

Bill Gary's

PRICE PERCEPTIONS

Technical Update

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Prognosticators Proven Wrong – Once Again!

Thomas Malthus predicted in the 18th century that world population growth would lead to food shortages and starvation. Since that time, prognosticators have revived his prediction through the ages... But, technological change has proven them wrong each time.

During the Seventies, unexpected Russian buying of US grains fanned the fear of food shortages once again. Grain prices were pushed to record high levels as the US embargoed exports to avoid domestic shortage. The high price of food was soon followed by record prices of crude oil as Middle Eastern nations formed a cartel and restricted exports. Perceived commodity shortages moved from one market to another for nearly seven years.

However, vast new lands were opened to produce grains in South America, a huge reserve of oil was discovered in the North Sea, and US farmers improved yield through better seed varieties and greater fertilizer use. Although the era of perceived shortages ended in the early Eighties, governments built huge inventories of grain to avoid similar panic in the future. The US opened mammoth salt domes to store oil in case Middle Eastern nations were to ever cut off supplies again. It appeared the paranoia over food and energy shortages had been put to rest once and for all. Commodity prices remained benign through the Nineties and early into the recent decade.

A new era of globalization began to unfold during the Nineties. Nations found they no longer needed huge grain or energy reserves. A global trade-based system developed where nations could always buy and import needs on an open world market. As faith in the new system grew, governments sold off their huge inventories of grain.

Energy consumption was allowed to expand exponentially. The new globalized trading system depended on moving mammoth volumes of goods, food, and energy around the world. It also depended on faith in a global banking system able to provide vast amounts of credit.

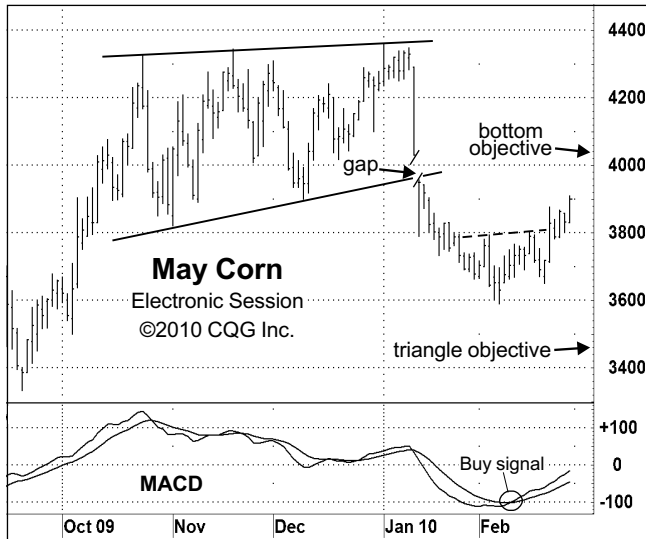
In 2005, the global economy was expanding at a record rate with underdeveloped and heavily populated nations growing most. Once again, prognosticators revived the old theme of food and commodity shortages. Prices advanced in nearly all commodities, reaching another historic peak in 2008.

Since that time, South America expanded acreage once again and world soybean production will reach record levels this season. Global farmers are using new modern machinery and genetic seed varieties, pushing crop yields to record levels. The former USSR expanded grain production to cash in on the new commodity boom. This week, Russia told an international grain conference they would invest \$50 to \$100 million in new port projects to facilitate huge grain exports to Asian destinations. Saudi Arabia and other Gulf states have begun leasing huge tracts of land in Africa to grow food for their own use. *It appears high prices have once again performed their magic.*

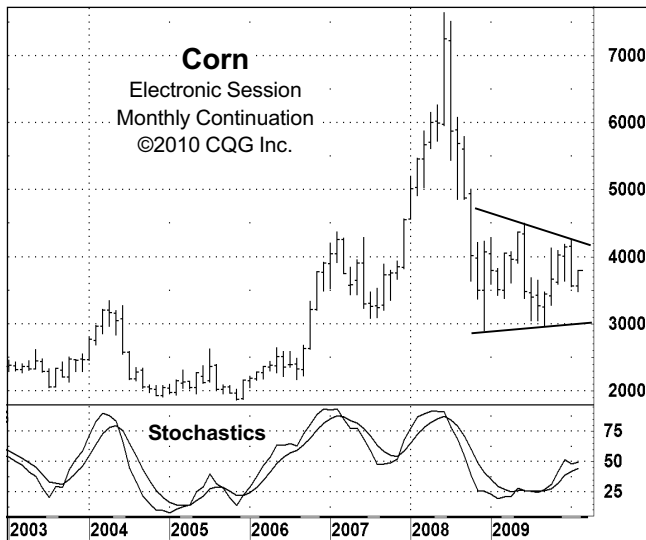
Following the historic prices of 2008, nations are again building inventories of food and oil, determined to avoid shortages and record prices experienced in 2008. *It appears prognosticators have experienced yet another cycle of grim warnings over food and energy shortages only to be proven wrong, once again, by technological change.*

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Corn

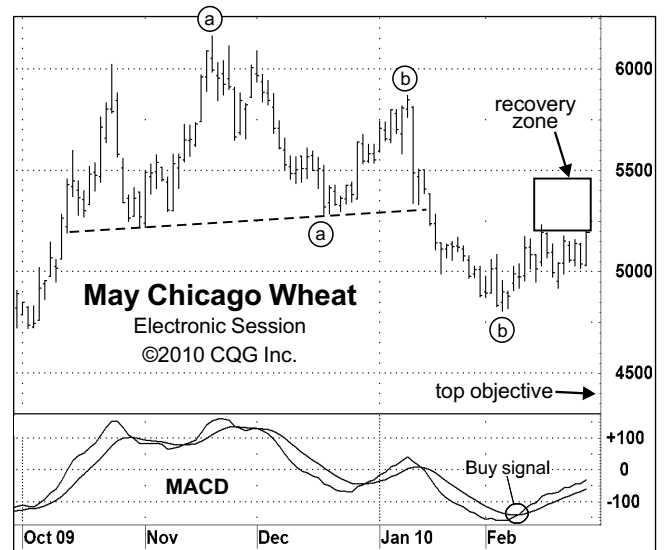


A large triangle was completed, providing a downside objective of 3.46. This week, a small bottom was completed, indicating an upside objective of 4.02. The gap from 3.96 to 4.03 should provide resistance. The recovery zone shown previously from 3.75 to 3.88 was achieved this week. The MACD gave a buy signal on 2/9/10 and remains in a positive mode. The next sell signal should confirm an end of the recovery effort.

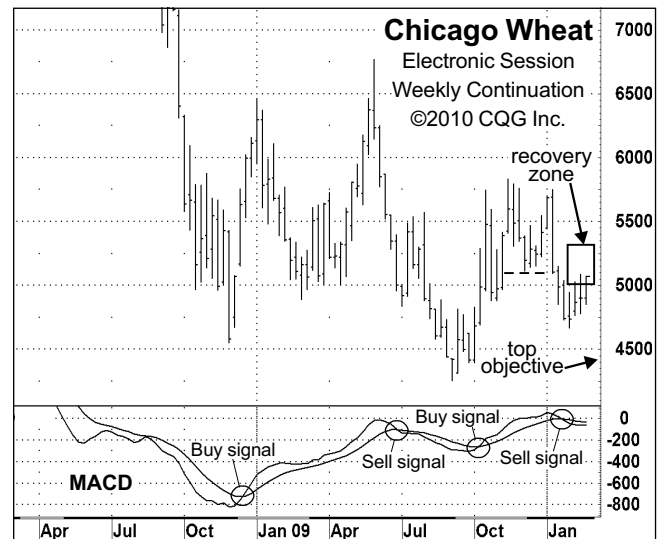


Following the collapse in 2008, the market moved into consolidation and formed a wide triangle. Normally, a triangle is a continuation formation. In other words, the eventual breakout should be on the downside. The oversold condition in stochastics has been relieved with recent consolidation. The next sell signal should confirm a test of the lower triangle line.

Wheat



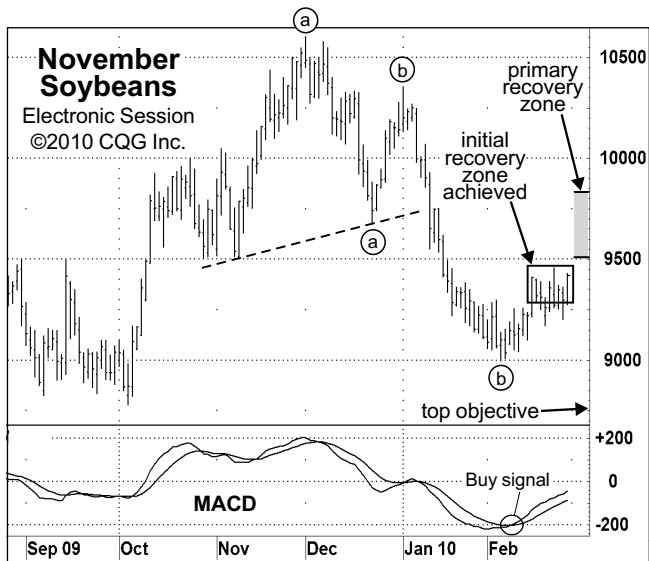
A large top was completed, providing a downside objective of 4.40. The first leg down (a) lost 88 cents. The second leg (b) lost 1.06. The recovery zone shown in previous issues from 5.21 to 5.46 remains operative. The MACD gave a buy signal on 2/9/10 and remains in a positive mode. The next sell signal should confirm the third leg of the decline is underway.



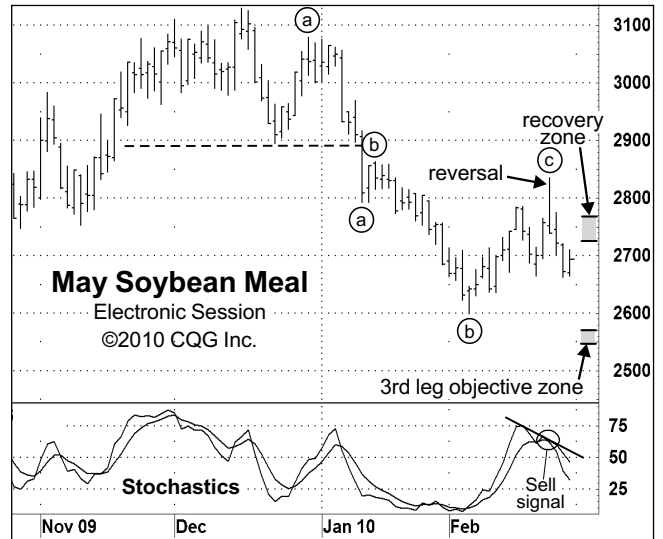
A small top was completed in January, providing an objective of 4.43. The market rallied into the lower area of the recovery zone shown previously from 5.08 to 5.33. The MACD has been a good indicator of major moves since December 2008. A sell signal was given on 1/29/10 and the indicator remains in a negative mode.

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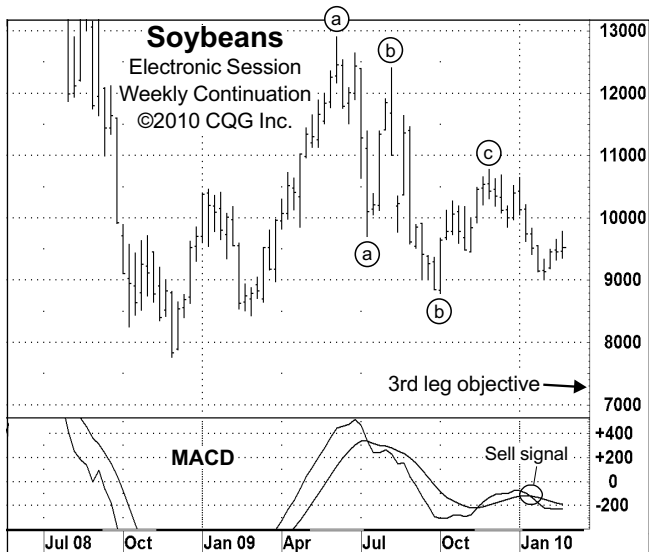
Soybean Complex



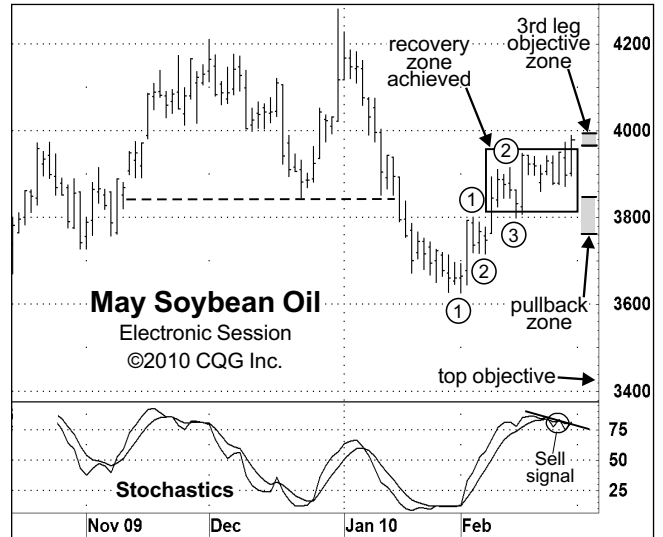
A head and shoulders top was completed with an objective of 8.76. The first leg down (a) lost 90 cents. The second leg (b) lost 1.35. The market moved deeper into the initial recovery zone shown previously from 9.29 to 9.47. The primary recovery zone ranges from 9.51 to 9.84. The MACD gave a buy signal on 2/8/10 and remains in a positive mode.



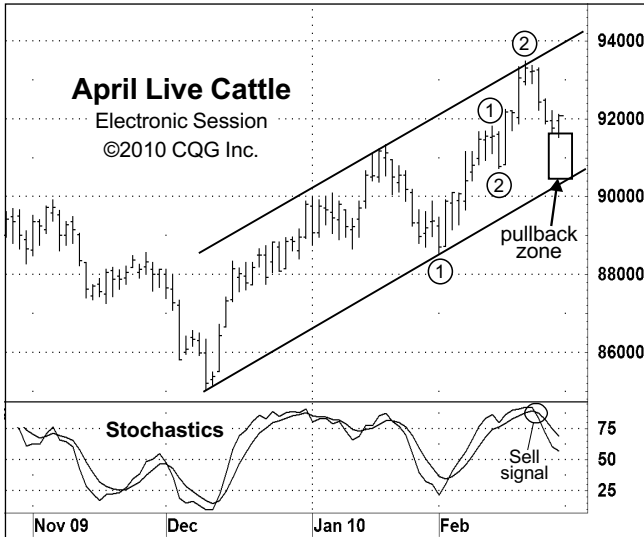
A top was completed in January. The first leg down (a) lost 28.70. The second leg (b) lost 26.50. This week's high exceeded our recovery zone illustrated in the previous issue, but ended with a downside reversal. If the third leg (c) is equal to either of the previous, objectives will range from 254.90 to 257.10. The next recovery zone ranges from 272.80 to 277.00. Stochastics showed divergence on this week's high, indicating a loss in bullish momentum. A renewed sell signal was given on 2/23/10, confirming beginning of the third leg.



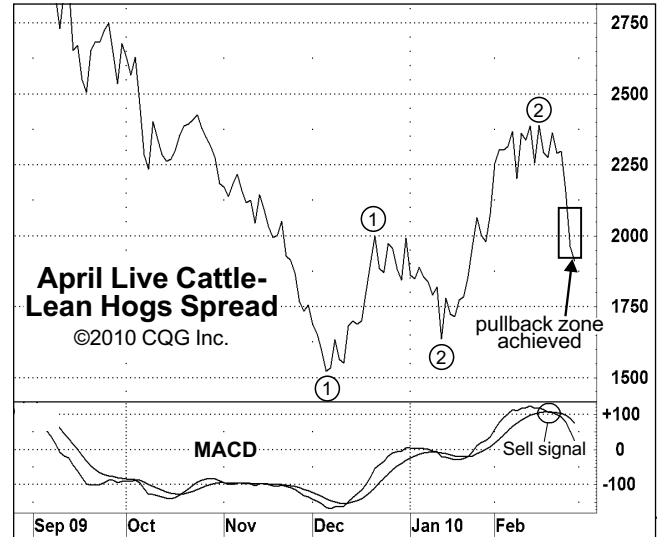
The first leg down (a) lost 3.21. The second leg (b) lost 3.62. When the second leg is larger, the third is normally equal to the first. Therefore, objective for the third leg (c) is 7.58. The MACD gave a sell signal on 1/22/10 and remains in a negative mode.



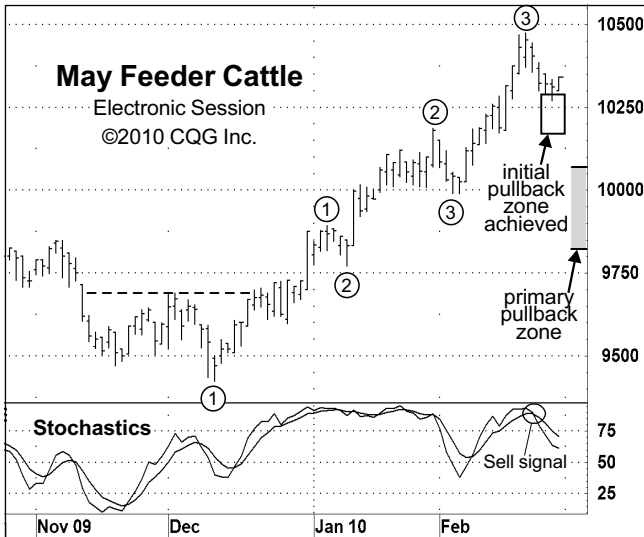
A top was completed, providing a downside objective of 34.27. This week, the market moved through the recovery zone shown previously from 38.15 to 39.60. The first leg (1) of the recovery gained 169 points. The second leg (2) gained 199 points. As indicated in the last issue, objectives for the third leg (3) ranged from 39.65 to 38.50. The market is now trading in that zone. The next pullback zone ranges from 37.65 to 38.50. Stochastics showed divergence on this week's high, indicating a loss in bullish momentum. A renewed sell signal was given on 2/25/10, confirming a pullback toward the zone indicated.



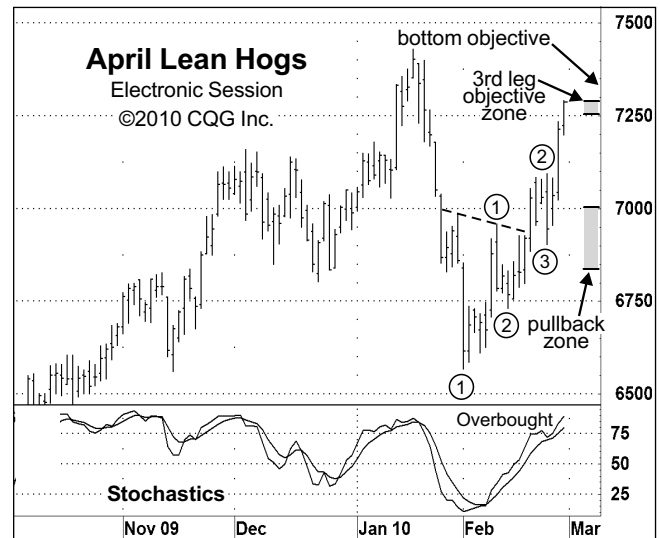
Since December, the market has formed an uptrend channel. A test of the lower channel line is now in prospect. The first leg (1) in the recent advance gained 327 points. The second leg (2) fell short of its objective, gaining only 277. This week, the market pulled back into the zone shown previously from 90.45 to 91.62. Stochastics gave a sell signal on 2/23/10, confirming a pullback into the zone indicated.



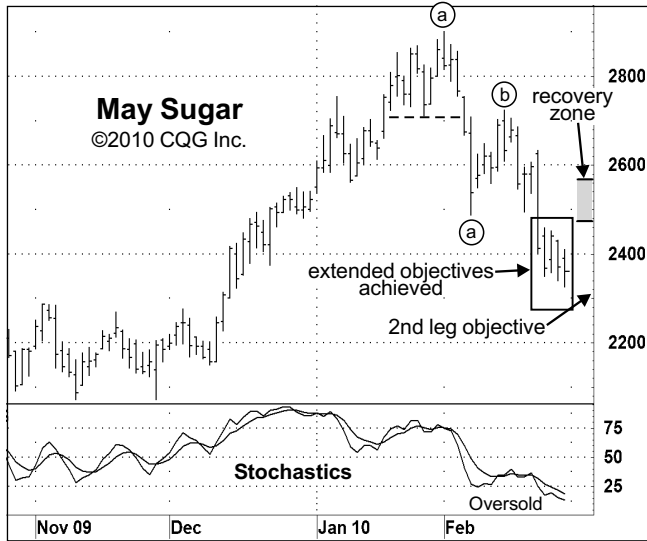
The first leg (1) of the recovery gained 4.77. The second leg (2) was extended, gaining 7.52. This week, the spread fell into the pullback zone shown previously from 19.25 to 21.00. It should be noted many times livestock markets trade in two legs instead of the traditional three legs. Based on current fundamental conditions, we believe this spread has run its course. The MACD gave a sell signal on 2/19/10 and remains in a negative mode.



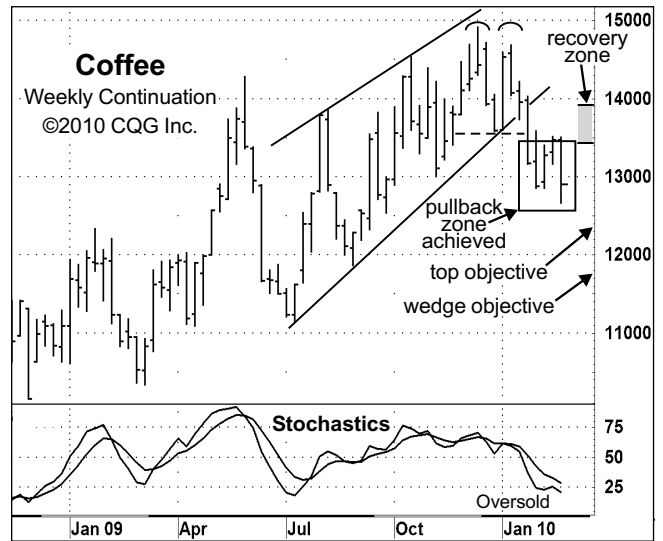
A bottom was completed in December, followed by a classic three leg advance (1,2,3). As illustrated in the previous issue, the initial pullback zone ranges from 101.75 to 102.90. This week, the market pulled back into the zone. The primary pullback zone ranges from 98.25 to 100.75. Stochastics gave a sell signal on 2/23/10, confirming a pullback into the zone indicated.



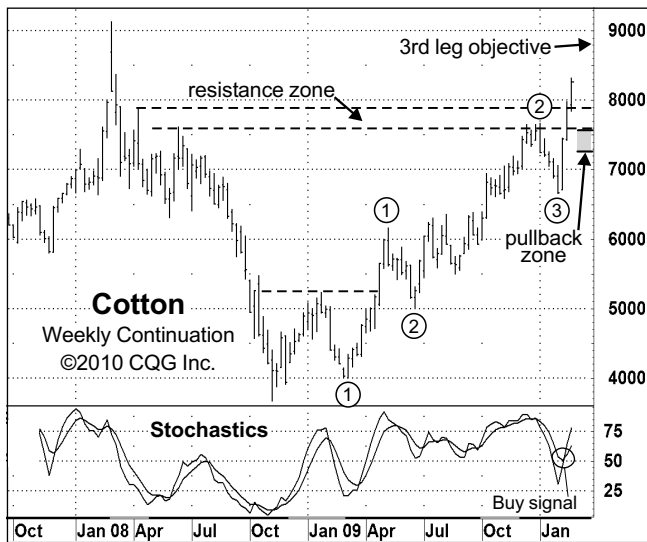
Note: The chart has been reconfigured since the last issue. A small bottom was completed, providing an objective of 73.40. The first leg (1) of the advance gained 3.92. The second leg (2) gained 3.65. If the third leg (3) is equal to either of the previous, objectives will range from 72.67 to 72.95. The market attained third leg objectives this week. The next pullback zone ranges from 68.40 to 70.10. Stochastics are in overbought territory, but remain in a positive mode. The next sell signal should confirm a pullback toward the zone indicated.



The market completed a top in early February. The first leg (a) of the decline fell 4.12. As indicated previously, objective for the second leg (b) is 23.13. The market is approaching that objective. This week, the market pulled back into the extended objective zone shown previously from 22.79 to 24.86. The next recovery zone ranges from 24.78 to 25.72. Stochastics are in oversold territory, but remain in a negative mode. The next buy signal should confirm a recovery effort.



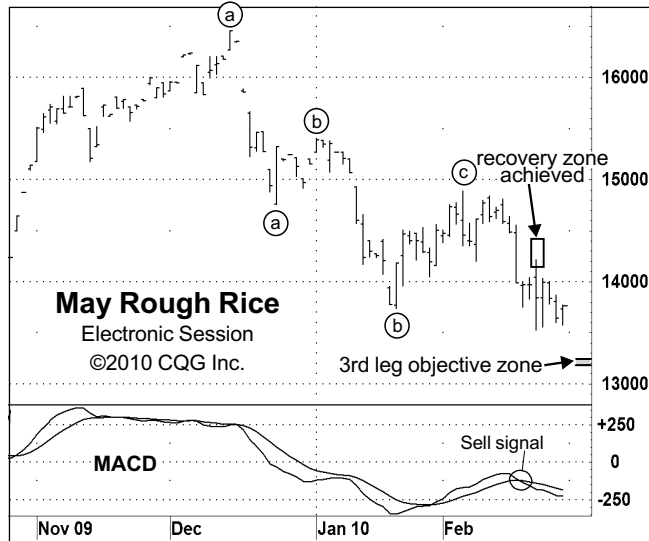
A double top was completed, providing an objective of 123.50. A bear wedge was also completed, providing an objective of 117.75. This week, the market traded deep into the pullback zone shown previously from 125.90 to 134.80. The next recovery zone ranges from 134.35 to 139.20. Stochastics are in oversold territory, but remain in a negative mode. The next buy signal should confirm a recovery into the zone indicated.



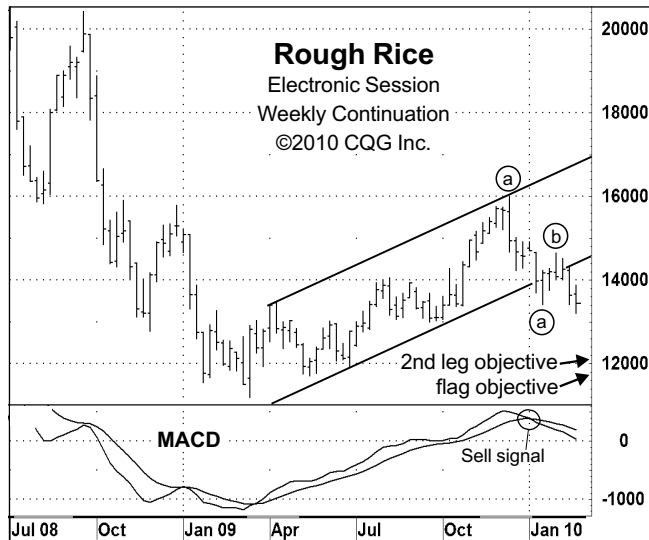
A bottom was completed in April. The first leg (1) of the advance gained 21.66. The second leg (2) was extended, gaining 26.62. When the second leg is larger, the third leg is usually equal to the first. Therefore, objective for the third leg (3) is 88.21. This week, the market closed above resistance shown previously from 76.20 to 78.95. A second close above this area on 3/5/10 should confirm the second leg objective. The next pullback zone ranges from 72.94 to 75.90. Stochastics gave a buy signal from neutral territory on 2/19/10 and remain in a positive mode.

"HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS." **COMMODITY INFORMATION SYSTEMS, INC. • 3030 NW EXPRESSWAY, #725 • OKLAHOMA CITY, OK 73112 • (405) 604-8726**

Rough Rice

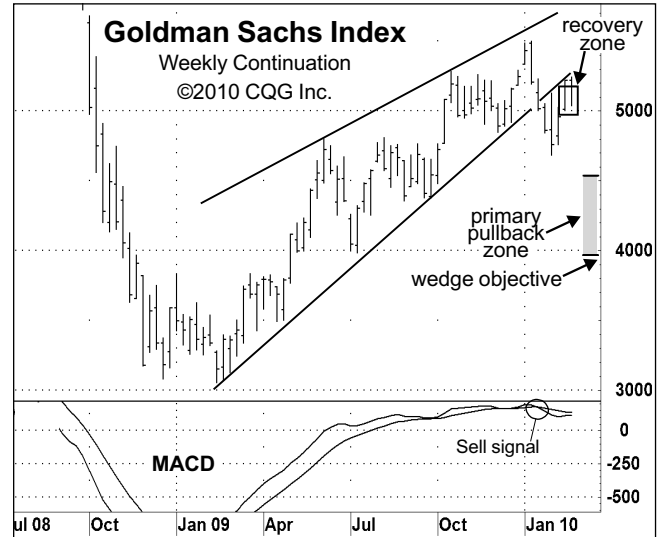


The first leg (a) of the decline fell 1.70. The second leg (b) lost 1.65. If the third leg (c) is equal to either, objectives will range from 13.19 to 13.24. This week, the market traded into the recovery zone shown previously from 14.16 to 14.42. The MACD gave a sell signal on 2/18/10, confirming beginning of the third leg.

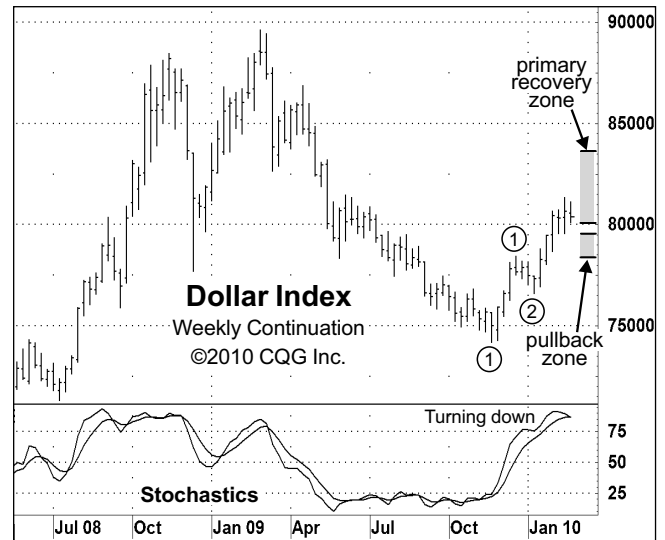


The market completed a bear flag in early February, providing an objective of 11.77. The first leg (a) of the decline fell 2.58. If the second leg (b) is equal, an objective of 12.07 will be indicated. The MACD gave a sell signal on 2/18/10 and remains in a negative mode.

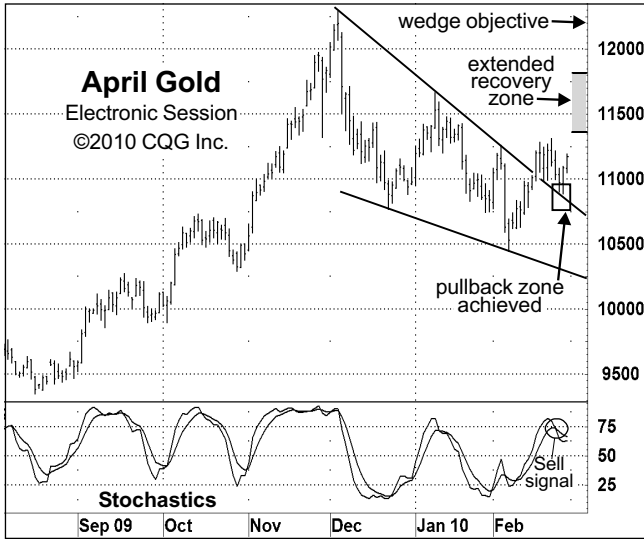
Indices



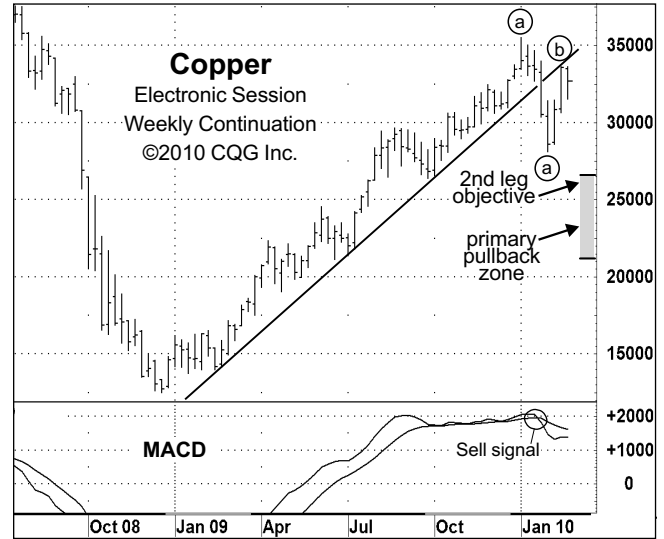
A large bear wedge was completed, providing a long term objective of 395.5. The primary pullback zone ranges from 399.1 to 456.9. The index continues to trade in the recovery zone shown previously from 499.7 to 519.1. Resistance at the lower wedge line remains valid at this juncture. The MACD gave a sell signal on 1/25/10 and remains in a negative mode.



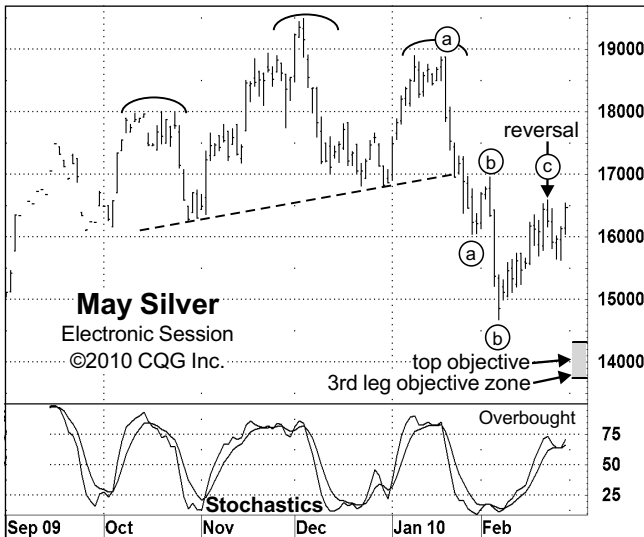
The first leg (1) of the advance gained 428 points. To date, the second leg (2) has gained 475 points. As indicated previously, the primary recovery zone ranges from .8007 to .8372. The pullback zone shown previously from .7841 to .7953 remains operative. The MACD is deep in overbought territory and turning down. The next sell signal should confirm completion of the second leg.



A bull wedge was completed, providing an objective of 1222.00. It should be noted the objective coincides with resistance provided at the December high of 1229.00. The recovery zone shown previously from 1136.70 to 1182.90 remains operative. This week, the market pulled back into the zone shown previously from 1076.70 to 1096.50. Stochastics gave a sell signal on 2/23/10, confirming this week's pullback.



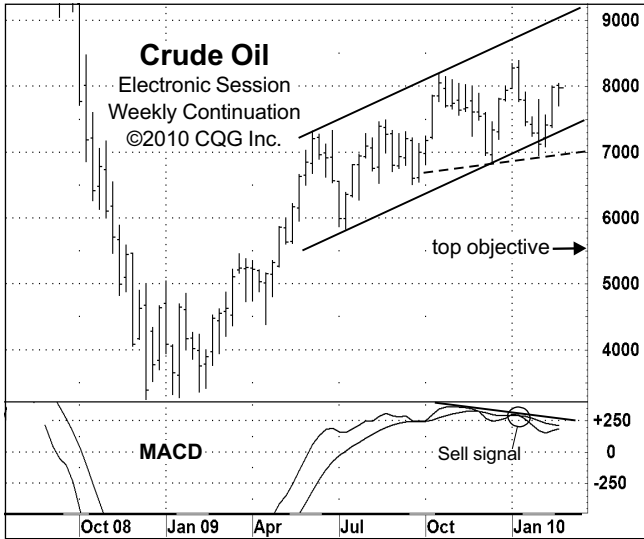
The twelve month uptrend was broken in January. The first leg (a) of the decline lost 73.30. The market is currently testing resistance provided by the uptrend line. If the recent high proves to be the beginning of the second leg down (b), an objective of 263.05 will be indicated. The primary pullback zone ranges from 212.50 to 266.65. The MACD gave a sell signal on 1/29/10 and remains in a negative mode.



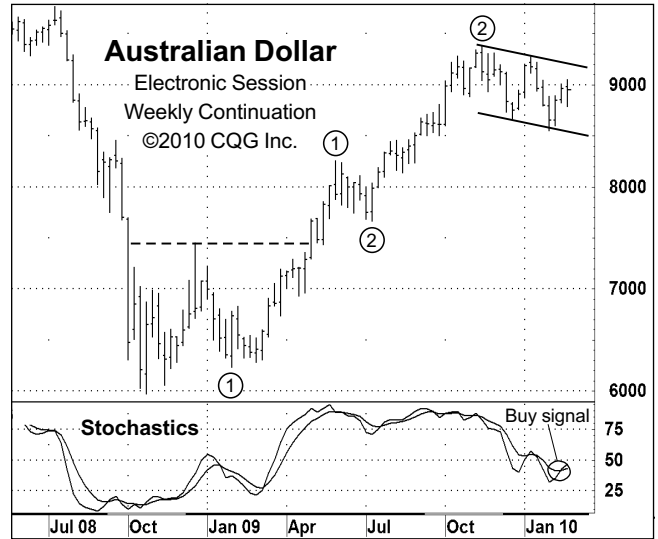
A large upslanting head and shoulders top was completed in January, providing an objective of 14.06. The first leg (a) of the decline lost 2.84. The second leg (b) fell 2.28. If this week's reversal proves to be the beginning of the third leg (c), objectives will range from 13.76 to 14.32. It should be noted a trade above 16.96 negates downside objectives. Stochastics are approaching overbought territory, but remain in a positive mode. The next sell signal should confirm beginning of the third leg.

Editor's Note

Most commodity markets have become extremely erratic in recent weeks. In grain markets, fundamentals remain quite negative, but money continues flowing into long only funds and ETF's, offsetting selling in cash markets. Global currencies are also erratic with heavy speculative selling in the Euro forcing the dollar and yen higher even though their fundamentals are negative. Increasing bankruptcies, Chinese tightening, and expanding European problems have also clouded the global economic outlook. The sense of growing uncertainty has led to false breakouts and sudden, unexpected price moves. We suggest trading smaller positions until many of these conflicting forces can be better defined.



Since June, crude oil has traded in a well defined uptrend channel. Recently, the market closed below the channel's lower boundary, but failed to carry to the downside. The false breakout set the stage for a recovery and test of recent highs. It is possible the market is building a head and shoulders top. A weekly close below the neckline (dashed) would provide a downside objective near 55.50. The MACD showed divergence on the recent high, indicating a loss in bullish momentum. A renewed sell signal was given on 1/22/10 and the indicator remains in a negative mode.



A bottom was completed in May. The first leg (1) of the advance gained 1979 points. The second leg (2) gained 1719. The market has formed a bull flag. A weekly close above the upper line would point to a move of 650 points from the breakout. Stochastics gave a buy signal on 2/19/10 and remain in a positive mode.

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Canadian Dollar

The price of a position has formed a potential bull wedge. The completion of a move above the upper line will indicate an advance of 500 points from the breakout. The next objective is the upper line from 4100 to 4125. However, if the price fails to break above the neckline, a loss in bullish momentum is indicated. A buy signal was given on 1/22/10, confirming a recovery into the next leg.

Canada

A bull flag was completed in May. The first leg of the advance gained 1979 points. The second leg gained 1719. The market has formed a bull flag. A weekly close above the upper line would point to a move of 650 points from the breakout. Stochastics gave a buy signal on 2/19/10 and remain in a positive mode.

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