



**DAILY SOY COMPLEX COMMENTARY**  
05/22/17

**Slowdown in plantings and China bounce but world supply?**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS +3.0, BEAN OIL +0.1, SOYMEAL +1.1

**OVERNIGHT DEVELOPMENTS:** July soybeans are trading 3 1/4 cents higher this morning. China futures were up 1.7% overnight and palm oil futures in Malaysia were up 1%. Global equity markets were mixed overnight with gainers and losers distributed evenly around the globe. The Asian session featured an April reading on the Japanese trade figures which notched a 5th straight month of export increases. The European session will be fairly quiet data-wise, while the North American session will be highlighted by a May reading on the Chicago Fed's national activity index which is forecast to see a moderate increase from April's 0.08% reading.



**NEAR-TERM MARKET FUNDAMENTALS:** With the wet weekend and cool and wet weather ahead, the market is finding some support this morning. In addition, China futures jumped and the US dollar is weaker. The Brazil currency is steady but traders remain concerned with talk of impeachment hearings starting soon. Without help from the currency markets, the surge in world ending stocks to a record high remains a bearish force as the South American harvest winds down. While there is a surge in Chinese demand this year, a huge production surplus leaves world ending stocks jumping 16.9% to a record high 90.14 million tonnes which represents 27.2% of annual usage. July soybeans rebounded Friday as the Brazilian Real strengthened by over 3.0% on the day. However, the trend is down for the Brazilian currency and any further weakness could attract increased selling from speculators. The selling onslaught from Brazilian producers slowed dramatically on Friday, but selling for the week was extremely active. July soybeans closed 8 1/4 cents higher on the session Friday were down 10 cents on the week. Today's weekly planting progress report is expected to show the crop about 55% planted compared to 32% last week and the 20-year average of 51%.

The Commitments of Traders reports as of May 16th for Soybeans showed Non-Commercial traders were net short 21,841 contracts, a decrease of 1,062 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 87,895 contracts, an increase of 1,321 contracts for the week. For Soybean Oil, Non-Commercial traders were net long 4,440 contracts, an increase of 6,343 contracts for the week 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 10,061 contracts, up 5,813 contracts for the week. Commodity Index traders held a net long position of 83,960 contracts, up 2,227 contracts for the week. For Soybean Meal, Non-Commercial traders were net long 9,670 contracts, a decrease of 11,689 contracts for the week and the aggressive long liquidation selling is seen as a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 18,663 contracts, down 10,736 contracts for the week. Commodity Index traders held a net long position of 79,470 contracts, down 3,867.

**TODAY'S MARKET IDEAS:**

The uncertainty around the Brazilian political scene may not go away anytime soon, and until there is a weather reason for traders to stand aside, selling should intensify on bounces. Selling resistance for July soybeans is at 959 1/2 and 965 with 923 as next target. July meal resistance is at 314.40 with 303.80 as next target.

**NEW RECOMMENDATIONS:**

None.

### PREVIOUS RECOMMENDATIONS:

1) Short July soybeans from 974 with an objective of 928. Risk to 980 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 to close over +9 1/2.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Grains</b>						
Soybeans	-21,841	+1,062	87,895	+1,320	-66,054	-2,383
Soymeal	9,670	-11,689	-18,663	+10,737	8,993	+953
Soyoil	4,440	+6,343	-10,061	-5,813	5,621	-530

### 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) 05/22/2017:** The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 940. The next area of resistance is around 958 3/4 and 963 1/4, while 1st support hits today at 947 1/4 and below there at 940.

**SOYBEAN OIL (JUL) 05/22/2017:** The major trend could be turning up with the close back above the 60-day moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 32.23. The next area of resistance is around 33.37 and 33.56, while 1st support hits today at 32.71 and below there at 32.23.

**SOYMEAL (JUL) 05/22/2017:** Momentum studies are declining, but have fallen to oversold levels. 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 lower than the pivot swing number. The next downside objective is now at 304.1. The next area of resistance is around 308.9 and 311.8, while 1st support hits today at 305.1 and below there at 304.1.

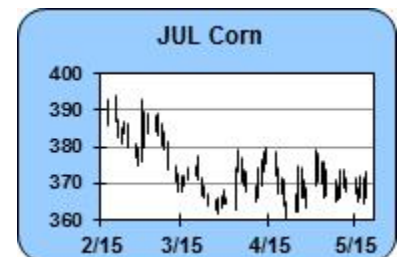
### DAILY CORN COMMENTARY

05/22/17

**Slow start to US crop and cool and wet period ahead**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
CORN +1.4

**OVERNIGHT DEVELOPMENTS:** July corn is trading 1 1/4 cents higher this morning. Outside market forces look supportive with US dollar weakness and a jump in energy prices. China futures were down 1.3% overnight. China will offer 7.2 million tonnes of reserve corn this week.



**NEAR-TERM MARKET FUNDAMENTALS:** Since October, December corn has consolidated around the \$3.89 1/4 level, which is the 50% mark of the \$3.74 1/2 to \$4.04 range. July corn settled up 6 1/2 cents on the session Friday and up 1 1/2 cents on the week. The cold and wet forecast has traders concerned about emergence and germination issues over the next couple weeks. For today's weekly progress update, traders see corn planting

near 85% complete versus 71% last week and the 10-year average of 82% complete. The market has already priced-in record world old crop ending stocks, burdensome US old crop ending stocks and a record South American crop. The potential sharp drop in world ending stocks for 2017/18 could provide solid support to the market, at least until traders are confident that the USDA's 170.7 bushels/acre estimate will hold. (The simple 10-year average is 156.3 bushels/acre) If yield ends up coming in at 162.2 bushels per acre (5% below the current forecast) then ending stocks could come in at 1.298 billion bushels, and the stocks to usage ratio could fall to 9.1%. This ratio has been lower than that level only four times in the past 44 years. While the bearish trend in the Brazilian real could continue to weigh on soybean prices over the near term, the impact on the corn market may not be important until July or August, as Brazil will likely be more focused on exporting freshly-harvested soybeans until then.

Forced replanting as well as rain and cold temperatures in the forecast over the next two weeks could easily lower yield expectations. Anecdotal reports from Illinois crop scouts describe this year as the largest corn "re-plant" they have ever seen. With 42% of the Illinois corn crop in good to excellent condition at the start of the season, the bears will need better weather ahead. Last year, conditions started at 72% and moved to as high as 85%. Missouri corn is rated 49% good/excellent compared to 39% last week and 74% last year. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net short 131,826 contracts, a decrease of 7,231 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 105,167 contracts, down 7,265 contracts for the week. Commodity Index traders held a net long position of 279,620 contracts, up 1,734 contracts for the week.

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

The corn market lacks a weather premium and there is already some concerns for dryness in China and a slow start to the US crop. As prices have consolidated, fund traders have built up a massive net short position. Managed money traders held a net short position of 208,642 contracts as of May 16th, not far from the record high. Consider buying December Corn on breaks with support at 389 and 387.

#### **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.

<b>Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017</b>						
	<b>Non-Commercial</b>			<b>Commercial</b>		<b>Non-Reportable</b>
	<b>Net Position</b>	<b>Weekly Net Change</b>	<b>Net Position</b>	<b>Weekly Net Change</b>	<b>Net Position</b>	<b>Weekly Net Change</b>
<b>Grains</b>						
<b>Corn</b>	-131,826	+7,231	105,168	-7,264	26,659	+34

#### **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) 05/22/2017: The major trend could be turning up with the close back above the 60-day moving average. 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 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 next upside objective is 378. The next area of resistance is around 376 and 378, while 1st support hits today at 369 and below there at 364.

#### **DAILY WHEAT COMMENTARY**

05/22/17

**Wet plains might spark disease concerns; dollar trend supports**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**WHEAT +3.0**

**OVERNIGHT DEVELOPMENTS:** July wheat is trading up 3 cents this morning and KC wheat is up 3 1/2 cents. Outside market forces are positive with the US dollar lower. MATIF September futures are up 0.75%.



**NEAR-TERM MARKET FUNDAMENTALS:** With heat in China and a potential for further deterioration in the US crop due to too much rain, the market seems to be in position for further gains short-term. The wheat market surged higher on Friday with concern about continued wet weather in the Plains and Central Midwest over the next week which could cause quality and potential yield loss. The central Plains have been hit with 2-3 inches of rain in the past week, and there is another 1-3 inches of rain for Kansas in the next week. July wheat settled up 9 1/2 cents on the session Friday and up 2 1/2 cents on the week. Early yields out of central Texas and into southwest Oklahoma have ranged between 20-40 bushels per acre. Many fields have not reached full maturity and further wet conditions will delay harvesting for several days. China's wheat producing regions of Hebei and Henan have suffered from triple-digit temperatures for the last seven days, and heat and dryness are forecast to linger.

The bear camp will talk about the recent 2.94 million-tonne increase in world ending stocks, which was almost entirely due to a 17.2 million-tonne increase in Chinese ending stocks. If you strip out China's ending stocks, then world wheat stocks went down 14.3 million tonnes. China is holding 49.5% of the world's ending stocks, but these are domestic stocks that have never competed in the world export market. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net short 102,951 contracts, an increase of 13,139 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 94,403 contracts, an increase of 10,203 contracts for the week. Commodity Index traders held a net long position of 130,648 contracts, up 1,502. For Kansas City Wheat, Non-Commercial traders were net long 13,335 contracts, a decrease of 9,523 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 14,665 contracts, down 6,607 contracts for the week.

**TODAY'S MARKET IDEAS:**

Managed money traders increased their net short position by 13,493 contracts for the week to a near record 121,385 contracts. Will the recent weakness in the dollar and the problematic weather in several production areas be enough to spark a significant bounce in the wheat market? We think the odds are good. Close-in support for July wheat is at 432 and 425 3/4 with 440 3/4 and 445 3/4 as resistance. Clearing resistance could spark aggressive short-covering and a quick run to 477 1/4.

**NEW RECOMMENDATIONS:**

Buy September Wheat 470 call and also sell September Wheat 420 put for a net cost of 4 cents. Use an objective of 31 cents on the spread, and risk 8 cents from entry.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
<b>Grains</b>						
<b>KC Wheat</b>	13,335	-9,523	-14,665	+6,606	1,330	+2,916
<b>Wheat</b>	-102,951	-13,139	94,404	+10,205	8,548	+2,936

**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) 05/22/2017: Momentum studies are declining, but have fallen to oversold levels. 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 next downside target is 422. The next area of resistance is around 440 3/4 and 444 1/4, while 1st support hits today at 429 3/4 and below there at 422.

KC WHEAT (JUL) 05/22/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Momentum studies are declining, but have fallen to oversold levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is now at 422 1/4. The next area of resistance is around 444 1/2 and 448 1/4, while 1st support hits today at 431 1/2 and below there at 422 1/4.

MINN WHEAT (JUL) 05/22/2017: The major trend could be turning up with the close back above the 60-day moving average. The crossover up in the daily stochastics is a bullish signal. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. 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 near-term upside objective is at 564 1/2. The next area of resistance is around 561 1/2 and 564 1/2, while 1st support hits today at 550 and below there at 541 1/2.

RICE (JUL) 05/22/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 10.959. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 10.895 and 10.959, while 1st support hits today at 10.765 and below there at 10.700.

## 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	372 1/2	54.32	52.49	39.91	40.73	369.44	369.56	369.79	369.54	371.75
CNAZ7	390 1/4	54.68	52.98	41.47	42.74	387.19	387.39	387.58	386.66	387.90
SSAN7	953	40.50	41.83	40.29	29.94	962.44	965.39	965.82	969.12	984.40
SSAX7	951 3/4	40.64	42.14	41.69	31.53	958.00	961.19	961.35	963.86	975.27
SMAN7	307.0	33.84	37.49	19.39	10.05	311.70	313.74	314.97	316.84	321.48
BOAN7	33.04	57.83	56.09	66.22	64.81	32.91	32.80	32.59	32.35	32.64
WHAN7	435 1/4	53.66	50.65	25.21	24.21	428.06	429.25	435.04	436.36	442.22
WHAU7	448 1/2	52.96	49.98	24.76	23.02	441.69	443.42	448.97	450.63	456.58
RCAN7	10.830	70.21	66.64	84.60	89.62	10.81	10.57	10.12	10.17	10.11
KWAN7	438	52.11	50.11	26.86	22.41	428.75	433.50	440.74	437.79	446.60
MWAN7	555 3/4	61.82	57.67	28.55	31.98	545.31	544.67	549.38	543.84	545.52
OTAN7	241 3/4	58.84	57.68	55.76	51.05	235.75	238.94	237.85	229.97	232.56

Calculations based on previous session. Data collected 05/19/2017

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	369	371	376	378
CNAZ7	Corn	382	387	388 3/4	393 1/2	395 1/2
SSAN7	Soybeans	940	947	951 3/4	959	963 1/2
SSAX7	Soybeans	940	946 1/2	950 1/2	957	961
SMAN7	Soymeal	304.0	305.0	307.9	308.9	311.8
BOAN7	Soybean Oil	32.22	32.70	32.89	33.37	33.56
WHAN7	Wheat	422	429 1/2	433 1/4	441	444 1/2
WHAU7	Wheat	435 3/4	443	446 1/2	454	457 1/4

RCAN7	Rice	10.700	10.765	10.830	10.895	10.959
KWAN7	KC Wheat	422 1/4	431 1/2	435 1/4	444 1/2	448 1/4
MWAN7	MINN Wheat	541 1/2	550	553	561 1/2	564 1/2
OTAN7	Oats	232	237 1/4	241	246 1/4	250

**Calculations based on previous session. Data collected 05/19/2017**

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