated into corn selling due to the ethanol component. However, ethanol margins have been profitable since the first of the year, even when crude prices were well below $100. This indicates new plants under construction should continue adding capacity through the end of the year.

- CRP: The USDA announced this week they would release 24 million acres in the Conservation Reserve Program for hay and grazing. We expect most of this acreage to go to hay as new fencing would be required. In addition, hay yields will be poor on these acres. It is doubtful this will reduce cattle corn usage by any noticeable extent.

- Speculation: Congress is holding hearings on commodity speculation. Many expect Congress to take action to curb buying by the multiple of new funds. Some believe new position limits will be enacted while others look for forced liquidation. It appears likely most changes will involve greater transparency rather than drastic actions that would destroy the price discovery function of free markets.

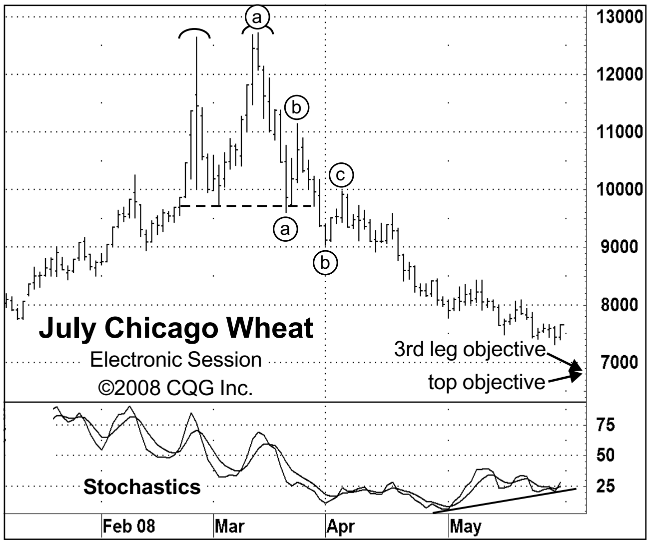
- Black Sea Wheat: Late summer and fall offers for Black Sea feed wheat are below corn delivered to Asian destinations. This is expected to reduce old crop corn exports by 50 to 75 million bushels and may curb US exports for 2008-09. However, this is currently assumed in new crop export projections.

It is important to remember the USDA has already factored in reduced exports of 400 million bushels and a drop of 850 million in feed usage for the coming season. With potential for slightly lower acreage than intentions and the crop off to a rough start, *it will be difficult for prices to trade substantially lower with this type of rationing already factored into supply/demand projections.*

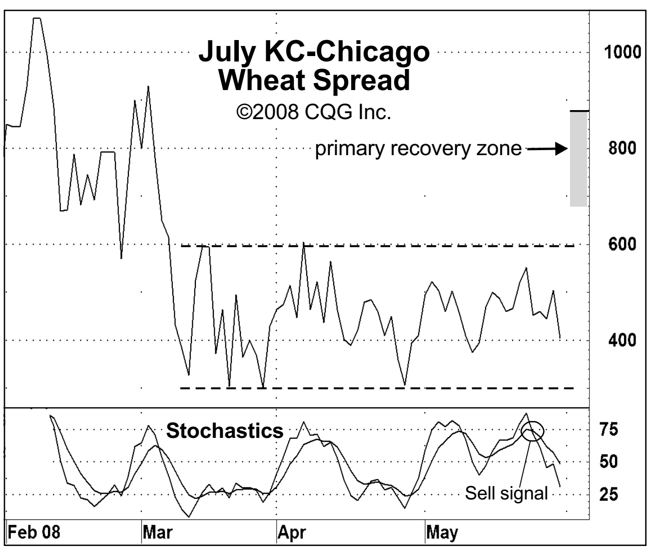
We view the outside forces as temporary in nature. But, they have become an important part of near term market sentiment. Open interest is extremely large and liquidation could feed on itself, pushing prices lower than justified in weeks ahead. However, we continue to view supply/demand fundamentals as long term bullish and have no reason at this time to alter our long term perspective for $7.00 futures.

Wheat

MOVING TOWARD ECONOMIC VALUE !



A top was completed in March, providing a downside objective of 6.81. The first leg down (a) lost 3.12. The second leg (b) lost 2.11. When the second leg is smaller, the third is normally equal to the first. Therefore, objective for the third leg (c) is 6.86. The market is now approaching major objectives. Stochastics show divergence since early May, indicating potential for a recovery.



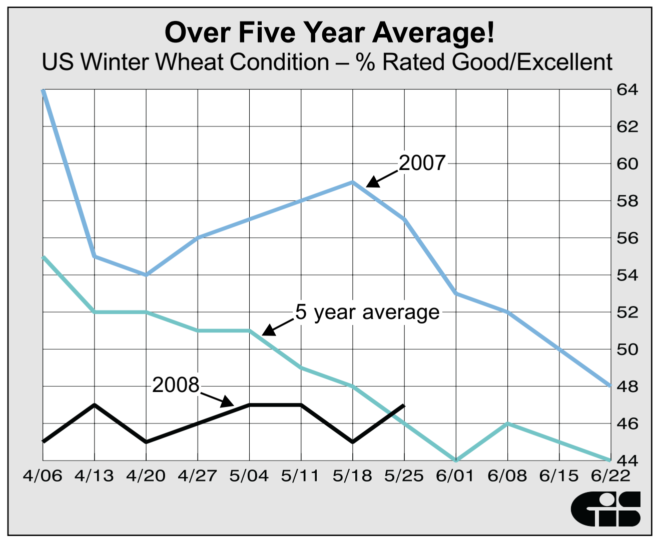
Since mid-March, a well defined sideways channel has formed. Two consecutive closes outside the range would indicate a move of 30 cents in direction of the breakout. The primary recovery zone ranges from 68 to 88. The pullback zone illustrated in the previous issue ranging from 40 to 46 was satisfied this week. Stochastics gave a sell signal on 5/23/08, confirming continuation of trade within the channel barriers.

Overview

The market function of recent months was to transcend from the tightest world supply in history to record production in the Northern Hemisphere this summer. The marketplace is nearing completion of that objective. Prices may trade lower as harvest occurs, but the bulk of the price decline is past. A period of sideways consolidation should be expected into summer.

Improving Condition

Winter wheat crop conditions exceeded the five year average for the first time this season . . .



Wheat conditions seasonally begin as optimistic, then decline as the season progresses. This year, the rating began at the sixth lowest percentage of the last 22 years. It remained relatively low, but failed to decline seasonally. This week, the rating exceeded the five year average for the first time, *indicating potential for better than expected yields.*

Continued on page 5 . . .

Winter wheat yields have varied widely when compared to late May condition reports . . .

Average Chance of Trend Yield!
US Winter Wheat – Crop Rating[1/] vs Final Yield

Year [2/]	Rating May 25	Yield Trend [3/]	Final Yield	Final % of Trend
1991	43	39.5	34.7	87.8
2004	44	43.6	43.5	99.8
1994	47	40.5	40.2	99.4
2008	**47**	**44.9**	**?**	**?**
2005	48	43.9	44.4	101.1
1986	49	37.9	35.2	92.8
1988	49	38.6	39.2	101.7
2000	50	42.3	44.6	105.3
1997	51	41.4	44.6	107.7
1995	52	40.8	37.7	92.5
2003	55	43.3	46.7	107.9

1/ Years of good/excellent rating from 40 to 55%
2/ Ranked by good/excellent rating
3/ Thirty year yield trend

In the ten years of crop ratings ranging from 40 to 55% near May 25, final yields were below tend in five years and above trend in five years. Therefore, there is a 50-50 statistical average of near trend yield this year. With conditions now above the five year average and reports of higher yield potential in Oklahoma, Kansas and Nebraska, *we now expect final yields to at least equal trend*.

Winter Wheat Production

Winter wheat normally accounts for 70 to 73% of total US production. Our production forecast based on current known data is as follows . . .

Largest in Ten Years!
US Winter Wheat Production
Million Acres and Bushels

	2006	2007	2008	
	Actual	Actual	USDA[1/]	CIS Est
Planted acres	40.6	45.0	46.8	46.8
% abandoned	23.3	20.1	14.3	13.0 [2/]
Harvested acres	31.1	36.0	40.2	40.7
Yield	41.7	42.2	44.3	44.9 [3/]
Production	1298	1516	1778	**1827**

1/ 5/9/08 USDA estimate
2/ Record prices and reduced graze out expected to lower abandonment
3/ Thirty year trend yield

Our production estimate of 1827 million bushels would be the largest winter crop in ten years. When adding the USDA forecast for spring and durum wheat, production projects to total 2441 million bushels, *the seventh largest in history.*

Other Market Forces

The following forces will be important to wheat values over coming months . . .

- With corn supply/demand projected extremely tight, feed usage of wheat will need to approach 250 to 300 million bushels this year compared to the USDA estimate of the past season at 60 million. To accomplish this, September Chicago futures need to trade at a premium of $1.00 or less to September corn. Therefore, *wheat prices must trade lower or corn must trade substantially higher if the animal feeding needs are to be met*.

- Black Sea wheat is currently offered for late summer shipment well below EU and US prices. Competition for soft red (Chicago) export markets will be keen in months ahead.

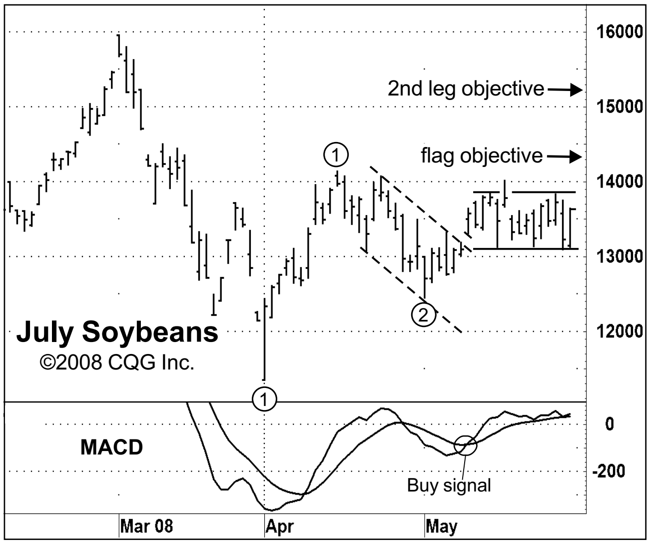
- Due to wet cool weather, the wheat crop is late maturing this season. Most domestic users have very little early summer coverage as they are waiting on lower prices into harvest. This may delay the normal seasonal low in futures to late July.

- Eastern Australia has experienced exceptionally dry weather in recent weeks, delaying planting. Production estimates have declined from 25-26 million tonnes to 22-23 million in recent weeks. Some have reduced estimates to 20 million. A large crop is needed in Australia this season to allow rebuilding of depleted world stocks. This could become a bullish market force into the fall.

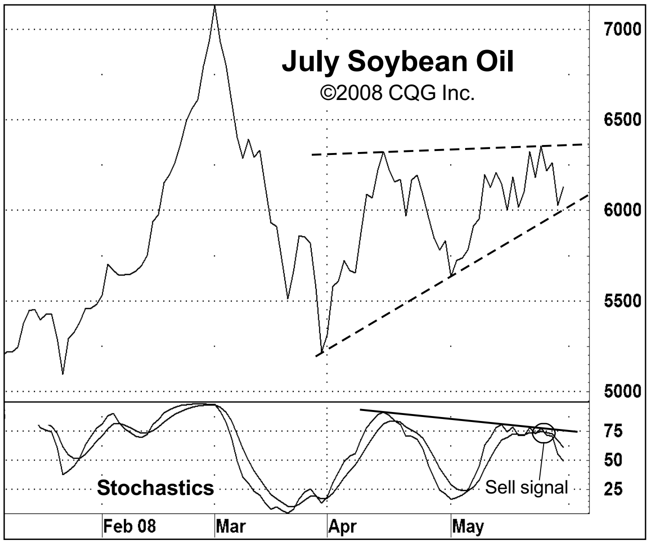
World production is expected to reach a new record level this season. However, record usage for animal feed is needed due to historically tight coarse grain supplies. Also, many importing nations must replenish reserve stocks. Therefore, prices will not trade as low as normal following record production. In addition, this season's crop is not yet in the bin. Adverse weather could still reduce expected production in China, Russia, or Canada. Our studies continue to point toward a low in Chicago futures near $7.00. However, there is a risk prices could trade as low as $6.50 into summer if foreign production prospects remain favorable.

Soybean Complex

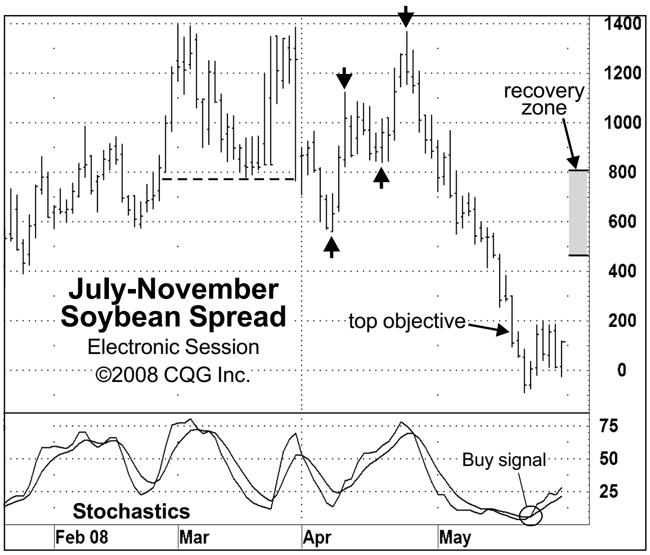
CAN SOUTH AMERICA PRODUCE ENOUGH TO SATISFY GLOBAL DEMAND ?



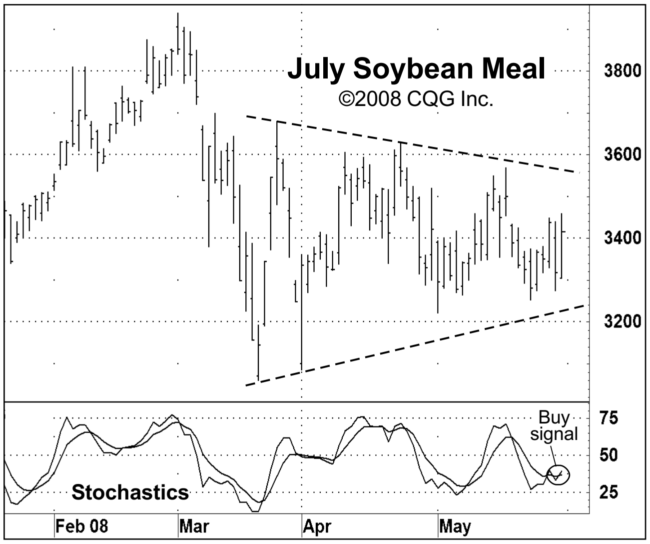
The first leg (1) in a new series of advances gained 2.80. If the second leg (2) is equal, an objective of 15.24 will be indicated. A bull flag was completed, providing a near term objective of 14.35. Recent consolidation has formed a trading range (solid lines). A close outside the range will indicate a move of 75 cents in direction of the breakout. The MACD gave a buy signal on 5/9/08 and remains in a positive mode.



Note: A close only chart was utilized to illustrate formations. A wedge formation developed following the pullback into March. Two consecutive closes outside the boundary would point to a move of 900 points in direction of the breakout. Stochastics showed divergence on the latest rally, indicating a loss in bullish momentum. A sell signal was given on 5/27/08, confirming a test of the lower boundary.



A double top was completed in April, providing an objective of 16 cents, premium July. The objective has been achieved. A two leg recovery (arrows) followed completion of the top. The break into May fell $1.47 and appears to have ended with recent consolidation. The primary recovery zone ranges from 46¾ to 81¼, premium July. Stochastics gave a buy signal on 5/22/08 confirming an end of the recent decline. The MACD (not shown) is deep in oversold territory and turning up. The next buy signal should confirm a recovery toward the zone indicated.



A large triangle has formed. Two consecutive closes outside the formation would point to a move of 62.50 from the breakout. Stochastics gave a renewed buy signal on 5/30/08, confirming a recovery toward the upper triangle line.

Continued on page 7 . . .

Overview

Because US crop acreage is nearing the maximum, the world assumes South America will expand soybean production to meet growing global needs. However, there are serious problems that must be solved before this assumption can become reality.

South America

The US does not have enough acres to produce the quantities of corn, soybeans, wheat and other grains demanded by global consumers. Because South America holds greater potential to expand soybean acreage, global users are depending on Brazil and Argentina to expand production sharply next season to meet growing demand.

However, the Argentine government is attempting to discourage soybean production in favor of grains. By placing high export taxes on soybeans and products, they hope to encourage farmers to switch to grains that will contribute to lower domestic inflation rates. Turmoil between the government and farmers has made importers view Argentina as an unreliable supplier. Therefore, *the trade can no longer depend on Argentina to expand soybean production next year and beyond*.

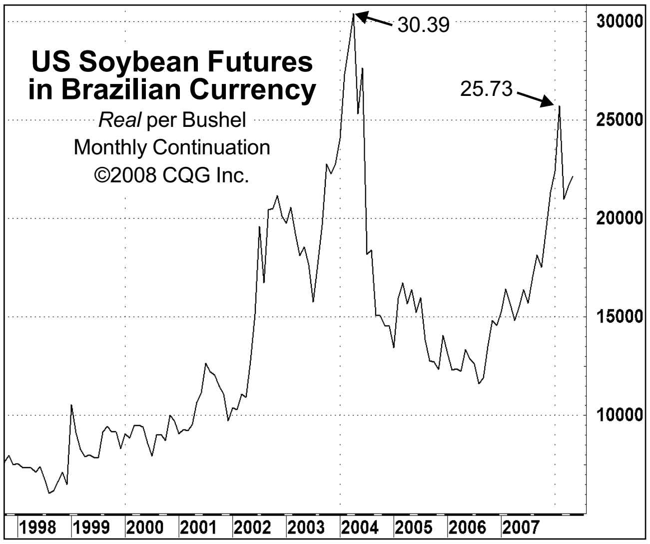
Brazil is the nation with potential to sharply expand soybean production. However, the following forces indicate Brazil's expansion will also be limited . . .

- According to Celeres, a Brazilian farm consultant, production costs will advance sharply for those planting soybeans this fall. Due to rising prices of fuel, fertilizer and chemicals, they estimate planting costs will rise 41% in the coming season.

- Transportation costs are also skyrocketing. The USDA recently calculated the cost to transport one tonne of soybeans for 100 miles at $9.87, up from $7.63 last year, or an increase of 29%.

- Ocean freight continues to advance to new historic highs. Because of the much greater shipping distance from Brazil to Asia than the US, returns to Brazilian farmers are diminished.

- Due to the rising value of the Brazilian *real* against the dollar, Brazilian farmer returns have lagged in the recent record price spiral in world soybeans . . .



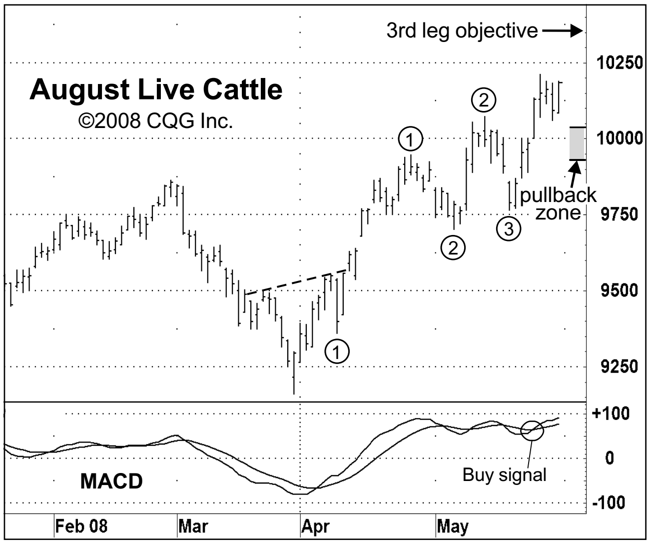
Soybean prices peaked in terms of the *real* in 2004 at 30.39 per bushel. The similar peak in dollar prices was $10.34. In early 2008, prices peaked in *real* terms at 25.73. The similar peak in dollars was $15.22 per bushel. Therefore, the 2008 peak in value for Brazilian farmers was 15% *below* values in 2004. Dollar values were 47% *above* during the same time period. Because global soybean trade is transacted in dollars, Brazilian farmers have not been able to participate in recent record high price levels.

With cost of production forecast to increase 41% during 2008-09 and returns currently 47% below 2004, *Brazilian farmers have little financial incentive to expand soybean production next year.*

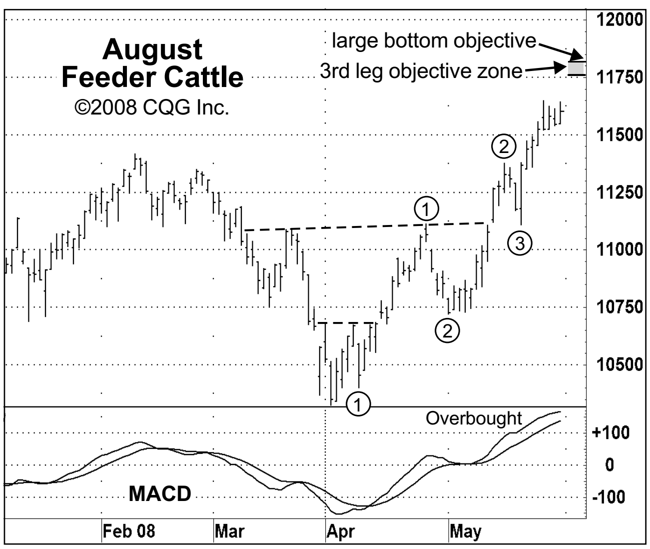
The USDA will release their first supply/demand forecast for world soybeans on June 10. That report should set the stage for a continuation of the bull market into fall.

Cattle

CATTLE PRICES REMAIN HIGH IN SPITE OF LARGE BEEF PRODUCTION !



An upward slanting bottom was completed in April, indicative of a strong advance. The first leg (1) of the advance gained 587 points. The second leg (2) was shorter, gaining 372 points. When the second leg is shorter, the third is normally equal to the first. Therefore, objective for the third leg (3) is 103.52. The next pullback zone ranges from 99.35 to 100.42. The MACD gave a renewed buy signal on 5/23/08 and remains in a positive mode.



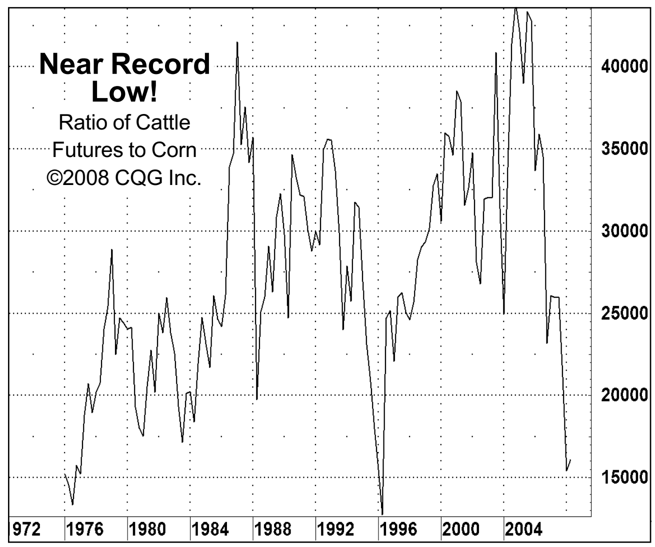
A small bottom was completed in April. The first leg (1) of the advance gained 715 points. The second leg (2) gained 657 points. If the third leg (3) is equal to either of the previous, objectives will range from 117.67 to 118.25. A large bottom formation is evident, providing an objective of 118.47. The MACD is in overbought territory, but remains in a positive mode. The next sell signal should confirm completion of the third leg.

Overview

Beef production during April and May is estimated record large. However, cattle prices attained new life of contract highs. This paradox cannot be answered by a shortage of pork or chicken. The USDA is forecasting record production of red meat and poultry for this quarter. Something else is at work to explain this paradox.

Cattle/Corn Ratio

Corn is the primary feed ingredient for cattle. The chart below illustrates the ratio of cattle prices to corn since 1975 . . .

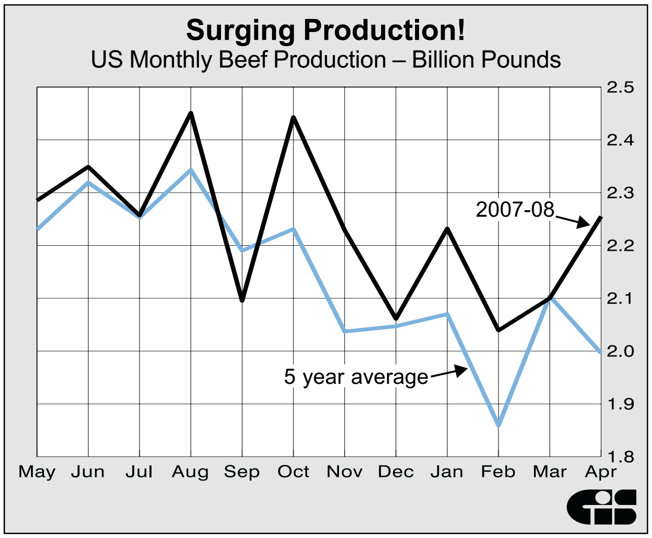


The lowest ratio at 12.75 to 1 occurred in 1996 when corn prices reached a record high of $5.54. In that year, cow slaughter reached the highest level in ten years and the nation's cattle herd fell 2%. Cattle prices advanced from a low of $54 to a high of $83 five years later. The second lowest ratio occurred in 1976 at 13.36 to 1 following three years of corn prices trading above $3 per bushel. In that year, the nation's herd fell 3%. Cattle prices advanced from a low $35 to a record high of $80 three years later. The recent ratio of 15.4 to 1 is the third lowest in history and *should also result in herd liquidation and several years of higher cattle prices*.

Continued on page 9 . . .

The Paradox

In past years of record corn prices, beef production surged due primarily to cow liquidation. Beef production has also surged this year with high corn prices . . .

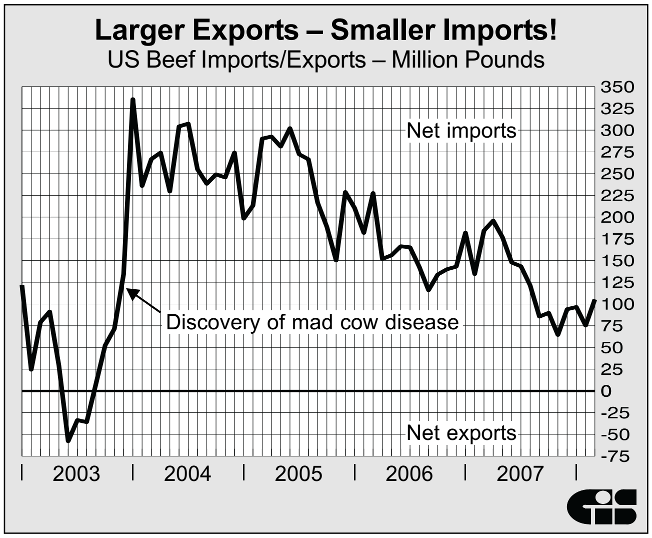


Beef production has increased sharply in recent months with April's production reaching a new record level for the month and surging an astounding 10% over last year. However, cows accounted for 17.2% of total slaughter compared to 17.3% last year. Therefore, while herd liquidation contributed somewhat to the surge in beef production, the bulk of the increase was due to feedlot marketing.

Although beef production has surged in recent months, cattle prices have not declined as expected. Since October, beef production has averaged 7% above the five year average. Normally, when production increases, prices decrease. However, cattle prices have averaged 6% *above* the five year average during the same period. What is causing this paradox?

Beef Imports/Exports

The US normally imports more beef than it exports. Following the discovery of mad cow disease in December 2003, US beef exports plummeted to a record low of only 6.3 million pounds in January 2004. Since that time, exports have steadily improved and imports have recently fallen sharply . . .



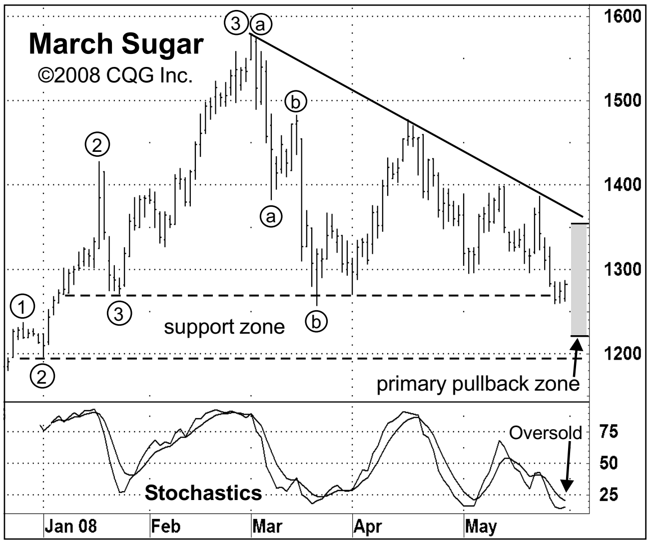
In 2003, US beef exports were record large and expanding rapidly. In June 2003, exports exceeded imports by a record 58 million pounds. However, mad cow disease was discovered in December 2003 and exports plummeted. Imports exceeded exports by an historic 336 million pounds in January 2004. Since that time, more nations have reopened markets to US beef and exports have gradually expanded. During the first quarter of this year, beef imports exceeded exports by only 277 million pounds, down from 501 from last year, or a significant 45%.

With imports declining and exports increasing, the US is becoming more dependent on domestic production for consumption. In addition, the dollar has fallen 16% since January 2007. The lower dollar is making beef imports more expensive for US consumers and exports cheaper to foreign buyers. *The import/export balance in beef has been an important reason for prices to remain high during a period of large supply.*

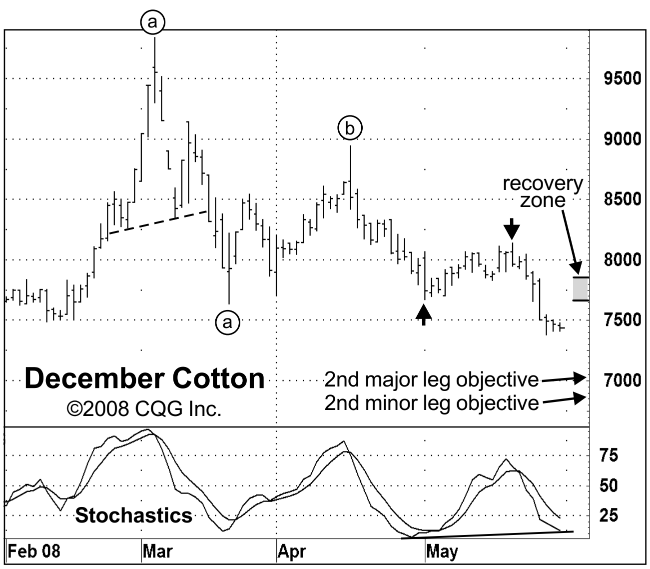
The high price of gasoline has reduced sales in higher end steak houses with some chains recently filing for bankruptcy. However, demand for hamburger has increased sharply. Low-end retailers such as McDonald's have not raised hamburger prices, but increased prices of other items to offset higher beef costs. The net result has been surging ground beef demand with packers grinding chucks and rounds to meet demand. *This shift has contributed to strong beef/cattle prices during a period of greater supply.*

Seasonally, cattle futures have a strong tendency to decline into late June before beginning a sustained advance into fall. Utilizing a setback into June to accumulate December or February futures is advised.

Softs

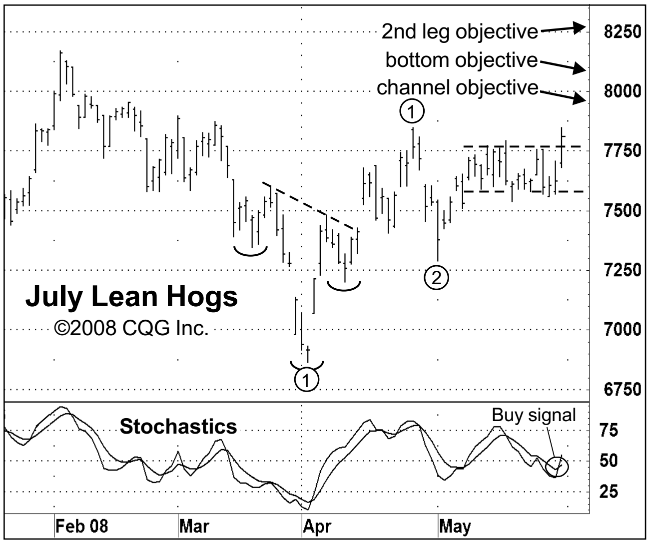


A major three leg advance (1,2,3) was completed in early March, followed by a typical two leg pullback. The primary pullback zone ranges from 12.21 to 13.58. The support zone ranges from 11.96 to 12.71. The market is now trading in the upper level of the support zone. Stochastics are deep in oversold territory, but remain in a negative mode. The next buy signal should confirm a test of the downtrend line.



Note: The chart has been reconfigured since the last issue. A top was completed in March. The first major leg (a) fell 1911. If the second major leg (b) is equal, an objective of 70.38 will be indicated. The second major leg consists of minor legs (arrows). The first minor leg fell 12.78. If the second minor leg is equal, an objective of 68.66 will be indicated. The next recovery zone ranges from 76.71 to 78.52. Stochastics show divergence on recent lows, but remain in a negative mode.

Hogs



A down slanting bottom was completed, providing an objective of 80.95. The first leg (1) of the advance gained 985 points. If the second leg (2) is equal, an objective of 82.75 will be indicated. Recent consolidation formed a channel. This week's close above the upper line provides a near term objective of 79.60. Stochastics gave a buy signal on 5/30/08, confirming the channel objective.

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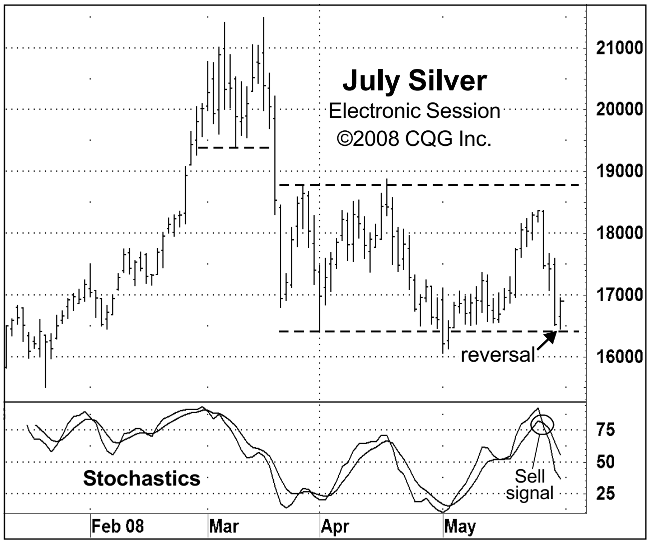
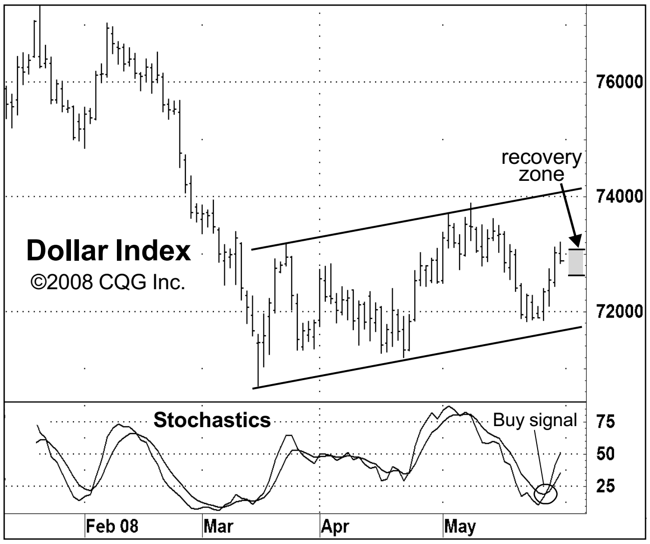
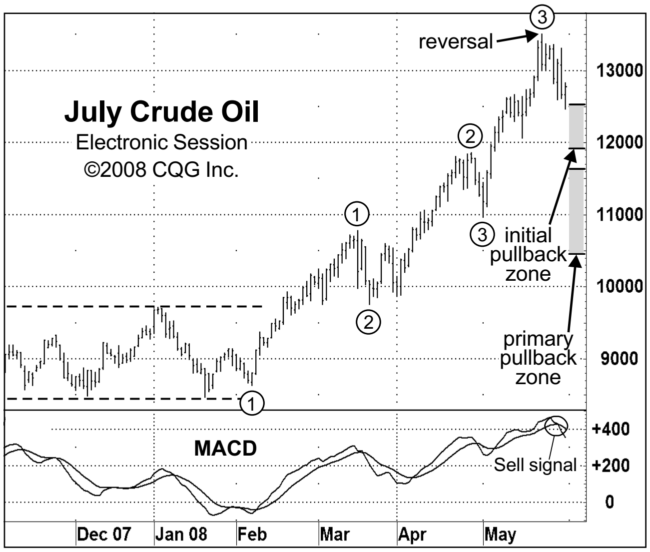
Other Markets



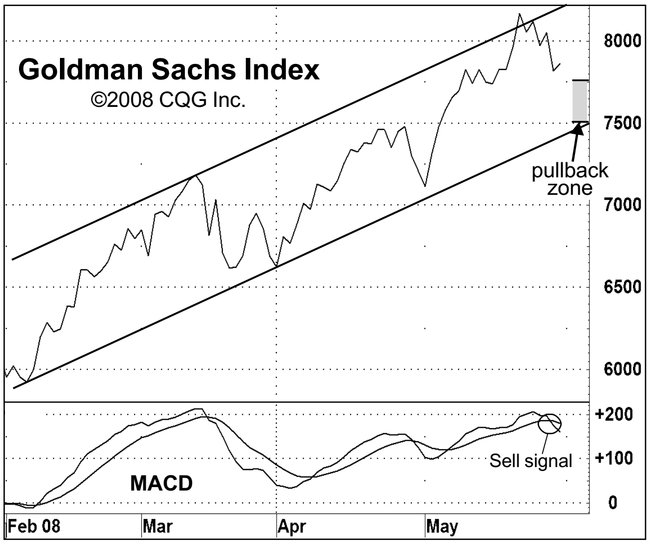
Following completion of a top in March, a sideways channel formed. Two consecutive closes outside the formation will indicate a move of 235 points in direction of the breakout. The lower channel line was tested this week, followed by an upside reversal. This points to a period of consolidation. Stochastics gave a sell signal on 5/27/08, confirming a test of the lower channel line.



A trading channel is evident. Two consecutive closes outside the channel would indicate a 240 point move in direction of the break-out. This week, the index recovered into the zone shown in the previous issue ranging from 72.62 to 73.10. A test of the upper channel line is now in prospect. Stochastics gave a buy signal on 5/28/08, confirming a recovery into the zone indicated.

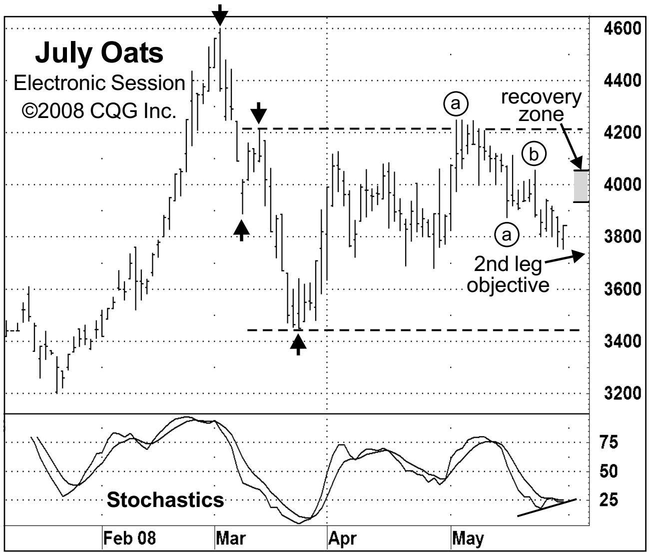


Following a period of sideways consolidation, a new series of advances unfolded. The first leg (1) gained 21.59. The second leg (2) gained 21.07. The third leg (3) was extended, gaining 25.50. A downside reversal occurred, marking the end of the third leg. The initial pullback zone ranges from 119.33 to 125.35. The primary pullback zone ranges from 104.93 to 116.44. The MACD gave a sell signal on 5/29/08, confirming a pullback effort.

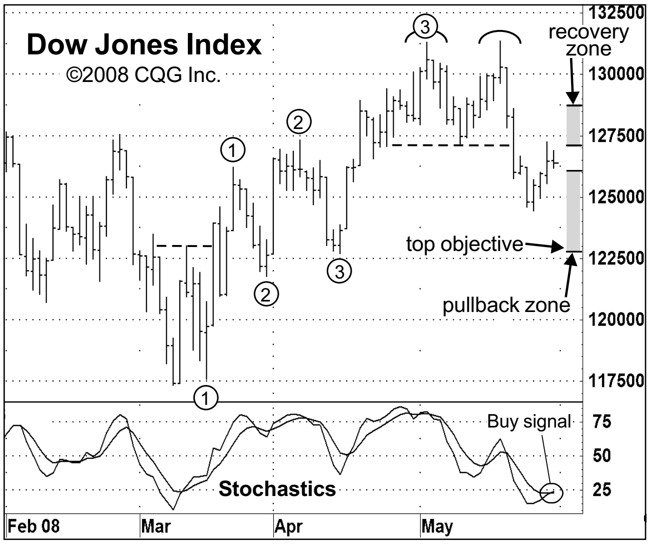


Since February, the index has formed a well defined up trending channel. This month's breakout above the upper channel line failed to carry and a test of the lower boundary is now in prospect. The pullback zone ranges from 751.6 to 776.5. The MACD gave a sell signal on 5/29/08, confirming a pullback toward the zone indicated.

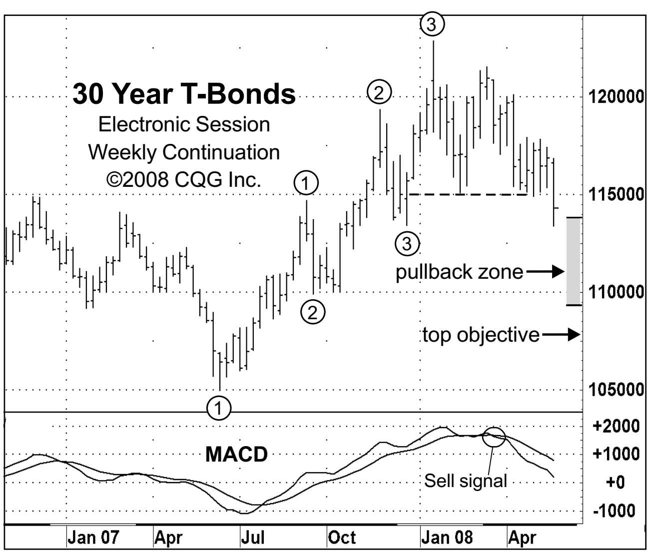
Other Markets



Following a three leg advance into March, a typical two leg pullback occurred (arrows). When markets move into a congestion phase following a major advance, they many times form a sideways channel containing two leg moves. The first leg (a) of the current pullback fell 37½. If the second leg (b) is equal, an objective of 3.74 will be indicated. This week's low of 3.75¼ may have been close enough to satisfy the objective. The next recovery zone ranges from 3.94 to 4.06. Stochastics are showing divergence on this week's low, indicating a loss in bearish momentum.



A bottom was completed in March, followed by a three leg advance (1,2,3). The pullback zone ranging from 12282 to 12607 in previous issues remains operative. A double top was completed, providing an objective of 12295. The market is currently trading in last week's recovery zone ranging from 12719 to 12879. Stochastics gave a buy signal on 5/29/08, confirming a recovery into the zone indicated.



A classic three leg advance (1,2,3) ended in January. Consolidation followed, forming a top. This week, the top was completed, providing an objective of 107-31. The primary pullback zone ranges from 109-14 to 113-30. The MACD gave a sell signal on 3/28/08 and remains in a negative mode.

Editor's Note

Congress will hold hearings on commodity market speculation into June. Testimonies, political comments, and news releases from the CFTC should be expected to keep volatility high in commodity markets during this period. It is our firm belief that world demand is the primary reason for high commodity prices and as long as the global economy expands, prices will continue to work higher. However, threats of position limits, higher margin requirements, and restrictions on fund trading may result in sudden, sharp breaks. Traders should focus on long term fundamentals and view temporary setbacks as buying opportunities.