

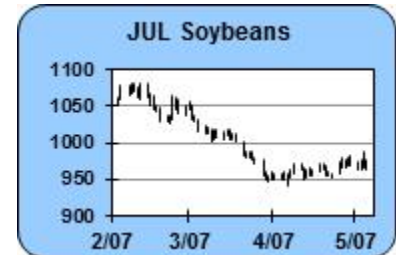


**DAILY SOY COMPLEX COMMENTARY**  
05/12/17

**Trade don't believe that Brazil will store excess while US sells**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -3.6, BEAN OIL -0.2, SOYMEAL -0.2

**OVERNIGHT DEVELOPMENTS:** July soybeans are trading 3 1/4 cents lower this morning. China futures were down 0.5% overnight and palm oil futures in Malaysia were down 0.8%. Global equity markets overnight were mixed with the US political conflict over the sacking of the FBI chief reverberating. First quarter German GDP was forecast to have a moderate increase from the previous 1.2% year-over-year reading and that was achieved with the number matching estimates calling for a gain of +0.6% over the prior quarter. The North American session will start out with the April consumer price index which is forecast to have a minimal downtick from March's 2.4% year-over-year reading. April retail sales are expected to see a sizable uptick from March's -0.2% reading and climb into positive territory. March business inventories are forecast to see a minimal downtick from February's 0.3% reading. A private survey of consumer sentiment is expected to hold steady with the previous 97.0 reading.



**NEAR-TERM MARKET FUNDAMENTALS:** The market looks vulnerable to more selling pressures short-term as there is plenty of soybeans for export out of Brazil and many traders see the USDA US export outlook as very hopeful. If exports are slower and the Midwest turns wet for the second half of May which could push more acres from corn to soybeans, the new crop ending stocks could be much higher than the current estimate. The soybean market found it hard to gain traction amid rising South American production estimates yesterday. Conab estimated Brazilian soybean production at 113.0 million tonnes, up 2.8 million tonnes from their previous estimate and compared to the USDA estimate of 111.6 million tonnes. The Buenos Aires Grains Exchange estimated the Argentine soybean production at 57.5 million tonnes, up 1.0 million from the previous estimate of 56.5 million and compared to the USDA's estimate of 57.0 million. The average yield is 3,190 kilos per hectare versus the previous record of 3,170 kilos per hectare in 2014-15. They estimate harvest progress at 66.5% complete.

The trade is questioning the USDA's decision to increase 2017-18 exports by 100 million to 2.150 billion bushels in light of the ample South American supply. Not to mention, a 48.0 bushel yield could be on the low end after the improvement in genetics over the last three years. Several balance sheets from analysts have made the rounds with lower exports than the USDA's 2.150 billion bushels and higher yields with ending stocks well above the USDA's 480 million bushel estimate. Brazil ending stocks are expected to "increase" by 5.15 million tonnes for the 2016/17 season (189 million bushels) instead of moving or exporting the excess on the world market. Expecting Brazil to increase their soybean stocks while US exports expand seems to be an aggressive demand idea.

Informa will release a new estimate for soybean acreage today with their previous estimate at 88.7 million and the USDA estimate of 89.5 million. Net weekly export sales for soybeans came in at 381,400 tonnes for the current marketing year and 70,000 for the next marketing year for a total of 451,400 tonnes. As of May 4th, cumulative soybean sales stand at 102.3% of the USDA forecast versus a 5 year average of 96.3%. Net meal sales came in at 137,100 tonnes for the current marketing year and 24,700 for the next marketing year for a total of 161,800 tonnes. Net oil sales came in at 29,000 tonnes.

**TODAY'S MARKET IDEAS:**

A close below 958 1/2 in July soybeans would be an outside week lower close, the same for November soybeans below 954 1/4. The managed money traders like to exit or add when charts confirm reversal type action on a weekly basis. With them already short 47,667 contracts as of May 2nd a close below 958 1/2 could see them add

to their already modest short position. There is some short-term uptrend channel support for July soybeans at 961 3/4. Aggressive traders could buy the June 950 puts (expire on May 26th) for 3 1/4 cents, looking for a poor weekly close and an extension lower next week for a test of 923.

**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) 05/12/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 955 1/4. The next area of resistance is around 972 1/2 and 980 1/2, while 1st support hits today at 960 and below there at 955 1/4.

SOYBEAN OIL (JUL) 05/12/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 32.07. The next area of resistance is around 32.69 and 32.88, while 1st support hits today at 32.29 and below there at 32.07.

SOYMEAL (JUL) 05/12/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 310.7. The next area of resistance is around 317.4 and 320.6, while 1st support hits today at 312.4 and below there at 310.7.

**DAILY CORN COMMENTARY**

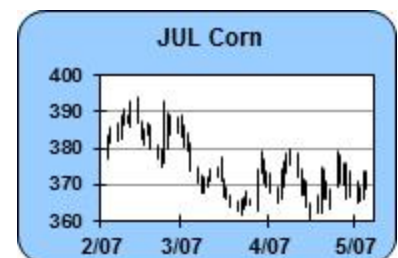
05/12/17

**Short-term trend down on dry window but rains return next week**

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

**CORN** -0.2

**OVERNIGHT DEVELOPMENTS:** July corn is trading down 3/4 of a cent this morning. Outside market forces look mixed. China corn futures are up 0.4% this morning. China sold 335,337 tonnes of state reserve corn out of 453,153 tonnes offered this morning. They sold 2.1 million tonnes yesterday.



**NEAR-TERM MARKET FUNDAMENTALS:** While the drawdown in global ending stocks is a positive longer-term force, the short-term trend could be lower as US exports turn sluggish and the short-term weather is bearish. Mexico may import 3-5 million tonnes of corn from Brazil in the medium to long term according to Agriculture officials. This will displace US exports to Mexico. The market is down just 1 1/2 cents on the week through the close yesterday. The near term forecasts have turned warmer and drier for the next five days which should give

producers in the east a window to make some headway on planting progress. There still looks to be an active pattern mid-next week that will bring 1 to 3 inch of rain into the northern Plains and Midwest and higher amounts for the southern and western parts of the Corn Belt which are already saturated. Early estimates for Monday's planting progress are 64-68% complete compared to the 5 year average of 76% planted. The open interest in corn went down 4,582 contracts Wednesday which most likely was short covering on the rally.

Brazil's Conab released their May corn production estimate at 92.8 million tonnes, up 1.3 million from their April estimate but lower than the average estimate of 95.1 million and below the USDA estimate of 96.0 million. The Buenos Aires Grains Exchange estimated Argentine corn production at 39.0 million tonnes, up 2.0 million from their previous estimate of 37.0 million and compared to the USDA's 40.0 million. Informa will update their 2017-18 acreage today with their previous corn planted acreage number at 90.7 million. Net weekly export sales came in at 277,700 tonnes for the current marketing year and -55,100 for the next marketing year for a total of 222,600 tonnes compared to estimates of 650,000 to 1.0 million tonnes. As of May 4th, cumulative corn sales stand at 92.2% of the USDA forecast versus a 5 year average of 89.1%.

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

July and December corn are down just over a penny on the week. The short-term trend is down on a drier near term forecast that should allow farmers an opportunity to catch up on plantings. Still, the trade is analyzing USDA data, especially the drawdown of 28.6 million tonnes for the 2017-18 ending stocks. Granted, the majority of the decline is due to Chinese stocks decline due to a new Beijing policy, but the fact remains world stocks to usage is now 18.3%, the lowest since 2012-13. December corn support is at 384 1/2 and 381 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) 05/12/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside target is now at 365 1/4. The next area of resistance is around 371 3/4 and 375 1/4, while 1st support hits today at 366 3/4 and below there at 365 1/4.

#### **DAILY WHEAT COMMENTARY**

05/12/17

**Still some weather hot spots in Europe and now China**

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

**WHEAT** -0.6

**OVERNIGHT DEVELOPMENTS:** July wheat is trading 1 cent lower this morning and KC wheat is down 1 1/4 cents. Outside market forces are mixed. MATIF September futures are down 0.15% at 169.75 Euro. There was 10 contracts delivered against the Chicago May contract and 64 against the Kansas City May contract.



**NEAR-TERM MARKET FUNDAMENTALS:** French wheat conditions improved slightly this week with 76% of the soft wheat rated good/very good versus 75% last week and compared to 87% last year. Durum wheat was rated 64% good/very good versus 62% last week and 78% last year. Hot, dry and windy weather is forecast in China's top wheat growing province of Henan according to China's National Meteorological Center. The open interest in Chicago went up 3,415 contracts yesterday while Kansas City went down 539 contracts.

The market has had two days to digest Wednesday's USDA report with more questions than answers. The market's direction will now be driven on whether or not the winter wheat crops in Kansas and surrounding states recover from the May 1st snow/freeze event. Some analysts feel yields and quality will continue to suffer and final acreage could still be reduced due to abandonment. Drought combined with cold temperatures could take its toll on wheat crops in Ukraine and Western Europe. Areas in Southern Europe could see extreme heat in the next few weeks and areas in France, Poland and Germany are at risk of damaging storms. Algeria has bought 470,000 tonnes of optional origin wheat at a price of \$198 per tonne.

The managed money short position is at 124,638 contracts as of May 2nd and could increase in this week's COT report to an estimated 137,000 contracts. Informa will release updated spring wheat acreage tomorrow with their previous estimate at 11.3 million acres. Conab's Brazilian wheat production was estimated at 5.2 million tonnes versus 6.7 million last year due to lower planted acres and lower yields. Net weekly export sales for wheat came in at -24,200 tonnes for the current marketing year and 273,400 for the next marketing year for a total of 249,200 tonnes compared to estimates of 300,000 to 600,000 tonnes. As of May 4th, cumulative wheat sales stand at 99.2% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 97.6%. Sales of 55,000 tonnes are needed each week to reach the USDA forecast.

**TODAY'S MARKET IDEAS:**

July wheat is down 8 1/2 cents on the week and KC July is down 9 1/4 cents for the week. The weather is drier over the next 4 to 5 days but rains should return by the middle of next week in the Plains and central Midwest. Disease pressure and potential yield loss is still an issue going forward. Look for support in July wheat at 430 1/4 followed by 426. Aggressive traders could buy 1 July 430 call and sell 2 July 470 calls (1X2) for a cost of 5 1/2 cents. Look to exit the position on a test of the 200 day moving average at 451 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) 05/12/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 426. The next area of resistance is around 437 1/4 and 439 3/4, while 1st support hits today at 430 1/4 and below there at 426.

KC WHEAT (JUL) 05/12/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 434 1/4. The next area of resistance is around 443 3/4 and 446 1/2, while 1st support hits today at 437 3/4 and below there at 434 1/4.

MINN WHEAT (JUL) 05/12/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving

average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 543. The next area of resistance is around 550 3/4 and 553 1/4, while 1st support hits today at 545 3/4 and below there at 543.

RICE (JUL) 05/12/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 10.957. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 10.844 and 10.957, while 1st support hits today at 10.435 and below there at 10.138.

## 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	369 1/4	49.13	49.05	48.08	47.71	368.88	370.81	368.97	369.82	373.33
CNAZ7	387 1/4	49.48	49.64	50.58	50.69	387.00	388.64	386.86	386.48	388.86
SSAN7	966 1/4	48.02	46.68	59.84	51.34	968.81	970.75	965.43	975.86	993.37
SSAX7	964	50.96	48.91	62.16	57.11	964.88	965.56	961.63	969.13	981.21
SMAN7	314.9	45.67	45.68	45.16	37.58	316.18	316.96	316.25	319.51	324.87
BOAN7	32.49	52.66	51.67	65.85	58.64	32.65	32.59	32.24	32.32	32.70
WHAN7	433 3/4	46.42	46.76	47.37	41.07	432.13	441.39	434.61	439.51	446.47
WHAU7	448	46.22	46.62	48.87	42.73	447.00	455.61	448.69	453.90	460.93
RCAN7	10.640	75.83	68.71	56.58	77.10	10.19	9.96	9.90	10.08	10.03
KWAN7	440 3/4	48.79	49.18	55.67	49.50	440.75	450.47	437.99	441.99	451.89
MWAN7	548 1/4	50.99	51.27	48.59	42.47	544.75	551.36	547.81	543.90	547.20
OTAN7	246 1/4	69.81	65.99	85.15	84.74	246.19	244.08	231.96	230.73	233.72

Calculations based on previous session. Data collected 05/11/2017

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	365 1/4	366 3/4	370 1/4	371 3/4	375 1/4
CNAZ7	Corn	383 1/2	385	388 1/4	389 1/2	393
SSAN7	Soybeans	955	960	967 3/4	972 1/2	980 1/2
SSAX7	Soybeans	954 1/4	958 1/2	965	969 1/2	975 3/4
SMAN7	Soymeal	310.6	312.4	315.6	317.4	320.6
BOAN7	Soybean Oil	32.06	32.28	32.47	32.69	32.88
WHAN7	Wheat	426	430 1/4	433	437 1/4	440
WHAU7	Wheat	440 1/2	444 1/2	447 1/4	451 1/2	454
RCAN7	Rice	10.137	10.434	10.547	10.844	10.957
KWAN7	KC Wheat	434	437 1/2	440 1/4	444	446 1/2
MWAN7	MINN Wheat	543	545 1/2	548 1/4	551	553 1/2
OTAN7	Oats	243	244 1/2	246 1/2	248	250

Calculations based on previous session. Data collected 05/11/2017

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