

### DAILY ENERGY COMPLEX COMMENTARY

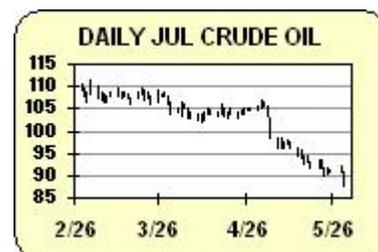
05/31/12

**Crude complex tries to stabilize in front of econ & EIA data deluge**

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

**CRUDE +24, HEATING OIL +72, UNLEADED GAS -56**

**CRUDE OIL MARKET FUNDAMENTALS:** July crude oil prices trended higher during the overnight and early morning hours in attempt to correct yesterday's more than 3.2% decline. The crude oil market has garnered support from private inventory data late Wednesday that showed an unexpected draw last week, as well as a rebound in outside markets. Global equities traded higher and the US dollar was negative, and that seemed to attract a level of bargain hunting interest. The crude oil market officially entered bear market territory with yesterday's close and was down more than 20% from the March 1st high. Coming into today's session, July crude oil is down more than 16.3% in the month of May and on track for its worst performance since late 2008. Some traders see support in WTI crude oil coming in down at the \$85.00 area, which also represents the lower end of a range of interest from oil officials in Saudi Arabia. Meanwhile, crude oil demand has come under pressure, with soft US economic data and ongoing problems surrounding the European debt crisis. Data released by the EIA during yesterday's session showed March US oil demand coming in weaker than expected and down more than 6% below year ago levels, which was the lowest usage for the quarter in the last 15 years. In the shorter term, expectations for this morning's weekly EIA inventory data are for the 10th consecutive build, this time in the range of 750,000 to 1.0 million barrels. This compares to the five year average decline for this week of the year of 2.20 million barrels. The price action in July crude oil remains in the down trending pattern, with resistance at \$89.46 and \$90.10. July crude oil managed to close below a 61.8% fib retracement level from the October through March rally of \$88.55, and that is seen as a negative technical development.



**PRODUCT MARKET FUNDAMENTALS: GASOLINE:** Private industry data after the close yesterday that showed a surprise build in US gasoline supplies weighed on July RBOB prices during the overnight trade. The market challenged yesterday's low of \$2.7535 and bounced, but it remained under pressure heading into the US session. US gasoline demand data released during yesterday's session showed a level of promise, with average retail demand jumping 3.0% last week. Another data set from the EIA pegged March US gasoline demand at a level higher than previous reports to 8.633 million barrels per day. Expectations for this morning's EIA inventory data for gasoline stocks to show a slight draw last week of around 250,000 barrels. The price action in July RBOB continues to favor the bear camp, with resistance at \$2.8000, then \$2.8268.

**HEATING OIL:** July heating oil prices registered a lower low in overnight action, but they have since climbed back into positive territory. However, July heating oil prices closed at their lowest level since October 7, 2011 in yesterday session, which marked a 13.9% decline in the month of May. In addition to concerns over global oil demand, heating oil prices might have also come under pressure from monthly demand data from the EIA that showed March distillate demand down 12.0% compared year ago levels. Expectations for this morning's EIA inventory data are for a build in distillate supplies last week of around 500,000 barrels. The downtrend pattern in July heating oil remains intact, with swing high resistance coming in at this week's high of \$2.8579. Meanwhile, this weeks more than \$0.10 decline and extremely oversold technical indicators leave the market vulnerable to a corrective rebound.

**TODAY'S ENERGY MARKET GUIDANCE:** The crude oil complex traded in a mixed fashion during the initial morning hours, as it tried to stabilize from yesterday's wide-range decline. July crude oil plunged nearly \$5.00 from this week's high into yesterday's low and extremely oversold technical conditions leave the market susceptible for a corrective rally. The product markets remain concerned over demand and will key in on this morning's EIA inventory data for a better gauge. Additionally, June RBOB and heating oil expire today, and that

could provide an added level of volatility during the session. US energy markets also face an active economic calendar, with a fresh look at jobs and Q1 GDP. A better than expected result on either front, coupled with technically oversold conditions and month-end today could inspire a bounce.

Weekly EIA Petroleum Estimates - Week Ending 5/25/2012 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	0.7	0.3	382.5	0.9
Distillates	0.3	-0.1	119.5	-0.3
Gasoline	0.1	-0.3	201	-3.3

**NATURAL GAS:** July natural gas prices registered a lower low in overnight action and appeared to be on track for their fifth consecutive negative close. Early morning weakness in July natural gas has brought prices down toward a shelf of support offered up by the early May congestion zone of \$2.338-\$2.362. Expectations for this morning's EIA storage report are for an injection of around 70 bcf, which compares to an increase of 89 bcf last year and the five year average of 100 bcf. If the injection falls short of year ago figures, it would be the seventh occurrence in eight weeks and could offer a measure of support. The natural gas market remains under a degree of pressure from the latest weather forecasts calling for below normal temperatures along the northeast coast for June 5 to June 9. These moderating weather forecasts are seen reducing air-conditioning demand for natural gas. The recent slide in July natural gas has taken prices down to a 61.8% retracement level of \$2.379, as well as a shelf of support at the \$2.338. We would expect any further weakness in this area to attract fresh buying interest.

**TODAY'S MARKET IDEAS:**

The crude oil complex remains in a downtrend pattern, but oversold technical conditions could foster a near term bounce. The natural gas market goes for its fifth consecutive lower close and continues to correct the April-May rally. The next shelf of support stands at a 61.8% retracement level of \$2.379, then \$2.338. Aggressive traders might consider buying a move above \$2.460 and risk a move below \$2.335.

**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) 05/31/2012: A crossover down in the daily stochastics is a bearish signal. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-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 84.72. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 89.22 and 91.85, while 1st

support hits today at 85.66 and below there at 84.72.

HEATING OIL (JUL) 05/31/2012: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 267.27. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 278.24 and 284.50, while 1st support hits today at 269.62 and below there at 267.27.

RBOB GAS (JUL) 05/31/2012: A crossover down in the daily stochastics is a bearish signal. 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 close below the 2nd swing support number puts the market on the defensive. The next downside objective is 269.27. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 281.19 and 287.47, while 1st support hits today at 272.09 and below there at 269.27.

NATURAL GAS (JUL) 05/31/2012: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 2.332. The next area of resistance is around 2.500 and 2.561, while 1st support hits today at 2.386 and below there at 2.332.

### 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	87.44	16.66	20.78	4.92	4.83	89.93	91.01	93.74	100.19	102.06
CLAQ2	87.78	16.57	20.59	4.96	4.91	90.24	91.30	94.02	100.52	102.39
HOAN2	273.93	15.73	19.63	3.96	2.65	2.80	2.83	2.90	3.06	3.11
HOAQ2	275.00	15.62	19.42	3.89	2.59	2.81	2.84	2.91	3.07	3.12
RBAN2	276.64	24.39	26.22	10.79	9.81	2.81	2.82	2.87	3.04	3.09
RBAQ2	270.85	21.88	23.80	9.92	9.07	2.76	2.77	2.82	2.99	3.04
NGAN2	2.443	38.80	44.46	59.73	34.05	2.57	2.67	2.60	2.43	2.47
NGAQ2	2.494	38.15	43.90	58.75	32.99	2.62	2.72	2.65	2.49	2.54

Calculations based on previous session. Data collected 05/30/2012

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	84.71	85.65	88.28	89.22	91.85
CLAQ2	Crude Oil	85.09	86.02	88.60	89.53	92.11
HOAN2	Heating Oil	267.26	269.62	275.88	278.24	284.50
HOAQ2	Heating Oil	268.44	270.78	276.87	279.21	285.30
RBAN2	RBOB Gas	269.27	272.08	278.37	281.19	287.47
RBAQ2	RBOB Gas	264.31	266.81	272.38	274.88	280.45
NGAN2	Natural Gas	2.331	2.385	2.446	2.500	2.561
NGAQ2	Natural Gas	2.383	2.436	2.499	2.552	2.614

Calculations based on previous session. Data collected 05/30/2012

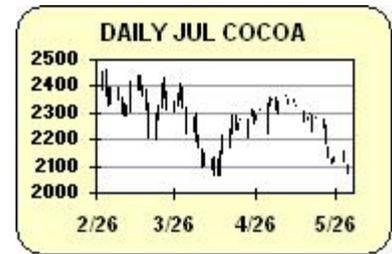
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### DAILY COCOA COMMENTARY

05/31/12

## Improving macro-economic sentiment lifts cocoa prices this morning.

July cocoa has extended yesterday's late recovery bounce into this morning's session, and is finding support from a mild revival of risk sentiment for commodity markets. While Euro zone debt problems continue to weigh on cocoa prices, a likely "yes" result for Ireland's EU fiscal treaty referendum should give the market an additional boost later on in the session when results start to come in. Yesterday's news that the International Cocoa Organization revised their global supply deficit forecast from 71,000 tonnes down to 43,000 tonnes has clearly dampen market sentiment, although their number is now roughly in-line with trade estimates received earlier this month. The ICO's upward revision in global cocoa production this season to 3.99 million tonnes may be a bit ambitious, however, as a large portion of this season's West African mid-crop harvest was delayed by dry weather earlier this year and has yet to reach market. Ghana's official purchases are 8% behind last season's pace and Ivory Cocoa port arrivals are less than 5,000 tonnes above last season's totals at this time, which has given further evidence of tightening near-term supplies. With more that \$300 in losses during the past three weeks and a still fairly large net-short fund position, July cocoa is likely to see a decent amount of end-of-month short covering during the course of today's trading.



**TODAY'S GUIDANCE:** July cocoa should continue to benefit from positive outside market factors this morning, and extend this current rebound up towards the \$2,105 level. However, cocoa prices will need a much stronger improvement in macro-economic sentiment in order to climb up beyond the \$2,133 level over the near-term.

### TODAY'S MARKET IDEAS:

July cocoa should find support around the \$2,060 level again this morning, with near-term resistance around the \$2,096 and \$2,128 levels.

### 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 (JUL) 05/31/2012: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 2155. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 2099 and 2131, while 1st support hits today at 2041 and below there at 2015.

## DAILY COFFEE COMMENTARY

05/31/12

### Positive outside market factors provides coffee with support.

July coffee has yet to fully benefit from this morning's recovery in macro-economic sentiment, although prices are staying clear of yesterday's fresh 22-month low. While mild strength in global equity markets and a sluggish Dollar should provide some well-needed support, coffee prices may be held in check until there are some positive signals from Euro zone trouble spots. Reports of improving coffee supplies from Indonesia have weighed on the LIFFE Robusta contract this morning, which in turn may apply some carryover pressure to ICE coffee during today's session. Reports of a dockworkers strike at the Brazilian port of Santos may only have a limited impact on the coffee market, as most of Brazil's upcoming record-sized crop will not be exported for



several more months. With July coffee down more than 14 cents during May going into this morning's session, there is a strong likelihood that end-of-month short-covering will give the market an additional boost this morning. ICE exchange coffee stocks were up 6,997 bags at 1.547 million as of May 30th, with 35,741 pending review.

**TODAY'S GUIDANCE:** Positive outside market factors and end-of-month short-covering should lift July coffee up towards the 167.50 level. However, the longer-term downtrend will remain intact and another new low for the move is likely to occur during the next several sessions.

**TODAY'S MARKET IDEAS:**

July coffee will find resistance this morning around the 166.25 level, and will have 160.50 as the next downside target.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COFFEE TECHNICAL OUTLOOK:**

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COFFEE (JUL) 05/31/2012: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 160.28. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 166.45 and 168.47, while 1st support hits today at 162.35 and below there at 160.28.

**DAILY COTTON COMMENTARY**

**05/31/12**

**Massive ending stocks situation hangs over market; more down**

The market remains in a steep downtrend and the high open interest suggests there could be increased volatility ahead. There is some supply uncertainty for the new crop season but global beginning stocks are at a record high and the USDA believes that world ending stocks for the 2012/13 season will increase by near 7 million bales to a whopping 73.75 million bales which is a new record high and represents 67.1% of annual usage. On top of the burdensome supply set-up, the market also faces uncertain demand as the weakening economies in Europe has traders considering revisions lower in usage as well. The surge in the US dollar to the highest level since August of 2010 plus a general risk off selling attitude from many fund traders has added to the negative tone. The market pushed to a more than 2-year low yesterday as sellers were active. Talk that China had no plans for another large stimulus plan helped to pressure. On top of the negative economic news coming out of Europe, there are rumors that China may be selling cotton out of their state reserves. If there were cancellations from China last week or this week, the cancellations will show up in the weekly sales reports released tomorrow morning or next Thursday. ICE exchange certified deliverable cotton stocks were unchanged at 132,663 bales from the previous session but down from 152,112 bales just two sessions ago.



**TODAY'S GUIDANCE:** Traders will monitor weekly sales news this morning. Outside market forces are slightly positive.

**TODAY'S MARKET IDEAS:**

July cotton selling resistance moves down to 72.40 with 68.70 as next downside target. December resistance is 71.44 with 65.75 as next objective.

**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) 05/31/2012: The market was pushed to a new contract low. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 68.57. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 72.29 and 74.10, while 1st support hits today at 69.53 and below there at 68.57.

**DAILY SUGAR COMMENTARY****05/31/12****High open interest and weak euro and Brazil currency; weak**

The market remains in a steep downtrend and the recent six-day consolidation has the appearance of a continuation pattern which could keep the trend down. Outside market forces are showing some positive action overnight but both New York and London sugar are flat. The market continues to find some selling pressure due to weak action for the Brazil and euro currencies which is encouraging exports and discouraging end user buying. July sugar closed slightly lower on the session yesterday but many traders saw the action as

somewhat positive given the sharp losses in the US stock market and the sharply lower trade in crude oil. A surge to the highest level since August of 2010 for the US dollar added to the negative tone early. The market managed to hold above Tuesday's lows and above last week's 22-month lows to experience an inside trading session. A stevedores strike at the largest Brazil shipping port of Santos could threaten near-term shipments of Brazil sugar. Brazil weather looks dry enough to encourage increased harvest activity over the near-term. Bangladesh has postponed a tender to buy 25,000 tonnes of white sugar because of high domestic stocks and stable prices. As a solution aimed at fighting obesity, New York is considering a ban on the sale of large-sized sugary drinks.



**TODAY'S GUIDANCE:** There is still no sign of a near-term low but the market is oversold and pressing the short-side seems a bit risky from the current level.

**TODAY'S MARKET IDEAS:**

July sugar resistance is at 19.96 and 20.15 with 19.17 as next objective. There is also some longer-term key support at 19.23.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 05/31/2012: Daily stochastics declining into oversold territory suggest the selling may be drying up

soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 19.23. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 19.64 and 19.86, while 1st support hits today at 19.32 and below there at 19.23.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/31/2012: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 115.05. The next area of resistance is around 113.00 and 115.05, while 1st support hits today at 108.70 and below there at 106.40.

### 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	19.48	26.10	28.41	8.07	3.82	19.55	19.91	20.22	21.56	22.11
CTAN2	70.91	21.52	23.34	6.95	6.70	72.82	74.38	78.44	85.75	86.73
CCAN2	2070	26.30	33.64	7.94	2.25	2098.75	2159.22	2234.28	2231.69	2260.10
OJAN2	110.85	42.55	37.40	23.99	33.47	110.28	107.52	112.92	134.44	144.61
KCAN2	164.40	23.85	30.16	8.96	2.87	166.13	171.14	173.90	178.24	180.45
MAK2	15.28	60.33	54.88	87.16	91.47	15.26	15.23	15.21	15.16	15.19

Calculations based on previous session. Data collected 05/30/2012

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### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>SOFTS MARKETS COMPLEX</b>						
SBAN2	Sugar	19.22	19.32	19.54	19.64	19.86
CTAN2	Cotton	68.56	69.52	71.33	72.29	74.10
CCAN2	Cocoa	2015	2041	2073	2099	2131
OJAN2	Orange Juice	106.35	108.65	110.70	113.00	115.05
KCAN2	Coffee	160.27	162.35	164.37	166.45	168.47
MAK2	Milk	15.28	15.28	15.28	15.28	15.28

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