



DAILY GRAINS COMMENTARY Tuesday May 02, 2017

DAILY SOY COMPLEX COMMENTARY 05/02/17

Bearish longer-term but positive short-term action

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +7.6, BEAN OIL +0.2, SOYMEAL +1.9**

OVERNIGHT DEVELOPMENTS: July soybeans are trading 5 3/4 cents higher this morning. China futures are up 2% this morning Palm oil futures in Malaysia are up 1.6%. Asian equities were mixed as the Japanese Nikkei continued to benefit from a sluggish Yen while Chinese share came under pressure.

European manufacturing PMI readings showed mixed results as the Euro zone was slightly below estimates, Germany and France held steady while the UK was well above forecasts. Euro zone unemployment held steady at 9.5%. European stock indices have started their holiday-shortened week with modest early gains today. The North American session will be fairly quiet as the FOMC begins their 2-day meeting, and will be highlighted by April motor vehicle sales figures that are forecast to see decent improvement from March's 16.6 million annualized rate. Deliveries overnight included 861 soybean contracts of which near half had a strong commercial stopper. There were 629 oil and zero meal deliveries.



NEAR-TERM MARKET FUNDAMENTALS: With a massive and record net short position for the other grains and South America producers holding tight to freshly harvested crops, the market is seeing supportive technical action and the short-term trend is up. July soybeans pushed up to the highest level since March 30th overnight. Spillover support was seen yesterday from strong wheat and corn markets due to adverse weather over the weekend. The weekly progress update showed soybean plantings at 10% complete compared to 6% last week and 7% last year. The 10 year average for this time of year is 6%. Good progress was seen in Illinois at 13% planted, Indiana 16% and Ohio 14%. Arkansas at 45% planted, versus 26% five year average, could have some issues with replanting after as much as 8 inches of rain fell in the northern part of the state over the weekend. Heavy rains are forecast in for Mississippi River Valley for May 3rd through the 5th and will keep producers out of the fields until later this week.

The COT data from Friday showed managed money traders increased their net short positions by 2,447 contracts to 48,275 contracts as of April 25th. They sold 4,445 contracts of soybean meal and are now short 1,806 contracts the first net short position in soybean meal since April 12th, 2016. They also reduced their net short in soybean oil by 10,282 contracts but are still short 37,014 contracts of soybean oil. Weekly export inspections for soybeans came in at 521,218 tonnes compared to 646,000 tonnes last week. As of April 27th, cumulative soybean export inspections for the 2016-17 marketing year have reached 89.7% of the USDA forecast versus a 5 year average of 89.1%. US soybean crush for March came in at 160.0 million bushels versus the average estimate of 162.3 million bushels. Cumulative crush of 1.14 billion bushels is 58.85% of the current USDA estimate for the year. The average crush pace for this time of year is 60.55%. US soybean oil stocks in March came in at 2.353 billion pounds versus the average estimate of 2.246 billion pounds and 2.206 billion pounds last month.

TODAY'S MARKET IDEAS:

The crush data was negative but with Brazil producers trying to hold onto soybeans instead of selling in the cash market, demand for US soybeans could stay firm unless Brazil soybean values slide further. Technically, a bull upturn could be developing but the market needed a close above 972 1/2 for July to confirm it. Still, with slow stochastics turning up indicating a buy signal and a wheat market that could be just starting, the path of least resistance feels like it is up in the near term. We still like the intra-market spread: Buy 1 November soybean 900 put and sell 2 December 350 puts for a cost of 2 cents to the November soybean put. If we see a more normal

soybean/corn ratio of 2.3% and December corn is at \$3.60, November soybeans would trade at \$8.28. Close-in selling resistance for July soybeans is at 980 with 929 1/2 as the next downside target. Aggressive short-term traders can sell.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Hit stop on long June soybean 950 put for a loss of 6 cents. 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) 05/02/2017: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 984 1/2. The next area of resistance is around 978 1/4 and 984 1/2, while 1st support hits today at 962 1/4 and below there at 952 1/4.

SOYBEAN OIL (JUL) 05/02/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 32.53. The next area of resistance is around 32.39 and 32.53, while 1st support hits today at 31.93 and below there at 31.61.

SOYMEAL (JUL) 05/02/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 324.2. The next area of resistance is around 321.4 and 324.2, while 1st support hits today at 315.8 and below there at 312.9.

DAILY CORN COMMENTARY

05/02/17

Fears of replanting plus positive technical action; more up

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.4

OVERNIGHT DEVELOPMENTS: July corn is trading down 2 1/4 cents this morning. Outside market forces are mixed. There were 730 contracts of corn delivered overnight to push the month to date deliveries to 2,766. China corn was up 1.2% overnight.



NEAR-TERM MARKET FUNDAMENTALS: A dry 7-day forecast for all but central and southern Illinois, Indiana and Ohio leaves a bearish tilt to the market overnight and the 6-10 day forecast shows below normal precipitation. This should allow the crop to get planted in a timely fashion. July corn surged higher yesterday, and settled up 3.0% on the day. The market saw spillover support from the wheat market that was up sharply due the extreme

cold and snowy weather over the weekend that caused crop losses in parts of the winter wheat areas. Heavy rains of as much as 6 to 8 inches fell in Missouri, southern Illinois and southern Indiana over the weekend and many areas will need to be replanted. The weekly progress update showed 34% of the crop planted compared to 17% last week and 43% last year. The 10 year average for this time of year is 32%. Illinois at 63% planted and Indiana at 45% are well above the five year averages of 47% and 26% respectively, but also may be prone to replanting after the severe flooding in the southern sections of each state. On the other end of the spectrum, the Dakotas, Minnesota and Wisconsin are all well below their five year averages.

The COT data from Friday showed managed money traders increased their net short position by 24,448 contracts to 196,257 contracts as of April 25th. The open interest is down 120,000 contracts over the last four sessions with much of the reduction due to first notice in the May contract. Still, some short covering has been done but the market is still seeing heavy volume and continued speculative fund short covering as the market has traded above the 50-day, 100-day and 200-day moving averages. With more rain forecast in the southern and eastern sections of the Midwest over the next two to three days, producers will be hard pressed to make much progress until the end of the week. The longer term 6-10 day and 8-14 day forecasts are drier with cooler than normal temperatures. Weekly export inspections for corn came in at 1,093,729 tonnes compared to 1,464,000 tonnes last week. As of April 27th, cumulative corn export inspections for the 2016-17 marketing year have reached 68.0% of the USDA forecast versus a 5 year average of 61.3%.

Older traders remember the Great Flood of 1993 along the Mississippi River, and by no means is this weekend's rain event anywhere near as bad. Just to brush up on how too much moisture can be a drag on yield, in 1993 planted acres were 72.7 million with harvested at 62.9 million which worked out to 14% abandonment. The trendline yield in 1993 was 125 bushels per acre with the actual yield in 1993 coming in at 100.7 bushels per acre, which was a 20% hit from trendline. This year, just a 5% hit on trendline yield with planted acres at 90.0 million acres (and possibly getting smaller), ending stocks come in at 1.363 billion bushels and 9.4% stocks to use.

TODAY'S MARKET IDEAS:

Long-term traders could buy 1 December corn 420 call and sell 1 December corn 500 call and sell 1 December corn 340 put for a cost of 5 1/4 cents. The three-way spread closed at 7 3/4 cents. Close-in support for December corn is at 391 and 388. Keep 413 3/4 as next 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:

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.

CORN (JUL) 05/02/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 385 1/4. The next area of resistance is around 382 1/4 and 385 1/4, while 1st support hits today at 372 3/4 and below there at 366 1/2.

DAILY WHEAT COMMENTARY

05/02/17

Now the SRW crop looks to get too much rain in the East

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT +3.6

OVERNIGHT DEVELOPMENTS: July wheat is trading 2 3/4 cents higher this morning and KC wheat is up 5 1/2 cents. Outside market forces look mixed. MATIF September futures are up almost 2.0% at 173.00 Euro. There were 349 contracts delivered against the May contract with JP Morgan customer (Cargill) stopping 324.



NEAR-TERM MARKET FUNDAMENTALS: More rains are forecasted for water logged Mississippi River Valley through May 7th, especially southern Missouri, Illinois, Indiana and eastern Ohio. Weather scouts will begin to assess what kind of damage occurred over the weekend today with the start of the Kansas wheat tour. Some crop scouts believe wheat yields could fall by as much as 10% in the hard red wheat areas and cautions that soft red wheat areas could see lost acreage and disease pressure from too much rain. Export prices for Russian wheat are steady prior to a high level meeting between Russia and Turkey on May 3rd. Black Sea wheat was quoted at \$186 per tonne unchanged from last week. The open interest in wheat went down 14,303 contracts on Monday with speculative short covering. The wheat market closed sharply higher after this weekend's damaging weather in Kansas, Colorado, Oklahoma and Nebraska. Early estimates have estimated a possible loss of 50 to 100 million bushels in hard red wheat, primarily from the Kansas region.

The Kansas wheat crop tour is scheduled to start today with the trade looking for estimates later this week. Kansas City (KC) wheat traded up 29 3/4 cents yesterday, 1/4 cent from limit up. The Chicago wheat market traded 25 1/4 cents higher at one point Monday. As much as 12 inches of snow and high winds damaged wheat areas, and with Kansas wheat heading at 44%, Oklahoma at 76% and Texas at 78% there certainly will be plenty of areas with snapped stems. The warmer temperatures in February and March pushed much of the crop ahead of normal with 42% of the winter wheat heading compared to the five year average of 34%. Kansas accounted for 467 million bushels of the 2.300 billion bushel winter wheat crop last year. Oklahoma produced 136 million bushels and Colorado produced 106 million bushels. The weekly Winter Wheat Conditions report showed 54% was rated good/excellent compared to 54% last week and 61% last year, but next week's ratings will reflect the weekend weather event and should drop dramatically.

What fueled the move yesterday is the speculative short position primarily in Chicago wheat futures. The managed money trader increased their short position by 20,210 contracts last week to 162,327 contracts as of April 25th. Some reduction could have been seen in the last few sessions last week, but the net short position coming into this week was still estimated at 125,000 contracts or more. The KC managed money short was 17,233 contracts as of April 25th, but was most likely reduced after last week's trade also. The weekly Spring Wheat Planting report showed 31% complete compared to 22% last week and 52% last year. The 10 year average for this time of year is 40%. The highest percent complete was 75% in 2012 while the lowest was 8% in 1997. Weekly export inspections for wheat came in at 574,588 tonnes compared to 632,000 tonnes last week. As of April 27th, cumulative wheat export inspections for the 2016-17 marketing year have reached 87.4% of the USDA forecast versus a 5 year average of 89.1%. Inspections of 723,499 tonnes are needed each week to reach the USDA forecast.

TODAY'S MARKET IDEAS:

KC July wheat and Chicago July wheat surged higher with short covering yesterday and is seeing some follow through this morning. Traders will be watching social media feeds for any news on the Kansas wheat tour that starts today. More short covering lies ahead, the question is how aggressive will the speculative short be. Both markets gapped higher and closed above all key moving averages (50-day, 100-day and 200-day) with momentum studies turning up. Pullback support in Chicago is at 447 followed by 441 1/2.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (JUL) 05/02/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 470 1/2. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 465 1/4 and 470 1/2, while 1st support hits today at 446 3/4 and below there at 433 1/4.

KC WHEAT (JUL) 05/02/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. 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. Follow through buying looks likely if the market can hold yesterday's gap on the day session chart. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 484. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 477 1/2 and 484, while 1st support hits today at 454 and below there at 437.

MINN WHEAT (JUL) 05/02/2017: 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 gap upmove on the day session chart is a bullish indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 577 1/4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 569 3/4 and 577 1/4, while 1st support hits today at 555 3/4 and below there at 549 1/2.

RICE (JUL) 05/02/2017: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside target is 9.430. The next area of resistance is around 9.720 and 9.770, while 1st support hits today at 9.550 and below there at 9.430.

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
GRAIN COMPLEX										
CNAN7	377 1/2	61.88	57.46	43.12	54.15	370.00	368.17	370.31	372.23	375.29
CNAZ7	394 1/2	62.81	58.52	45.76	56.47	387.63	386.00	387.71	387.93	390.02
SSAN7	970 1/4	56.77	49.58	58.17	65.19	960.06	961.67	959.18	988.58	1006.00
SSAX7	964 1/2	55.78	49.73	57.73	62.44	956.56	958.56	956.43	978.47	988.80
SMAN7	318.6	54.73	50.14	45.35	49.83	315.73	315.77	315.47	323.19	328.62
BOAN7	32.16	53.95	50.05	55.22	59.65	32.00	31.98	31.81	32.60	33.00
WHAN7	456	72.20	63.77	41.31	61.01	436.50	429.94	435.29	444.14	449.73
WHAU7	468 3/4	71.37	63.08	39.20	59.52	449.56	443.78	449.03	458.55	464.03
RCAN7	9.635	33.14	34.73	13.15	11.62	9.48	9.76	10.10	10.05	10.02
KWAN7	465 3/4	75.68	66.77	50.11	74.08	440.50	429.25	432.86	447.69	455.35
MWAN7	562 3/4	72.79	65.62	69.79	80.05	555.38	545.97	540.26	544.56	549.11
OTAN7	239 1/2	77.52	67.44	55.40	77.45	227.44	222.25	220.69	229.69	234.33

Calculations based on previous session. Data collected 05/01/2017

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						
CNAN7	Corn	366 1/2	372 3/4	376	382 1/4	385 1/2
CNAZ7	Corn	384 3/4	390 1/2	393	398 1/2	401 1/4
SSAN7	Soybeans	952 1/4	962	968 1/2	978 1/2	984 3/4
SSAX7	Soybeans	948	957	963 1/4	972	978 1/2
SMAN7	Soymeal	312.8	315.7	318.5	321.4	324.2
BOAN7	Soybean Oil	31.61	31.93	32.07	32.39	32.53
WHAN7	Wheat	433	446 1/2	451 3/4	465 1/2	470 1/2
WHAU7	Wheat	446 1/2	459 3/4	464 1/2	477 3/4	482 1/2
RCAN7	Rice	9.430	9.550	9.600	9.720	9.770
KWAN7	KC Wheat	437	454	460 1/2	477 1/2	484
MWAN7	MINN Wheat	549 1/2	555 3/4	563 1/2	569 3/4	577 1/2
OTAN7	Oats	225 1/4	233 3/4	236 3/4	245 1/4	248 1/4

Calculations based on previous session. Data collected 05/01/2017

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

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