



Insider Softs Advisory

Wednesday October 05, 2005

DAILY COCOA COMMENTARY

10/05/05

WITHOUT IVORY COAST VIOLENCE COCOA SUPPLY EASILY COVERS DEMAND

With the recent setback in prices it is clear that the market is once again anticipating a large crop from the Ivory Coast and for the time being is willing to discount the potential for political violence. With the commercial interests standing back from the market on the setback Tuesday, it would seem like buyers have enough forward coverage and might not be enticed to extend coverage unless prices fall back toward the late September lows. While expectations of big production might press prices back to the recent lows, we would think that commercials and specs will become buyers around the lows, as the end of the month could bring about tensions as the current Ivory Coast administration stays in power beyond the old election date! With heavy selling in other food markets on Tuesday, it almost seemed like a broad based liquidation effort was in motion and that could result in December cocoa sliding back toward the bottom of the old gap down at \$1,377. The NYBOT reported cocoa warehouse stocks to have increased by 92,442 bags to stand at 3.042 million bags.



FUNDAMENTAL FOCUS: The period of rising supply looms ahead and without the political element playing out in the daily headlines, we can understand the bears maintaining control over the market.

TODAY'S MARKET IDEAS:

None.

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 (DEC) 10/05/2005: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market back below the 18-day moving average suggests the longer-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 1412. The next area of resistance is around 1395 and 1412, while 1st support hits today at 1371 and below there at 1364.

DAILY COFFEE COMMENTARY

10/05/05

LACK OF CONCERN FROM END USERS BUT TIGHTENING STOCKS MAY SUPPORT

While the market seems to have failed to respond to some short-term supply threats, there seems to be some base of support beginning to build. Into 2006/2007 season, it appears there will be plenty of coffee available on the world market, but it is a long time until the Brazil harvest season and tightness in near-term supply could become a bullish force soon if the minor supply threats continue to add up. Apparently news of lower production and exports from Honduras was of little concern to the market as coffee prices made a fresh low for the move and closed below the prior close. With the market also talking about some potential production losses in El Salvador recently and the prospect of some supply threats off hurricane Stan, it is clear that the market isn't that interested in bullish potentials. Apparently the market is convinced that overall supply in coffee is secure and that the big picture downtrend is set to remain in place. As of September 30th NYBOT reported coffee stocks fell 6,605 bags to 4.347 million bags with 16,035 bags pending review.



FUNDAMENTAL FOCUS: While the short-term demand seems limited, stocks should remain relatively tight and waiting for the new crop in Brazil next year will be a long wait. The International Coffee Organization has pegged 2005/2006 world production near 108 million bags, down from 114.9 million bags last year. The group indicates consumption in 2004 at 115 million tonnes and anticipates higher consumption for 2005 and 2006.

TODAY'S MARKET IDEAS:

For the bulls, it will be important to see support hold for December coffee at the 90.90 and 89.80 levels. A close under 89.80 would leave 83.00 as the longer-term downside objective. The market needs a close over 96.50 to turn the trend back up.

NEW RECOMMENDATIONS:

None

PREVIOUS RECOMMENDATIONS:

None

COFFEE TECHNICAL OUTLOOK:

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COFFEE (DEC) 10/05/2005: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market now above the 18-day moving average suggests the longer-term trend has turned up. The market tilt is slightly negative with the close under the pivot. The next upside target is 95.10. The next area of resistance is around 93.85 and 95.10, while 1st support hits today at 91.50 and below there at 90.40.

DAILY COTTON COMMENTARY

10/05/05

BIG WORLD CROPS AND SLOW EXPORT PACE SO FAR; LOWER PRICE TO COMPETE?

Over the next week, the market will attempt to absorb the potential impact of hurricane Rita on the USDA production and Supply/Demand reports for next week and the potential impact of damage in China for the month of September. In addition, the world's second and third largest exports are looking for bumper crops and a sharp rise in exports. December cotton closed sharply lower on the session yesterday after news of only slight deterioration in crop conditions for Monday night's weekly update and from long liquidation selling from the speculator. The market is still under the negative technical influence of the hook reversal lastn Friday which added to the technical selling. While there is plenty of talk of slow trade and a lack of interest in cotton at the present time, open interest is at the highest level



since May. The market remains concerned for China's cotton crop which was hit with rains in early September and again in late September and the string of typhoon remnants leaves some crops vulnerable to damage. The International Cotton Advisory Board looks for record trade in cotton this season at 8 million tones, but the group also looks for world ending stocks to reach the highest level since 1985/86. With China on holiday this week and the weekly crop progress reports not showing significant damage, the market may struggle.

FUNDAMENTAL FOCUS: Uzbekistan and India have bumper crops and will target China for exports and the US export pace is already lagging the pace to reach the current projection.

TODAY'S

TODAY'S MARKET IDEAS:

The market is still operating under the bearish influence of the key reversal from last Friday. Resistance for December cotton is at 53.95 and 54.50 with support back at 51.95.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (DEC) 10/05/2005: 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 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 upside target is 54.21. The next area of resistance is around 53.52 and 54.21, while 1st support hits today at 52.58 and below there at 52.32.

DAILY SUGAR COMMENTARY

10/05/05

SWEEPING REVERSAL AND WEAK DEMAND IN CASH MARKET; QUICK DROP TO SUPPORT

The sweeping reversal from a contract high combined with the massive net long position of the speculator leaves the market vulnerable to a significant set-back over the near-term. While sugar stocks may eventually hold good value due to the energy component, there seems to be plenty of price incentive for producers to move sugar on the world market. On the other hand, end user demand looks slow over the near-term with China, Russia and India on the sidelines and India likely to become a significant exporter for the coming season. While the speculative crowd continues to tout the energy theme trade in sugar, it would seem like the market forged a blow off top of sorts on the charts in the action Tuesday. Apparently the high price levels prompted some producer selling and with energy prices falling aggressively we have to think that some energy induced longs lost their resolve for sugar during the session. Furthermore, with a number of bull markets settling into a profit taking setback on Tuesday, we suspect that broad based fund selling was part of the reversal action. F.O. Licht pegged world production for the 2005/2006 season at 148.6 million tonnes from, up 141.8 million tonnes this season.



FUNDAMENTAL FOCUS: The EU is expected to announce 5 tenders this week to sell 257,000 tonnes of sugar held in intervention storage. Traders are nervous that the EU could export up to 7 million tonnes this season, up from 5.8 million last year as the group attempts to unwind their 40-year old subsidy program.

TODAY'S MARKET IDEAS:

The extreme overbought condition combined with a lack of aggressive importers over the short-run to absorb the selling suggests at the very least, a technical correction. Selling resistance for March sugar comes in at 11.60 with 10.92-10.88 as the initial support zone.

NEW RECOMMENDATIONS:

Sell December sugar 11.50 call at 45 with an objective of 0. Risk 22 points from entry.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 10/05/2005: The rally brought the market to a new contract high. The daily stochastics gave a bearish indicator with a crossover down. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The cross over and close above the 18-day moving average indicates the longer-term trend has turned up. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 10.69. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 11.82 and 12.26, while 1st support hits today at 11.04 and below there at 10.69.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (NOV) 10/05/2005: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The cross over and close above the 18-day moving average indicates the longer-term trend has turned up. The outside day down is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 97.70. The next area of resistance is around 104.65 and 107.15, while 1st support hits today at 99.95 and below there at 97.70.

Tech Stats		10/05/2005							
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	
CCZ5 COCOA	1383	45.54	45.18	30.67	40.11	1413.50	1418.05	1436.12	
CFZ5 COFFEE	92.70	49.54	46.42	49.86	61.35	92.09	97.14	100.46	
CTZ5 COTTON	53.05	54.73	55.29	80.46	81.08	51.93	50.61	50.93	
SUH6 SUGAR	11.43	70.25	69.13	81.62	80.36	10.90	10.55	10.32	
OJX5 OJ	102.25	67.17	65.14	92.77	88.94	97.41	95.05	96.98	

Daily Swings		10/05/2005				
Contract		Suprt 2	Suprt 1	Pivot	Resist 1	Resist 2
CCZ5 COCOA		1364	1371	1388	1395	1412
CFZ5 COFFEE		90.35	91.50	92.75	93.85	95.10
CTZ5 COTTON		52.31	52.57	53.26	53.52	54.21
SUH6 SUGAR		10.68	11.03	11.47	11.82	12.26
OJX5 OJ		97.65	99.90	102.40	104.65	107.15

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IMA@danielstrading.com



1.800.800.3840