



## DAILY GRAINS COMMENTARY

Thursday May 18, 2017

### DAILY SOY COMPLEX COMMENTARY

05/18/17

**With shifting conditions in Brazil, more sellers than hoarders**

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

**SOY BEANS -19.4, BEAN OIL -0.6, SOYMEAL -5.0**

**OVERNIGHT DEVELOPMENTS:** July soybeans are trading 21 cents lower this morning. China futures were down 0.6% overnight with an out-side day down. Palm oil futures in Malaysia were down 0.7%. Global markets remained under pressure in a reaction that more than likely followed the slide seen in the US markets on Wednesday. However, with US stocks showing renewed pressure again this morning the spiral looks to continue throughout the world. The Asian session started out with a first quarter reading for Japanese GDP that best expectations and in turn has extended the string of growth to the longest in 10 years. April Australian unemployment was forecast to hold steady at 5.9% but instead it declined by 0.2%. The European started out with April UK retail sales that also bested expectations and registered a gain of +2.3%. The North American session will start out with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 236,000 reading. The May Philly Fed survey is expected to have a modest downtick from April's 22.0 reading. The Conference Board's April leading economic index is forecast to have a minimal downtick from March's +0.4% reading.



**NEAR-TERM MARKET FUNDAMENTALS:** More news of political corruption from the new administration in Brazil sparked an aggressive sell-off in the Brazil currency and sellers were very active overnight. Ideas that Brazil producers will sell freshly harvested soybeans plus a risk-off tone to financial markets were seen as reasons for the heavy selling. Keep in mind, the USDA sees the harvest at 111.6 million tonnes and there are plenty of traders who are 1-2 million tonnes higher due to excellent yields. The USDA estimate is a record high and up 15.6% from last year and up 72% in just five years. Ideas that the Brazil currency was strong and that Brazil producers would store and wait for better prices was a key supportive force recently and US prices were below Brazil.

The trade is also watching heavy rains in Argentina which could slow the final stages of harvest (estimated at 70% complete) and could also cause some quality issues for the crops still in the field. The open interest in soybeans increased by 3,190 contracts Tuesday and is up over 10,000 contracts over the last three days. Safras estimated Brazil's soybean exports at 61 million tonnes, up 17% from last year. Lanworth, a crop imagery forecasting company, has estimated the soybean yield at 46.8 bushels per acre, slightly below the USDA's 48.0 bushel per acre estimate. For the weekly export sales report, traders see soybean sales near 200,000 to 500,000 tonnes.

#### TODAY'S MARKET IDEAS:

Old crop export sales will be watched closely today as most analysts will raise the old crop export number for the June supply/demand report. The question is by how much, with most in the 20-40 million bushel range. The crush number should come down to offset most of the increase. The bull camp will want to see a weekly close above the 100 day moving average at 978. On the other hand, a close under 964 1/2 for July soybeans today would be considered a downside break-out and leave 923 as next downside target. A close under 32.51 for July soybean oil would also be considered bearish. July meal resistance is at 315.30 with 303.40 as next objective.

#### 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) 05/18/2017:** 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 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 983 1/4. The next area of resistance is around 979 1/4 and 983 1/4, while 1st support hits today at 972 1/4 and below there at 969 1/2.

**SOYBEAN OIL (JUL) 05/18/2017:** 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 near-term upside objective is at 33.59. The next area of resistance is around 33.36 and 33.59, while 1st support hits today at 32.94 and below there at 32.74.

**SOYMEAL (JUL) 05/18/2017:** The market back below the 40-day moving average suggests the longer-term trend could be turning down. Daily stochastics are trending lower but have declined into oversold territory. The intermediate trend has turned down with the cross over back below the 18-day moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 312.3. The next area of resistance is around 317.0 and 319.2, while 1st support hits today at 313.6 and below there at 312.3.

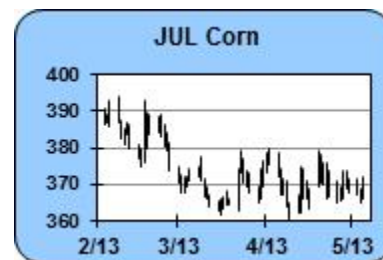
## **DAILY CORN COMMENTARY**

**05/18/17**

**Hard to find new buyers in corn with soybeans collapsing**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CORN -6.2**

**OVERNIGHT DEVELOPMENTS:** July corn is trading 5 3/4 cents lower this morning. Outside market forces look bearish with a serious risk off mode, weakness in Brazil and fears of weakening global economy. China futures were unchanged overnight.



**NEAR-TERM MARKET FUNDAMENTALS:** With the Brazil political woes and the currency collapsing, sugar is down 3.8% overnight, soybeans are down 1.9% and coffee is down 2.7%. Like corn, these are commodities in which Brazil is a major exporter. Traders view rains and cold weather in the western Corn Belt forecast as bearish. While good rains after getting most of the crop in the ground is important, there are some concerns that too much rain and cold weather could slow emergence (pollinating deep into July) or even force some re-plantings if amounts cause flooding. For the northern half of Missouri into central Iowa, 3-6 inches of rain for the next week is a slight concern. Support yesterday was attributed from the weaker dollar as well as a cold and wet forecast for the western Corn Belt which could hamper seed germination and early seed growth. The open interest went up 7,356 contracts Tuesday with new shorts entering the market. Anecdotal reports from Illinois crop scouts describe this year as the largest corn re-plant they have ever seen. The troublesome start to the growing season has a crop imagery forecasting company estimating corn yield at 166.9 bushels per acre compared to the

USDA estimate of 170.7.

While it is extremely early to estimate yield, the trend could be that the top end of yield potential could be trimmed back due to excessive rains to start the season. Not only does Illinois have state crop conditions prior to the initial USDA release, Missouri has their corn crop rated at 49% good/excellent compared to 39% last week and 74% last year. Keep in mind that Illinois was rated 42% good/excellent compared to 72% last year. Ethanol production for the week ending May 12th averaged 1.027 million barrels per day. This is up 2.09% vs. last week and up 8.33% vs. last year. Total ethanol production for the week was 7.189 million barrels. Corn used in last week's production is estimated at 107.84 million bushels. Corn use needs to average 98.8 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.4 million barrels. This is up 1.6% vs. last week and up 10.9% vs. last year. For the weekly export sales report, traders see corn sales near 350,000 to 750,000 tonnes.

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

The short-term focus is on Brazil and the risk-off mode for commodities. Re-planting, more rain, cold temperatures to close out May all will take a toll on yield potential and could start a short covering phase. If weather does start to take center stage and yield loss is occurring, the managed money trend followers will not just cover 200,000 contracts, they will get long 200,000 contracts minimum. That's a 400,000 contract swing! The sell-off leaves the market oversold. December corn buying support is at 381 1/4 with 391 and 394 resistance. It will take a move over 388 3/4 today or 388 1/4 tomorrow to turn the pattern bullish. A move through resistance would spark aggressive short-covering and a likely bounce to 413 3/4.

#### **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) 05/18/2017: The major trend could be turning up with the close back above the 40-day moving average. 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. The market's close above the 2nd swing resistance number is a bullish indication. The next downside objective is 364 1/2. The next area of resistance is around 374 1/2 and 376 1/4, while 1st support hits today at 368 1/2 and below there at 364 1/2.

#### **DAILY WHEAT COMMENTARY**

05/18/17

**Wheat getting pulled down by Brazilian turmoil**

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

**WHEAT -3.4**

**OVERNIGHT DEVELOPMENTS:** July wheat is trading down 3 1/2 cents this morning and KC wheat down 3 3/4 cents. Outside market forces are negative with the US dollar slightly higher and the Brazilian Real up 3.0%. MATIF September futures are down 0.60% at 165.75 Euro.



**NEAR-TERM MARKET FUNDAMENTALS:** The wheat market is getting pulled lower by the weakness in soybeans tied to the move in the Brazilian Real off of the recent turmoil surrounding President Temer and

accusations of a cover up scheme with a former member of the lower house of Congress. The corruption probe has implicated many of Brazil's business and political elite. The weather, in both the US and China, actually leans more supportive than yesterday with temperatures reaching well into the 100's in China's wheat areas of Henan and Hebei over the next several days. Also, rains over the next seven days could bring as much as 6.0 inches of moisture into the eastern half of Kansas and 4-5 inches into Oklahoma and Texas which will continue to cause quality issues for the winter wheat crop. Saudi Grains Organization is tendering for 1.5 million tonnes of feed barley from global suppliers for July-August shipment. Germany's 2017 grain harvest is seen at 45.4 million tonnes down 2.7% from last year, with wheat output at 25 million tonnes up 1.6% from last year.

Yesterday's support came from Egypt's purchase of 295,000 tonnes of wheat for June 15-24 shipment. The wheat was purchased from Russia, Romania, Ukraine and two cargoes from the US. The cheapest offer was from Romania at \$207.18, but the US offers were extremely competitive at \$207.35 and \$208.00 even with an over \$10.00 freight disadvantage. The average price for the entire 295,000 tonne tender was \$208.14 per tonne. The recent break in the US dollar and rally in the Euro has made US hard red wheat competitive to world buyers. Early yield results from Oklahoma have shown test weights averaging 63-65 pounds per bushel with yields ranging from the low 20's to the mid 40's according to the Oklahoma Wheat Commission. Last year, the average yield in Oklahoma was 39 bushels per acre which was an unusually strong yield. The National Meteorological Center in China has warned of a hot, dry and windy forecast in the main wheat areas of Hebei and Henan over the next few days during the grain filling stage. The open interest in wheat increased 6,555 contracts on Tuesday with trend followers increasing their position. The average estimate for today's export sales is 300,000 to 600,000 tonnes.

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

July wheat traded down to 422 3/4 overnight in solid volume. Given the weather issues in the US and China pressing the market below the 420 level is not advised. Traders continue to struggle with the quantifying the crop size especially with a new round of heavy precipitation and until more is known about yields the market should find support at 420. Also, the recent decline in the US dollar along with the recent purchase of US hard red wheat should continue to lend support on pullbacks. The managed money short is still over 100,000 contracts with headline risk of lower yields and detrimental weather a concern. July wheat support is at 421 3/4 followed by 416 1/4.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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WHEAT (JUL) 05/18/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 416 1/4. The next area of resistance is around 432 1/4 and 437 1/2, while 1st support hits today at 421 3/4 and below there at 416 1/4.

KC WHEAT (JUL) 05/18/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 415 1/2. The next area of resistance is around 432 1/4 and 438 3/4, while 1st support hits today at 420 3/4 and below there at 415 1/2.

MINN WHEAT (JUL) 05/18/2017: 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. The close over the pivot swing is a somewhat positive setup. The next downside objective is 534 3/4. The next area of resistance is around 544 1/2 and 548 3/4, while 1st support hits today at 537 1/2 and below there at 534 3/4.

RICE (JUL) 05/18/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 11.217. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 11.090 and 11.217, while 1st support hits today at 10.730 and below there at 10.498.

## 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	371 1/2	53.09	51.54	42.97	42.09	369.50	369.36	369.72	369.67	372.19
CNAZ7	389	52.97	51.77	44.40	42.72	387.13	387.22	387.49	386.62	388.14
SSAN7	975 3/4	58.84	53.94	50.94	53.89	970.06	969.83	967.99	971.83	987.35
SSAX7	967 3/4	56.88	52.80	52.53	53.24	964.00	964.67	963.17	965.91	977.30
SMAN7	315.3	48.39	47.44	28.13	25.39	314.53	315.52	316.29	317.93	322.59
BOAN7	33.15	64.91	59.72	68.83	73.57	33.01	32.84	32.50	32.34	32.65
WHAN7	427	41.86	43.29	29.46	20.62	426.81	430.89	434.22	437.27	443.48
WHAU7	440 1/4	39.75	41.97	29.79	19.83	440.81	445.28	448.25	451.58	457.89
RCAN7	10.910	74.82	69.65	78.28	87.78	10.64	10.35	10.00	10.13	10.08
KWAN7	426 1/2	37.72	41.44	34.67	22.07	429.69	436.86	439.35	439.05	448.30
MWAN7	541	43.88	46.32	30.14	19.60	541.81	544.50	548.01	543.82	545.81
OTAN7	235 1/2	49.65	51.62	63.39	51.77	234.13	241.11	235.71	230.25	232.88

Calculations based on previous session. Data collected 05/17/2017

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	364 1/2	368 1/2	370 1/2	374 1/2	376 1/2
CNAZ7	Corn	382 1/2	386 1/4	388	391 3/4	393 1/2
SSAN7	Soybeans	969 1/2	972 1/4	976 1/2	979 1/4	983 1/2
SSAX7	Soybeans	961	964 1/4	968	971 1/4	975
SMAN7	Soymeal	312.2	313.5	315.7	317.0	319.2
BOAN7	Soybean Oil	32.73	32.93	33.16	33.36	33.59
WHAN7	Wheat	416 1/4	421 1/2	427	432 1/2	437 3/4
WHAU7	Wheat	430 1/2	435 1/2	440 1/4	445	450
RCAN7	Rice	10.497	10.730	10.857	11.090	11.217
KWAN7	KC Wheat	415 1/4	420 1/2	427	432 1/2	438 3/4
MWAN7	MINN Wheat	534 3/4	537 1/2	541 3/4	544 1/2	548 3/4
OTAN7	Oats	223	230	233 3/4	241	244 1/2

Calculations based on previous session. Data collected 05/17/2017

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

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