

**REVIEWING LAST WEEK: Week 50**

	HIGH:	LOW:	RANGE:
Estimated Prices:	1065.00	1035.00	30.00
Actual Prices:	1050.00	1010.00	40.00
Amount of Last Weeks Miss:	- 15.00	-25.00	+ 10.00

**USDA-WASDE WATCH:**

December 10 <sup>th</sup>	High: \$10.25
December 10 <sup>th</sup>	Low: \$ 8.75

**09/10 Ending Stocks: 255 Million BU****Weekly API Index is 53.9 Vs 53.8 Last Wk (Page 5). Stocks-To-Use-Ratio (STUR) = 7.94% versus 7.00% a year ago.****SX 2010 closed at 1018.00, Down 23.50 cents for the week.** Soybean Open Interest went from 481,098 to 482,577 contracts, which is 100.3% of last week's OI and 150.3% of a year ago. Weekly Bean Volume was 124.0% of last week and 115.3% of a year ago.**LOOKING AT THE WEEK AHEAD: Week 51 ends on Friday, December 18, 2009.****For SX 2010****ESTIMATED HIGH ESTIMATED LOW EST. RANGES**

With a normal range:	<b>1055.00</b>	<b>1015.00</b>	<b>40.00 cents;</b>
With an expanded range:	<b>1080.00</b>	<b>990.00</b>	<b>65.00 cents or 90.00 cents</b>

**PLEASE NOTE:** The formulas used to calculate the estimated prices each week use several weeks of data and assumes the trend will continue. When a market changes trend, the calculations will be skewed for several weeks. Many times the range will not expand in both directions, but it can. Sometimes the estimated normal range High turns out to be near the actual Low, or vice-versa. Other times, one of these 4 estimated numbers will be very near the actual High or Low, and one of the 3 potential ranges will follow from there. Past performance does not guarantee future performance.

10-Day Moving Ave=1036.1; 20-DMA= 1031.4; 40-DMA=1004.3; 50-DMA=991.3; 100-DMA=959.0; 200-DMA=940.5

Since 1970, the High is on Mon 38% and the Low is on Mon 45% of the time. The average range since 2000 is 19.00 cents.

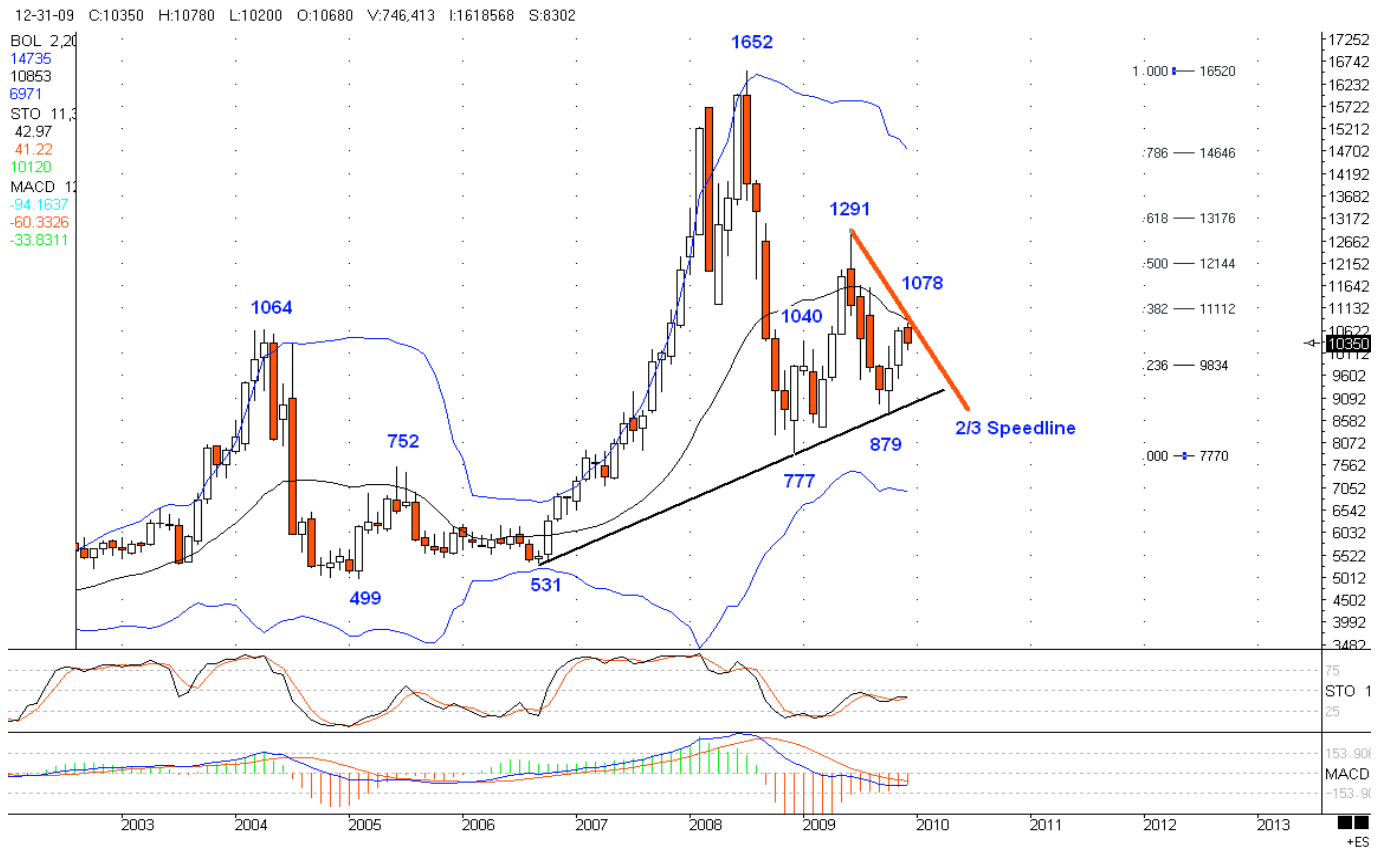
**FACTS & PERCEPTIONS****PRICE IMPLICATIONS**

- Weekly Soybean export sales are **155.8%** of last year versus the latest WASDE projection of **104.4%**. +
- Weekly Soybean Meal sales are **178.9%** of last year, and Soybean Oil sales are **345.9%** of last year. +/-
- Soybean export inspections are **+145.214 Mil. Bu** above last year versus **+117.592** last week and are at **136.6%** of last year. +
- To date, Total Grain Exports are **1.463** billion bushels versus **1.505** billion bushels last year, which is **97.2%** of last year. -
- The SX10/CZ10 price ratio ended the week at **2.32:1**, down from **2.45:1** last week. -
- Daily Lead-Option Beans closed at **+32.68** cents above the 100-Day Average versus **+41.97** last week. -
- SX10 closed at **\$10.18** compared to SX09 at **\$8.74** a year ago, which is **+144.00** cents higher than last year. +
- USDA Central Illinois Cash Beans are at **\$10.175** Vs **\$8.335** a year ago. Basis is **-17.50 SF** vs. **-20.50 SF** last year. +/-
- The Brazilian Real closed at **0.56645** versus **0.58195** last week, down 0.155, or 2.66%. -
- Cash Corn at the Kasbeer Elevator is **\$3.505** vs. **\$3.215** last week, and Cash Soybeans are **\$10.03** vs. **\$9.99** last week. +/-

**BOTTOM LINE:**

1. The Lead-Option Soybean Chart is now the Jan Contract (SF). **The Lead-Option Contract closed the week at 1035.00 versus 1043.00 a week ago. The rising uptrend line in the Weekly Chart should provide support in the 896 area if the 955 area fails. The Weekly Downtrend line drawn from the 2008 and 2009 Highs will be in the 1090 area next week. The Monthly Close in November above 1026 should open the door for a move into the 1090-1100 area.**
2. Soybean sales are now **155.8%** of last year versus a WASDE estimate of 104.4%, Meal sales are **178.9%** of last year versus a WASDE estimate of 112.8 %, and Oil sales are **345.9%** of last year versus a WASDE estimate of 148.2%. **Crush margins are 123 cents per bushel this week versus 134 cents last week versus 66 cents last year, according to the University of ILL. Stratsoy calculator. [http://www.ams.usda.gov/mnreports/gx\\_gr211.txt](http://www.ams.usda.gov/mnreports/gx_gr211.txt)**
3. Knowing the history of each week is important. For the week ahead, **Week 51**, the maximum rally in SX from its Monday morning opening price has been **+50.00 cents in 2007**, and its maximum decline has been **-25.00 cents in 2008**.
4. **The current levels of new Soybean sales to all buyers are 55.8% above last year. At one time they were as high as 93.1% above last year. Since the sales are undoubtedly front end loaded, we can expect the percentage above a year ago to shrink as the year unfolds, because the latest estimate by WASDE for the marketing year is only 104.4%. In the meantime, however, Soybean Meal sales are strong at 78.9% above a year ago, and Soybean Oil sales are superb at 245.9% above a year ago. Almost every analyst and trader expects South America to come through with a Soybean crop about 1 billion bushels greater than a year ago. What happens if they don't?**
5. Which Fundamental factors are most important right now in the grain markets? Money Flow is the New Normal and in itself in a new "fundamental" factor, but not one that we are used to. When will the rising world ending stocks of all grains become limiting to money flow, or will it ever? **According to the December WASDE Report, World Wheat stocks are up 43.56 MMT over a year ago, World Corn is up 8.51 MMT over a year ago, and World Soybeans are up 2.90 MMT over a year ago. It is no wonder that almost all fundamental analysts are in dismay over the strength of the grain markets since the September price lows were posted!**
6. **The December WASDE Report left production numbers the same as in November, but raised exports by 15 million bushels, which resulted in a decrease in ending stocks by a like amount. This was viewed as negative because the "Trade" was looking for a bigger increase in exports. The reverse psychology of the Futures markets never makes any sense to farmers, who are forced to deal with the real world not a perceived one, but that is the way the game is played.**
7. **US Soybeans to world buyers are still very, very cheap. The US-Chinese Nominal Soybean Futures Spread is about \$5.38 per bushel. Since December 4, 2008, the Weekly Closing of the US-Chinese Nominal Soybean Futures Spread has ranged from a maximum of \$6.22 per bushel, to a minimum of \$2.99 per bushel, and has averaged \$4.59 per bushel.**
8. **C&S sales are now 70% for the 2009 crop and 10% for the 2010 crop. Price another 5% of the 2009 crop if SF10 reaches the 1075 level. Likewise sell another 5% of the 2010 crop if SX10 trades at the 1060 level in the weeks ahead.**

## Monthly Lead-Option Soybeans



Lead-Option Soybeans ended the month of November at 1060.50, versus the month of October at 978.00, versus the month of September at 927.00. As you can see in the Monthly Chart above, prices have now almost rallied to the 2/3 Speedline. The top of the 2/3 Speedline will be in the 1110 area in the month of December. The November Close above the October High of 1025.50 will keep the door open for more strength in the month of December.

**The Lead-Option Contract is now the January Contract. The rising uptrend line in the Weekly Chart should provide support in the 896 area if the 955 area fails. The Weekly Downtrend line drawn from the 2008 and 2009 Highs will be in the 1090 area next week. The Monthly Close in November above 1026 should open the door for a move into the 1090-1100 area.**

I won't be surprised if Lead-Option Soybeans trade in the 990-1100 areas for awhile! China keeps buying US Soybeans. Why? Will they cancel or roll them to SA later on next spring, or is something else up? Some Analysts/Climatologists believe that both China's Corn and Soybean crops in 2009 were substantially lower than what both China and the USDA are saying. Time may tell!

The average nominal price for Lead-Option Soybeans in the month of December is **1048.13**. The CPI Inflation adjusted price value of Lead-Option Soybeans in the month of December is **483.91**, versus a CPI Inflation adjusted price of **2454.75 in 1973!** Therefore, the CPI Inflation adjusted Soybean price in the month of December is at **19.7%** of the 1974 High. Soybean prices are still very cheap relative to historical buying power. At the present time, it will take a nominal price for Lead-Option Soybeans of about \$53.17 per bushel for Lead-Option Soybeans to equal the CPI Inflation adjusted high price of \$24.5475 that was set in 1974. You probably think I am crazy, but when the Inflation factor is completed for the U.S. and the US\$ in the years ahead, we will probably see that kind of price level in Lead-Option Soybeans before it is all over!

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 The historical information herein provided is derived from public data sources and is believed to be accurate but cannot be guaranteed. Providing this information does not include an expressed or implied recommendation for making any trades or other financial decisions. There is risk of loss in trading futures. Any gain or loss resulting from the use of this information is entirely the responsibility of the user. Opinions expressed may change at any time.

**C&S GRAIN MARKET CONSULTING** William C. Fordham Promoting Stewardship in Marketing New Crop Corn and Soybeans Phone: 815-376-6101  
 24704 2200 E ST, Ohio, IL 61349 Web: <http://www.cs-grainmarketconsulting.com> e-mail: [wilmar@theramp.net](mailto:wilmar@theramp.net) Fax: 815-376-2301

“Stewardship in Marketing: Fighting Fear and Greed by using knowledge of the past, an awareness of the present, and planning for the future”

## 2010 Weekly November Soybeans



SX10 has been trading since November 19, 2007. So far to date, the SX 2010 Contract has a Day-Time Life-Of-Contract High of 1555.50 on 7/03/08 and a Day-Time Life-Of-Contract Low at 823.00 on 3/03/09. **The range since 11/01/09 has been from 1060.25 on 12/01/09 to 953.75 on 11/06/09, or 106.50 cents. The average annual range for a SX contract after November 1<sup>st</sup> since 1970 is 238.25 cents.**

After prices in the Weekly SX10 Chart closed above the long relative flat converging pennant that has been in place since December 2008 for three weeks in a row, a pullback towards the broken wedge unfolded last week. Support at that line should develop in the 1010-1000 area again next week.

The current levels of new Soybean sales to all buyers are 55.8% above last year. At one time they were as high as 93.1% above last year. Since the sales are undoubtedly front end loaded, we can expect the percentage above a year ago to shrink as the year unfolds, because the latest estimate by WASDE for the marketing year is only 104.4%. In the meantime, however, Soybean Meal sales are strong at 78.9% above a year ago, and Soybean Oil sales are superb at 245.9% above a year ago.

Almost every analyst and trader expects South America to come through with a Soybean crop about 1 billion bushels greater than a year ago. What happens if they don't? The computer algorithms and the Daily Battle of the Deflation-Inflation tug-of-war are not enabling the commodity markets to develop meaningful trends right now. **The length of this "Trendless" period will probably depend on the Gold, Crude Oil and US\$ markets for quite awhile.**

My "best guess" today is that CZ10 will try and buy acres away from SX10 some time after March 1<sup>st</sup> and before next April 10<sup>th</sup>. The long-term average of the ratio between SX and CZ is 2.34 during the month of December, and is currently at 2.45 to 1.

Since 2007, SX has a 77.9% inverse correlation with the Cash US\$ Index and should be in the 1120 area when the Cash US\$ Index is at 76.57, if the inverse correlation was at the trendline. Likewise, since 2007, SX has an 86.2% correlation with Lead-Option Crude Oil Futures.

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## 2010 Daily November Soybeans



What might we expect in the Daily Chart above? Here are some possible scenarios.

- 1) As I said last week, "A test of the broken pennant, which will be in the 1010-1000 area next week, would be normal and might occur next week." Last weeks Low in SX was 1009.25. So now what?
- 2) The Lower Bollinger Band is in the 1002 area and the broken year-long pennant is in the 1000 area next week, so SX may still try to test the 1000 area again next week.
- 3) Resistance will be likely be in the 1040-1050 area next week.
- 4) In the meantime, a potential "Choke-Point" is developing in the Daily Bollinger Bands, so we can probably expect a new thrust in another 3-7 days.

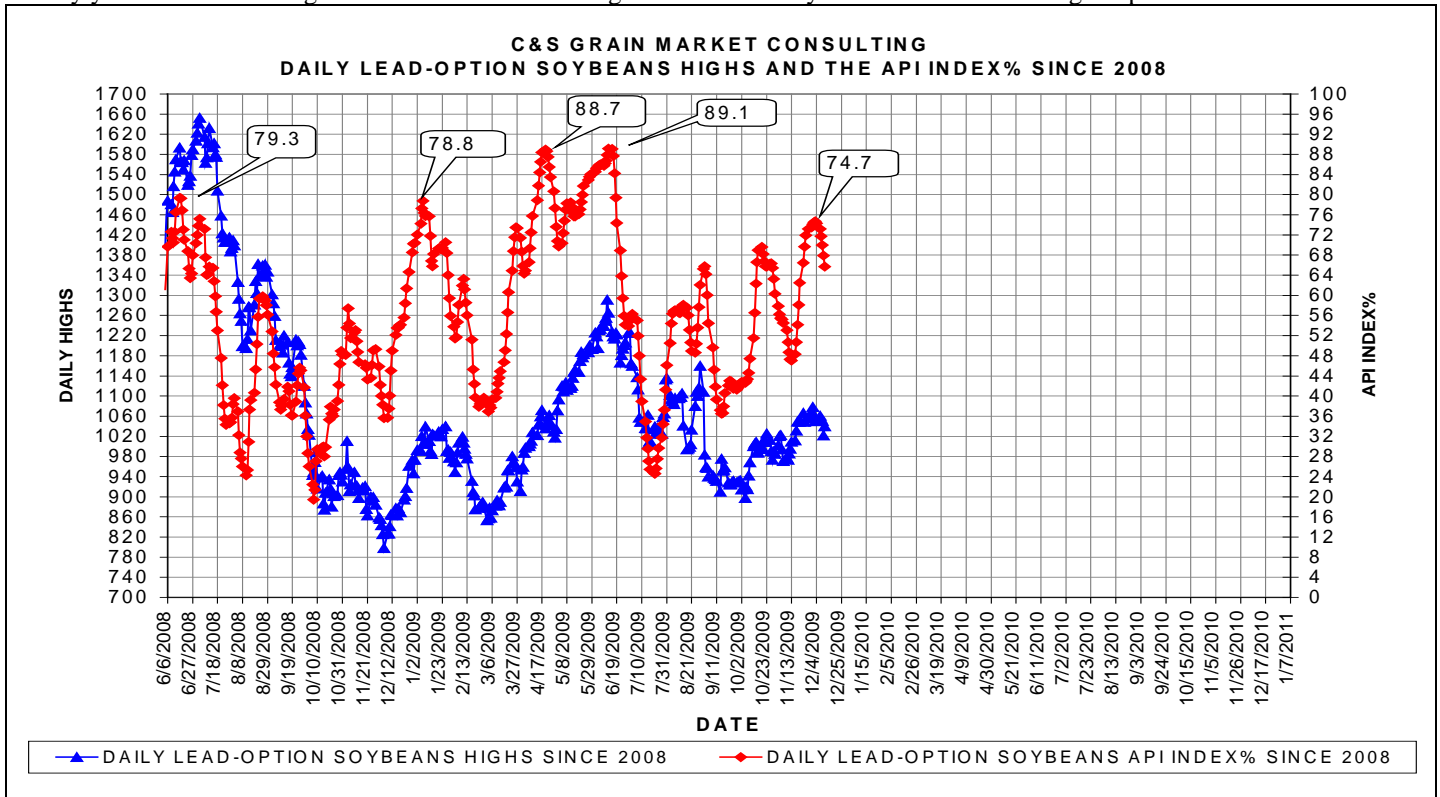
The December WASDE Report left production numbers the same as in November, but raised exports by 15 million bushels, which resulted in a decrease in ending stocks by a like amount. This was viewed as negative because the Trade" was looking for a bigger increase in exports. The reverse psychology of the Futures markets never makes any sense to farmers, who are forced to deal with the real world not a perceived one, but that is the way the game is played.

On Friday, 12/11/09, Japan's Feb Soybean futures closed at **\$14.13** versus **\$14.79** a week ago. China's Jan Soybean Futures closed at **\$15.73** versus **\$15.61** a week ago. The CBOT Lead-Option Soybean Futures closed at **\$10.35** versus **\$10.43** last week. On a US\$ Cash Adjusted basis, CBOT SF10 Futures are only **\$7.93** per bushel to foreign buyers. **US Soybeans to world buyers are still very, very cheap.** The US-Chinese Nominal Soybean Futures Spread is about **\$5.38** per bushel. Since December 4, 2008, the Weekly Closing of the US-Chinese Nominal Soybean Futures Spread has ranged from a maximum of **\$6.22** per bushel, to a minimum of **\$2.99** per bushel, and has averaged **\$4.59** per bushel.

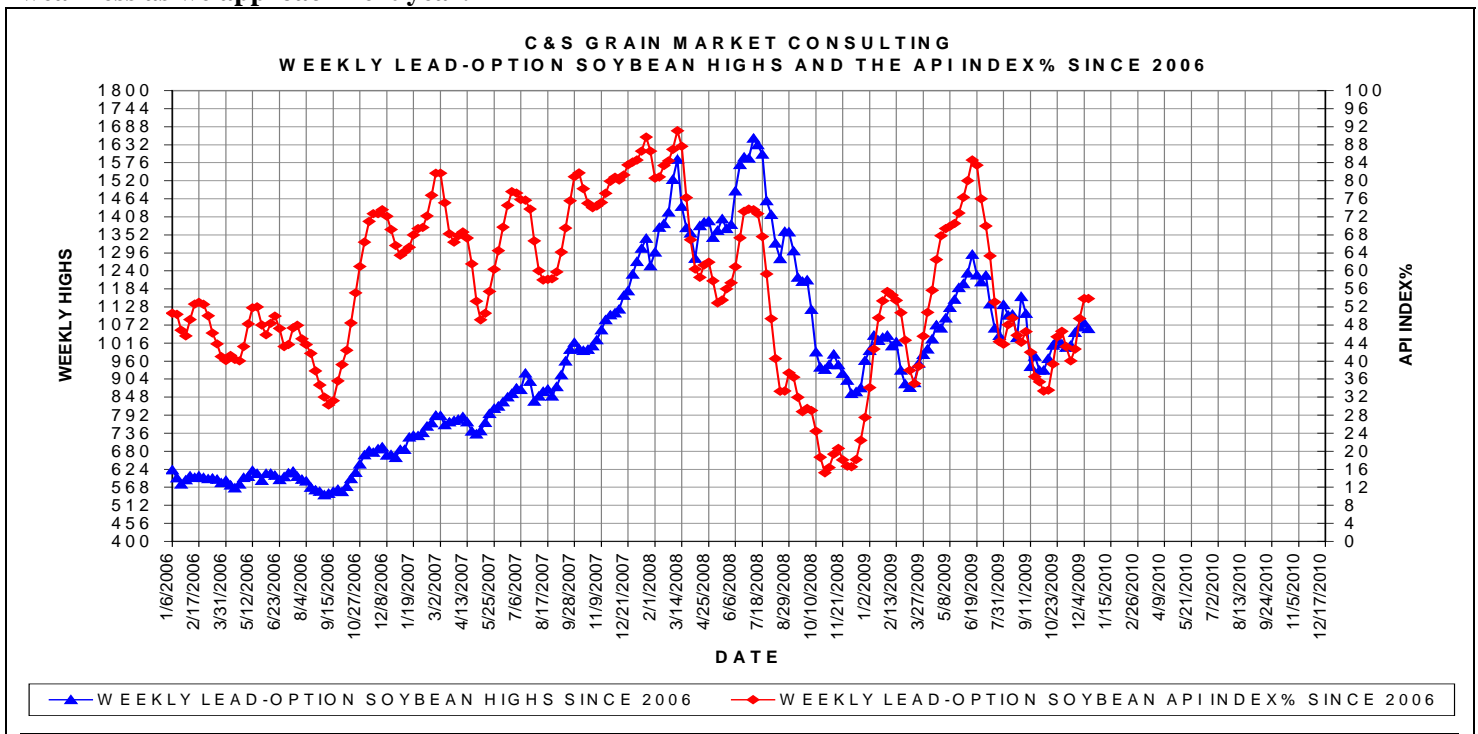
The CFTC is still providing the Index Funds and normal data in addition to its new 4-category Disaggregated Report. In the latest CFTC Commitment Of Traders Report, that is issued on Fridays and reflects the previous Tuesday's positions, the Index Funds were net long 163,427 contracts, down from 164,856 contracts last week, which is 82.2% of their previous maximum. The Large Specs were net-long 116,917 contracts, up from 116,292 contracts last week, and are now only 75.8% of their previous maximum. Friday's Preliminary OI estimate indicates that the Total OI increased 164 contracts on Friday, with a total increase of only 654 contracts over the entire week.

## THE C&S API INDEX % FOR DAILY AND WEEKLY LEAD-OPTION SOYBEANS

The API Index % incorporates All Possible Information that is reported for a Futures Market, which includes Volume, Open Interest, Prices, Relationships, and ongoing changes. It also includes the traditional C&S Hi-Dex Percent that I have been using for many years. Understanding Price and API Index Divergences hold the keys to better understandings of price movements in the future.



The Daily API Index % is now at 65.7% versus 74.3% last week after bottoming at 24.5% on 7/21/09. The extent of a Daily API Index % potential decline might provide important clues to the Soybean market's potential strength or weakness as we approach next year.



The Weekly API Index % is now at 53.9% versus 53.8% last week after bottoming at 14.6% the week of 10/24/08, which the second lowest ever since 1998. The Weekly API Index % has put in a bottom and appears to be headed higher. The weekly close above the 48% level may open the door for more strength into a Winter High, probably into early January. Will the Daily weakness over power the Weekly strength, or vice-versa? Time will tell!

## Monthly US \$ Index



**The US\$ Index Futures closed the week at 76.955, up from 76.290 last week.** Up one week, down the next, back and forth, nothing new. I think the US\$ is being let down easy in order for the financial and world entities to get their books in order before we see a major collapse. With the Daily Chart being oversold, and contrary opinion being so negative, many analysts have been expecting the US\$ to stage a rally. **The US\$ Index might rally, even for several months like it did in 2005 and 2008, but it will probably be a head fake in the long run because the negative fundamentals, which are unimaginably terrible, are not yet fully digested. It will take a long time to fully discount the entire growing negative US\$ fundamentals, especially since it has been the World's Reserve Currency for about 64 years.** Sideways price action in the face of oversold conditions will eventually lead to new lows.

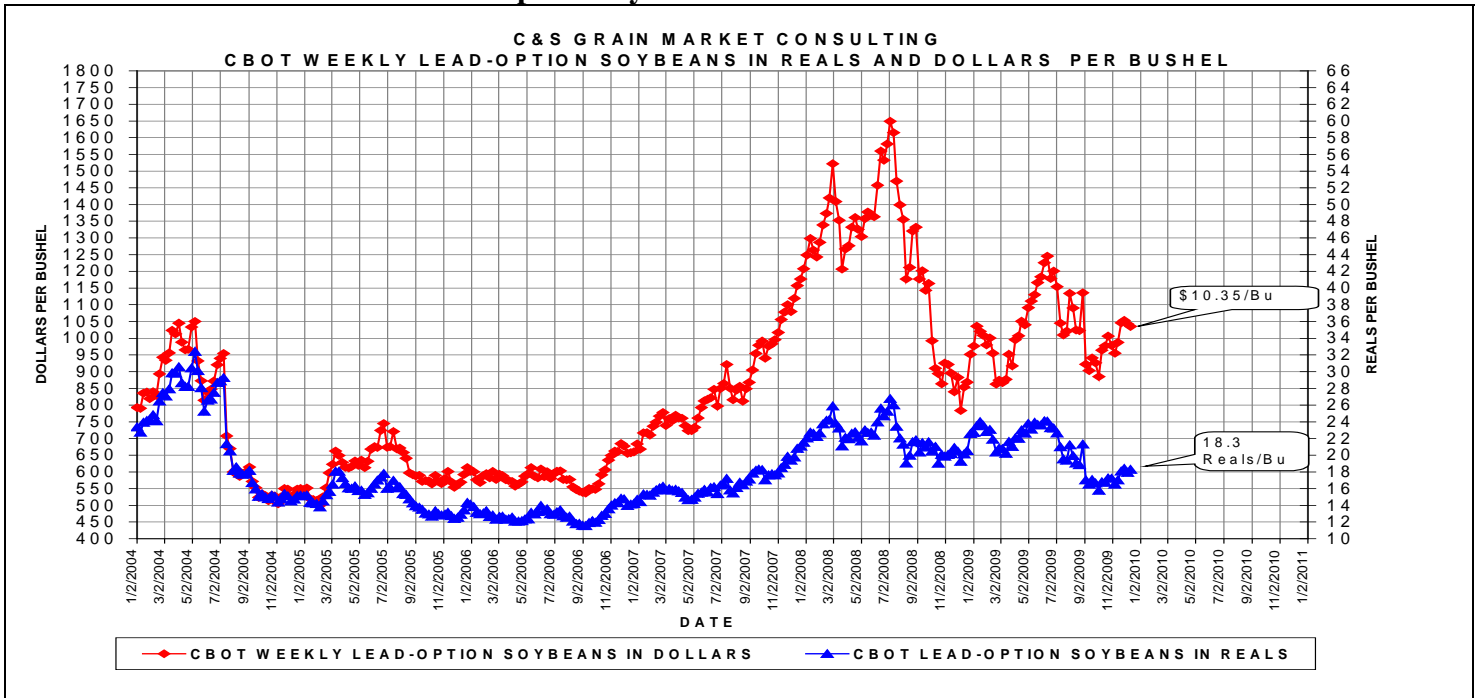
The US\$ Index Closed the month of November at 74.89 versus the month of October at 76.475 versus the month of September at 76.87. The Powers-That-Be can always manage a 3-day to 12-month rally in the \$, but the long-term trend is down until the US political and fiscal policies change from the Keynesian Economic Theory back to an Austrian Economic Theory. The newest bearish factor for the US\$ is the reverse of the "Carry-Trade" from the Yen to the \$. This is a very, very big deal, one that will not end quickly.

**A 23.6% rally of this year's decline will take place in the 77.82 area, and a 38% retracement will be in the 80.06 area. Until the US\$ Index posts a Weekly Close above the last reaction High of 77.50 in the Weekly Chart, the rally will be more sideways than up.**

Some week in the future on a Monday morning, probably no later than 12/21/12, the World will refuse to price Crude Oil in the US\$ any longer, and then a whole new era will unfold. The education and preparation process for a "One-World Currency" will continue.

In my opinion, The-Powers-That-Be want to replace the US\$ as the World's Reserve Currency, which will eventually unfold into the antichrist's plans for a One-World-System. The rub is, they don't want to do it too quickly for fear of losing control of many other facets of life's economics, politics and power in the process. It will be an interesting and possibly tenuous process, and Gold will not be denied in the end!

## CBOT Lead-Option Soybeans in Reals and Dollars Per Bushel



### Comments:

The current value of the Real is 0.56645 versus 0.58915 last week, which is the same as 1.77 Real/\$, versus 1.72 last week. The Real reached its recent high against the US \$ the week of August 1, 2008 when it was at 1.57 Real/\$. Notice how the price of Soybeans in Reals is not keeping up with price in Dollars?

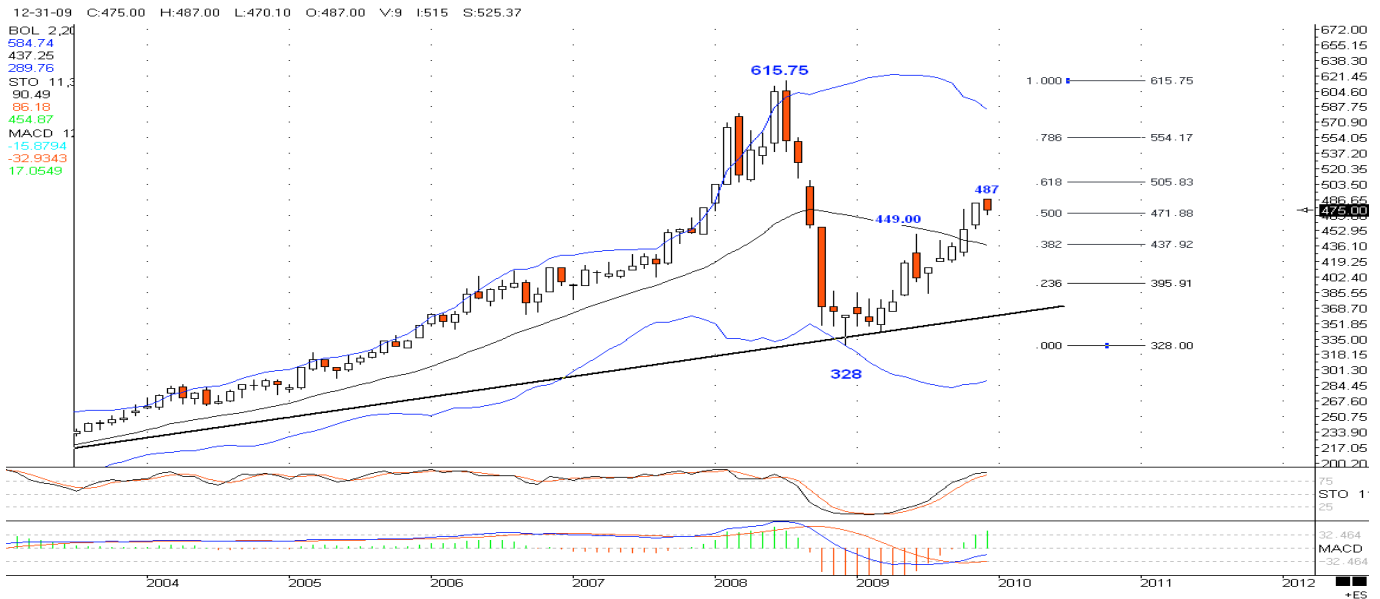
## Monthly Lumber



### Comments:

Another market that can sometimes be a "Leading Indicator" is Lumber. The Monthly Lead-Option Lumber Chart has finally posted a Monthly Close above the High of the Low Month, which was at 178.9. Lumber closed the month of November at 246.20, versus the month of October at 186.90, versus the month of September at 168.70. **Last week's close was at 214.00 versus a week ago at 224.50.** Lumber ended the month of November with a decisive breakout above both the downtrend line and the earlier 2009 Highs. This may be a very important development to be aware of in the year ahead, but in the meantime, a correction is underway that might take prices back toward the 200 level.

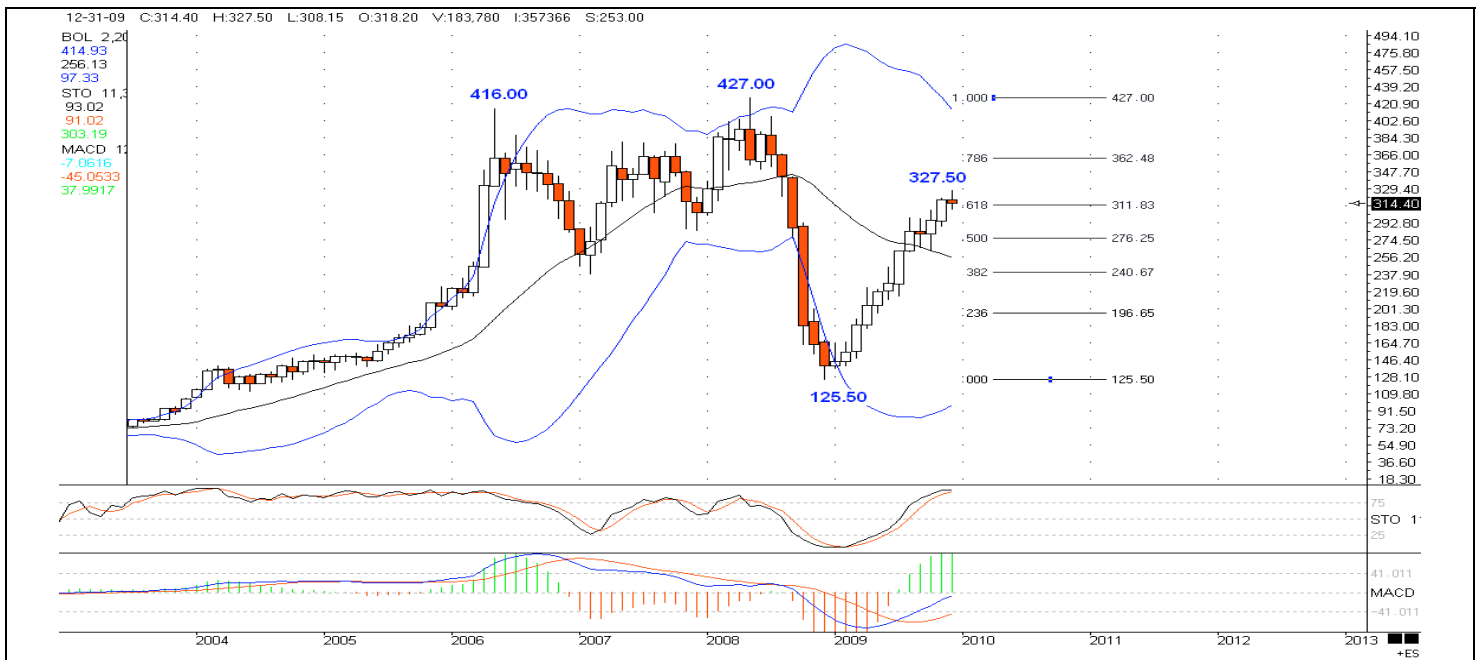
## Monthly Continuous Commodity Index



The Continuous Commodity Index closed the month of November at 483.00, versus the month of October at 454.0, versus the month of September at 435.50. **This past week the CCI Index closed at 476.00 versus 477.00 the week before.** The up gap between 382.90 and 388.00 that was created in the first week in May should have been a "Breakaway Gap" for much higher values. That gap was in fact tested in July and is still open. **The Monthly Close in November above the October High should provide more strength in the weeks ahead.**

The 2008 July High at 615.75 down to the 2008 December Low at 327.50 was a 288.25 point swing, or 46.8%. The Continuous Commodity Index (CCI) was just getting started with its Inflation Run in 2008, in my opinion, but that was aborted for awhile. It usually takes 9-18 months for the impact of the fiat funny money to start working its way through the commodity sectors. We are now into the 15<sup>th</sup> month.

## Monthly Copper



### Comments:

Copper is also trying its best to lead commodities higher. It finished the month of November at 317.70, versus the month of October at 294.75, versus the month of September at 281.65. The resistance in the 300-312 areas was overcome at the end of November. **Copper closed at 311.50 last week versus 321.95 the week before.** The Monthly Close above the 300 area will likely be a springboard for much higher prices after the last 3-month pause.