



DAILY GRAINS COMMENTARY Thursday June 01, 2017

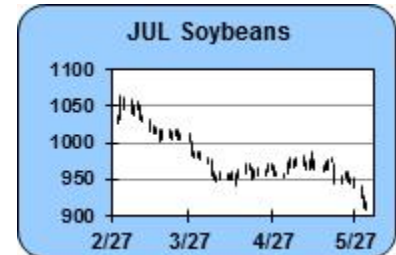
DAILY SOY COMPLEX COMMENTARY

06/01/17

Hard to build downside momentum at this time of year; reversal?

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +2.6, BEAN OIL +0.1, SOYMEAL +1.0**

OVERNIGHT DEVELOPMENTS: July soybeans are trading up 2 1/4 cents this morning. China futures were down 0.3% and palm oil futures are up 0.6%. Global equity markets were positive overnight with some isolated weakness in the Shanghai Composite and the RTS Index. The Asian session started out with a May Japanese manufacturing PMI number that made a minimal gain. The highlight of the Asian trading session came from the May Caixin Chinese manufacturing PMI number that was expected to see a modest decline from April's 50.2 reading and the reading fulfilled expectations with a print of 49.6. The European session started out with a disappointing first quarter reading on Swiss GDP which was seen as anemic with a gain of +0.3%. The markets were also presented with a series of Markit manufacturing PMI readings from around Europe. Euro zone manufacturing was surprisingly strong, UK activity was positive, French readings were a little discouraging while German readings bested the prior month and bested estimates for the report. The North American session will start out with the May Challenger survey of job cuts, followed by the May ADP Employment survey which is expected to have a modest uptick from April's 177,000 reading. A weekly reading on initial jobless claims is forecast to show a minimal increase from the previous 234,000 reading. Following the Markit manufacturing PMI readings for the US and Canada, the May ISM manufacturing survey is expected to have a modest downtick from April's 54.8 reading. April construction spending is forecast to see a sizable uptick from March's -0.2% reading and climb into positive territory. A firm US dollar and weakness in gold leave outside market forces slightly negative.



NEAR-TERM MARKET FUNDAMENTALS: The hook reversal yesterday from an oversold technical reading at this time of the year should be respected. Argentine ports began a three day strike yesterday, shutting down the bulk of activity for one of the world's top grain exporters. With Brazil exports flowing, the impact may be minimal but the situation needs to be monitored. There is speculation that Chinese importers may cancel or roll forward as many as 7 to 8 cargoes of soybean imports due to poor crush margins. This has been rumored for the last few days, but several news sources were reporting the story. Margins are at 3 year lows and have suffered partly due to large rapeseed oil auctions from reserves and growing imports of other alternative vegetable oils. The average estimates for today's USDA April crush report is 148.1 million bushels with a range of estimates at 146.0 to 149.3 million. The oil stocks are estimated at 2.254 billion pounds in a range of 2.225 to 2.290 billion. Soybean prices closed lower for the third consecutive month with July soybeans down 40 1/4 cents on the month and November down 35 cents on the month.

TODAY'S MARKET IDEAS:

July soybeans closed higher for the first time since May 22nd. The relative strength index is 29.6%, which is below the 30% oversold level. The slow stochastics are at single digits, but have not crossed over to the upside as of yet. The market is oversold but all the news seems to be bearish. Still, it is hard to get bearish at these levels and at this time of year, bottom picking should be done with optionality only such as call spreads and call 1x2 spreads. The weather this year has been extreme to say the least: second warmest December-March to 2015/16 in the Corn Belt, fifth wettest April-May in the Corn Belt, and don't rule out more extremes. Those looking for bargains should note that the November soybean 1000/1100 call spread settled at 10 1/4 cents. With the reversal yesterday, July soybeans may see some support at 915 1/4 with 936 1/2 and 945 as key resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) 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. 2) Short the July/Nov soybean spread at +5 1/2 cents with an objective of -12 cents. Risk to close over even money.

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) 06/01/2017: The market was pushed to a new contract low. 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 upside closing price reversal on the daily chart is somewhat bullish. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 904 1/2. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 921 1/2 and 926 1/2, while 1st support hits today at 910 1/2 and below there at 904 1/2.

SOYBEAN OIL (JUL) 06/01/2017: 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 lower than the pivot swing number. The next downside target is 30.99. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 31.53 and 31.74, while 1st support hits today at 31.15 and below there at 30.99.

SOYMEAL (JUL) 06/01/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 295.0. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 299.7 and 301.3, while 1st support hits today at 296.5 and below there at 295.0.

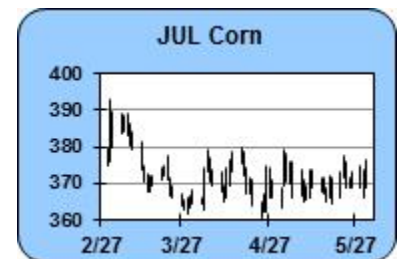
DAILY CORN COMMENTARY

06/01/17

Dakota's are too dry, East too wet, parts of China too dry

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

OVERNIGHT DEVELOPMENTS: July corn is trading 1 cent higher this morning. Outside market forces look mixed to negative with a stronger US dollar and weak gold. China futures are up 0.3%. China will offer 1.2 million tonnes of corn from state reserves tomorrow. China sold 3.2 million tonnes of 3.47 million offered from 2013 harvest today.



NEAR-TERM MARKET FUNDAMENTALS: December corn traded to a high of 394 3/4 yesterday, but gave back some of the gains. The highs were 395 on May 22nd, 395 3/4 on May 1st, 395 3/4 on April 13th and 395 on April 3rd. Buying support emerged due to weak crop condition as well as more concerns that total corn acreage could be lowered by 1.5 million acres due to the poor seeding conditions in southern Illinois, southern Indiana and Missouri. The corn planting progress came in at 91% Tuesday, just below the five year average of 93%. The crop condition report saw declines in Illinois, Indiana and Ohio's conditions compared to last year's conditions. Illinois was seen at 52% (G/EX) compared to 71% last year, Indiana 43% vs. 69% and Ohio 49% vs. 63%. More importantly, the poor/very-poor crop conditions for Illinois was at 15%, Indiana at 17% and Ohio at 12%. The

weather forecast took moisture out of the forecast in the western Corn Belt and Plains and also has somewhat warmer temperatures for the next ten days. The eastern Corn Belt rainfall has also been reduced over the next seven days which will be welcomed by producers. The drier forecasts was certainly the reason for the selloff from the highs, as well as some month end pressure from the large speculative short.

For the month December corn was up 6 cents with July up 5 1/2 cents. The average estimates for the weekly ethanol production report is 1.015 million barrels per day in a range of 1.008 to 1.030 million. Stockpiles are estimated at 22.5 million barrels in a range of 22.39 to 22.7 million barrels. Very hot and dry weather for the north China plain over the past weekend and the region was already a bit too dry. It may be too early to be concerned about dryness in the region but with a slow start to the US crop, this needs to be monitored. While the US weather may have turned a little less threatening (warmer/drier), stories of reduced corn acreage and phosphorus deficient stunted emergence in corn (also known as purple corn) are starting to make the rounds. It may take beyond the June acreage report for an accurate acreage estimate from the USDA and as far as "purple corn" goes, it's simply a result of a small degree of cold temperature stress. The point is that the headlines may cause the managed money traders (who seem to be taking some lumps in long crude oil and natural gas) to exit out of corn short positions before they see the trade turn into a loss.

TODAY'S MARKET IDEAS:

December corn failed to take out resistance levels at 395 3/4 yesterday, but the bear camp may be getting restless. The Dakota's are too dry and represent 9% of the US crop and Indiana and Ohio are too wet (11% of the crop) so yield concerns are on the rise. If we see 1.5 million "less" planted acres and a 165 yield, ending stocks would be 1.4 billion bushels as compared with 2.295 billion this year. Consider buying December corn at 385 1/4 with an initial objective of 413.

NEW RECOMMENDATIONS:

* Buy December Corn at 388 1/2 with an objective of 447. Risk 11 cents from entry.

PREVIOUS RECOMMENDATIONS:

Long September Corn 420 call from 11 cents with an objective of 29 cents. Risk to 5 cents.

CORN TECHNICAL OUTLOOK:

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CORN (JUL) 06/01/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 379 3/4. The next area of resistance is around 375 3/4 and 379 3/4, while 1st support hits today at 368 1/4 and below there at 365.

DAILY WHEAT COMMENTARY

06/01/17

Minneapolis wheat marks a new high for the move

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +0.6

OVERNIGHT DEVELOPMENTS: July wheat is trading 1/2 cent higher this morning and KC wheat is up 1 cent. Outside market forces are mixed. MATIF September futures are down 0.30%.



NEAR-TERM MARKET FUNDAMENTALS: The market could see continued choppy trade short-term. Farmer's

intentions to plant 5.0 million hectares of wheat in Argentina for the 2017-18 season could be too optimistic as heavy rains in southern Santa Fe and central Buenos Aires could leave many fields unsown according to the Head of Estimates at the Rosario Exchange. As many as 1.0 million hectares of wheat farms are located in the waterlogged areas. France's grain exports rose 45% from last week to 103,510 tonnes from 71,421 tonnes last week. Tass news service cut Russia's grain crop forecast to 100-105 million tonnes from the previous forecast of 110 million tonnes due to unfavorable weather. July wheat traded up to 436 1/4 on Wednesday, but set back from the early highs and closed lower with month end selling noted.

Egypt bought 180,000 tonnes of wheat with one cargo coming from Romania at the lowest offer price of \$201.56 per tonne CNF. The other two cargos were Russian origin at an average price of \$203.14 per tonne CNF. The U.S. and France also offered wheat for the tender but missed out on the business, and with the U.S. missing out on this tender after participating in the May 17th tender, the trade was disappointed and pressured prices. The market found early support from winter wheat ratings that were down 2% from last week at 50% good/excellent. The hard red states saw the bulk of the decline with Kansas down 2% (G/EX), Texas down 5% (G/EX), and Oklahoma down 4% (G/EX). The soft red states saw Illinois ratings up 6% in the good/excellent ratings.

The 7-day forecast took most of the rain out of the near term forecast in the western Plains, which also could have kept fresh buyers on the sidelines. The initial spring wheat ratings were also below the trade estimates at 62% good/excellent versus 79% (G/EX) last year at this time. South Dakota's poor/very-poor ratings were 23%, and the forecast remains fairly dry in the Dakotas for the next seven days. Minneapolis July wheat traded to a new high for the move at 576 this morning.

TODAY'S MARKET IDEAS:

July wheat could not close above the 50 day moving average at 435 1/4 yesterday and closed out the month down 3 cents. With harvest just ahead, the market may struggle to find traction in the near term, seasonal strength normally begins by mid to late June. The Minneapolis market made a new high at 576 with the contract high of 605 1/2 the next target. The weather remains dry in the Dakotas along with reduced acres in Canada, it feels as though the path of least resistance is up for spring wheat. Consider buying the September Wheat 470 call and sell a September Wheat 420 put.

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) 06/01/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside target is 438 3/4. The next area of resistance is around 433 1/4 and 438 3/4, while 1st support hits today at 425 1/4 and below there at 422 3/4.

KC WHEAT (JUL) 06/01/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A negative signal for trend short-term was given on a close under the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 442 3/4. The next area of resistance is around 436 1/4 and 442 3/4, while 1st support hits today at 427 1/4 and below there at 424 3/4.

MINN WHEAT (JUL) 06/01/2017: Studies are showing positive momentum but are now in overbought territory, so

some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 576 3/4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 574 1/2 and 576 3/4, while 1st support hits today at 569 1/2 and below there at 566 3/4.

RICE (JUL) 06/01/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 11.296. The next area of resistance is around 11.202 and 11.296, while 1st support hits today at 11.058 and below there at 11.007.

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	372	52.31	51.50	48.27	48.93	370.63	370.75	370.06	370.09	370.33
CNAZ7	391	53.69	52.69	53.72	56.36	389.19	389.03	388.13	387.66	387.17
SSAN7	916	25.26	29.66	12.00	7.31	923.69	938.39	954.11	958.83	971.75
SSAX7	918 1/4	21.58	27.38	12.99	6.32	926.63	939.53	952.10	955.77	965.77
SMAN7	298.1	23.30	29.27	4.58	3.72	300.55	304.13	309.83	313.30	317.36
BOAN7	31.34	29.61	36.46	21.92	11.99	31.60	32.16	32.50	32.18	32.40
WHAN7	429 1/4	45.88	46.37	42.04	44.89	431.94	431.67	431.28	434.96	438.41
WHAU7	443 3/4	46.17	46.42	41.41	45.18	445.81	445.50	445.39	449.00	452.70
RCAN7	11.130	67.66	66.20	91.07	91.61	11.06	11.00	10.67	10.32	10.24
KWAN7	431 3/4	46.04	46.53	37.66	43.24	433.44	433.00	434.93	435.56	441.13
MWAN7	572	71.97	65.91	78.24	89.41	567.75	560.67	552.58	546.54	546.33
OTAN7	247 1/2	62.04	59.95	65.17	73.65	244.00	242.25	241.68	230.63	232.83

Calculations based on previous session. Data collected 05/31/2017

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	368 1/4	372 1/2	375 3/4	380
CNAZ7	Corn	384 1/2	387 1/2	391 1/4	394 1/2	398
SSAN7	Soybeans	904 1/2	910 1/2	915 1/2	921 1/2	926 1/2
SSAX7	Soybeans	909 1/2	913 1/2	919 1/4	923	929
SMAN7	Soymeal	294.9	296.5	298.1	299.7	301.3
BOAN7	Soybean Oil	30.98	31.15	31.36	31.53	31.74
WHAN7	Wheat	422 3/4	425 1/4	430 3/4	433 1/4	438 3/4
WHAU7	Wheat	438	440	445 1/2	447 1/2	453
RCAN7	Rice	11.006	11.057	11.151	11.202	11.296
KWAN7	KC Wheat	424 3/4	427 1/4	433 3/4	436 1/4	442 3/4
MWAN7	MINN Wheat	566 3/4	569 1/2	571 3/4	574 1/2	576 3/4
OTAN7	Oats	238 1/2	243 1/2	246 1/2	251 1/2	254 1/2

Calculations based on previous session. Data collected 05/31/2017

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