

**From:** Rod Petersen [mailto:rodneyp@agrivantage.com]  
**Sent:** Thursday, October 4, 2007 2:55 PM  
**Subject:** Sell Signals Generated in Corn and Soybeans

## **Sell Signals Generated in Corn and Soybeans**

The recent sell off in the grains has everyone asking the same question, "Have the grain markets put in a top or is this just a profit taking correction in a continued uptrend?" The jury is still out for the wheat and soybeans, but Wednesday's action in the corn pit strongly suggests that the highs may be in for quite some time. As the bulls continued to point to record demand it appears currency exchange rates are most likely the cause for the recent run up in the grains. (Attached: Dec corn, Nov beans, Dec dollar and Dec euro charts) As these charts are overlaid you can see the significant impact the U.S. dollar and euro currency have had since the Aug 16th lows in the corn and soybeans. The dollar and the euro have both been trading at record lows and highs respectively, but both currencies may be in the process of breaking out of present trend lines. The Dec euro contract gapped lower on Mon and Wednesday's close produced an outside day with a lower close..... forming a potential key downside reversal.

Dec 07 corn posted a lower weekly but higher monthly close on Friday Sept 28th. Since mid-July the Dec 07 corn contract had remained in a trading range of 371 to 324 1/2 . On Sept 20th the Dec contract gapped higher then made 6 consecutive closes above 371 starting on Sept 21st. The first three trading days of Oct has pretty much knocked the wind out of the corn bulls..... posting 3 consecutive closes below 371. The Dec 07 contract gained 4 1/4 cents in the overnight trade, the dollar was higher, euro lower this morning at the opening. The Dec contract may trade back into the gap area.....starting at 360..... but given the over all fundamentals as we go into harvest we would expect stiff resistance to be found near 371 unless the U.S. dollar index reverses back down to new lows. At this point we believe we need to take the cue from the currencies. Producers with no on farm storage who need to make additional corn sales should place orders to make sales at 360 or a close below 340 in the Dec 07 contract. No upside protection is recommended unless the Dec 07 contract closes above 390. Support is now found near 335 3/4 and then the psychological 300 support level. At this point we are giving higher odds to the Dec 07 contract trading under the 300 level before it trades above 400.

Nov 07 soybeans are still at record high levels as soybean harvest nears completion. The Nov contract completed a perfect 38% retracement on Wed and bounced back above the 949 1/2 support area to close at 951. Nov 07 soybeans were 3 1/2 cents higher in the overnight. We could get a small bounce back maybe a few cents above a 38% retracement from the 1017 high to yesterday's low (934 1/2) which would be found near 366. Producers with no on farm storage need to complete all 2007 soybean sales at 968 or at the market with two consecutive closes below 549 1/2. If you have available storage using targets in the Jan - Mar time frame based on aforementioned objectives with a NBE contract should be placed with your elevator or grain merchandiser.

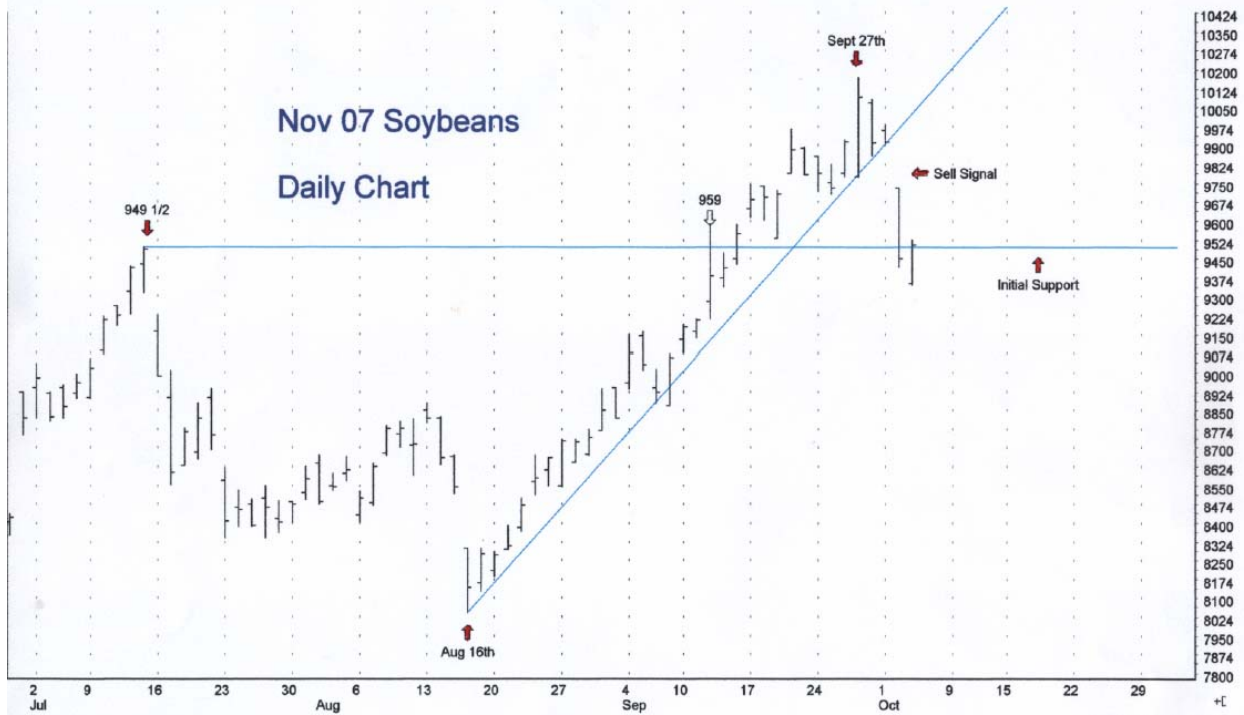
Bottom line: The grain markets appear to have run out of upside momentum, given the better than projected yields many producers will likely be sellers on small bounces higher. Even though the grains are substantially off the recent highs, sales at these levels still offer most producers very good returns on their investment for the 2007 crop. Our main concern is to reduce risk exposure.....the corn and soybean charts have generated very strong sell signals this week. We believe the downside risk is (at least short term) far greater than upside potential. Today Nov 07 soybeans are still 150 above Aug 16th reaction low. Selling at today's prices and buying vertical call spreads if the corn or soybean market takes out last week's highs is far safer than risking a 50 cent drop in the corn market or a \$2.00 sell off in the soybeans.....which could easily cost producers \$100 per acre in net profits. We can always cover the upside if given a reason. Right now the market is screaming .....**SELL!! SELL !!! SELL!!!!!!!**

**Call with questions.**



S7X Daily 10-03-07

Close: 9504 Net: 66 High: 9524 Low: 9344 Open: 9350 Volume: 27179 OpenInt: 261913



S7X Daily 10-03-07

Chart by Ensign Software  
10-03-2007 11:25 am



DX7Z Daily 10-03-07

Chart by Ensign Software  
10-03-2007 11:13 am

