CWA Global Markets
Commodities › Equities › FX

Broker Report
Friday, 26 August 2010

Summary of overnight US trading session

Symbol	Market	Settlement	24hr change	24hr change %	Open*	Low*	High*
INDU Index	DOW JONES INDUS. AVG	9985.81	74.25	-0.74%	10059.9	9968.1	10104.71
SPX Index	S&P 500 INDEX	1047.22	8.11	-0.77%	1056.28	1045.4	1061.45
NDX Index	NASDAQ 100 STOCK INDX	1769.02	21.86	-1.22%	1797.35	1767.85	1800.62
VIX Index	CBOE SPX VOLATILITY INDX	27.37	0.67	2.51%	26.45	25.86	27.55
GCV0 Comdty	GOLD 100 OZ FUTR Oct10	1236.4	3.50	-0.28%	1237.3	1233.8	1244.5
SIZ0 Comdty	SILVER FUTURE Dec10	19.022	0.050	-0.26%	19.105	18.93	19.21
CLX0 Comdty	WTI CRUDE FUTURE Nov10	74.22	0.98	1.34%	74.22	73.26	74.82
NGV0 Comdty	NATURAL GAS FUTR Oct10	3.843	0.053	-1.36%	3.850	3.82	3.95
HOV0 Comdty	HEATING OIL FUTR Oct10	202.36	3.80	1.91%	200.95	198	203
W Z0 Comdty	WHEAT FUTURE(CBT) Dec10	688.500	8.000	1.18%	692.750	687.000	696.000
C Z0 Comdty	CORN FUTURE Dec10	432.000	12.000	2.86%	425.500	425.500	434.750
S X0 Comdty	SOYBEAN FUTURE Nov10	1014.500	15.500	1.55%	1009.000	1005.500	1016.000
KCZ0 Comdty	COFFEE 'C' FUTURE Dec10	172.4	5.80	3.48%	168	167.25	173.8
JOU0 Comdty	FCOJ-A FUTURE Sep10	134.1	2.25	-1.65%	136.4	132.95	137.25
CCZ0 Comdty	COCOA FUTURE Dec10	2740	12.00	-0.44%	2773	2734	2783
SBV0 Comdty	SUGAR #11 (WORLD) Oct10	19.27	0.76	-3.79%	19.99	19.23	20.04
CTV0 Comdty	COTTON NO.2 FUTR Oct10	89.24	1.09	1.24%	88.63	88.54	89.59
LCV0 Comdty	LIVE CATTLE FUTR Oct10	98.525	0.15	-0.15%	98.850	98.200	98.900
DXY Index	DOLLAR INDEX SPOT	82.884	0.38	-0.45%	83.175	82.622	83.259

* For the gold, silver, crude oil, natural gas and heating oil markets, the open/high/low price reflects those values scored over the 24 hours prior to the settlement of the New York day session. The open/high/low prices for the equity indices and the agricultural commodity markets reflect the values scored during the day sessions at the respective exchanges.

US Stocks

U.S. stocks fell, sending the Dow Jones Industrial Average to its first close below 10,000 since July 6, and Treasuries rose as concerns about the recovery wiped out early gains in equities after jobless claims dropped. The Dow lost 0.7 percent to 9,985.81, while the Standard & Poor's 500 Index slipped 0.8 percent to a seven-week low of 1,047.22 at 4 p.m. in New York. Treasury 10-year notes gained, pushing the yield down 6 basis points to 2.48 percent, after a $29 billion auction of seven-year debt sold at a record-low yield. The dollar depreciated against most major currencies, while oil climbed for a second day. Global equities erased an early advance after a Spanish court ruled that some of the government's tax-collection methods are illegal, El Economista reported, prompting speculation that Spain will struggle to cut its deficit. U.S. stocks also retreated as the Federal Reserve Bank of Kansas City said manufacturing in the region slowed, adding to pressure on Fed Chairman Ben S. Bernanke to do more to safeguard the recovery. "Truth be told, the macro situation is deteriorating in the U.S. and the Fed is not ready to take the next step," said Barry Knapp, the chief U.S. equity strategist at Barclays Capital Inc. in New York.

The earlier rally in stocks came after the U.S. Labor Department said first-time jobless claims fell to 473,000, the first drop in a month and a bigger decrease than the median forecast of 490,000 in a Bloomberg survey of economists. The jobless-claims report came a day before the Commerce Department releases data on the economy. U.S. gross domestic product probably expanded at a 1.4 percent pace in the second quarter, slower than the 2.4 percent rate calculated last month, according to a Bloomberg survey. Bernanke will discuss the outlook for the economy tomorrow at the central bank's annual symposium in Jackson Hole, Wyoming. The speech is "critical" as investors want to see policy makers resume quantitative easing, Geoffrey Yu, a London- based currency strategist at UBS AG, wrote in a report today. Treasuries also gained after the U.S. sold $29 billion of seven-year debt in the last of four auctions this week totaling $109 billion. The auction drew a record-low yield of 1.989 percent, compared with the average forecast of 2.002 percent in a Bloomberg News survey. The Fed bought $1.7 trillion of mortgage and government debt from March 2009 through March of this year in a practice known as quantitative easing to keep borrowing costs low while the economy recovered from the worst economic slump since the Great Depression.

Birinyi Associates Inc. lowered its year-end forecast for the S&P 500 by 7.5 percent to 1,225, saying companies from Wal- Mart Stores Inc. to Procter & Gamble Co. are unlikely to erase their declines this year. The new estimate implies a 17 percent advance from today's closing price and a full-year increase of 9.9 percent. There's a 20 percent chance the benchmark gauge for U.S. stocks will trade in a range of 1,000 to 1,150, buoyed by corporate buybacks and mergers while dragged down by slower economic growth, according to the report by the research and money-management firm founded by Laszlo Birinyi. Spanish 10-year bond yields rose 3 basis points to 4.02 percent and the premium investors demand to own the debt instead of German bunds widened to 186 basis points, hovering near a six-week high. The Spanish government may see "a few hundred million euros" in tax revenue delayed after a court ruled that its system of auditing sales tax was illegal, denying a claim that the figure was more than 5 billion euros ($6.4 billion), a spokesman for the tax agency said. The government will resubmit those tax bills affected to eventually collect the money, the spokesman said.

European equity indexes trimmed gains spurred by earnings at Credit Agricole SA and L'Oreal SA. The Stoxx Europe 600 Index rebounded from a five-week low, rising 0.9 percent. Credit Agricole rallied 2.7 percent, while L'Oreal, the world's largest cosmetics maker, rose 3.9 percent. Kazakhmys Plc, Kazakhstan's biggest copper producer, advanced 5.2 percent, leading basic- resources companies to the largest gain among the 19 industry groups in the Stoxx 600. The MSCI World Index of stocks in 24 developed nations climbed 0.3 percent, trimming a gain of as much as 1.2 percent, while the MSCI Asia Pacific Index advanced 0.6 percent. Woolworths Ltd., Australia's biggest retailer, rose 2.4 percent after it forecast increased earnings and said it will buy back shares. Air New Zealand Ltd. gained 4.1 percent after reporting higher profit.

The yen depreciated 0.5 percent to 107.61 per euro, while the dollar weakened 0.4 to $1.2710 per euro. The dollar fell against all but one of 16 of its most traded counterparts, while the yen slipped against 11. Zinc led gains in commodities, rising 4.3 percent on the London Metal Exchange, the first increase in six sessions. Copper for delivery in December jumped 2.5 percent on the Comex in New York, the first gain in three days. Rubber, coffee and wheat also climbed. Crude oil for October delivery gained 1.2 percent to $73.36 a barrel on the New York Mercantile Exchange. Yesterday oil rose 1.2 percent to snap a five-day decline and rebounded from an 11-week low. Russia's Micex Index advanced 1.6 percent, the first increase in three days, and the ruble strengthened 0.8 percent against the dollar. South Africa's rand appreciated 0.4 percent as rising gold and platinum prices boosted the outlook for export earnings. The Philippine Stock Exchange Index jumped 1.2 percent, the most in seven weeks, after economic growth unexpectedly accelerated last quarter to the fastest pace in three years.

U.S. stocks fell, sending the Dow Jones Industrial Average below 10,000 for the first time in seven weeks, as concern about Spain's fiscal stability and a slowdown in manufacturing wiped out early gains triggered by a drop in jobless claims. Guess? Inc. retreated 11 percent after its forecast trailed analyst estimates. Cisco Systems Inc. and International Business Machines Corp. lost the most in the Dow as 28 of the gauge's 30 companies retreated after a court ruled Spain's method of auditing sales tax was illegal and the Federal Reserve Bank of Kansas City said manufacturing growth stalled in the region. The Standard & Poor's 500 Index fell 0.8 percent to 1,047.22 as of 4 p.m. in New York. The Dow lost 74.25 points, or 0.7 percent, to 9,985.81. It was the lowest close since July 6 for both gauges. Decliners outnumbered advancers by more than two to one on U.S. exchanges. "We've always expected this mid-year deceleration of the economy, and you see that in the Kansas City data," said Stephen Wood, the New York-based chief market strategist for Russell Investments, which manages $140 billion. "There's very soft demand for risk at this point. It's not insignificant money either in terms of Spain." The S&P 500 has tumbled 14 percent from its 2010 high on April 23, amid concern the economic recovery is slowing. Stocks rose yesterday for the first time in five days as investors speculated the drop overshot the potential damage from a slowdown in the economy.

Stocks advanced early in today's session after applications for jobless benefits fell by 31,000, more than forecast, last week, easing concern American employers are again slashing payrolls as the economy slows. Claims dropped to 473,000 in the week ended Aug. 21, Labor Department figures showed today in Washington. Equities erased gains after El Economista reported that a Spanish court voided 5.1 billion euros ($6.5 billion) in value- added tax collected in past years, spurring concern that the ruling may worsen the European debt crisis. A spokesman for the government denied the report on El Economista's website. The Spanish government may see "a few hundred million euros" in tax revenue delayed after a court ruled that its system of auditing sales tax was illegal, a spokesman for the tax agency said. Stocks also retreated after the Kansas City Fed said manufacturing slowed in August, with no companies reporting month-over-month increases, spurring concern about a slowdown in the economic recovery.

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Guess? Inc., the Los Angeles-based clothing designer and retailer, late yesterday reiterated its fiscal 2011 forecast for profit of $2.80 to $2.85 a share, excluding items. Analysts were looking for profit of $2.91 for the year ending in January, the average of estimates compiled by Bloomberg. The shares fell 11 percent to $34.14. Technology shares slumped the most out of 10 groups in the S&P 500, as JDS Uniphase Corp. fell 4.7 percent to $9.74. The maker of fiber-optic equipment reported fourth quarter revenue of $390.9 million, missing the average analyst estimate in a Bloomberg survey of $400.2 million. Energy companies decreased second-most of 10 groups in the S&P 500. Natural gas futures fell to an 11-month low after an Energy Department report showed that U.S. stockpiles rose more than forecast last week. Marathon Oil Corp., the fourth-largest U.S. energy producer, fell 1.8 percent to $30.21. ConocoPhillips, the third-largest U.S. oil company, slumped 2 percent to $52.41.

Cephalon Inc. lost 2 percent to $56.63 after it announced Frank Baldino Jr., the company's founder and chief executive officer, will take an immediate leave of absence for medical reasons. Patterson Cos. fell 4.9 percent to $25.36. The maker of medical supplies reported sales of $849.8 million in the fiscal first quarter, trailing the average analyst estimate of $853.7 million. Raw materials stocks comprised the only industry group to rally out of 10 in the S&P 500 as copper and aluminum climbed on the London Metal

Exchange. Freeport, the world's largest publicly traded copper producer, added 0.7 percent to $67.11. Boeing Co. rose 0.9 percent to $61.32. Goldman Sachs Group Inc. raised its fourth-quarter earnings estimate for the Chicago-based planemaker to $1.15 from $1.12 per share. Boeing, which is struggling with delays on the 787 Dreamliner, may improve its profit margins as volume increases and research expenses decline, Goldman said.

Crude oil advanced as concern eased about the labor market after the jobless claims report. Anadarko Petroleum Corp. climbed 0.5 percent to $46.96 as oil increased for a second day, rising 1.2 percent to $73.36 a barrel in electronic trading on the New York Mercantile Exchange. Monster Worldwide Inc. rose second-most in the S&P 500, gaining 4.7 percent to $10.70. SunTrust Robinson Humphrey advised investors to buy shares of the world's largest online- recruiting company, citing "the increasing reliance that employers are placing on staffing companies as they shift their labor costs in favor of flexibility."

Precious Metals

Gold futures fell from the highest price in eight weeks as a rally in global equities eased demand for the precious metal as a haven. The MSCI World Index of equities rose as much as 1.2 percent after a report showed applications for unemployment benefits in the U.S. fell more than forecast last week. Gold futures have gained 13 percent this year. "Gold is working off perceived fear," said Frank McGhee, the head dealer at Integrated Brokerage Services LLC in Chicago. "Gold will come off when the economic data is better than expected." Gold futures for December delivery fell $3.60, or 0.3 percent, to settle at $1,237.70 an ounce at 1:33 p.m. on the Comex in New York. Earlier, the most-active contract reached $1,246, the highest price since June 30. Gold's all-time high was $1,266.50 on June 21. The Standard & Poor's 500 Index rose as much as 0.6 percent following the jobless benefits report before erasing gains. This year, the gauge tumbled 5.4 percent through yesterday as investors sold equities on concern that the economic recovery is slowing. "When you see the economy recovering and equities rallying, the flight-to-quality crowd will start to put the brakes on gold," said Adam Klopfenstein, a senior market strategist at Lind-Waldock in Chicago.

Orders for durable goods in the U.S. increased less than forecast in July while sales of new homes unexpectedly dropped, reports showed yesterday. "As long as U.S. economic releases continue to come in below expectations there is little risk of falling gold prices," said Filip Petersson, an analyst at Stockholm-based bank SEB AB. Gold may outperform other haven assets such as bonds, said Matt Zeman, a metals trader at LaSalle Futures Group in Chicago. The yield on the 10-year U.S. Treasury note yesterday touched the lowest level since January 2009. "If yields continue to fall, owning gold is cheap right now," Zeman said. Silver futures for December delivery fell 5 cents, or 0.3 percent, to $19.022 an ounce on the Comex. Platinum futures for October delivery gained $12.50, or 0.8 percent, to $1,539.90 an ounce on the New York Mercantile Exchange. Palladium futures for December delivery advanced $10.80, or 2.2 percent, to $504.30 an ounce, also on the Nymex.

Gold may extend gains from an eight- week high in New York as a weaker dollar and growing concerns that the economy is sputtering spur demand. Silver also climbed to an eight-week high. The dollar fell for a second day against the euro on speculation central bankers will signal their intention to maintain stimulus measures. Gold futures, which usually move inversely to the greenback, are 1.8 percent below a record. Orders for durable goods in the U.S. increased less than forecast in July while sales of new homes unexpectedly dropped, reports showed yesterday. "As long as U.S. economic releases continue to come in below expectations there is little risk of falling gold prices," said Filip Petersson, an analyst at Stockholm-based bank SEB AB. "The fact that the dollar appears to have lost momentum is also supportive." Gold futures for December delivery added as much as $4.70, or 0.4 percent, to $1,246 an ounce on the Comex in New York, the highest price since June 30. Prices were at $1,244.30 at 8:01 a.m. local time. Bullion for immediate delivery in London was

0.2 percent higher at $1,242.65. Bullion rose to $1,240.25 an ounce in the morning "fixing" in London, used by some mining companies to sell output, from $1,237.50 at yesterday's afternoon fixing. The dollar slipped as much as 0.7 percent against the euro today. Federal Reserve Chairman Ben S. Bernanke, European Central Bank President Jean-Claude Trichet, and Bank of Japan Governor Masaaki Shirakawa are all scheduled to attend the Fed's annual symposium at Jackson Hole, Wyoming, which starts today. Bernanke will discuss the outlook for the economy at the conference.

Gold strengthened 14 percent this year, reaching an all- time high of $1,266.50 an ounce on June 21, as investors sought to protect their wealth against financial turmoil in Europe and the prospect of slowing economic growth. Nouriel Roubini, the New York University economist who predicted the global financial crisis, said U.S. growth will be "well below" 1 percent in the third quarter and put the odds of a renewed recession at 40 percent. "Strong momentum will continue into next week as fears of a hard landing for the global economy are growing bigger," Hwang Il Doo, a Seoul-based senior trader with KEB Futures Co., said today. "The market is on the lookout for more indicators that may suggest the global economy is cooling." A Labor Department report today may show initial claims for U.S. jobless benefits declined to 490,000 last week from a nine- month high of 500,000 the previous week, according to economists surveyed by Bloomberg.

The ratio of gold to silver dropped to a three-week low after gold's rally to the highest level in eight weeks prompted some investors to buy the white metal. An ounce of gold bought as little as 64.96 ounces of silver today, the lowest amount since Aug. 5, according to Bloomberg calculations. Silver has outperformed the yellow metal since Aug. 23, gaining 6 percent compared with gold's 1.4 percent gain, as investors bought the white metal because of its relative cheapness to gold. "Silver is unique in that it is a precious metal and an industrial metal," Wallace Ng, executive director of commodities at ABN Amro Bank NV in Hong Kong, said today. "Gold is traditionally viewed as a safe haven but silver is never far behind as a second choice." Silver for immediate delivery rose as much as 1.1 percent to $19.11 an ounce, the highest price since June 28, and last traded at $19.0525 at 3:33 p.m. in Singapore. Gold was little changed today after climbing as high as $1,241.50 an ounce yesterday, the highest price in eight weeks. Holdings in the iShares Silver Trust, the biggest exchange- traded fund backed by silver, increased on Aug. 24 for the first time in six weeks. The metal doubles as a store of value for investors concerned about the economy and as a raw material. Industrial applications including electrical conductors and batteries account for about half of demand.

"Silver is looking cheap and we're seeing strong investment demand for small ingots, as well as good industrial demand from solar-panel makers," Dick Poon, Hong Kong-based manager of precious metals trading at Heraeus Ltd., said today. The solar industry will consume up to 1,500 metric tons (48 million ounces) this year, Poon estimates. "Even if investors are expecting another downturn, there will always be demand for alternative sources of energy," said Poon. "We could see prices back up above $20 very soon." Silver last traded at more than $20 in March 2008. Silver lagged behind gold this month through Aug. 23, losing 0.1 percent compared with the yellow metal's 3.8 percent gain in the period, as investors turned to bullion to preserve wealth on concerns that the global economic recovery was weakening. "We're bullish on both silver and gold," said ABN's Ng. "Even though we've see more festival demand from India in the past few years because of higher gold prices, silver can never replace gold in that market. They may buy less, but they will still buy gold and that should keep prices supported." The wedding season in India, the world's largest gold consumer, runs from November to December and from late March through early May.

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Energy

Crude oil rose for a second day as applications for U.S. unemployment benefits dropped more than forecast, easing concern about the labor market amid other signals the economy is slowing. Oil jumped 1.2 percent after the Labor Department in Washington reported initial jobless claims fell for the first time in a month in the week ended Aug. 21. The dollar weakened against the euro, boosting commodities' appeal as an alternative investment. Crude touched an 11-week low of $70.76 yesterday. "We have a weaker dollar and better-than-expected jobs data," said Adam Sieminski, chief energy economist at Deutsche Bank AG in Washington. "If people really believe that the trading range for oil is $70 to $80, then you're kind of reverting back to $75." Crude oil for October delivery rose 84 cents to settle at $73.36 a barrel on the New York Mercantile Exchange. The consecutive gains were the first in three weeks. Prices have dropped 11 percent since Aug. 3. They have risen 2.7 percent in the past year. Jobless claims declined by 31,000 last week to 473,000. The figure was forecast to drop to 490,000, based on the median estimate of 48 economists surveyed by Bloomberg News. The dollar traded at $1.2713 per euro at 3:09 p.m. in New York, down 0.4 percent from $1.2659 yesterday. The Reuters/Jefferies CRB Index of 19 commodities advanced 0.9 percent to 264.04, the first increase in seven days. Eleven of the commodities gained.

"The market may be viewing $71 as a bit oversold," said Jason Schenker, president of Prestige Economics LLC in Austin, Texas. "The dip below $71 yesterday triggered some good buying." Yesterday, oil rebounded from the lowest level since June 7 to settle up 1.2 percent, snapping a five-day decline. Oil's 14- day relative strength index was at 39.18 at 3:10 p.m., up from 30.6 two days earlier. A reading of 30 or lower indicates that prices are oversold and may rally. Oil's gain came even as crude stockpiles rose 4.11 million barrels to 358.3 million barrels last week, according to a report yesterday from the Energy Department. Inventories were forecast to climb 300,000 barrels, according to the median of 17 analyst responses in a Bloomberg news survey. Overall petroleum stockpiles, a combination of oil and fuel supplies, climbed 8.92 million barrels, or 0.8 percent, to 1.14 billion, the highest level in at least 20 years. Total products supplied, a measure of demand, fell 1.2 percent last week to 19.4 million barrels a day. "The underlying situation hasn't changed," said Gene McGillian, an analyst and broker at Tradition Energy in Stamford, Connecticut. "The fundamentals remain very weak, demand doesn't look good and stockpiles of crude and products were at a record high for a second week."

The National Association of Realtors reported this week that purchases of existing U.S. homes tumbled 27.2 percent in July to a 3.83 million annual rate, lower than all 74 estimates in a Bloomberg survey of economists. "If the economy continues to slow and inventories go much higher, the price will have to fall below $70 before long," said Michael Lynch, president of Strategic Energy & Economic Research in Winchester, Massachusetts. "The jobless numbers were better than expected, but we have a long way to go before we see job growth, which is what we need." Analysts at Barclays Capital Plc trimmed their forecasts today for West Texas Intermediate and Brent crude prices in 2010 and 2011, citing weaker-than-expected economic data.

Barclays reduced its estimate for WTI and Brent in 2010 to $78 a barrel from $82. For 2011, the bank forecasts WTI and Brent to average $85. New York futures have averaged $78.07 this year through yesterday. Brent has averaged $77.89. Brent crude oil for October settlement increased $1.54, or 2.1 percent, to settle at $75.02 a barrel on the London-based ICE Futures Europe Exchange, a one-week high. Brent was $1.66 a barrel more expensive than New York futures. It was Brent's strongest premium to the U.S. oil since June 17, when comparing contracts closest to expiration. Kuwait is satisfied with oil prices and expects them to pick up in the fourth quarter, Oil Minister Sheikh Ahmad al- Abdullah al-Sabah said yesterday. Kuwait and the United Arab Emirates tied last month as the fourth-largest oil producer in the Organization of Petroleum Exporting Countries, according to Bloomberg data.

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OPEC will reduce crude shipments by 0.3 percent to the middle of next month as refiners cut imports while they conduct maintenance, tanker-tracker Oil Movements said today. OPEC, which supplies about 40 percent of the world's crude oil, will ship 23.38 million barrels a day in the four weeks to Sept. 11, down from 23.45 million in the month to Aug. 14, the Halifax, England-based consultant said today in a report. The data exclude Ecuador and Angola. Oil volume in electronic trading on the Nymex was 716,998 contracts as of 3:14 p.m. in New York. Volume totaled 595,803 contracts yesterday, 3 percent below the average of the past three months. Open interest was 1.25 million contracts.

Iraqi oil exports by pipeline from the northern Kirkuk fields to the Turkish port of Ceyhan resumed after a bombing halted the flow of crude, according to an official for North Oil Co. Flows in the pipeline returned today to their normal level of 450,000 barrels of oil a day, Imad Baqer, head of the Iraqi state company's production department, said by telephone. The pipeline, which carries about a quarter of Iraq's total crude exports, was hit by an explosive charge near the northern city of Mosul last Friday, he said. Exports from the Kirkuk-Ceyhan pipeline were also halted briefly in early July after sabotage by Kurdish rebels on the Turkish side, an official from the Turkish state pipeline company Botas said on condition of anonymity on July 5. Attacks on the Iraqi side are more frequent. The pipeline runs through a region where al-Qaeda and other armed groups operate. Iraq, which has the world's third-largest oil reserves, produces about 2.4 million barrels of crude a day, according to Bloomberg estimates. Insurgents have targeted its oil installations since the 2003 U.S.-led invasion.

Natural gas futures fell to an 11- month low after an Energy Department report today showed that U.S. stockpiles rose more than forecast last week. Gas supplies gained 40 billion cubic feet in the week ended Aug. 20 to 3.052 trillion, the report showed. Analyst estimates compiled by Bloomberg showed an increase of 38 billion, as did a separate survey of Bloomberg users. The price decline was exaggerated by technical trading signals, said Guy Gleichmann, the president of WaveLength Energy in Pompano Beach, Florida. "This selling is overkill," Gleichmann said. "It's happening against a backdrop of bad price charts and weak economic data." Natural gas for September delivery dropped 5.4 cents, or 1.4 percent, $3.817 per million British thermal units, the lowest settlement price since Sept. 28. Gas prices have declined 7.3 percent this week. Gas futures have been trading below the 100-day moving average since Aug. 9. Last week's storage increase was smaller than the five-year average gain of 59 billion, department data showed. A surplus to the five-year average narrowed to 6.2 percent from 7 percent the previous week. A deficit to year-earlier supplies widened to 6.1 percent from 5.8 percent. U.S. gas inventories at the end of October will reach 3.752 trillion cubic feet, the Energy Department said in its monthly Short-Term Energy Outlook on Aug. 10. Stockpiles rose to a record 3.837 trillion last November.

The number of rigs drilling for natural gas in the U.S. fell by seven to 985 last week; according to data from oil-field service company Baker Hughes Inc. Few storms have emerged to disrupt gas pipelines and platforms in the Gulf of Mexico. The National Oceanic and Atmospheric Administration earlier this month reduced its 2010 Atlantic hurricane forecast to 14 to 20 named storms from an earlier estimate of 14 to 23. Hurricane Danielle and Tropical Storm Earl in the Atlantic Ocean will probably bypass the Gulf, according to Weather Underground. A low-pressure system in the Gulf of Mexico is unlikely to intensify into a tropical cyclone, according to MDA Federal Inc.'s EarthSat Energy Weather in Rockville, Maryland. "Low pressure may form in the coming days across the Bay of Campeche, but models are bearish on tropical development as of now," MDA forecasters wrote in a note to clients. Hot weather in the Northeast and South Central U.S. may boost power-plant demand for natural gas. High temperatures in New York will be above-normal every day next week, according to AccuWeather.com Wholesale natural gas at the benchmark Henry Hub in Erath, Louisiana, fell 14.02 cents, or 3.5 percent, to $3.8526 per million Btu on the Intercontinental Exchange. Gas futures volume in electronic trading on the Nymex was 234,389 as of 4:34 p.m., compared with a three-month average of 261,000. Volume was 285,499 yesterday. Open interest was 832,768 contracts, compared with the three-month average of 808,000. The exchange has a one-business-day delay in reporting open interest and full volume data.

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Grains

Corn and soybeans gained the most this month as reduced global production increases demand for supplies from the U.S., the biggest producer and exporter of the crops. U.S. exporters sold 1.694 million metric tons of corn last week for delivery in the year starting Sept. 1, more than double the year-earlier total, the government said today. In the previous week, sales were 2.293 million tons, the most in 15 years. Soybean sales for delivery after Sept. 1 have already topped 14.7 million tons, the most ever before the start of a new marketing year. "Exports were better than people were expecting as prices rose last week," said Mark Schultz, the chief analyst for Northstar Commodity Investment Co. in Minneapolis. "Demand is relentless for U.S. supplies." Corn futures for December delivery rose 12 cents, or 2.9 percent, to close at $4.32 a bushel at 1:15 p.m. on the Chicago Board of Trade, the biggest gain since July 30. The most-active contract, which reached a 13-month high of $4.39 on Aug. 5, has gained 6.2 percent this month after Russia halted grain export for the rest of the year because of drought. Soybean futures for November delivery rose 15.5 cents, or 1.6 percent, to close at $10.145 a bushel in Chicago, also the biggest increase since July 30. Yesterday, the price dropped to $9.935, the lowest level this month. On Aug. 5, the oilseed reached a seven-month high at $10.49.

Hot, dry weather in August has reduced the yield potential for crops that the U.S. Department of Agriculture predicts will be the biggest ever, said Dale Durchholz, the senior market analyst for AgriVisor LLC in Bloomington, Illinois. Corn production will reach 13.365 billion bushels, up 1.9 percent from last year's record the USDA said in an Aug. 12 report. A soybean crop of 3.433 billion bushels was projected, up 2.2 percent. August temperatures in August have been 4.3 degrees Fahrenheit above normal in the Midwest, said Gail Martell, the president of MartellCropProjections.com in Whitefish Bay, Wisconsin. The heat can impede corn kernels from converting sugars into starch. Below-normal August rainfall in soybean-growing areas from northeast South Dakota to northeast Ohio may also reduce yields, Martell said today in a report. "The corn and soybean yields are going to be below the USDA forecasts," Durchholz said. "The market is looking ahead to a tightening supply-and-demand situation" after the peak of harvesting is completed in late September and early October, Durchholz said. Corn is the biggest U.S. crop, valued at $48.6 billion in 2009, followed by soybeans at $31.8 billion, government figures show.

Wheat rose for the first time in three days after the International Grains Council cut its global production forecast, signaling increased demand for U.S. supply. The world harvest in the current marketing year will total 644 million metric tons, down 1.1 percent from last month's estimate, because of dry weather in Russia, Ukraine and Australia and excessive rain in part of the European Union, the IGC said today in a statement. Wheat prices have rallied 50 percent since the end of May on prospects for reduced output. "We have too much moisture in Germany and not enough moisture in Russia," said Darrell Holaday, the president of Advanced Market Concepts in Manhattan, Kansas. "We've seen an increase in exports. We finally have people turning to the U.S. for wheat." Wheat futures for December delivery rose 8 cents, or 1.2 percent, to close at $6.885 a bushel at 1:15 p.m. on the Chicago Board of Trade. Russia suffered through its worst drought in at least 50 years, and in early August said it would prohibit grain exports through the end of the year to protect domestic supplies. Last year, Russia tied with Canada as the second-biggest wheat exporter, behind the U.S. The price also gained after Russia said today that sowing of winter crops has been delayed because of the drought. Farmers have planted 484,900 hectares (1.2 million acres), or about half the total at this time last year, the Agriculture Ministry said in an e-mailed report. Russia also may import as much as 6 million tons of grain in the marketing year that ends in June 2011, SovEcon said today. Wheat imports may total 1.5 million tons and barley purchases may be 1.8 million tons, SovEcon said. Wheat is the fourth-biggest U.S. crop, valued at $10.6 billion in 2009, behind corn, soybeans and hay, government data show.

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Live Cattle

Chicago Mercantile Exchange live cattle contracts settled mostly higher Thursday on short covering and high-priced Chicago Board of Trade corn futures. Pit-traded feeder cattle ended moderately higher while lean hogs at the CME closed lower. Live cattle futures vacillated throughout the morning as some in the pit targeted August and October, which were bullishly underpriced compared with this week's cash-cattle results. Cash-basis cattle this week for the most part fetched $99 to $99.50, compared with mainly $98 to $100 last week. Others, however, sold into front-month advances because of talk that those who sell cash cattle may be moving them to market ahead of time to take advantage of this week's cash prices. Those sentiments, and CBOT corn's surge, sparked spreading out of October into December and April, a CME live cattle trader said. Expensive corn may discourage cattlemen for expanding their herds, which could ultimately support cash cattle prices. Spreads involve trading two or more months simultaneously while capitalizing on the price differences between them. Spot August live cattle ended down 0.17 cent a pound, or 0.2%, at 98.42 cents. Most-actively traded October finished down 0.15 cent, or 0.2%, at 98.52 cents. December live cattle closed up 0.37, or 0.4%, at 100.65 cents. February ended 0.70 cent higher, or 0.7%, at 101.15 cents. Distant CME live cattle futures gains also lifted feeder cattle contracts at the exchange. Spot August feeders settled up 0.17 cent, or 0.2%, at 114.92 cents after expiring from trading at 1 p.m. EDT. September, the new lead month, finished at 116.67 cents, up 0.27 cent or 0.2%.

Pit-traded CME hogs ended lower on bearish market fundamentals and profit taking in the deferred contracts. Lean hogs sank from the start in sympathy with wholesale pork prices Wednesday, which slid $1.42 per hundredweight. Generally lower cash hog prices Thursday exerted added market pressure. Staunch bearish traders, and recent converts, anticipate that recently strong fundamentals will continue to weaken as grocers purchase less fresh pork as the Labor Day holiday approaches. Furthermore, it appears more hogs are winding up at packing plants following a cooling in temperatures in the Midwest that increased hog weight gains in the region, which could weigh on cash prices. Thursday afternoon's estimated livestock slaughter item showed 412,000 hogs were processed Thursday, which put this week's overall hog kill at 1.640 million head, compared with 1.618 million last week. October and December hog contracts spiralled downward after both months surrendered key technical support levels immediately after the opening bell. The move touched off pre-placed orders to sell and fund selling. October earlier fell through its 76.54-cents 10-day, 76.32-cents 20-day and 75.98-cents 40-day moving average support floors. December gave up 74.20-cents 10-day and 73.91-cents 20-day moving average support turf. Spot October settled at 75.80 cents a pound, off 1.30 cents or 1.7%. Nearby December ended down 1.20 cents, or 1.6%, at 73.57 cents.

Softs

Sugar fell the most in more than three weeks in New York after an industry group forecast global production will exceed demand next year. Coffee gained. The output surplus will be 3.2 million metric tons during the 2010-2011 crop year that begins Oct. 1, compared with a shortage of 4.9 million tons a year earlier that eroded inventories, the International Sugar Organization said yesterday. Sugar futures had rallied 27 percent since the end of April. "Rising output will depress prices," said Hank King, a senior broker at Olympus Futures in Chicago. Raw sugar for October delivery plunged 0.76 cent, or 3.8 percent, to settle at 19.27 cents a pound at 2 p.m. on ICE Futures U.S. in New York, the biggest drop for a most-active contract since Aug. 3. On NYSE Liffe in London, refined-sugar futures for October delivery fell $17, or 2.9 percent, to $569.90 a metric ton, the biggest decline since Aug. 9. "White, refined sugar from Europe and north Brazil will start to be available soon, from October onwards," Naim Beydoun, a broker

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and analyst at Rolle, Switzerland-based Swiss Sugar Brokers, said today in an e-mail. Output in Brazil's Center South, the world's largest producing region, will rise less than previously forecast this year after dry weather hurt the crop, an industry association, Unica, said today. Production will rise to 33.7 million tons from the current crop, less than a March 31 forecast of 34.1 million, Unica said. A year earlier, output was 28.6 million. Arabica coffee for December delivery gained 5.8 cents, or 3.5 percent, to $1.724 a pound in New York, rising the most since June 24. In London, robusta-coffee futures increased $6, or 0.4 percent, to $1,597 a ton on NYSE Liffe, climbing for the first time in four days.

Source: Bloomberg News

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