



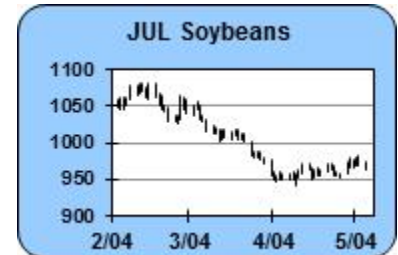
## DAILY GRAINS COMMENTARY Tuesday May 09, 2017

### DAILY SOY COMPLEX COMMENTARY 05/09/17

#### Record ending stocks expectation for 2017/18 season?

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -0.2, BEAN OIL +0.0, SOYMEAL -0.2

**OVERNIGHT DEVELOPMENTS:** July soybeans are trading 1 cent higher this morning with a small range. China futures are down slightly and Palm oil futures in Malaysia are up 1.1% and up to a 1-month high. Global markets were generally higher overnight with the exceptions of the All Ordinaries, TOPIX and the CSI 300. The Asian session was fairly quiet data-wise, while the European session started out with April Swiss unemployment which was expected to downtick from March's 3.3% reading but instead it held steady after the prior month was revised higher by 0.1%. The March German trade balance was as forecast showed a modest downtick from February's surplus, with exports slightly weaker than last month and imports showing significant gains over the prior month. The North American session will start with the March job openings and labor turnover (JOLTS) survey that is forecast to show a moderate decrease from the February reading. March wholesale inventories are expected to hold steady with February's -0.1% reading. Deliveries overnight included zero soybean contracts, 96 oil and 4 meal deliveries.



**NEAR-TERM MARKET FUNDAMENTALS:** July soybeans settled at the lowest close in six trading days yesterday. The trade has had several days to digest analyst estimates for the upcoming Supply/Demand report with 2016-17 ending stocks at 443 million bushels, which is basically unchanged from last month's 445 million bushels. The 2017-18 average ending stocks estimate of a record high 584 million bushels has the bull camp a bit nervous heading into Wednesday's report. The range of estimates is 420 to 759 million bushels, and the previous record is 2006-07 with a 574 million bushel ending stocks number. The Chinese April soybean imports were 8.02 million tonnes compared to 6.33 million last month and 7.07 million last year. This is the fourth consecutive month imports have set a record and are now up 18% on the year.

The Chinese National Grains & Oils Information Center (CNGOIC) raised China's soybean imports 6.4% to a record 92.0 million tonnes. They also see crush at 93 million tonnes in 2017-18 compared to 87.3 million this year in 2016-17, and soybean meal demand up 6.9% this year to 69.5 million tonnes. Soybean output was seen rising 9.2% to 14.3 million tonnes. The weekly progress update showed soybean plantings at 14% complete compared to 10% last week and 21% last year. The 10 year average for this time of year is 16%. Weekly export inspections came in at 349,385 tonnes compared to estimates of 350,000 to 600,000 tonnes. As of May 4th, cumulative soybean export inspections for the 2016-17 marketing year have reached 90.4% of the USDA forecast versus a 5 year average of 89.6%.

#### TODAY'S MARKET IDEAS:

A big data dump is coming on Wednesday, with the potential to see a record ending stocks for 2017-18 in print. What will the algorithmic traders do with an ending stocks number above 600 million bushels? Chinese demand is robust and the USDA needs to raise their import number to 91-92 million tonnes. Still, with soybean acres at 89.5 million and a conservative 48 bushels/acre yield, ending stocks come in well above 600 million bushels. Consider selling November soybeans at \$9.71 with an objective of \$9.30. Risk a close above 979 3/4. July soybean close-in resistance is at 970 with support at 959 and at 955 1/2, and a move through support would leave 925 1/4 as the 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.

### **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) 05/09/2017:** The daily stochastics gave a bearish indicator with a crossover down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 955 1/2. The next area of resistance is around 970 1/2 and 978 1/4, while 1st support hits today at 959 and below there at 955 1/2.

**SOYBEAN OIL (JUL) 05/09/2017:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 33.35. The next area of resistance is around 33.12 and 33.35, while 1st support hits today at 32.76 and below there at 32.62.

**SOYMEAL (JUL) 05/09/2017:** The downside crossover of the 9 and 18 bar moving average is a negative signal. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 310.4. The next area of resistance is around 315.4 and 317.7, while 1st support hits today at 311.8 and below there at 310.4.

## **DAILY CORN COMMENTARY**

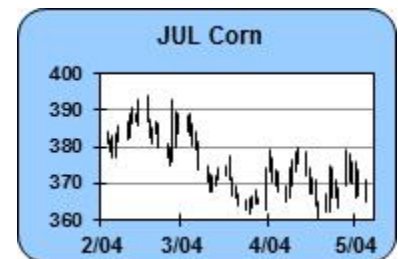
**05/09/17**

**Low end world ending stocks would be largest drawdown since 1988**

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

**CORN +0.6**

**OVERNIGHT DEVELOPMENTS:** July corn is trading 1 1/4 cents higher this morning. Outside market forces look a bit negative and the weather outlook is also bearish with wide open planting weather in the forecast for the northern and western Corn Belt. There were 712 contracts of corn delivered overnight. China corn was down 1% overnight.



**NEAR-TERM MARKET FUNDAMENTALS:** The market is probing for a short-term low as weather and more speculative selling helped to drive the market lower yesterday. The outlook for a sharp drop in world stocks and a small drop in US ending stocks for the coming year might be a good reason for the market to wait and see how the crop looks for the early growing season before moving much lower. A drier near term forecast in the northwestern Corn Belt with good progress being seen in Minnesota, Iowa and the Dakotas over the next few days has pressured prices. The weekly progress update showed corn plantings at 47% complete compared to 34% last week and 61% last year. Traders were looking for 43% planted. The 10 year average for this time of year is 51%. The states of Iowa, North Dakota, South Dakota and Minnesota are all behind year ago and five year

averages, but all made solid planting progress last week. Illinois, Indiana and Ohio had very little progress last week. There also will be several areas that will be looking to replant in southern Illinois, southern Indiana and Arkansas with prevent plant options also available.

The open interest went down 10,776 contracts on Friday which was most likely short covering. The managed money category net short position went down 11,627 contracts to a net short of 184,630 contracts as of May 2nd. The commodity index traders (CIT) net long position has fallen from a long of 386,913 contracts on February 21st to long 282,072 contracts as of May 2nd. The China National Center has estimated their corn output down 3.7% this year, which would equal 8.0 million tonnes. In fact, the world corn ending stocks for 2017-18 will be analyzed closely in Wednesday's report with an average estimate of 209.7 million tonnes and a wide trade range of estimates at 190.7 to 225.0 million tonnes. The 2016-17 world corn ending stocks estimate is 223.3 million tonnes. The average estimate is for a 14 million tonnes drawdown which would be the largest since 2010 and the low end estimate of 190.7 mmt for ending stocks would be a drawdown of 32.6 million tonnes which would be the largest drawdown since 1988. Weekly export inspections came in at 720,586 tonnes compared to estimates of 700,000 to 1.0 million tonnes. As of May 4th, cumulative corn export inspections for the 2016-17 marketing year have reached 69.3% of the USDA forecast versus a 5 year average of 63.5%.

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

The market is 13 cents off last Monday's high and the managed money traders only covered 11,627 contracts. The forecast is not as wet as feared late last week, but the fact remains there are several areas in the eastern Corn Belt that have started the growing season with some difficulty. Whether replanting, prevent plant or just rolling the dice with crops that were under water, it has not been an ideal start to the growing season. The 18 state crop emergence is 15% compared to 25% last year with Illinois 14% behind last year's emergence and Iowa 18% behind last year's emergence. Just a 5% hit on trend yield, and 500,000 less corn acres puts ending stocks at a relatively tight 1.274 billion bushels. Traders should consider buying December Corn at \$3.81 with an objective of \$4.13. Risk the trade to a close under \$3.74. 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.

#### **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) 05/09/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 361. The next area of resistance is around 369 and 373 1/4, while 1st support hits today at 363 and below there at 361.

#### **DAILY WHEAT COMMENTARY**

05/09/17

**Gap on the KC July chart still intact**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
WHEAT +0.4**



**OVERNIGHT DEVELOPMENTS:** July wheat is trading 1/2 cent higher this morning and KC wheat is up 1/4 cent. Outside market forces look mixed. MATIF September futures are up 0.30% at 169.00 Euro. There was 13 contracts delivered against the Chicago May contract and 1 against the Kansas City May contract.

**NEAR-TERM MARKET FUNDAMENTALS:** India's Farm Ministry estimated the 2016-17 wheat output at an all-time record of 97.44 million tonnes compared to 92.29 million tonnes in 2015-16. India's total food grain output was seen at 273.38 million tonnes for 2016-17. Japan is tendering for 138,188 tonnes of milling wheat from US, Canada and Australia. Jordan is tendering for 100,000 tonnes of optional origin wheat for October shipment and Algeria is in for 50,000 tonnes of wheat and barley for July shipment. The US inspected one cargo of wheat for export to Egypt in yesterday's report. The last shipment of US wheat to Egypt was in mid-January of this year. French grain area plantings are seen down 0.2% to 9.5 million hectares with soft wheat unchanged at 5.18 million hectares. The forecast for the US Plains looks unfavorably wet with a series of three rain events over the next two weeks, a drier pattern would be preferred. July wheat closed down almost 2.0% yesterday and filled the gap left from last week's rally.

The weekly Winter Wheat Conditions report showed 53% was rated good/excellent compared to 54% last week and 62% last year. The trade was looking for 51% good/excellent. The 10 year average for this time of year is 48%. All focus is on Kansas with 43% rated good/excellent versus 49% last week. The poor/very poor ratings in Kansas jumped to 27% from 16%. Colorado's good/excellent rating dropped 2% to 45% but just 3% of the winter wheat is heading. Nebraska's good/excellent ratings dropped 14% to 36% good/excellent. Texas good/excellent ratings went down 4% to 40% and Oklahoma's good/excellent ratings went up 2% to 49%. In soft red areas, Illinois' good excellent rating dropped 12% to 60% and Indiana dropped 4% to 67% good/excellent.

All in all, the winter wheat condition report is not going to get the bull camp excited but with a wet forecast disease pressure will be prevalent. The weekly Spring Wheat Planting report showed 54% complete compared to 31% last week and 74% last year. The 10 year average for this time of year is 55%. Weekly export inspections came in at 615,029 tonnes compared to estimates of 350,000 to 650,000 tonnes. As of May 4th, cumulative wheat export inspections for the 2016-17 marketing year have reached 89.7% of the USDA forecast versus a 5 year average of 91.3%.

**TODAY'S MARKET IDEAS:**

Last week's push higher saw managed money traders cover 37,689 contracts of Chicago wheat and 17,745 contracts of KC wheat. This put them flat in KC and still short 124,638 contracts in Chicago. The Chicago July contract filled last week's gap but the KC July contract still respects the gap between 439 1/2 and 442 1/2. We still feel there could be some disease pressure that has been placed on the crop, both soft red and hard red, and pressing the market down here could be ill fated. July KC wheat support is at 441 1/2 and 439 1/2, with 447 1/4 and 451 1/2 as resistance.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

\* Hit stop on long July wheat for a 12 cent loss.

**WHEAT TECHNICAL OUTLOOK:**

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WHEAT (JUL) 05/09/2017: The major trend has turned down with the cross over back below the 40-day moving average. The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 426 3/4. The next area of resistance is around 437 3/4 and 444, while 1st support hits today at 429 1/4 and below there at 426 3/4.

KC WHEAT (JUL) 05/09/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 439 1/2. The next area of resistance is around 447 1/4 and 451 1/2, while 1st support hits today at 441 1/4 and below there at 439 1/2.

MINN WHEAT (JUL) 05/09/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. 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. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 536 1/2. The next area of resistance is around 550 and 557 1/4, while 1st support hits today at 539 1/2 and below there at 536 1/2.

RICE (JUL) 05/09/2017: 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 upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 10.037. The next area of resistance is around 10.005 and 10.037, while 1st support hits today at 9.885 and below there at 9.798.

## 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	44.60	45.84	50.21	45.11	369.50	370.03	369.96	370.69	374.28
CNAZ7	384 1/4	45.06	46.54	52.33	46.78	387.38	387.78	387.61	386.99	389.44
SSAN7	964 3/4	47.13	45.36	67.42	62.45	971.81	966.25	964.22	980.33	998.46
SSAX7	961 1/4	48.48	46.73	65.36	62.56	965.63	961.50	960.58	972.40	984.25
SMAN7	313.6	42.48	43.20	47.68	43.56	316.98	316.20	316.55	320.71	326.46
BOAN7	32.94	65.96	58.88	72.32	75.58	32.73	32.39	32.09	32.43	32.82
WHAN7	433 1/2	44.69	45.86	59.11	54.31	441.88	440.83	436.26	442.01	448.70
WHAU7	448 3/4	45.69	46.50	59.84	56.08	456.13	454.53	450.13	456.38	463.04
RCAN7	9.945	54.11	50.00	33.27	43.84	9.91	9.68	9.92	10.05	10.01
KWAN7	444 1/4	51.17	50.95	65.83	61.76	450.50	447.97	437.54	444.86	454.31
MWAN7	544 3/4	46.37	48.50	62.84	53.41	551.94	554.08	546.65	544.04	548.53
OTAN7	248 1/2	78.47	71.07	84.33	91.03	244.88	236.75	228.08	230.14	233.95

Calculations based on previous session. Data collected 05/08/2017

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 3/4	363	367	369	373 1/4
CNAZ7	Corn	379 1/2	381 1/2	385 1/4	387	391
SSAN7	Soybeans	955 1/2	959	967	970 1/2	978 1/2
SSAX7	Soybeans	952 1/2	956 1/4	962 1/2	966 1/4	972 1/2
SMAN7	Soymeal	310.3	311.7	314.0	315.4	317.7
BOAN7	Soybean Oil	32.61	32.75	32.98	33.12	33.35
WHAN7	Wheat	426 1/2	429	435 1/4	438	444
WHAU7	Wheat	442 3/4	445	450 1/4	452 1/2	457 3/4
RCAN7	Rice	9.797	9.885	9.917	10.005	10.037
KWAN7	KC Wheat	439 1/2	441 1/4	445 1/2	447 1/4	451 1/2
MWAN7	MINN Wheat	536 1/2	539 1/2	547	550	557 1/2
OTAN7	Oats	240	244 1/2	248 1/4	252 1/2	256 1/2

Calculations based on previous session. Data collected 05/08/2017

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