THE HIGHTOWER REPORT
Futures Analysis and Forecasting

Daily Grain and Livestock Commentary
Friday December 29, 2006

DAILY SOY COMPLEX COMMENTARY
12/29/06

BIG DELIVERIES BUT FOCUS ON LESS ACRES AND MORE FUND BUYING AHEAD; FIRM

OVERNIGHT CHANGES THROUGH 4:00 AM:
SOY BEANS +1.0, **BEAN OIL** +0.1, **SOYMEAL** +0.4

RECAP: Meal closed well off of the highs but oil managed to close firm and support solid gains in soybeans yesterday. A surge to new 8 year highs for palm oil futures in Malaysia this week was the spark plug for the soybean complex with new crop December soybean oil soaring to new contract highs and a close on the highs and March oil sharply higher on the day. Meal and soybeans are being supported by an easing of demand concerns for meal in China and ideas that the US producer will shift to plant more corn and less soybeans for the coming year. Near ideal growing conditions for the South American crops helped limit the gains. March soybeans managed to move to the highest level since December 1st.

OVERNIGHT DEVELOPMENTS: March soybeans traded 1 cent higher in the overnight session. Malaysia Palm oil futures closed 37 points lower overnight.

CASH NEWS AND TENDERS: Gulf basis was steady with a weak tone in the morning and a firm tone late yesterday.

WEATHER: Argentina and Brazil growing areas should see hot and mostly dry weather for 3-4 days but with heavy rains recently, and more in the forecast next week, the heat could be seen as a bearish factor.

NEAR-TERM OUTLOOK: The market remains in a solid uptrend into the end of the year with March soybeans closing at the highest level since December 1st despite excellent weather for the developing crops in South America and near record supply in the US. For first notice day for the January contracts, soybean deliveries came in at 683 contracts as compared with trade expectations near 300-800. Oil deliveries were 1,523 contracts from expectations near 1,500-2,000 contracts and meal deliveries were 1,107 contracts from 300-2,000 expected. Of the 1,523 oil deliveries, the house account of a large commercial firm stopped 981 contracts which is a positive factor. Flooding problems in Indonesia and Malaysia have caused palm oil production to slow dramatically and there are significant transportation problems but the longer-term impact on yield from trees is still thought to be minimal. In other words, the trigger factor for the soybean oil rally this past few weeks is not bio-diesel driven but weather related and the weather problems are likely temporary. However, palm oil prices are now just $20/tonne premium to palm oil as compared with $80-$90 recently so there is some hope of seeing increased soyoil usage. The market focus is on the longer-term outlook for lower planted area in the US for the 2007/2008 season and the possibility that commodity index fund traders will be aggressive buyers of US grains in early 2007.

FUNDAMENTAL FOCUS: For the weekly export sales report, released before the opening, traders are looking for soybean sales near 550,000-750,000 tonnes, meal sales near 75,000-120,000 tonnes and oil sales near 25,000-45,000 tonnes.

TODAY'S MARKET IDEAS:
The bulls are in control and a combination of potential fund buying and potential shift to lower acres next year has proven to be a powerful combination. The close over 689 for March soybeans leaves 728 3/4 as next swing objective with support at 685. March oil support moves up to 29.49 with 31.09 as next swing objective.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:
1) Long the March oil 30 call from 90 with an objective of 290. Risk to 45. 2) Long Nov07/short Jul07 soybeans from +9 1/2 Nov with obj of +34 November. Risk to +3 1/2 Nov on a closing basis. 3) Long March soybean oil at 28.42 with an objective of 32.52. *Risk the trade to 28.95.*

SOYBEAN 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.

SOYBEANS (JAN) 12/29/2006: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 686 1/4. The next area of resistance is around 681 1/2 and 686 1/4, while 1st support hits today at 670 and below there at 663 1/4.

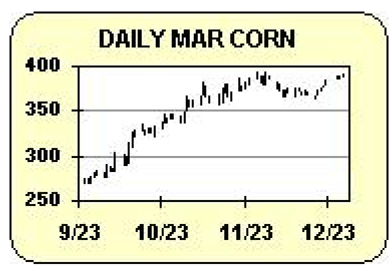
SOYBEAN OIL (JAN) 12/29/2006: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 29.63. The next area of resistance is around 29.42 and 29.63, while 1st support hits today at 28.94 and below there at 28.66.

SOYMEAL (MAR) 12/29/2006: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside target is 198.1. The next area of resistance is around 196.1 and 198.1, while 1st support hits today at 192.7 and below there at 191.2.

DAILY CORN COMMENTARY

12/29/06

OVERBOUGHT BUT NO SIGN OF LIQUIDATION BREAK; 409, 455 CK OBJECTIVES



OVERNIGHT CHANGES THROUGH 4:00 AM:
CORN +1.2

RECAP: Solid gains in the other grains and ideas that funds will be strong buyers next week helped support solid gains early in the session yesterday. However, ideas that producers will shift to plant more corn and less soybeans next year may be seen as a limiting factor. In addition, there is talk that China is offering corn at $10/tonne cheaper than the US and South America into South Korea helped to limit the upside as well. South Korea bought 110,000 tonnes of optional origin corn. March corn challenged the November and contract highs early in the session and set-back into the mid-day. July moved though psychological resistance at $4.00/bushel and managed a new contract high and December corn posted a new contract high at 3.75. May corn managed a new contract high and a new high close.

OVERNIGHT DEVELOPMENTS: March corn traded 1 1/4 cents higher in quiet trade overnight.

CASH NEWS AND TENDERS: Gulf basis was steady to lower yesterday with declines in the CIF barge market.

WEATHER: Favorable weather is in the forecast for South America corn areas.

NEAR-TERM OUTLOOK: The market pushed to new highs yesterday but did not see much follow-through to the upside. The short-term demand factors appear on pace to reach or exceed the current USDA forecasts so the January 12 supply/demand report could have a bullish tilt. While the export and ethanol demand news has been strong, traders are a bit uncertain if domestic feed usage has stayed strong and the stocks report on the same date will give traders a more accurate read on feed usage. In addition, the trade will also receive any final revisions to the 2006 corn crop. The ending stocks forecast is already tight and stocks/usage is forecast at the second tightest on record. While the fund trader net long position in the last trader's report showed a record high at 294,233 contracts, the trade is convinced that fund buyers (index funds) will be more aggressive next week with fresh allocations. The technical action continues to improve and futures look poised for another leg up.

FUNDAMENTAL FOCUS: For the weekly export sales report, released before the opening, traders are looking for corn sales near 850,000-1.05 million tonnes as compared with 1.348 million tonnes last week.

TODAY'S MARKET IDEAS:
May corn support comes in at 392 1/2 with 409 and 455 as longer-term upside objectives. Look to buy minor corrective setbacks and look for resumption of the uptrend into early next year.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:
1) Long May corn 410 call from 14 with an objective of 44. Risk 7 from entry. 2) Still long 1 May corn 350 call after taking a net profit of 37 cents out of the market by exiting other legs of spread. Hold for run at 455 May. 2) Still long 1 May corn 330 call after taking 62 1/2 cents profit out of the market on other legs of spread. Hold for run at 455 May.

CORN TECHNICAL OUTLOOK:

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CORN (MAR) 12/29/2006: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 395. The next area of resistance is around 391 3/4 and 395, while 1st support hits today at 385 1/4 and below there at 382 1/4.

DAILY WHEAT COMMENTARY

12/29/06

FUND BUYERS COULD BE ACTIVE NEXT WEEK BUT WEATHER GOOD/DEMAND SLOW

OVERNIGHT CHANGES THROUGH 4:00 AM:
WHEAT +0.6

RECAP: A burst in buying in the other grains Wednesday night helped spark some speculative buying into the opening yesterday, but the highs were established right away with little in the way of follow-through buying, and March wheat closed 7 1/2 cents off of the opening highs. Talk of improving crop conditions for the winter wheat crop in the US and a lack of news from the demand side of the equation helped spark long liquidation selling into the midday. News from Pakistan of increased competition on the world market for export and ideas that US prices are still too high to see active interest from routine buyers helped to trigger the move lower on the session. Supportive news from the soybean complex failed to provide much support to wheat, and long liquidation emerged to pressure. Russia pegged their 2006 crop at 44.9 million tonnes, which is down from 47.7 million tonnes last year. Keep in mind, Russia, Ukraine and India all have boosted planted area this season and winter wheat weather has been favorable so far this season.

OVERNIGHT DEVELOPMENTS: March wheat traded steady to 2 1/2 cents higher overnight.

CASH NEWS AND TENDERS: Basis levels were mostly steady across the board yesterday. Country basis levels have been firm, mostly on a lack of movement due to the holiday.

WEATHER: Heavy precipitation is hitting the plains this weekend, helping to recharge soil moisture and relieve fears of drought. Another, weaker system could come across the region next week.

NEAR-TERM OUTLOOK: Disappointing export activity this week and the prospect for improved production in the coming season are limiting the wheat market's ability to garner support off of possible fund interest in the New Year. A winter storm moving across the plains, the second in two weeks, is bringing much needed moisture to the region and relieving fears of drought, and more moisture is possible next week. A lack of export activity this holiday-shortened week is also proving to be a disappointment to wheat bulls. Last week's rally may have priced the US out of the market for the moment, with EU, Argentina and Kazakhstan offering soft wheat below US prices this week. India's wheat plantings as of December 29th are estimated at 26.4 million hectares, up from 24.7 million last year at this time. Plantings are still in progress and have already exceeded "normal" planted area of 26 million. Farmers there are shifting to grains and pulses and away from oilseed due to higher profitability in those markets. Traders have been expecting index fund buying to push the grain markets higher in early 2007, and that could overcome the current disappointment over the slow pace of export sales for wheat.

FUNDAMENTAL FOCUS: For the weekly export sales report, released before the opening, traders are looking for wheat sales near 350,000-550,000 tonnes as compared with 469,000 tonnes last week.

TODAY'S MARKET IDEAS:
The rise in open interest and jump in price off of the December lows is impressive but the market may not have the fundamentals to see much follow-through to the upside. The potential for active fund buying next week, however, may support. March wheat support comes in at 500 and 494 3/4 with 515 3/4 resistance. Stand aside.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:

WHEAT 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.

WHEAT (MAR) 12/29/2006: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 515 1/4. The next area of resistance is around 509 and 515 1/4, while 1st support hits today at 499 1/2 and below there at 496 1/4.

KW WHEAT (MAR) 12/29/2006: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 522 1/4. The next area of resistance is around 517 and 522 1/4, while 1st support hits today at 507 1/2 and below there at 503 1/4.

MINN WHEAT (MAR) 12/29/2006: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next upside objective is

522 1/2. The next area of resistance is around 516 1/2 and 522 1/2, while 1st support hits today at 508 and below there at 505 1/2.

RICE (JAN) 12/29/2006: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The outside day down is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside target is at 10.237. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 10.185 and 10.237, while 1st support hits today at 10.115 and below there at 10.098.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	20 DAY M AVG	40 DAY M AVG	50 DAY M AVG	60 DAY M AVG
GRAIN COMPLEX									
CNAH7	388 1/2	67.54	63.91	66.64	81.24	376.35	373.21	365.45	354.99
CNAK7	396 1/4	69.70	65.40	71.87	84.05	383.08	379.24	371.57	361.15
SSAF7	675 3/4	62.96	59.03	49.76	69.20	662.28	665.81	659.69	647.85
SSAH7	690 1/2	63.35	59.52	51.86	70.61	677.24	679.37	672.16	659.92
SMAH7	194.4	58.38	54.70	45.00	60.14	192.13	195.21	193.62	190.61
BOAF7	29.18	65.69	60.99	44.59	62.96	28.70	28.67	28.34	27.79
WHAH7	504 1/4	52.32	51.40	56.40	63.52	500.96	504.24	508.26	509.22
WHAK7	510	52.83	52.75	57.39	65.46	507.08	505.11	504.87	504.58
RCF7	10.150	70.16	62.67	65.40	79.72	9.96	9.96	9.93	9.94
KWAH7	512 1/4	46.71	45.56	32.62	41.91	516.14	525.12	528.74	529.87
MWH7	512 1/4	51.09	50.23	51.70	59.37	511.46	514.09	516.37	517.20
OH7	277 3/4	69.44	64.57	78.56	86.18	267.43	268.59	262.94	257.98

Calculations based on previous session. Data collected 12/28/2006
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
GRAIN COMPLEX						
CNAH7	Corn	382	385 1/4	388 1/2	391 3/4	395
CNAK7	Corn	390	393	396 1/2	399 1/2	403
SSAF7	Soybeans	663 1/4	670	674 3/4	681 1/2	686 1/4
SSAH7	Soybeans	678 1/4	684 3/4	689 3/4	696 1/4	701 1/4
SMAH7	Soymeal	191.1	192.6	194.6	196.1	198.1
BOAF7	Soybean Oil	28.65	28.93	29.14	29.42	29.63
WHAH7	Wheat	496 1/4	499 1/2	505 3/4	509	515 1/4
WHAK7	Wheat	504	506	511 3/4	514	519 1/2
RCF7	Rice	10.097	10.115	10.167	10.185	10.237
KWAH7	KW Wheat	503 1/4	507 1/2	512 3/4	517	522 1/4
MWH7	MINN Wheat	505 1/2	508	514	516 1/2	522 1/2
OH7	Oats	275 1/4	276 1/2	277 3/4	279	280 1/4

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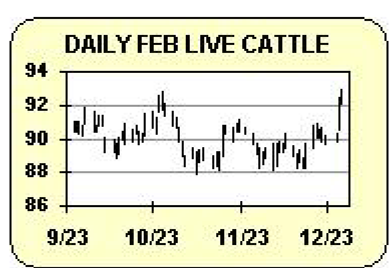
DAILY CATTLE COMMENTARY

12/29/06

WINTER STORM, STRONG BEEF PRICES LIFT MARKET TO CONTRACT HIGHS



A second winter storm across the high plains in two weeks, higher beef prices and expectations for index fund buying in the New Year have helped drive cattle prices up to contract highs yesterday, but a slightly disappointing close in February cattle could be an indicator of a loss of momentum. February cattle challenged the contract high yesterday and did close sharply higher on the session but below the day's open, which is a disappointing technical indicator. Weather was the dominant force to trigger short covering and commercial buying. The latest winter storm could bring 7-15 inches of snow to northeast Colorado, northwest Kansas and southwest Nebraska by Sunday. A similar storm last week brought rain and then snow to some feedlot areas of the Plains, turning the feedlots muddy and increasing stress on cattle, and the likelihood of a similar situation this week had helped drive live cattle prices higher. Boxed beef cutout values at mid-session yesterday were up $0.88 to $144.94 but ended the day only $0.34 higher at $144.40, still up from $143.32 last week. Cash cattle on Thursday were bid at $84 with offers at $85-$86. Feeders were forecasting higher sales this week due to higher beef prices and the strong two-day futures rally with talk that cash could trade as much as $2.00 higher on the week to $88. Slaughter came in at 116,000 head yesterday as compared with 120,000 last year at this time. The recent Cattle on Feed report indicated large supplies of cattle on feedlots, but low placement numbers meant tighter supplies out ahead.

FUNDAMENTAL FOCUS: The winter storm moving through the high plains, strong beef prices and anticipated index fund buying are driving the market higher this week.

TODAY'S MARKET IDEAS:
February cattle's failure to make contract highs yesterday and its subsequent close below the opening is a slight warning flag of a loss in upside momentum. Resistance for February cattle comes in at 92.87 and at the contract high of 93.05 with support at 92.00, 91.55 and 90.60.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:
1) Short the February cattle 93 calls at 117 with an objective of 0. *Hit risk at 172. 2) Short the February cattle 97 call. Look to exit at 5 and use a stop at 82. Exited long February cattle 86 put at 117 for a 97 point gain so far on spread.

CATTLE COMPLEX TECHNICAL OUTLOOK:

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LIVE CATTLE (FEB) 12/29/2006: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 93.350. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 92.970 and 93.350, while 1st support hits today at 92.120 and below there at 91.620.

FEEDER CATTLE (JAN) 12/29/2006: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 99.920. The next area of resistance is around 99.650 and 99.920, while 1st support hits today at 98.950 and below there at 98.450.

DAILY HOGS COMMENTARY

12/29/06

HOG VALUES SLIP ON DELINING PORK PRICES & WEAK PACKER MARGINS

Weaker pork prices, lower packer profit margins and the futures premium to cash prices have hurt the hogs market's chances to see upside gains from fund buying next week. February hogs closed 42 lower and 95 points off of the highs of the day yesterday, as speculative selling late in the day and talk of futures trading at a premium to cash helped to spark light selling. Spillover support from cattle helped spark the early bounce, but a lack of new buying interest led to moderate losses on the day. Packer margins narrowed to break even yesterday from +$1.60 on Wednesday, and subsequent declines in pork prices will probably pull margins even lower. Pork cutout values, released after the close, came in at $63.09, down $1.14 from the previous session and compared with $63.82 last week. Midwest cash hogs are expected to trade 50 cents to $1 lower today as the pork cutout has slipped and packers are said to be well bought. The CME 2-Day Lean Index for the period ending December 27th came in at 60.72, up $0.91 on the session and compared with 58.30 one week ago. Slaughter came in at 413,000 head yesterday, and Wednesday's slaughter was revised to 414,000 from 419,000 previously reported. CME belly stocks increased by 2.97 million lbs last week but February bellies closed slightly higher on the session to the highest close since November 22nd.

FUNDAMENTAL FOCUS: Declining pork cutout values are hurting packer profit margins, and futures trading at a premium to cash limits their upside potential over the near term.

TODAY'S MARKET IDEAS:
The weak close yesterday leaves February hogs vulnerable to testing last week's low at 61.55. Support for February hogs comes in at 61.55 and 61.10 with 63.20 and 64.40 as resistance.

NEW RECOMMENDATIONS:

PREVIOUS RECOMMENDATIONS:
1) Short the February 58 put from 72 with an objective of 0. Risk to 112. 2) Short the February hog 68 call from 95 with an objective of 5. Risk to 95. 3) Long February hogs from at 61.85 with an objective of 65.22. Risk the trade to a close under 61.35.

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 (FEB) 12/29/2006: A crossover down in the daily stochastics is a bearish signal. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside objective is 61.150. The next area of resistance is around 62.600 and 63.350, while 1st support hits today at 61.500 and below there at 61.150.

PORK BELLIES (FEB) 12/29/2006: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 93.320. The next area of resistance is around 93.170 and 93.320, while 1st support hits today at 92.700 and below there at 92.370.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	20 DAY M AVG	40 DAY M AVG	50 DAY M AVG	60 DAY M AVG
MEAT COMPLEX									
LCG7	92.520	73.18	66.23	74.12	84.67	89.70	89.64	89.93	89.96
FCF7	99.270	55.58	52.55	47.67	54.91	98.57	97.90	98.89	100.09
LHG7	62.050	36.66	39.22	23.55	22.62	63.17	64.74	64.71	64.36
PBG7	92.950	62.68	58.79	68.78	71.70	91.69	91.37	91.15	90.82

Calculations based on previous session. Data collected 12/28/2006

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
MEAT COMPLEX						
LCG7	Live Cattle	91.600	92.100	92.470	92.970	93.350
FCF7	Feeder Cattle	98.420	98.900	99.170	99.650	99.920
LHG7	Lean Hogs	61.120	61.500	62.250	62.600	63.350
PBG7	Pork Bellies	92.320	92.670	92.820	93.170	93.320

Calculations based on previous session. Data collected 12/28/2006

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