



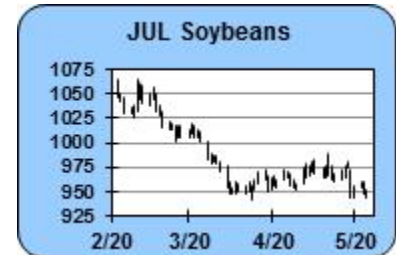
DAILY GRAINS COMMENTARY Thursday May 25, 2017

DAILY SOY COMPLEX COMMENTARY 05/25/17

Surge in meal stocks in China may slow import demand

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +1.6, BEAN OIL +0.2, SOYMEAL +0.2

OVERNIGHT DEVELOPMENTS: July soybeans are trading up 2 cents this morning. China futures were down slightly with an inside trading day and palm oil futures are up 1% after trading down to the lowest level since May 5th. Global equity markets were once again mixed with Chinese and Asian stocks mostly higher and European market measures mostly trading weaker. The Asian session was fairly quiet data-wise while several markets in Europe were closed for the Ascension Day holiday. A preliminary look at first quarter UK GDP was expected to hold steady with the previous 2.1% year-over-year rate but instead the reading dipped. It should also be noted that UK mortgage approvals dropped, that Italian Industrial orders fell sharply and that UK business investment came in positive. The Oil producers meeting finished with only a 9 month extension which is what was expected but less than what was tossed around earlier in the week. The North American session will start out with a weekly reading on initial jobless claims that are forecast to have a modest uptick from the previous 232,000 reading. However, they may be attention paid to ongoing jobless claims as the previous 1.898 million reading was a multi-decade low. April wholesale inventories are expected to hold steady with March's 0.2% reading. The April goods trade balance is forecast to see a modest downtick from March's \$64.8 billion monthly deficit. The May KC Fed manufacturing index is expected to hold steady with April's 12 reading.



NEAR-TERM MARKET FUNDAMENTALS: Outside market forces are mixed but the weak US dollar and some stability in the Brazil currency for the 4th day in a row may be providing some underlying support. China demand has provided solid support to the market in recent months as many traders believe the US and world supply fundamentals are burdensome. China crush margins fell deep into the red and to a nine month low this week on demand concerns as meal stocks jumped to the highest level since mid-2012. Meal stocks increased to over 1 million tonnes, up 14% from the previous week. July soybean support yesterday was tied to strong Dalian soybeans futures that traded to their highest level since April 17th.

Rabobank estimated the Brazilian soybean crop between 112-113 million tonnes compared to the USDA estimate of 111.60 million. The Argentine Ag minister estimated the Argentine soybean production at 58.0 million tonnes compared to the USDA estimate at 57.0 million. They estimated harvest progress at 71% complete as of May 18th. The open interest in soybeans went up 1,178 contracts and soybean meal went up 4,600 contracts on Tuesday with new speculative selling on fresh lows. There has been rumors that U.S. crush plants have slowed as soybean meal stocks have been hard to market due to cheap corn. For the weekly export sales report today, traders see soybean sales near 400,000 to 600,000 tonnes, and soybean meal at 100,000 to 200,000 tonnes.

TODAY'S MARKET IDEAS:

The volume yesterday was well below average and looks to stay that way unless there is a significant change in the forecast. The market made a low early in the session off of the Chinese debt downgrade, but a downgrading of one notch was quickly brushed off by the market. Brazilian soybean offers continue to keep the US competitive, even with 40-50% of the Brazilian crop unsold. The Brazilian producer may be waiting for the Real to weaken; until then, look for a sideways trade. Selling resistance in July soybeans is at 959 1/2 with 936 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short July soybeans from 974 with an objective of 928. * Risk to 962. 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 +6 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) 05/25/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 939. The next area of resistance is around 952 3/4 and 956 3/4, while 1st support hits today at 943 3/4 and below there at 939.

SOYBEAN OIL (JUL) 05/25/2017: 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. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 31.92. The next area of resistance is around 32.48 and 32.73, while 1st support hits today at 32.08 and below there at 31.92.

SOYMEAL (JUL) 05/25/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 304.1. The next area of resistance is around 307.5 and 308.9, while 1st support hits today at 305.2 and below there at 304.1.

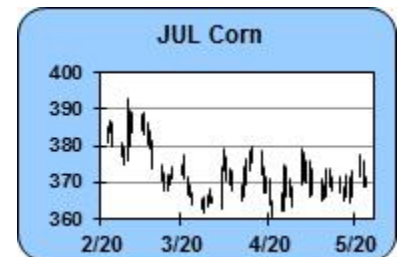
DAILY CORN COMMENTARY

05/25/17

Sub-par crop conditions next week might spark some new buying

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CORN +1.2**

OVERNIGHT DEVELOPMENTS: July corn is trading 1 1/4 cents higher this morning. Outside market forces look mixed. China futures were down 0.2%.



NEAR-TERM MARKET FUNDAMENTALS: Initial crop ratings for early next week may provide some underlying support as Missouri, Illinois, Indiana and Ohio might show below average readings for the 1st crop conditions report of the year. A cold and wet trend continues into early June and this may hold conditions down. The market continues to trade in the middle of the congestion area that the market has been stuck in since mid-March. Traders are keeping a close eye on weather forecasts going into the three day weekend. The Western belt and Plains will continue to see a drier pattern into the weekend and next week while the eastern belt will struggle with 1 1/2 to 3 1/2 inches of rain for Ohio, Indiana, and southeast Illinois and into the Delta states. The longer term 8-14 day forecast has a cool and wet profile which will continue to keep early crop ratings below average. Open interest went up 5,558 contracts on Tuesday, with producer selling noted in old crop corn as they finish new crop plantings and the Memorial Day holiday marks the beginning of summer.

In an Ag conference being held in London, one of the largest funds in the world called the agricultural market prices and agricultural company shares close to a bottom. What caught our eye was their corn analysis; with a trendline yield of 170 bushels/acre, they believe new crop December corn is fair valued at \$3.90. However, if yield should come in 4 bushels below trend (166 bushels/acre), they believe the average price for new crop December corn would be \$4.40. We agree on their thought process, and certainly many managed money traders have a different opinion (managed money traders net short 200,000 contracts). For the weekly export sales report,

traders see corn sales near 550,000 to 850,000 tonnes. Ethanol production for the week ending May 19th averaged 1.01 million barrels per day. This is down 1.66% vs. last week and up 6.77% vs. last year. Total ethanol production for the week was 7.07 million barrels. Corn use needs to average 98.4 million bushels per week to meet this crop year's USDA estimate. Stocks were 22.684 million barrels and the largest decline since April 7th. This is down 3.1% vs. last week and up 9% vs. last year. Implied demand (production and stocks change) was the highest since June of 2015.

TODAY'S MARKET IDEAS:

The 10-day, 20-day, 40-day, 50-day, and 200-day moving averages are all basically at 370 for July corn. The 100-day is not far off at 374 with the market in a nearly three month sideways coil that it should break out of eventually. Three day weekends in the growing season, no matter if it's cool and wet or hot and dry, always seem to be volatile. The onus could be on the shorts going into the weekend. Consider buying December corn near the 388-384 zone with an objective of 413. Resistance is at 394.

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) 05/25/2017: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies are trending higher from mid-range, which should support 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. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 373 1/4. The next area of resistance is around 372 1/2 and 373 1/4, while 1st support hits today at 370 and below there at 368.

DAILY WHEAT COMMENTARY

05/25/17

Mixed US crop condition; Europe/Black Sea June weather watch

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +2.0

OVERNIGHT DEVELOPMENTS: July wheat is trading 1 3/4 cents higher this morning and KC wheat is up 2 1/4 cents. Outside market forces are mixed. MATIF September futures are up 0.3%. Japan bought 117,800 tonnes of milling wheat overnight.



NEAR-TERM MARKET FUNDAMENTALS: The US crop gets a bit more moisture in the next week, especially soft red areas and some dryness and hot weather is returning to parts of Europe and the Black Sea region which might stress crops and provide some underlying support. Ag Canada sees 2017/18 wheat production at 29.5 million tonnes, down 7% from this season with ending stocks at 6.6 million tonnes, down 4.3%. Minneapolis wheat provided support yesterday with the July contract trading as much as 7 1/2 cents higher on the day. The wet weather in the hard red wheat areas and the soft red areas will increase quality concerns causing lower protein, which has speculators favoring the higher protein spring wheat contract in Minneapolis. The Illinois Wheat Association toured southern Illinois yesterday with yields averaging 62.2 bushels per acre from 170 samples. This

compares to 63.5 bushels per acre last year. Crop scouts did comment on the disease pressure in many fields but overall a very promising wheat crop.

Turkey is limiting wheat imports from Russia for the second time this year. Turkish trade authorities reduced the amount of Russian wheat in recent cargos by almost 1/3 of the total shipment. A Russian spokesman reported that some restrictions in wheat trade remain as Russia and Turkey continue to negotiate. Russian wheat exports for the 2017-18 season that starts in July are estimated at 29.2 million tonnes versus 27.6 million this year. The Russian wheat inventories are expected to increase to 18.3 million tonnes by the end of the 2017-18 season compared to 15.8 million tonnes this year. For the weekly export sales report, traders see wheat sales near 350,000 to 650,000 tonnes.

TODAY'S MARKET IDEAS:

As the weather turns drier in the western Plains, harvesting should start in full force next month along with a negative seasonal for Kansas City (KC) and Chicago (CHGO) wheat into mid-June. The intra-market spreading interest will continue with buying in Minneapolis for the protein wheat, and selling in KC and CHGO with poor quality expected. Still, with managed money trader short 121,000 contracts, any hint of poor yields coming out of the fields during harvest should spark some flat price short covering. Traders are also monitoring weather in Spain and France and the Black Sea as June weather is vital. Support in July wheat is at 429 3/4 followed by 426. Resistance is at 436 and 440 3/4.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long September Wheat 470 call and short Sept 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.

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) 05/25/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 436 3/4. The next area of resistance is around 435 1/4 and 436 3/4, while 1st support hits today at 429 3/4 and below there at 426.

KC WHEAT (JUL) 05/25/2017: The crossover up in the daily stochastics is a bullish signal. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 439. The next area of resistance is around 436 and 439, while 1st support hits today at 429 1/2 and below there at 426 1/4.

MINN WHEAT (JUL) 05/25/2017: Momentum studies are rising from mid-range, which could accelerate 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 567 1/4. The next area of resistance is around 565 and 567 1/4, while 1st support hits today at 557 and below there at 551 1/2.

RICE (JUL) 05/25/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 11.285. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 11.190 and 11.285, while 1st support hits today at

10.920 and below there at 10.745.

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
GRAIN COMPLEX										
CNAN7	371 1/4	51.55	50.93	47.25	50.12	372.06	370.25	370.53	369.56	371.43
CNAZ7	389 3/4	52.75	51.95	50.14	54.36	390.13	388.11	388.38	386.87	387.84
SSAN7	948 1/4	38.26	40.19	28.13	19.58	951.50	959.00	964.88	965.16	980.14
SSAX7	948	38.79	40.75	31.24	23.37	951.13	956.14	960.85	960.92	972.29
SMAN7	306.4	34.01	37.40	10.04	5.44	306.88	310.34	313.65	315.27	319.87
BOAN7	32.28	43.15	46.36	51.22	35.37	32.65	32.78	32.69	32.32	32.60
WHAN7	432 1/2	50.25	48.71	29.15	33.60	432.88	429.39	435.39	435.41	440.93
WHAU7	446	49.47	48.03	28.25	32.35	446.63	443.28	449.44	449.57	455.24
RCAN7	11.055	70.64	67.85	89.59	92.07	10.96	10.81	10.39	10.23	10.16
KWAN7	432 3/4	46.94	46.92	26.24	27.55	434.31	431.33	440.90	436.16	444.55
MWAN7	561	63.77	59.78	49.56	66.60	557.56	549.14	550.25	544.38	545.62
OTAN7	238 1/2	50.74	52.46	56.79	54.98	242.06	237.86	240.97	229.95	232.53

Calculations based on previous session. Data collected 05/24/2017

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
GRAIN COMPLEX						
CNAN7	Corn	368	370	370 3/4	372 1/2	373 1/2
CNAZ7	Corn	386 1/4	388 1/2	389	391	391 3/4
SSAN7	Soybeans	939	943 3/4	948	952 3/4	957
SSAX7	Soybeans	939 1/2	944	947 3/4	952	956
SMAN7	Soymeal	304.1	305.2	306.5	307.5	308.9
BOAN7	Soybean Oil	31.91	32.07	32.32	32.48	32.73
WHAN7	Wheat	426	429 3/4	431 1/2	435 1/4	437
WHAU7	Wheat	440 3/4	443 3/4	445 1/4	448 1/4	449 3/4
RCAN7	Rice	10.745	10.920	11.015	11.190	11.285
KWAN7	KC Wheat	426	429 1/2	432 1/2	436	439
MWAN7	MINN Wheat	551 1/2	557	559 1/2	565	567 1/2
OTAN7	Oats	234 3/4	236	239 1/2	241	244 1/4

Calculations based on previous session. Data collected 05/24/2017

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