



DAILY GRAINS COMMENTARY Monday May 08, 2017

DAILY SOY COMPLEX COMMENTARY

05/08/17

Big supply to absorb; especially record new crop ending stocks

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

SOY BEANS -3.4, BEAN OIL +0.1, SOYMEAL -1.9

OVERNIGHT DEVELOPMENTS: July soybeans are trading 3 3/4 cents lower this morning. China futures are up 0.4% on the session and well off the highs which were up to the highest level since April 17th. Palm oil futures in Malaysia are up 0.8%. Global equity markets were evenly mixed with winners and losers geographically distributed. Over the weekend, the second round of the French Presidential election resulted in an expected victory by centrist Emmanuel Macron, which should lower risk concerns in Europe and around the globe. The Asian session was highlighted by an April reading on the Chinese trade balance which showed a sizable increase in their monthly surplus but the level of exports and imports both missed forecasts on the downside. The European session started out with March German factory orders which managed a 1% gain in the face of expectations for a contraction. A private survey of April UK house prices was expected to see a minor downtick from March's 3.8% year-over-year rate and that was the first decline in prices since 2012. The April Sentix survey of Euro zone investor confidence saw a moderate uptick from March's 23.9 reading. The North American session will be relatively quiet data wise and will be highlighted by an April reading for the Fed's labor market conditions index. Deliveries overnight included zero soybean contracts, 193 oil and 22 meal deliveries.



NEAR-TERM MARKET FUNDAMENTALS: The market will need to absorb the outlook for massive US stocks for the coming season this week. The weak technical action on Friday could be a sign that a short-term high is in place. July soybeans closed 1 1/4 cents lower on the session Friday and this left the market up 16 3/4 cents for the week. US exporters announced the sale of 132,000 tonnes of soybeans for the 2016-17 crop year to unknown destinations, and this was the first flash announcement since April 21st. China crush demand is stronger than expected as a lack of DDG's imports means the country needs more meal. The 2017/18 crush is expected near 93 million tonnes from 87.3 million this year. China soybean production is pegged at 14.3 million tonnes, up 9.2% from last year. The US International Trade Commission voted 5-0 in favor of imposing duties on Argentina and Indonesia for the anti-dumping decision. Imports of Argentine and Indonesian biofuel have already declined and should produce increased US soyoil demand. India meal exports for April reached 124,374 tonnes from 12,295 tonnes last year.

For the progress report this afternoon, traders see soybean plantings near 15% complete vs 17% normal. For this week's USDA Supply/Demand report, traders see old crop ending stocks at 438 million bushels from 445 million in April. For the first estimate for the new crop season, traders see ending stocks at near record high 555 million bushels with a very wide range of estimates from 420 to 759 million bushels. For world ending stocks for 16/17, traders see soybean stocks at a record high 87.5 million tonnes from 87.4 million as the April estimate. For the new crop season, traders see 86.6 million tonnes with a wide range of estimates from 80.5 to 94 million range. Brazilian production is pegged at 111.3 million tonnes from 111.0 million last month with a range of 110.5 to 113 million.

Technically, November soybeans have bounced off of the April 11th lows, and this has corrected the extremely oversold condition. The market seems to be in the process of testing key resistance levels at \$9.77 and possibly \$9.88, but given the bearish supply outlook and the appearance of a bear flag formation, a resumption of the downtrend is expected soon. There has been some discussion recently that index funds are losing their appeal. This group of "passive investors" has moved from a net long position of 159,076 contracts on March 7th (the highest since April 2012) to a net long of just 101,159 on May 2nd. This is the smallest net long position held by

these traders since February, 2013. The Commitments of Traders reports as of May 2nd showed Non-Commercial traders were net short 33,207 contracts, a decrease of 5,164 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 94,669 contracts, down 6,763 contracts for the week.

For Soybean Oil, Non-Commercial traders were net short 18,391 contracts, a decrease of 10,791 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 12,748 contracts, a decrease of 14,959 contracts for the week. Commodity Index traders held a net long position of 78,384 contracts. This represents a decrease of 2,477 contracts for the week. For Soybean Meal, Non-Commercial traders were net long 14,421 contracts, a decrease of 9,398 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 21,519 contracts, down 10,207 contracts in the net long position for the week. Commodity Index traders held a net long position of 82,776 contracts. This represents a decrease of 2,137 contracts in the net long position for the week.

TODAY'S MARKET IDEAS:

Close-in support for November Soybeans comes in at \$9.57 1/2 and \$9.53 3/4. A push down through those levels would leave \$9.29 as the next downside target. Consider selling November soybeans at \$9.77 with an objective of \$9.30. Risk a total of 12 cents from entry. July soybean close-in support is at 962 and 957 and a move through support would leave 925 1/4 as next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short July soybeans from 974 with an objective of 928. Risk to 989 1/2. 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.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Grains						
Soybeans	-33,207	+5,164	94,669	-6,762	-61,462	+1,599
Soymeal	14,421	-9,398	-21,519	+10,208	7,099	-809
Soyoil	-18,391	+10,791	12,748	-14,959	5,643	+4,168

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) 05/08/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 989 1/4. The next area of resistance is around 980 1/2 and 989 1/4, while 1st support hits today at 965 1/2 and below there at 959.

SOYBEAN OIL (JUL) 05/08/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 34.03. The next area of resistance is around 33.46 and 34.03, while 1st support hits today at 32.34 and below there at 31.78.

SOYMEAL (JUL) 05/08/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over

the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 321.8. The next area of resistance is around 318.9 and 321.8, while 1st support hits today at 314.8 and below there at 313.5.

DAILY CORN COMMENTARY

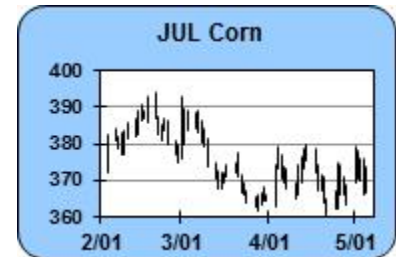
05/08/17

Drawdown in world ending stocks significant; funds big short

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -1.6

OVERNIGHT DEVELOPMENTS: July corn is trading down 1 1/4 cents this morning. Outside market forces are mixed. Weather leans bearish. There were 553 contracts of corn delivered overnight. China corn was up .2% overnight. China will offer 2.96 million tonnes of reserve corn for auction this week.



NEAR-TERM MARKET FUNDAMENTALS: The short-term weather forecast carries a bearish tilt, but the supply/demand update this week should show a minor drawdown in US ending stocks and a major drawdown in the world update. Ideas that the Brazilian crop will be larger is seen as a negative, but there should be plenty of talk this week that significant replanting and increased "Prevent Plant" issues in Indiana, southern Illinois and Missouri may provide underlying support. December corn closed 4 cents higher on the session Friday and this left the market up 3 1/2 cents on the week. Traders see plantings near 41-43% complete for this afternoon's update as compared with 51% as the 10-year average for this time of the year. China sold 2.1 million tonnes of the 2.5 million that was auctioned out of their reserves. The grain was from 2013 and 2012 crop years. The open interest in corn went up 18,000 contracts on Thursday, which could be speculative funds adding to their short positions.

For this week's USDA Supply/Demand report, traders see old crop ending stocks at 2.326 billion bushels from 2.32 billion in April. For the first estimate for the new crop season, traders see ending stocks at 2.12 billion bushels. For world ending stocks for the 2016/17 season, traders see corn stocks at a record high 223.3 million tonnes from 222.98 million as the April estimate. For the new crop season, traders see a significant drop to 209.7 million tonnes (range of 190.7-225.0 million). Brazilian production is pegged at 94.2 million tonnes from 93.5 million last month with a range of 93.0 to 96.15 million. China corn production new crop is pegged at 211.5 million tonnes, down 8.1 million from last year according to a key China think tank.

Technically, December corn is near the middle of a choppy range it has held since October. Momentum indicators have also stayed choppy, but they are currently near neutral readings. A series of six higher lows since November 15th has been a positive development. Uptrend channel support comes in at \$3.80 1/2 today and moves up to \$3.81 1/4 by Friday. Since the market put in its contract low last August, a 16-session cycle has emerged, with prominent lows coming in right on the cycle on December 1st, December 23rd, March 29th and April 21st. The same cycle has come in near prominent highs on October 17th, November 8th and March 7th. The next cycle is due May 15th. Watch for signs of a high, low, or an acceleration of the trend on that date. The Commitments of Traders reports as of May 2nd showed Non-Commercial traders were net short 113,075 contracts, a decrease of 9,973 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 82,875 contracts, a decrease of 9,394 contracts for the week. The short-covering trend is a bullish short-term force.

TODAY'S MARKET IDEAS:

Key support for December corn comes in at \$3.83, with resistance coming in at \$3.94 and \$3.98 1/4. A close above \$3.94 would leave an upside target of \$4.13 3/4, and a close above \$3.98 1/4 would leave an upside target of \$4.47 1/4. July corn close-in support is at \$3.65 3/4 with \$ 3.73 1/4 and \$3.77 1/4 as resistance. Consider buying December Corn at \$3.81 with an objective of \$4.13. Risk the trade to a close under \$3.74.

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.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Grains						
Corn	-113,075	+9,973	82,875	-9,394	30,200	-579

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) 05/08/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. The daily stochastics gave a bullish indicator with a crossover up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 377 1/2. The next area of resistance is around 374 1/4 and 377 1/2, while 1st support hits today at 367 1/4 and below there at 363 1/2.

DAILY WHEAT COMMENTARY

05/08/17

Drawdown in US and world ending stocks may help support

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -4.6

OVERNIGHT DEVELOPMENTS: July wheat is trading 3 cents lower this morning and KC wheat is down 1 1/4 cents. Outside market forces look mixed. MATIF September futures are down 0.6%. There was 1 contract delivered against the Chicago May contract and 7 against the Kansas City May contract.



NEAR-TERM MARKET FUNDAMENTALS: The weekend was not as cold as expected and European rains are in the forecast to help pressure the market overnight. July wheat closed 4 1/2 cents higher on the session Friday, and this left the market up 10 cents on the week. Stats Canada pegged wheat stocks as of March 31st at 16.6 million tonnes, down from the average estimate of 18.6 million but up from last year's 14.4 million. Temperatures Saturday night were not as cold as expected but cold temperatures continued to be forecast in eastern Illinois, Indiana and Ohio through Tuesday with some lows expected below 30 degrees. The soft red wheat crop progress has Illinois at 67% heading, Indiana at 32% heading and Ohio at 5% heading. The recent wet and cool conditions should help pull down crop ratings for this afternoon's update.

For the USDA production report, traders see all wheat production at 1.859 billion bushels (range of 1.776-1.984 billion) from 2.31 billion bushels last year. Traders see winter wheat production at 1.308 billion bushels (1200-1617) from 1.672 billion bushels this year. Traders see old crop ending stocks at 1.162 billion bushels from 1.159 billion in April. For the new crop season, traders see ending stocks at 1.014 billion bushels. For world ending stocks for the 2016/17 season, traders see wheat stocks at a record high 252.16 million tonnes from 252.26 million as the April estimate. For the new crop season, traders see a drop to 246.1 million tonnes (range of 238-257 million).

Technically, July wheat is indicating that a major low may be in place on several fronts. The market made a sweeping key reversal from a contract low on April 25th, and that was accompanied by oversold technical readings and a record high net short position being held by fund traders. Follow-through buying emerged to confirm the low, and a key weekly reversal occurred for the week ending April 28th, another bullish indicator. On May 1st, the market gapped above the key downtrend channel for another bullish signal. The Commitments of Traders as of April 25th showed that managed money traders were holding held a record net short position of 162,337 contracts. This suggests there will be increased buying activity if resistance levels are violated.

The Commitments of Traders reports as of May 2nd showed Non-Commercial traders were net short 104,219 contracts, a decrease of 39,073 contracts for the week and the short-covering trend is seen as a bullish short-term force. Non-Commercial and Nonreportable combined traders held a net short position of 97,295 contracts. This represents a decrease of 36,797 contracts in just one week. For Kansas City Wheat, Non-Commercial traders were net long 9,043 contracts, an increase of 16,435 contracts which represents a change from a net short to a net long position. Non-Commercial and Nonreportable combined traders held a net long position of 10,072 contracts. These traders have gone from a net short to a net long position. Commodity Index traders held a net long position of 50,703 contracts, up 2,999 contracts for the week.

TODAY'S MARKET IDEAS:

Consider buying July Wheat at \$4.39 with an objective of \$4.78 1/2 and possibly \$5.16. Risk 10 cents from entry. July KC wheat support is at 444 1/2 and 435 1/2, with 454 3/4 and 465 as resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July wheat from 446 with an objective of 481. Risk to 434.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Grains						
KC Wheat	9,043	+16,435	-10,071	-14,240	1,029	-2,194
Wheat	-104,219	+39,073	97,295	-36,797	6,924	-2,276

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) 05/08/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 449. The next area of resistance is around 446 1/4 and 449, while 1st support hits today at 438 1/4 and below there at 433 1/4.

KC WHEAT (JUL) 05/08/2017: 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 market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 439 1/2. The next area of resistance is around 454 1/2 and 457 1/2, while 1st support hits today at 445 1/2 and below there at 439 1/2.

MINN WHEAT (JUL) 05/08/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 544. The next

area of resistance is around 558 3/4 and 561 3/4, while 1st support hits today at 549 3/4 and below there at 544.

RICE (JUL) 05/08/2017: 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. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 9.976. The next area of resistance is around 9.912 and 9.976, while 1st support hits today at 9.818 and below there at 9.787.

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	370 3/4	50.63	50.07	52.76	53.19	371.06	370.67	370.39	371.16	374.58
CNAZ7	388 1/2	51.11	50.81	55.11	55.02	388.81	388.31	387.96	387.33	389.63
SSAN7	973	57.76	51.26	69.90	73.35	972.81	966.28	963.44	982.14	1000.21
SSAX7	966 1/2	56.00	51.11	66.76	69.56	966.50	961.56	959.88	973.75	985.33
SMAN7	316.9	49.83	47.85	49.73	52.83	317.33	316.66	316.54	321.21	326.98
BOAN7	32.90	65.33	58.43	70.69	75.05	32.65	32.27	32.00	32.46	32.85
WHAN7	442 1/4	52.99	51.66	61.51	62.60	447.00	440.11	437.04	442.78	449.26
WHAU7	456 1/4	53.29	51.75	61.71	63.65	460.94	453.67	450.81	457.12	463.55
RCAN7	9.865	49.35	46.58	27.99	37.99	9.82	9.64	9.96	10.04	10.01
KWAN7	450	55.96	54.28	67.86	67.03	456.38	445.81	437.42	445.73	454.82
MWAN7	554 1/4	55.80	55.21	67.55	62.46	555.13	554.06	546.14	544.25	548.90
OTAN7	248 3/4	79.12	71.47	80.98	91.34	243.13	233.75	226.47	229.94	234.00

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

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	363 1/2	367 1/4	370 1/2	374 1/4	377 1/2
CNAZ7	Corn	381 1/2	385	388 1/4	392	395
SSAN7	Soybeans	959	965 1/2	974 1/4	980 1/2	989 1/2
SSAX7	Soybeans	952 1/2	959 1/2	966 1/2	973 1/2	980 1/2
SMAN7	Soymeal	313.4	314.7	317.6	318.9	321.8
BOAN7	Soybean Oil	31.77	32.33	32.90	33.46	34.03
WHAN7	Wheat	433	438 1/4	441	446 1/4	449
WHAU7	Wheat	447 1/4	452 1/2	455	460	462 3/4
RCAN7	Rice	9.786	9.817	9.881	9.912	9.976
KWAN7	KC Wheat	439 1/2	445 1/2	448 1/2	454 1/2	457 1/2
MWAN7	MINN Wheat	544	549 3/4	553	558 3/4	562
OTAN7	Oats	236 1/4	243 1/2	246 1/2	254	256 3/4

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

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