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Today's Market News

The complex was primarily lower overnight as the market gave back some of yesterday's solid gains. Markets have recovered somewhat shortly before the NYMEX open as key economic reports look mildly bullish overall. Look for energies to continue to take direction from the financial markets.

| Contract | | NYMEX as of 8:05 am | | 1 st Level Support | 2 nd Level Support | 1 st Level Resistance | 2 nd Level Resistance |
|----------------|---|---------------------|--------|-------------------------------|-------------------------------|----------------------------------|----------------------------------|
| Oct. RBOB | ↓ | 0.0035 @ | 1.8856 | 1.8688 | 1.8450 | 1.9077 | 1.9175 |
| Oct. HO | ↓ | 0.0165 @ | 2.0246 | 2.0000 | 1.9895 | 2.0580 | 2.0717 |
| Oct. Crude Oil | ↓ | 0.50 @ | 73.41 | 71.67 | 70.89 | 74.48 | 75.58 |

Market Outlook

The start to the new month brought plenty of fireworks yesterday as solid gains were posted across the energy complex as the market generally ignored a somewhat bearish DOE report and focused on the rally in the Dow (5th largest daily gain of 2010) and the weak US Dollar. The financial sector is expected to open stronger this morning as it looks to confirm an upward breakout from its recent sideways pattern and distance itself from the 10,000 support level. Today's weekly jobless numbers look slightly bullish while the productivity report looks mixed. Other reports due later this morning should also have a big impact on the financial markets and also likely the energies. Tomorrow bring the monthly unemployment number and could be a key in providing near-term market direction. Look for energies to trade with a strong correlation to the Dow as little fundamental influence seems to be at play and markets remain in somewhat "neutral territory" from a technical standpoint.

Market Fundamentals

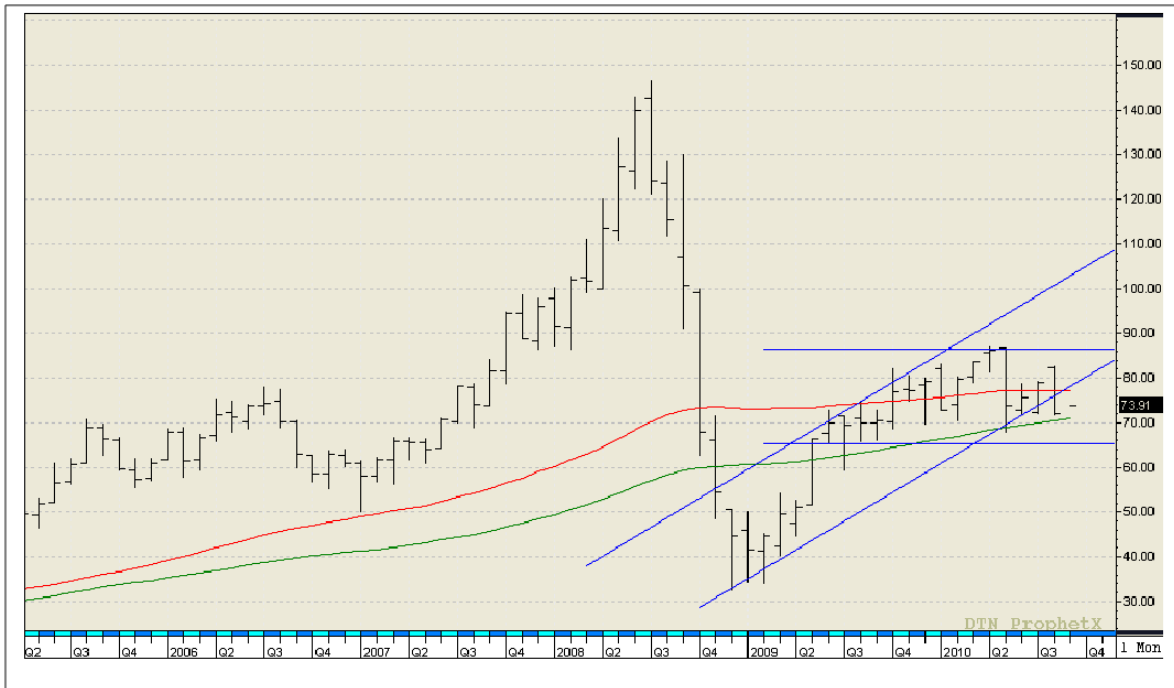
Weekly Jobless Report: New jobless claims dropped 6,000 to a total of 472,000 claims. Expectations were for a drop to 475,000 claims so this can be viewed as slightly friendly. Those on continuing jobless claims dropped 23,000 to 4.46 million which was in line with expectations. The monthly unemployment report for August will be released tomorrow and it is expected that the overall rate will increase from 9.5%.

Quarterly Productivity Report: The productivity index for the second quarter showed a drop of 1.8% versus the first quarter. This comes in as a slightly smaller drop than trade expectations of 1.9%, however the Labor Dept had been expecting a drop of only 0.9%.

Pending Home Sales/Factory Orders: These monthly reports are due at 9:00am with pending home sales for August expected to decline 1% while August factory orders look to increase 0.2%.

OPEC: Production from the cartel dropped 225,000 barrels/day (0.77%) in August down to its lowest level for the year. The drop in production is said to be primarily due to equipment failures and militant activity and not a result of adherence to quotas. The group is scheduled to meet October 14 to discuss output quotas.

Market Technicals



Crude Oil (monthly)

The crude market was not able to successfully close within the up-trending channel that had been in place for the past 20 months by closing out the month only pennies above its monthly low. There has been some recovery over the limited course of trade so far this month, but the close of last month clearly signals a breakout of the trend. The more recent trend has been sideways and we are currently well inside this channel. Even though the up-trend has been broken we have plenty of room to work in either direction while remaining in this newer trend which has its upper bound at approximately \$86 and a low of \$66. Look for nearby trade to be bracketed by the 50 and 75 month moving averages. Support from the 75-month comes in at \$71 with resistance from the 50-month at \$77.

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