



## DAILY GRAINS COMMENTARY

Thursday April 27, 2017

### DAILY SOY COMPLEX COMMENTARY

04/27/17

#### Hard to avoid record US ending stocks without weather help

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -0.6, BEAN OIL -0.1, SOYMEAL +0.2

**OVERNIGHT DEVELOPMENTS:** July soybeans are trading 1/2 of a cent higher this morning. China futures are trading near unchanged this morning and Palm oil futures in Malaysia are down 0.3% this morning. Asian stocks posted mixed results as the Shanghai Composite finished the day with a moderate gain. Both the German Gfk consumer confidence survey and a set of Euro zone sentiment readings saw better than expected results. The latest European Central Bank monetary policy meeting is expected to have no change in rates or policy, but a post-meeting press conference by ECB President Draghi may hint at upcoming policy changes. The North American session will start out with a weekly reading on initial jobless claims that are forecast to see a modest downtick from the previous 243,000 reading. March durable goods are expected to see a moderate downtick from February's 1.8% reading. March pending home sales are forecast to see a sizable decline from February's 5.5% reading. The March goods trade balance, March wholesale inventories and the April KC Fed manufacturing index will also be released during morning US trading hours.



**NEAR-TERM MARKET FUNDAMENTALS:** The market still looks poised for another leg down short-term before the growing weather becomes a more significant force. July soybeans were under pressure for most of the session yesterday. Rumors that the Trump administration was considering withdrawing from the NAFTA agreement caused fresh selling to hit the markets. Mexico buys 26% of the US soybean oil exports, 20% of the soybean meal exports and 6.3% of the soybean exports. Pressure was also tied to speculation that planting delays in corn could see marginal switching into soybeans. The forecast continues to show difficult corn seeding conditions all the way out until May 10th. Brazilian cash soybean sales were also seen increasing as the Brazilian currency dropped to a six week low yesterday but the market recovered today. Strength in soybean oil was attributed to a biodiesel tax credit bill that was re-introduced in the Senate yesterday by Iowa's Senator Grassley that would reinstate the \$1.00 per gallon tax credit for producers instead of blenders and extend it for three years. The US biodiesel industry has been operating at 65% of capacity due to competition from imports that were given the tax credits for imported biodiesel.

In a report from Rabobank, they have cut their average new crop November soybean price to 930 from the previous estimate of 1010. They cited higher South American production, higher prospects for US production and slowing Chinese buying as reasons for the lower adjustment. Given the record planted area and the possibility that acreage increases, a trend yield this summer should drive ending stocks to a record high even with a surge in demand from China for the coming year. The open interest in soybean went down 17,309 on Tuesday with short-covering type buying. Soybean open interest is down 95,000 contracts over the last five trading days. For the weekly export sales report today, traders see soybean sales near 350,000 to 700,000, 100,000 to 300,000 for soybean meal, and 8,000 to 30,000 for soybean oil.

#### TODAY'S MARKET IDEAS:

Technically, the failure at 972 1/2 this week gave the bear camp more confidence and the news followed the price action. The slow stochastics crossed over to the downside giving the market a sell signal yesterday. Last week's low is at 950 and a weekly close below would accelerate the market to 929 1/2. Aggressive traders could buy 1 July soybean 940 put and sell 1 July soybean 1000 call, paying 2 cents for the put as a spread.

#### NEW RECOMMENDATIONS:

None.

**PREVIOUS RECOMMENDATIONS:**

1) Long June Soybean 950 put from 10 1/2 cents with an objective of 34. Risk a total of 6 cents from entry. 2) Long 1 Nov soybean 900 put and short 2 Sept corn 350 puts for a cost of 4 1/2 cents. Hold for now and risk 9 cents from entry. 3) Short the July/Nov soybean spread at +5 1/2 cents with an objective of -14 cents. Risk a total of 7 cents from entry.

**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 (JUL) 04/27/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next upside target is 972 1/4. The next area of resistance is around 963 and 972 1/4, while 1st support hits today at 950 and below there at 946.

SOYBEAN OIL (JUL) 04/27/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 32.92. The next area of resistance is around 32.55 and 32.92, while 1st support hits today at 31.77 and below there at 31.35.

SOYMEAL (JUL) 04/27/2017: The daily stochastics have crossed over down which is a bearish indication. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 308.7. The next area of resistance is around 316.8 and 321.1, while 1st support hits today at 310.6 and below there at 308.7.

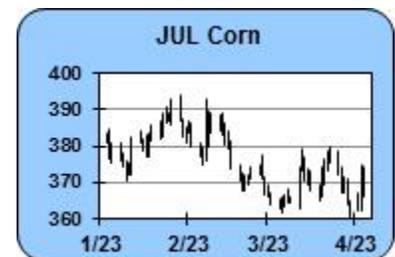
**DAILY CORN COMMENTARY**

04/27/17

**Big rains into the middle of next week and then?**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CORN +1.0**

**OVERNIGHT DEVELOPMENTS:** July corn is trading up 1 1/4 cents this morning. The wet Midwest forecast is providing some support. Outside market forces look slightly negative with crude oil lower and the dollar firm. Dalian corn market is down 0.9% on big volume.



**NEAR-TERM MARKET FUNDAMENTALS:** Renegotiating NAFTA may not change demand for US corn at all but the uncertainty was enough to spark aggressive selling. Rumors that the Trump administration is planning to exit out of the NAFTA agreement took the market from more than 2 cents higher to near 5 3/4 cents lower on the day yesterday. The National Corn Growers Association commented that "Withdrawing from NAFTA would be disastrous for American agriculture. We cannot disrupt trade with two of our top trade partners and allies. This decision will cost America's farmers and ranchers markets that we will never recover." Weather remains an issue over the next two weeks, and it will not be ideal for planting progress in the Midwest. Three systems will bring

heavy amounts of rain into the Midwest through May 10th along with colder temperatures. Updated weather models have a warmer and drier solution in the longer range maps that go out beyond May 10th, but confidence that far out is low. Overnight European models are showing some dryness into the middle of next week.

The USDA attache pegged the Argentine corn production at 39.0 million tonnes for the 2017/18 season as compared with 38.5 million tonnes for this season. They also raised their exports to 28 million tonnes from 26.5 million. The open interest in corn went down 26,521 contracts on Tuesday with heavy short covering from speculative shorts. For the weekly export sales report, traders see corn sales near 750,000 to 1.2 million tonnes. Ethanol production for the week ending April 21st averaged 987,000 barrels per day. This is down 0.60% vs. last week and up 6.47% vs. last year. Corn used in last week's production is estimated at 103.6 million bushels. Corn use needs to average 99.9 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.269 million barrels, up 1% vs. last week and up 7.6% vs. last year.

#### **TODAY'S MARKET IDEAS:**

July corn failed at the 50 day moving average of 374 1/2 and the 100 day moving average at 374. The market probed these levels for over one hour on Wednesday, but succumbed to the NAFTA rumors and the bearish sentiment took over for the balance of the trading day. We cannot rule out more short covering going into the end of the week. Longer term traders could buy a March Corn 390/450 bull call spread and also sell a March Corn 360 put for a net cost of 2 1/2 cents on the spread. Use a gain of 44 cents on the entire spread as an objective, and risk a total of 9 cents. December corn buying support is at 381 1/4 with 402 as next upside target.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

1) Long December Corn from 385 with an objective of 413 1/2. Risk the trade to a close under 378. 2) Long September Corn 420 call from 11 cents with an objective of 29 cents. Risk to 5 cents.

#### **CORN TECHNICAL OUTLOOK:**

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CORN (JUL) 04/27/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 360. The next area of resistance is around 371 and 377, while 1st support hits today at 362 1/2 and below there at 360.

#### **DAILY WHEAT COMMENTARY**

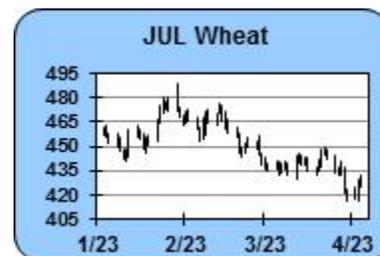
04/27/17

#### **Will Minneapolis spring wheat support all classes**

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

**WHEAT** +1.4

**OVERNIGHT DEVELOPMENTS:** July wheat is trading 2 cents higher this morning. Outside market forces slightly positive with the dollar slightly lower and crude oil lower. MATIF futures are down 0.15% at 167.00 Euro.



**NEAR-TERM MARKET FUNDAMENTALS:** The wheat trade is finding support this morning from Minneapolis futures that are up 4 cents and trading to weekly high at 556. Ukraine's wheat stockpiles are heading to their lowest levels in ten years, reducing their export potential for next season. Ukraine will end the season in June with 1.08 million tonnes, down 18% from last year according to ProAgro. Ukraine's wheat crop in 2017-18 will probably drop 1.8% to 25.1 million tonnes, while exports are seen declining 5% to 14 million tonnes. Russian Ag Minister

commented that Moscow hoped to reach an agreement with Turkey over grain exports within the next two weeks. Turkey, the second largest buyer of wheat from Russia, has put purchases on hold since early March.

The weather remains the same in the near term with heavy rains and potentially cold temperatures through the weekend, the EU model has turned drier for late next week while the GFS model holds on to a wet pattern. July wheat traded to a high of 432 1/2, but could not hold the early gains. Midday rumors that the Trump Administration is considering withdrawing from the NAFTA agreement caused risk-off type selling in the wheat market. The weather remains the driver of the recent push higher and the forecast remains the same for the weekend with heavy rains for the Oklahoma, Arkansas, Missouri and southern Illinois areas over the next seven days. Also, there is potential for sub-freezing temperatures in the Plains over the weekend. Monday begins the start of the Wheat Quality Tour as well as NASS evaluators so the market could be vulnerable to social media comments and pictures. Open interest in wheat went down 12,377 contracts on Wednesday, indicating more short covering. Average estimates for export sales on Thursday are 350,000 to 700,000 tonnes.

#### **TODAY'S MARKET IDEAS:**

July wheat closed with minor losses and still remains up 5 1/2 cents on the week. With crop scouts in the fields on Monday, any disease issues or damage reports from the weekend weather should reach traders by Monday afternoon. The slow stochastics are ready to turn up from oversold levels, indicating a buy signal for the market. Traders could look to buy 1 July 425 call and sell 2 July 465 calls at 4 3/4 cents on the 1x2 spread. Look for a bounce back up to the 450 area to exit strategy.

#### **NEW RECOMMENDATIONS:**

\* Buy July wheat at 424 1/2 with an objective of 460 1/2. Risk to 414.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **WHEAT TECHNICAL OUTLOOK:**

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**WHEAT (JUL) 04/27/2017:** 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 downside closing price reversal on the daily chart is somewhat negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 419 1/2. The next area of resistance is around 430 1/2 and 435 1/2, while 1st support hits today at 422 1/2 and below there at 419 1/2.

**KC WHEAT (JUL) 04/27/2017:** The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 435. The next area of resistance is around 430 and 435, while 1st support hits today at 420 1/2 and below there at 416 1/4.

**MINN WHEAT (JUL) 04/27/2017:** The market now above the 60-day moving average suggests the longer-term trend has turned up. 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 558 1/4. The next area of resistance is around 555 and 558 1/4, while 1st support hits today at 546 1/2 and below there at 541.

**RICE (JUL) 04/27/2017:** The sell-off took the market to a new contract low. 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 9.268. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The next area of resistance is around 9.534 and 9.687, while 1st support hits today

at 9.325 and below there at 9.268.

## 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>GRAIN COMPLEX</b>										
CNAN7	366 3/4	44.92	45.39	37.68	36.23	366.94	368.86	370.56	372.90	375.71
CNAZ7	384 1/4	45.14	46.16	41.84	37.85	384.69	386.53	387.81	388.23	390.21
SSAN7	956 1/2	41.13	38.78	53.87	59.73	963.50	961.94	957.57	993.56	1010.47
SSAX7	954	41.21	39.77	56.91	60.86	960.69	959.50	955.38	981.87	991.45
SMAN7	313.7	43.24	42.07	44.14	44.12	316.40	316.53	314.64	324.76	329.83
BOAN7	32.16	53.84	49.36	49.85	59.19	32.03	31.87	31.79	32.67	33.14
WHAN7	426 1/2	39.29	39.44	26.07	25.52	423.44	429.50	435.28	445.91	450.54
WHAU7	439 1/4	36.83	37.66	23.69	23.03	437.50	443.44	449.22	460.43	464.90
RCAN7	9.430	11.98	21.18	25.20	7.42	9.73	10.05	10.23	10.08	10.05
KWAN7	425 1/4	43.43	41.00	24.04	29.63	420.38	425.19	430.85	450.09	456.20
MWAN7	550 3/4	63.14	57.94	51.13	63.10	540.56	540.72	537.22	544.69	549.09
OTAN7	219 3/4	46.59	43.18	32.01	37.57	218.81	218.97	219.17	230.86	234.90

Calculations based on previous session. Data collected 04/26/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>GRAIN COMPLEX</b>						
CNAN7	Corn	360	362 1/2	368 1/2	371	377
CNAZ7	Corn	377 1/2	380	386	388 1/2	394 1/2
SSAN7	Soybeans	946	950	959 1/4	963	972 1/2
SSAX7	Soybeans	943 1/2	947 3/4	956	960 1/4	968 1/2
SMAN7	Soymeal	308.7	310.6	314.9	316.8	321.1
BOAN7	Soybean Oil	31.34	31.76	32.13	32.55	32.92
WHAN7	Wheat	419 1/2	422 1/2	427 1/2	430 1/2	435 1/2
WHAU7	Wheat	432 1/2	435 1/2	440 1/4	443	448
RCAN7	Rice	9.267	9.324	9.477	9.534	9.687
KWAN7	KC Wheat	416	420 1/2	425 1/2	430	435
MWAN7	MINN Wheat	540 3/4	546 1/2	549 1/2	555	558 1/4
OTAN7	Oats	217 3/4	218 1/2	220 1/2	221	223 1/4

Calculations based on previous session. Data collected 04/26/2017

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

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