



**DAILY SOY COMPLEX COMMENTARY**  
05/23/17

**China demand remains strong but lots of Brazil selling ahead**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -5.2, BEAN OIL -0.3, SOYMEAL -1.3

**OVERNIGHT DEVELOPMENTS:** July soybeans are trading 5 cents lower this morning. China futures were up 0.6% overnight and palm oil futures in Malaysia were down 1.7%. Global equity markets were mixed with European markets forging gains and Asian stocks generally weak. The European session started out with Markit "flash" manufacturing PMI numbers from around Europe, with German Ifo readings hitting a record high in May and the Euro zone manufacturing jobs reportedly adding jobs at the fastest pace in 20 years. The North American session will start out with a "flash" reading for the Markit manufacturing PMI which is expected to have a modest uptick from the previous 52.8 reading. April new home sales are forecast to have a modest downtick from March's 621,000 annualized rate. The May Richmond Fed's manufacturing index is expected to have a moderate downtick from April's 20 reading.



**NEAR-TERM MARKET FUNDAMENTALS:** Uncertainty over the short-term moves in the Brazil currency and economy, plus a very burdensome supply outlook "if" US weather is close to normal leaves the short-term trend down. The market experienced a 2-day bounce. Ag Rural has reported Brazilian farmers have sold only 55% of their 2016-17 soybean crop, the lowest rate for this time of year since 2007. This opens the door for aggressive producer selling on further weakness in the Brazil currency. The weekly progress report showed 53% of the crop planted compared to 32% last week and 53% last year. The 10 year average for this time of year is 48%. There is nothing that really sticks out with the planting progress other than Michigan and Wisconsin are behind by 10% and 14%, respectively. Soybean emergence is at 19% compared to 20% last year and a five year average of 21%. China official soybean imports for April came in at 8.015 million tonnes which was up 13.4% from last year. Cumulative imports for 2017 came in at 27.535 million tonnes which is up 18% from the previous year's pace.

The open interest in soybeans went up 7,936 contracts on Friday and Friday's COT report showed the managed money category has reduced their net short position in soybeans by 2,188 contracts to 36,523 contracts. The managed money trader increased their net short position in soybean meal by 11,651 contracts to 11,688 contracts. This is the largest net short in soybean meal for the managed money category since April 5th 2016. The managed money trader reduced their net short in soybean oil by 6,843 contracts to 6,008 contracts. They have reduced their short position by 44,698 contracts since April 11th. Weekly export inspections for soybeans came in at 348,535 tonnes versus 248,000 tonnes last week. As of May 18th, cumulative soybean export inspections for the 2016-17 marketing year have reached 90.4% of the USDA forecast versus a 5 year average of 90.7%. Heavy rains this week eased fears of drought for parts of China.

**TODAY'S MARKET IDEAS:**

Brazil producers seem to be waiting for the next plunge in their currency to move more soybeans. Chinese demand most likely will be ratcheted higher in subsequent USDA reports, but the Brazilian excess supply will serve as a wet blanket on the market. Along with potential acreage shifts from corn to soybeans that the market will need to anticipate due to the continued wet spring, this means rallies will be hard to hold. Until there is a weather scare for traders to stand aside, selling should intensify on bounces. Selling resistance for July soybeans is at 959 1/2 and 965 with 935 3/4 and 923 as next downside 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.

### **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) 05/23/2017:** Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 948 3/4. The next area of resistance is around 960 1/2 and 964 3/4, while 1st support hits today at 952 1/2 and below there at 948 3/4.

**SOYBEAN OIL (JUL) 05/23/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 32.52. The next area of resistance is around 33.21 and 33.59, while 1st support hits today at 32.67 and below there at 32.52.

**SOYMEAL (JUL) 05/23/2017:** 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 slightly negative indicator that the close was under the swing pivot. The next downside target is now at 305.8. The next area of resistance is around 308.9 and 310.1, while 1st support hits today at 306.7 and below there at 305.8.

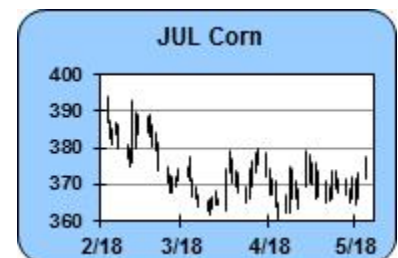
## **DAILY CORN COMMENTARY**

**05/23/17**

### **Fears of large Brazil crop and increased commercial selling**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CORN -2.4**

**OVERNIGHT DEVELOPMENTS:** July corn is trading 2 1/2 cents lower this morning. Outside market forces look mixed. China futures were down 0.2% overnight. China will offer 7.2 million tonnes of reserve corn this week.



**NEAR-TERM MARKET FUNDAMENTALS:** A lack of supportive news for the weekly crop progress update plus news of better rains for the dry areas of China helped to pressure the market overnight. China continues to expand local usage pace for corn and has clearly pumped up ethanol production as April trade data showed a jump in China ethanol exports and a slowdown in imports to a trickle. The corn market found support yesterday from weekend weather that saturated fields from South Dakota to Ohio with many areas seeing upwards of 2.0 inches of rain over the past 3 days. Illinois and Indiana continue to see above average re-plant with producers fearing the top end of yield potential will be difficult to achieve. More rain is seen later this week favoring the eastern Corn Belt and the afternoon weather models continue to show a cool and wet profile over the next 6-10 day period. Re-planting, seed germination and shallow root development are all becoming real problems for producers in several locations. The weekly crop progress update showed 84% of the crop is planted compared to 71% last week and 84% last year. The 10 year average for this time of year is 82%.

Top producing states of Illinois and Indiana are 1% and 2% respectively behind the five year average, while Iowa

and Minnesota are 2% and 8% respectively above the five year average. Wisconsin at 65% and Kansas at 70% are the two states that lag the most. Emergence was at 54% compared to the five year average of 55% with Wisconsin and Michigan lagging by double digits. Individual state crop conditions have Illinois at 51% good/excellent (G/EX) versus 49% last week and 69% last year and Missouri 52% (G/EX) versus 49% last week and 75% last year. In contrast, Iowa is rated 75% (G/EX) versus 73% for this week last year and Minnesota is 82% (G/EX) versus 65% last year. The bottom line is that individual state ratings are a mixed bag with the national crop ratings not due out until next Monday. The open interest in corn went down 12,533 contracts on Friday (short-covering). Weekly export inspections came in at 1.144 million tonnes compared to 1.420 million last week. As of May 18th, cumulative corn export inspections have reached 74.1% of the USDA forecast versus a 5 year average of 67.7%.

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

July corn settled above the 100 day moving average at 374 1/2 and the downtrend line (374) from the February high of 393. A second close above the 100 day moving average could be interesting with the large speculative short. Managed money traders held a net short position of 208,642 contracts as of May 9th, which is not far from the record high. While plantings and emergence look to be on pace, we believe there are areas of re-planting along with a wet/cool extended forecast that will still shave yield potential off the top end. Consider buying December Corn at 386 1/2 with an objective of 413.

#### **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) 05/23/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 380 1/2. The next area of resistance is around 377 3/4 and 380 1/2, while 1st support hits today at 372 1/4 and below there at 369 1/4.

#### **DAILY WHEAT COMMENTARY**

05/23/17

**More rains for Kansas and Nebraska in next 5 days**

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

**WHEAT -3.2**

**OVERNIGHT DEVELOPMENTS:** July wheat is trading down 1 1/4 cents this morning and KC wheat is down 4 cents. Outside market forces are mixed. MATIF September futures are down 0.3%.



**NEAR-TERM MARKET FUNDAMENTALS:** The technical action is weak but July wheat should find good support on breaks. The weekly progress and condition reports showed winter wheat crops at 52% good/excellent compared to 51% last week and 62% last year. The 10 year average for this time of year is 47%. Kansas good/excellent (G/EX) rating went up 3% and South Dakota went up 14% (G/EX), while Illinois went down 8% (G/EX) and Montana went down 9% (G/EX). Still, lower protein levels continue to be feared with the abundant

rains over the last month. Spring wheat plantings reached 90% complete compared to 78% last week and 94% last year. The 10 year average for this time of year is 75%. The EU's Monitoring Agricultural Resources has cut the EU's soft wheat yield by 2.3% to 5.91 tons per hectare.

France and Spain saw stressful conditions with a lack of precipitation and cold temperatures. Drought conditions with extreme temperatures will likely continue in China's north and northeast areas affecting some 600,000 hectares of crops. The managed money trader increased their net short position by 13,493 contracts to a net short of 121,385 contracts as of May 16th. Weekly export inspections came in at 674,559 tonnes versus 695,000 tonnes last week. As of May 18th, cumulative wheat export inspections have reached 93.8% of the USDA forecast versus a 5 year average of 95.1%. Minneapolis July/Chicago July closed at \$1.23, with an outside day higher close and 7 3/4 cents from the contract high.

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

July wheat did not close well yesterday and closed below the 50 day moving average. The large speculative short will not give in easily, plus another low protein wheat crop puts the spotlight back on the higher protein wheat contract which is Minneapolis. We still like owning upside potential as the Chicago market continues to find support on pullbacks towards 420. Close-in support is at 428 1/2 and a close over 440 3/4 opens the door for a bounce 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.

#### **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) 05/23/2017:** The daily stochastics gave a bullish indicator with a crossover up. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The daily closing price reversal down puts the market on the defensive. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 444 3/4. The next area of resistance is around 438 1/2 and 444 3/4, while 1st support hits today at 430 and below there at 427 3/4.

**KC WHEAT (JUL) 05/23/2017:** Daily stochastics are trending lower but have declined into oversold territory. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 429 1/4. The next area of resistance is around 440 1/4 and 446 1/2, while 1st support hits today at 431 3/4 and below there at 429 1/4.

**MINN WHEAT (JUL) 05/23/2017:** Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 target is at 565 1/2. The next area of resistance is around 562 3/4 and 565 1/2, while 1st support hits today at 555 3/4 and below there at 551 1/2.

**RICE (JUL) 05/23/2017:** Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. 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 11.281. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 11.197 and 11.281, while 1st support hits today at 10.913 and below there

at 10.712.

### 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	375	57.57	54.71	44.30	53.07	371.25	370.50	370.25	369.54	371.69
CNAZ7	392 3/4	58.11	55.34	46.12	55.44	389.00	388.25	388.06	386.72	387.93
SSAN7	956 1/2	43.68	44.01	36.81	29.86	957.50	963.44	965.82	967.93	983.12
SSAX7	956 1/4	45.82	45.66	38.96	33.50	955.13	959.94	961.47	963.03	974.43
SMAN7	307.8	36.16	38.91	15.64	8.14	309.40	312.56	314.64	316.30	320.96
BOAN7	32.94	55.61	54.68	65.07	62.78	32.89	32.80	32.64	32.36	32.64
WHAN7	434 1/4	52.29	49.84	26.37	28.70	430.56	429.78	435.47	435.98	441.76
WHAU7	448	52.20	49.54	25.63	27.36	444.13	443.81	449.46	450.22	456.10
RCAN7	11.055	75.22	70.58	87.29	92.68	10.92	10.70	10.21	10.19	10.13
KWAN7	436	49.90	48.78	26.29	25.14	431.63	433.19	441.33	437.14	445.89
MWAN7	559 1/4	64.90	59.88	34.74	47.11	550.19	546.69	549.85	543.96	545.53
OTAN7	246 3/4	64.70	61.82	57.06	59.67	240.00	239.06	239.35	230.06	232.57

Calculations based on previous session. Data collected 05/22/2017

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	369	372	374 3/4	378	380 1/2
CNAZ7	Corn	387	390	392 1/2	395 1/2	398
SSAN7	Soybeans	948 3/4	952 1/2	956 3/4	960 1/2	964 3/4
SSAX7	Soybeans	948	952 1/4	956	960 1/4	964
SMAN7	Soymeal	305.7	306.7	307.9	308.9	310.1
BOAN7	Soybean Oil	32.51	32.67	33.05	33.21	33.59
WHAN7	Wheat	427 3/4	430	436 1/4	438 1/2	444 3/4
WHAU7	Wheat	442 1/2	444 1/4	450	451 3/4	457 1/2
RCAN7	Rice	10.711	10.912	10.996	11.197	11.281
KWAN7	KC Wheat	429 1/4	431 1/2	438	440 1/2	446 3/4
MWAN7	MINN Wheat	551 1/2	555 3/4	558 1/2	562 3/4	565 1/2
OTAN7	Oats	233	241	244 1/2	252 1/2	256

Calculations based on previous session. Data collected 05/22/2017

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