



Insider Livestock Advisory

Thursday October 13, 2005

UPCOMING AGRICULTURAL REPORTS

Oct 14 Export Sales	7:30 AM
Oct 17 Export Inspections	10:00 AM
Oct 17 Crop Progress	3:00 PM

DAILY CATTLE COMMENTARY

10/13/05

TRADERS WAITING FOR CONFIRMATION OF CASH MARKET UPTREND; \$90 OR MORE?

With record open interest and a 7-day consolidation, the market will need to do something soon, or we could see a jump in volatility. Fund traders have pushed the long side in recent weeks, and so far the uptrend has extended, as retail demand has held up much better than expected. December cattle inched lower to close slightly down on the day yesterday, as another attempt at the recent highs was met with selling resistance. The lack of follow-through to the upside may become a more important issue to the fund traders if uptrend channel support begins to give way. With the mature trend and the recent consolidation, however, it may only take a move under 90.65 to spark the start of a long liquidation sell-off. Traders expect cash markets to trade \$1 higher this week to \$90, and strength in beef prices has added to the positive tone to provide support. Traders are hopeful that the fallout of foot and mouth disease reported in Brazil, the world's largest exporter, could help support increased US exports, and they are also hopeful that Japan is close to a deal to lift the ban on US beef. The choice boxed beef cutout value was up \$0.30 to \$144.47 yesterday as compared with \$142.97 last week at this time. Slaughter came in at 125,000 head as compared with 116,000-120,000 head expected. The higher slaughter is an indication of improving demand from the packer to keep the pipeline flowing.



FUNDAMENTAL FOCUS: Consumer demand for beef has remained strong in spite of pinched budgets. Given the record open interest and overbought technical condition, it will not take much in the way of weak technical action to start a long liquidation sell-off.

TODAY'S MARKET IDEAS:

There is no sign of a top yet for cattle but the market will need to see continued strength in beef prices and higher cash markets this week or speculative longs could begin to lighten up.

December cattle seems to have the technical strength to jump to 92.42. If so, consider selling out of the money call premium, such as the December cattle 94 call near 122. Support comes in at 90.65.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

CATTLE 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.

LIVE CATTLE (DEC) 10/13/2005: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The cross over and close above the 18-day moving average indicates the longer-term trend has turned up. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 91.870. The next area of resistance is around 91.520 and 91.870, while 1st support hits today at 90.900 and below there at 90.600.

FEEDER CATTLE (JAN) 10/13/2005: Momentum studies are trending higher but have entered overbought levels. The major trend could be turning up with the close back above the 18-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 114.500. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 114.220 and 114.500, while 1st support hits today at 113.700 and below there at 113.450.

DAILY HOGS COMMENTARY

10/13/05

JUMP IN LOINS TO SUPPORT BOUNCE; CASH STEADY/FUTURES DISCOUNT; SELL PUTS

The technical action has been negative this week, but a jump in loin prices and a hefty discount of futures to the cash market may be enough to see the market trend turn back up and for the market to avoid a long liquidation sell-off.

December hogs closed 112 lower on the session yesterday as weakness in pork prices and lower cash markets helped trigger some early selling, and then a steady flow of fund long liquidation selling kept the market under pressure for much of the day. From record open interest, the short term volatility could remain high as the market reacts to cash news. The CME 2-day Lean Index for the period ending October 10th came in at 69.08, down 0.25 from the previous session and down from 69.37 one week previous. Average weights for Iowa/Minnesota for the week ending October 8th came in at 266.7 pounds from 266.3 pounds the previous session and 262.8 pounds last year. In the monthly supply/demand report, the USDA revised 2005 pork production down 50 million pounds. Exports were revised higher for 2005 by 60 million pounds, and 2006 exports were revised higher by 20 million pounds. Slaughter came in at 404,000 head yesterday as compared with 400,000-402,000 head expected. The USDA Composite Pork Cutout, released late yesterday, came in at \$70.68, up \$1.32 on the day and about unchanged on the week. Loins jumped \$5.43 to \$82.50 from \$80.21 last week at this time.



FUNDAMENTAL FOCUS: Exports for 2005 are expected to represent 13.1% of total production as compared with 10.6% last year. As a result, the current production pace of 1% over last year means that domestic supply is down, which may help support the market through a period of hefty slaughter.

TODAY'S MARKET IDEAS:

The chart pattern has turned negative, but the cash fundamentals look steady and pork product prices have jumped with a spurt in loin prices. Packer demand is strong. December hog support comes in at 62.20 with 62.85 and 63.50 as resistance. Consider selling December hog 56 puts near 77.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:

Long December hogs from 62.82 with an objective of 65.15. Risk to 61.97.

PORK 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.

LEAN HOGS (DEC) 10/13/2005: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The major trend has turned down with the cross over back below the 18-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 61.270. The next area of resistance is around 63.070 and 64.050, while 1st support hits today at 61.700 and below there at 61.270.

PORK BELLIES (FEB) 10/13/2005: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The cross over and close above the 18-day moving average is an indication the longer-term trend has turned positive. 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 89.720. The next area of resistance is around 94.050 and 96.450, while 1st support hits today at 90.700 and below there at 89.720.

Tech Stats 10/13/2005

Contract	Close	RSI 9 Day	RSI 14 Day	14 Day Slow Stoch D	14 Day Slow Stoch K	20 Day MA	40 Day MA	60 Day MA
LCZ5 CATTLE	91.200	69.86	69.69	85.94	86.15	89.71	87.70	86.48
FCF6 FEEDER	113.970	79.27	77.76	95.78	95.90	111.52	108.46	106.14
LHZ5 HOGS	62.370	40.19	47.18	67.21	48.53	63.34	62.09	60.39
PBG6 BELLIES	92.370	53.81	58.86	85.25	75.16	89.68	85.68	84.70

Daily Swings 10/13/2005

Contract	Suprt 2	Suprt 1	Pivot	Resist 1	Resist 2
LCZ5 CATTLE	90.570	90.870	91.220	91.520	91.870
FCF6 FEEDER	113.400	113.670	113.950	114.220	114.500
LHZ5 HOGS	61.250	61.670	62.650	63.070	64.050
PBG6 BELLIES	89.700	90.670	93.070	94.050	96.450

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. This report should not be construed as a request to engage in any transaction involving the purchase or sale of a futures contract and/or commodity option thereon. The risk of loss in trading futures contracts or commodity options can be substantial, and investors should carefully consider the inherent risks of such an investment in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Daniels Trading is strictly prohibited.