

### DAILY ENERGY COMPLEX COMMENTARY

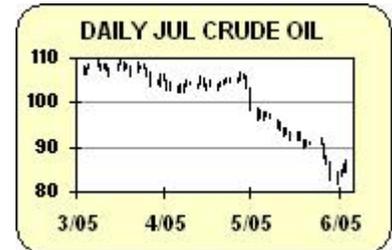
06/08/12

**Weak macro tone & waning demand prospects weigh on crude oil complex**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**CRUDE -247, HEATING OIL -380, UNLEADED GAS -555**

**CRUDE OIL MARKET FUNDAMENTALS:** July crude oil prices registered a lower low during the early morning action and marked a \$5.00 decline from yesterday's high. The negative reversal action in the crude oil market gained more traction to a weak outside market tone, with global equity markets lower and the US dollar sharply higher this morning. While yesterday's surprise rate cut in China provided a lift to crude oil prices, reduced prospects for further quantitative easing from the US Fed and fears that the Chinese economy could be slowing by more than expected served to weigh on the global oil demand outlook. Prospects for slowing global oil demand were exacerbated by a three notch downgrade of the Spanish banking sector, which highlighted a region mired in debt. With the demand outlook under pressure, the supply situation has become a growing negative for the crude oil market. The latest data from the EIA showed a slight draw last week, but that still pushed inventories to a 4.2% surplus compared to year ago levels and 10.7% surplus to the five year average. There was also a call from Algeria yesterday for OPEC to lower their production targets at next week's meeting. Meanwhile, July crude oil registered a bearish outside day reversal yesterday, which flips the near term bias back in agreement with the downtrend pattern. This negative action brings this week's low \$81.21 back into focus, then the October low of \$77.40. Near term resistance for July crude oil stands at \$84.77.



**PRODUCT MARKET FUNDAMENTALS: GASOLINE:** July RBOB prices had a gap lower open Thursday evening and fell closer to this week's low of \$2.5971. A weak outside market tone presents an added negative for the US gasoline market this morning, with sizeable gains in the US dollar and across the board weakness in risk assets. It is possible that RBOB has come under added pressure as demand for gasoline in Europe comes under the added strain as a number of nations try to reduce their debt burden. Meanwhile, the cash market for US gasoline appears to be attracting a level of support from refinery buying interest in the wake of a couple Midwest outages. This week's early bounce in July RBOB has reversed course and looks poised to revisit Monday's low (\$2.5971). There is significant support just below, provided by the December low of \$2.5960 and the November low of \$2.5902.

**HEATING OIL:** After marking a higher high in yesterday's session, July heating oil prices have fallen to a new three-day low during the initial morning hours. Further declines in Brent crude oil and a clear risk-off environment in outside markets has put added downside pressure on heating oil prices this morning. It is also possible that reports that China is planning to cut diesel prices this weekend by nearly 6.0% presents an added negative for the market. Yesterday's bearish reversal action and early morning follow-through to the downside offer the bear camp the edge, with the potential for a further slide toward this week's low of \$2.5641. Near term resistance in July heating oil comes in at the overnight opening gap of \$2.6601 to \$2.6671.

**TODAY'S ENERGY MARKET GUIDANCE:** The crude oil complex is under heavy selling pressure this morning, weighed down by a risk adverse tone in outside markets, slumping demand concerns and ideas that crude oil supplies are more than ample. The bearish outside day reversal in July crude oil yesterday and subsequent follow-through action this morning leaves this week's low of \$81.21 as the next downside target. July RBOB also looks poised to revisit this week's low of \$2.5971, but it should struggle with critical support provided by the December and November lows around \$2.5900.

**NATURAL GAS:** July natural gas prices extended yesterday's wide range decline to the downside in overnight action, falling to their lowest level since April 27. Yesterdays EIA storage report that showed a slightly larger than expected injection of 62 bcf was seen as a negative. Last weeks injection brought total storage to 2,877 bcf or 31.4% above the 5 year average. Over the last four weeks natural gas storage has increased 271 bcf. While the latest weather maps continue to show a period of above normal temperatures across key demand areas of the US, it appears that the more dominant concern for the market is sluggish demand and still elevated levels of production. Yesterday's breakdown in July natural gas prices to the late April low came on heavy trading volume. July natural gas prices have been able to stabilize those losses during the initial morning hours. Further gains in July natural gas this morning back above \$2.315 would be a positive step for the market to correct this week's slide.

### EIA Natural Gas Storage Report Summary

#### In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
6/1/2012	62	2877	713	271	31.4%	46.9%

#### TODAY'S MARKET IDEAS:

Bearish reversal action in July crude oil during yesterday's session and more downside follow through this morning leaves this week's low of \$81.21 as the next downside target. July natural gas also showed significant weakness yesterday, but the early morning recovery from a lower low might suggest that it was overdone. We would like to see July natural gas rally back above \$2.315 to confirm yesterday's low as a bottom.

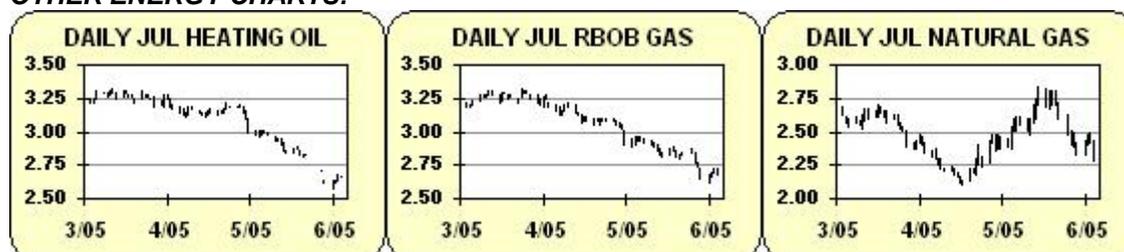
#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### OTHER ENERGY CHARTS:



#### ENERGY 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.

**CRUDE OIL (JUL) 06/08/2012:** Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down and close below the previous day's low is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 87.85. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 85.43 and 87.85, while 1st support hits today at 82.19 and below there at 81.36.

**HEATING OIL (JUL) 06/08/2012:** The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 273.54. With a reading under

30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 269.21 and 273.54, while 1st support hits today at 262.73 and below there at 260.57.

RBOB GAS (JUL) 06/08/2012: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 274.36. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 270.23 and 274.36, while 1st support hits today at 264.31 and below there at 262.51.

NATURAL GAS (JUL) 06/08/2012: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 2.138. The next area of resistance is around 2.364 and 2.489, while 1st support hits today at 2.188 and below there at 2.138.

### DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>ENERGY COMPLEX</b>										
CLAN2	83.81	22.03	22.87	7.01	8.65	84.28	86.26	89.39	97.37	99.74
CLAQ2	84.19	22.08	22.79	6.96	8.71	84.59	86.57	89.69	97.70	100.08
HOAN2	265.96	24.14	23.55	5.10	8.76	2.65	2.70	2.79	2.99	3.05
HOAQ2	266.72	23.76	23.15	4.86	8.40	2.66	2.71	2.79	2.99	3.06
RBAN2	267.27	24.02	24.94	8.42	9.41	2.68	2.73	2.79	2.96	3.04
RBAQ2	260.99	23.49	23.78	7.32	8.46	2.62	2.67	2.73	2.91	2.99
NGAN2	2.276	33.08	38.68	19.42	11.86	2.39	2.43	2.56	2.42	2.45
NGAQ2	2.330	32.46	38.12	18.72	11.21	2.44	2.48	2.61	2.48	2.52

Calculations based on previous session. Data collected 06/07/2012  
Data sources can & do produce bad ticks. Verify before use.

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAN2	Crude Oil	81.35	82.18	84.60	85.43	87.85
CLAQ2	Crude Oil	81.84	82.62	84.97	85.75	88.10
HOAN2	Heating Oil	260.56	262.72	267.05	269.21	273.54
HOAQ2	Heating Oil	261.37	263.50	267.80	269.93	274.23
RBAN2	RBOB Gas	262.50	264.30	268.43	270.23	274.36
RBAQ2	RBOB Gas	256.39	258.03	262.30	263.94	268.21
NGAN2	Natural Gas	2.137	2.188	2.313	2.364	2.489
NGAQ2	Natural Gas	2.192	2.242	2.367	2.417	2.542

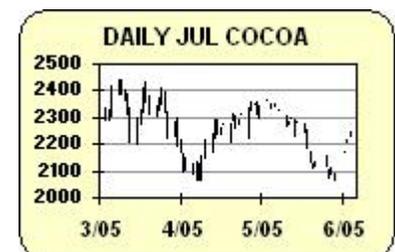
Calculations based on previous session. Data collected 06/07/2012  
Data sources can & do produce bad ticks. Verify before use.

### DAILY COCOA COMMENTARY

06/08/12

#### Negative macro-economic sentiment puts cocoa prices under pressure.

July cocoa is under pressure this morning from the widespread "risk off" mood seen throughout global markets this morning but remains on course for a fairly sizable weekly gain, as well as a decisive move away from this year's lowest price levels. Euro zone debt anxiety will likely keep cocoa prices from retesting yesterday's weekly highs, as commodity markets are seeing widespread liquidation pressure in front of an uncertain weekend. However, positive



developments on the supply/demand front should help to keep the cocoa market well supported near the upper portion of this week's rebound. With Ghana now projecting more than a 15% production decline this season from last season, and with problems in Cameroon and Nigeria generating news headlines, commercial buyers are likely to remain active with picking up supplies at these current price levels. Moderate weather conditions over West African production areas have also weighed on cocoa prices recently but have not been enough to dampen this week's rebound by any significant measure. Given the severe dry conditions seen earlier this year, this season's main crop cocoa harvests are likely to fall short of market expectations.

**TODAY'S GUIDANCE:** July cocoa will have difficulty overcoming the risk aversion mood in global market this morning, and could see further pressure if Euro zone problems continue to dominate news headlines later today.

**TODAY'S MARKET IDEAS:**

July cocoa should find support around the \$2,165 level this morning, with near-term resistance around the \$2,220 and \$2,245 levels. Aggressive short-term traders can look to buy July cocoa on today's pullback.

**NEW RECOMMENDATIONS:**

Buy September Cocoa 2350 call at 42 with an objective of 135. Risk 26 points from entry.

**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 (JUL) 06/08/2012: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 2283. The next area of resistance is around 2256 and 2283, while 1st support hits today at 2196 and below there at 2163.

**DAILY COFFEE COMMENTARY**

06/08/12

**Negative outside market factors keep coffee prices under pressure.**

July coffee remains solidly on the defensive this morning, although prices have so far avoided a new low for the move early on in today's session. While many commodity markets are finding considerable pressure from today's flare-up of Euro zone debt anxiety, coffee prices have held within this week's consolidation trading range. However, LIFFE Robusta futures are getting hammered this morning and have lost more than 3.5% during a holiday-shortened week. A strong recovery in the Dollar and widespread losses in global equity markets are likely to add further pressure to the coffee market this morning as well.

With few recent positive developments from the supply/demand front, an upcoming Brazilian coffee crop that is widely expected to be well above the 50 million bag level will continue to cast a long shadow over the coffee market going forward. ICE exchange coffee stocks were down 3,086 bags at 1.560 million as of June 7th, with 33,013 pending review.



**TODAY'S GUIDANCE:** July coffee is likely to remain rooted to the bottom end of this current downtrend, and would need to see a vast improvement in macro-economic sentiment just to climb outside of this week's trading range.

**TODAY'S MARKET IDEAS:**

The trend remains down.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COFFEE 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.

COFFEE (JUL) 06/08/2012: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 152.57. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 158.57 and 160.26, while 1st support hits today at 154.73 and below there at 152.57.

**DAILY COTTON COMMENTARY**

**06/08/12**

**Nervous weekend but USDA report next week may help support**

December cotton has rallied 692 points or 10.6% in just two trading sessions. The extreme oversold condition of the market plus aggressive short-covering from macro-economic traders helped to support the strong recovery bounce. The USDA supply/demand report last month was extremely bearish showing record high world beginning and ending stocks for the 2012/13 season. The report next week should see slightly tighter US and world ending stocks. Exports have been stronger than expected and this should support a revision higher in exports and lower for ending stocks for the current marketing year. In addition, India production may be revised a bit lower which might ease global stocks projections. Net weekly export sales came in at 129,900 running bales for the current marketing year and 69,300 for the next marketing year for a total of 199,200. As of May 31st, cumulative cotton sales stand at 111.6% of the USDA forecast for 2011/2012 (current) marketing year versus a 5 year average of 106.0%. July cotton closed up the limit and the exchange set a synthetic value of 74.80 instead of the limit-up value of 73.98. Fund traders have been pressing the short-side of the market with open interest at a 17-month high. The interest rate cut from China launched the market higher yesterday but there was a lack of follow-through buying as some traders see the cut as a sign of a weak economy in China. Monsoon rains in India were 36% below normal for the first week of the season and this added to the positive tone yesterday as India has become a major world exporter. Significant RSI divergence has occurred with the May 11th lows, the May 23rd lows and the June 4th lows. ICE exchange certified deliverable cotton stocks were down to 132,016 bales from 132,630 the previous session.



**TODAY'S GUIDANCE:** Outside market forces turned negative overnight with fears of country downgrades of credit and Spain banking problems which sparked weakness in equity markets and a surge higher in bonds and the US dollar. Financial markets look to stay volatile until there is action by the US Fed or the EU does something constructive to stabilize the banks.

**TODAY'S MARKET IDEAS:**

December cotton support should emerge at 69.40 and 68.48. If financial markets stabilize, December looks vulnerable to a bounce to 74.14 or even 75.32.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## COTTON 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.

COTTON (JUL) 06/08/2012: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 76.48. The next area of resistance is around 75.62 and 76.48, while 1st support hits today at 72.16 and below there at 69.57.

## DAILY SUGAR COMMENTARY

06/08/12

### Should not take much in way of positive news to spark recovery bounce

The market failed to follow outside market forces yesterday and may need to absorb bearish influences from outside market forces today but with the extreme oversold technical condition of sugar plus some supply uncertainties for the upcoming season; the market looks vulnerable to work higher in the weeks just ahead. October sugar closed moderately lower on the session yesterday and down 54 points from the early highs. Sugar followed other commodities higher early led by an interest rate cut in China and strength in equity markets and weakness in the dollar. However, outside forces turned mixed into the mid-session as gold collapsed and energy markets were lower. In the end, the China cut was seen as a sign of weakness for the China economy and traders now fear possible weak economic news emerging for the China economy soon. European issues persist and should help keep the trade volatile. Traders saw the Brazil rains as a slight positive early yesterday as this could slow the harvest but the trade does not seem to believe this will be a major factor. In addition, traders believe that while the Brazil government is trying to encourage a switch to more ethanol through tax cuts and subsidies, the cheap currency continues to encourage Brazil millers to crush cane for sugar for export on the world market. Iraq bought 45,000 tonnes of white sugar from United Arab Emirates. The slow start to the India monsoons could become a more important issue if the rain pace stays slow as the country has enjoyed several years of bumper sugar crops in a row. Without normal monsoons, India is likely to turn less aggressive with exports.



**TODAY'S GUIDANCE:** Strong import demand from China and weather concerns in Brazil, India and Eastern Europe could go a long way in helping sugar recover part of the recent sharp losses.

### TODAY'S MARKET IDEAS:

Consider buying the October sugar near 19.64 looking for a strong recovery to near 21.31 resistance. A 50% correction of the March to June break leaves additional stiff resistance at 21.95. Option traders might consider the October sugar 19.75/21.75 bull call spread for near 65 points and also sell the October 18.50 puts near 60.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

Long October sugar from 19.88 with an objective of 21.62. Risk to 19.39.

## SUGAR 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.

SUGAR (JUL) 06/08/2012: Positive momentum studies in the neutral zone will tend to reinforce higher price

action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The downside closing price reversal on the daily chart is somewhat negative. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 20.66. The next area of resistance is around 20.14 and 20.66, while 1st support hits today at 19.38 and below there at 19.15.

### OJ 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.

ORANGE JUICE (JUL) 06/08/2012: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 122.40. The next area of resistance is around 119.05 and 122.40, while 1st support hits today at 112.20 and below there at 108.65.

### DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>SOFTS MARKETS COMPLEX</b>										
SBAN2	19.76	49.38	43.35	16.40	30.84	19.41	19.42	19.82	20.99	21.74
CTAN2	73.89	50.58	43.71	13.53	28.01	69.80	70.74	73.54	82.61	84.69
CCAN2	2226	60.29	53.84	27.52	47.46	2171.50	2124.67	2171.44	2215.00	2236.78
OJAN2	115.60	53.71	45.50	66.34	82.22	114.63	112.67	110.74	128.00	137.88
KCAN2	156.65	21.53	26.08	2.10	1.69	156.80	160.33	167.78	174.46	177.14
MAN2	16.38	63.68	61.65	85.72	87.09	16.10	16.15	15.76	15.36	15.58

Calculations based on previous session. Data collected 06/07/2012

Data sources can & do produce bad ticks. Verify before use.

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>SOFTS MARKETS COMPLEX</b>						
SBAN2	Sugar	19.14	19.38	19.90	20.14	20.66
CTAN2	Cotton	69.56	72.16	73.02	75.62	76.48
CCAN2	Cocoa	2163	2196	2223	2256	2283
OJAN2	Orange Juice	108.60	112.15	115.50	119.05	122.40
KCAN2	Coffee	152.56	154.72	156.41	158.57	160.26
MAN2	Milk	16.38	16.38	16.38	16.38	16.38

Calculations based on previous session. Data collected 06/07/2012

Data sources can & do produce bad ticks. Verify before use.

\*\*\*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 The Hightower Report is strictly prohibited.