



DAILY SOY COMPLEX COMMENTARY
05/26/17

Some signs of slowdown in China demand adding to bearish tilt

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -1.6, BEAN OIL -0.1, SOYMEAL -0.2



OVERNIGHT DEVELOPMENTS: July soybeans are trading down 2 1/4 cents this morning and pushed down to the lowest level since April 8th, 2016. China futures were down 0.7% overnight and palm oil futures are down 2% and down to the lowest level since May 5th. Asian stocks were mixed overnight as the Nikkei posted a moderate loss while the Shanghai Composite finished the week near unchanged levels. Most European equities are finding moderate early pressure this morning, although the UK FTSE is grinding out a modest gain due to a weaker Pound. The North American session will start out with another look at first quarter gross domestic product that is expected to see a modest increase from the previous 0.7% annualized rate. April durable goods are forecast to see a notable downtick from March's 0.7% reading and fall into negative territory. A major private survey on May consumer sentiment is expected to have a minimal downtick from the previous 97.7 reading. A weaker US dollar and strong gold prices leaves outside market forces somewhat supportive but traders await movement in the Brazil currency today.

NEAR-TERM MARKET FUNDAMENTALS: With China crush margins the poorest since August and meal stocks on the rise, there is talk that some crushers may slow operations. Imports, however, are expected to be high for June and July. Strong demand from China has been the key supportive force in the past ten months so the weaker demand tone helped to push July soybeans down through the August 2nd lows yesterday. Selling pressure was also tied to a slightly drier outlook for the corn/soybean belt this weekend except in Missouri, southern Illinois and southern Indiana. A weaker Brazilian currency also gave way to increased producer selling from South America. The Argentine Ag Minister estimated their soybean production at 58 million tonnes compared to the USDA's estimate of 57.0 million. The International Grains Council estimated the global soybean output in 2016-17 at 350 million tonnes due to increased South American supplies. They also commented that 2017-18 supplies will stay elevated, but due to rising demand, stocks should decline by as much as 9.0%.

Agri-Food Canada estimated 2017-18 canola production at 18.75 million tonnes, up from their previous estimate of 18.5 million tonnes. Another negative feature is that Chinese crush margins are negative and at a nine month low. Processors are losing money because vegetable oil imports and rapeseed oil auctions have built up edible oil stocks that have pressured prices hurting profitability. Soybean meal stocks are also high, jumping to more than 1 million tonnes this week, up 14% from last week and at the highest level since August 2012. Weekly export sales came in at 472,700 tonnes for the current marketing year and 6,000 for the next marketing year for a total of 478,700 tonnes. As of May 18th, cumulative soybean sales stand at 103.7% of the USDA forecast versus a 5 year average of 97.9%. Net meal sales came in at 125,000 tonnes for the current marketing year and 34,900 for the next marketing year for a total of 159,900 tonnes. Net oil sales came in at 10,000 metric tonnes. As of May 18th, cumulative soybean oil sales stand at 85.2% of the USDA forecast versus a 5 year average of 77.7%. Today is the expiration for the serial June options, and there are roughly 15,000 June put options open from the 940 strike down to the 900 strike. Short gamma players could be in for a wild ride today, especially if the Brazilian currency becomes noticeable weaker.

TODAY'S MARKET IDEAS:

The realization that even with pent up demand in China, world soybean supplies are burdensome has led to the break this week and if the Brazil currency drops again, commercial selling could pick up again. If we raise soybean acres to 90 million due to switching from corn, and reduce the 2016-17 ending stocks to 400 million

bushels (down 35 million) due to increased demand from China and plug in a modest yield of 48.0 bushels per acre, the 2017-18 ending stocks still ends up at 617 million bushels. That's a very aggressive assumption on exports, especially with talk today of the dreaded "cancellations" or "rolling forward" of old crop export demand. The bottom line is that only hot and dry headlines in mid-July and beyond will get the soybean bulls excited. The next downside target in July soybeans is at 919 with resistance at 942 3/4.

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) 05/26/2017: The market was pushed to a new contract low. 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. A negative signal was given by the outside day down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 928 1/2. The next area of resistance is around 946 1/2 and 956 1/4, while 1st support hits today at 932 1/2 and below there at 928 1/2.

SOYBEAN OIL (JUL) 05/26/2017: The major trend has turned down with the cross over back below the 40-day moving average. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is 31.61. The next area of resistance is around 32.32 and 32.72, while 1st support hits today at 31.76 and below there at 31.61.

SOYMEAL (JUL) 05/26/2017: 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. The close below the 1st swing support could weigh on the market. The next downside target is 302.4. The next area of resistance is around 306.2 and 308.3, while 1st support hits today at 303.2 and below there at 302.4.

DAILY CORN COMMENTARY

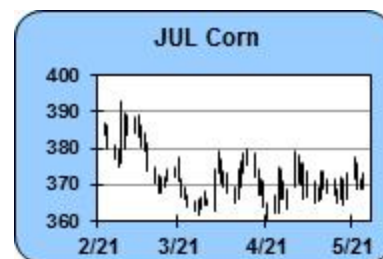
05/26/17

Three day weekend ahead with all eyes on Tuesday's ratings

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.6

OVERNIGHT DEVELOPMENTS: July corn is trading 1/2 of a cent higher this morning. Outside market forces look slightly positive with a weaker US dollar and strong gold values. China futures were unchanged overnight.



NEAR-TERM MARKET FUNDAMENTALS: China sold 2.1 million tonnes out of 2.3 million tonnes offered on Friday on top of 3.34 million tonnes sold yesterday. China auction sales have increased recently due to the pent up industrial and ethanol usage. July corn was pulled lower by a weaker soybean complex yesterday, settling

down 2 cents on the day. Export sales were disappointing, but there was a flash announcement of a sale of 115,000 tonnes of corn to Unknown destinations yesterday. Pressure was also tied to a slightly drier forecast for the northern sections of the eastern Corn Belt. The problematic areas of Missouri, southern Illinois and southern Indiana could still see rains this weekend. Producers have been able to dodge the wet weather and this Tuesday's progress report should show 90% planted versus the five year average of 91%.

The trade will be anxious to analyze the initial condition report on Tuesday's report, with 68% to 70% good/excellent rating being considered neutral. Anything below could spark a short covering spell, especially if the re-plant story continues to drag on. The Argentine Ag minister estimated the corn production at 46.5 million tonnes, well above the USDA's last estimate of 40 million tonnes. The International Grains Council estimated world corn stockpiles at 197 million tonnes, down 13% from last year and the first decline in five years. The decline is due to higher usage from US ethanol makers and Chinese industrial use as well as a 3% decline in global production. Net weekly export sales for corn came in at 457,200 tonnes for the current marketing year and 500 for the next marketing year for a total of 457,700 tonnes. As of May 18th, cumulative corn sales stand at 94.2% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 91.9%.

TODAY'S MARKET IDEAS:

The moving averages have all converged around the 370 level for July corn with the trade in need of some market moving news. The weekend weather along with the initial crop conditions on Tuesday should provide us with something. We still feel total corn acres could decrease and the re-plant problems will cause yield potential to diminish. Consider buying December corn at 385 1/4 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) 05/26/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 366. The next area of resistance is around 371 1/4 and 374 1/4, while 1st support hits today at 367 1/4 and below there at 366.

DAILY WHEAT COMMENTARY

05/26/17

Minneapolis is the leader, end of week short covering possible

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +0.6

OVERNIGHT DEVELOPMENTS: July wheat is trading 1/4 cent higher this morning and KC wheat is 1 1/4 cents. Outside market forces are mixed. MATIF September futures are down 0.15%.



NEAR-TERM MARKET FUNDAMENTALS: China's wheat output for 2017-18 could reach 122.5 million tonnes

up from 122.0 million tonnes last year according to China National Grains and Oils Information Center. Hot and dry weather has affected some fields in the north and northeast, cloud seeding has helped ease drought in most areas. Russia's first deputy agriculture minister sees 2016-17 wheat exports at 27.0 million tonnes for the season that ends in June. This is 1.0 million tonnes lower than the USDA estimate for 28.0 million tonnes. Canada's top growing province of Saskatchewan will not be able to seed as much as 700,000 hectares of spring crops due to excessive rainfall according to farm officials. They also noted that some crops will be needed to be reseeded after a hard frost last week damaged some canola and winter wheat crops. The volume yesterday was well below the 15 day average for the second consecutive day. Weather "hot spots" are still an issue with China's wheat area returning to a hot/dry pattern, France and Spain still too dry and the wet weather in southern Illinois, southern Indiana and Missouri causing quality concerns in the winter wheat areas.

The Illinois Wheat Association estimated wheat yields in 170 samples in southern Illinois at 62.2 bushels per acre compared to 63.5 bushels per acre last year for the same area. The tour noted heavy disease pressure, but otherwise field scouts observations were for a promising wheat crop. Agri-Food Canada increased their wheat output for 2017-18 to 29.5 million tonnes from 28.6 million, but reported that the unharvested crop from 2016 is still a concern in both quantity and quality. EU's soft wheat exports fell 21% so far since the season started on July 1st to 21.8 million tonnes. Exports from France were seen at 4.3 million tonnes, Germany shipments were 4.96 million and Romania's were 5.5 million. Ukraine's wheat exports rose 11% so far this year to 15.8 million tonnes compared to 14.2 million for the same period last year according to UkrAgroConsult. Net weekly export sales for wheat came in at 201,900 tonnes for the current marketing year and 342,900 for the next marketing year for a total of 544,800 tonnes. As of May 18th, cumulative wheat sales stand at 16.4% of the USDA forecast for 2017/2018 (next) marketing year versus a 5 year average of 15.6%. Sales of 326,000 tonnes are needed each week to reach the USDA forecast.

TODAY'S MARKET IDEAS:

July wheat failed right at the 50 day moving average at 436 1/4 yesterday, although volume was light and news limited. The market is down 4 1/2 cents so far on the week with the speculative managed money trader comfortably short 125,000 contracts waiting for harvest, although any hint of below average yields could spark flat price short covering. Last year, the July 2016 contract was at 463 on June 1st, rallied to 524 on June 8th, and broke to 423 on June 30th. Argentine wet weather was the catalyst, but the point is not to get too complacent. Support in July wheat is at 428 followed by 426 1/4.

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) 05/26/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 437 1/2. The next area of resistance is around 433 1/2 and 437 1/2, while 1st support hits today at 428 and below there at 426 1/4.

KC WHEAT (JUL) 05/26/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 440 1/4. The next area of resistance is around 435 and 440 1/4, while 1st support hits today at 427 1/2 and below there at 425 1/2.

MINN WHEAT (JUL) 05/26/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside target is 568 1/4. The next area of resistance is around 565 and 568 1/4, while 1st support hits today at 559 1/2 and below there at 557.

RICE (JUL) 05/26/2017: 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 lower than the pivot swing number. The next upside target is 11.142. The next area of resistance is around 11.025 and 11.142, while 1st support hits today at 10.835 and below there at 10.763.

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	369 1/4	48.39	48.93	46.87	46.10	371.25	370.06	370.07	369.62	371.09
CNAZ7	387 1/2	48.94	49.53	50.22	50.40	389.44	387.97	387.99	386.99	387.61
SSAN7	939 1/2	32.81	36.31	23.22	13.40	948.13	956.39	963.17	963.59	978.13
SSAX7	939 1/4	32.21	36.00	26.15	15.95	948.00	953.86	959.44	959.59	970.74
SMAN7	304.7	30.96	35.36	7.97	3.82	306.30	309.39	312.88	314.77	319.25
BOAN7	32.04	39.16	43.58	42.18	24.10	32.40	32.70	32.68	32.28	32.55
WHAN7	430 3/4	47.78	47.26	31.76	37.00	431.75	429.17	433.99	435.26	440.26
WHAU7	444 1/4	46.69	46.44	30.65	35.46	445.56	443.00	448.08	449.37	454.56
RCAN7	10.930	63.89	63.41	89.77	90.13	10.99	10.87	10.46	10.25	10.18
KWAN7	431 1/4	45.22	45.90	27.35	29.58	432.63	430.44	438.99	435.86	443.60
MWAN7	562 1/4	64.86	60.54	57.65	73.82	559.19	550.89	550.22	544.78	545.56
OTAN7	242	55.67	55.68	56.77	56.74	242.13	237.97	241.11	229.98	232.52

Calculations based on previous session. Data collected 05/25/2017

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	365 3/4	367	370	371 1/2	374 1/4
CNAZ7	Corn	384	385 1/2	388 1/4	389 1/2	392 1/2
SSAN7	Soybeans	928 1/2	932 1/2	942 1/2	946 1/2	956 1/2
SSAX7	Soybeans	929	933	941 3/4	945 1/2	954 1/2
SMAN7	Soymeal	302.3	303.2	305.3	306.2	308.3
BOAN7	Soybean Oil	31.60	31.76	32.16	32.32	32.72
WHAN7	Wheat	426 1/4	428	432	433 1/2	437 3/4
WHAU7	Wheat	439 1/2	441 1/2	445	447	450 1/2
RCAN7	Rice	10.762	10.835	10.952	11.025	11.142
KWAN7	KC Wheat	425 1/2	427 1/2	433	435	440 1/2
MWAN7	MINN Wheat	556 3/4	559 1/2	562 1/2	565	568 1/4
OTAN7	Oats	233	238 1/4	240 1/2	245 3/4	248

Calculations based on previous session. Data collected 05/25/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.