



DAILY GRAINS COMMENTARY

Tuesday June 06, 2017

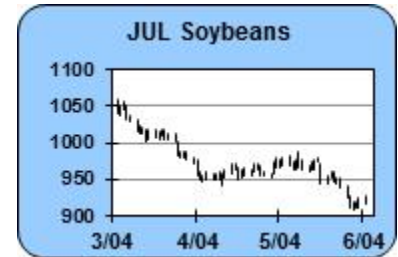
DAILY SOY COMPLEX COMMENTARY

06/06/17

Funds hold massive net short so any weather issue supports

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +2.4, BEAN OIL +0.1, SOYMEAL +1.0

OVERNIGHT DEVELOPMENTS: July soybeans are trading 1 3/4 cents higher this morning. China futures were up 0.6% and palm oil futures were unchanged. Global equity markets overnight were mostly lower as weakness in the Dollar suggests that the world's economic engine is chugging slowing than might be necessary to justify stock prices at record levels. The Asian session was relatively quiet with the latest monetary policy meeting by the Reserve Bank of Australia that as expected had no changes to either rates or policy but the bank did remain upbeat toward economic prospects. The European session started out with the June Sentix index of Euro zone investor confidence which surprised the trade with a much stronger than expected reading. In fact the Sentix readings were the strongest in 10 years! April Euro zone retail sales were expected to hold steady but instead they managed a minimal gain. The North American session will start out with a private weekly survey of same-store sales. The April job openings and labor turnover (JOLTS) survey is expected to have a moderate decline from March's 5.743 million reading. The May Canadian Ivey PMI number is expected to have a modest downtick from the previous 62.4 reading.



NEAR-TERM MARKET FUNDAMENTALS: With heat and not much rain in the forecast for the Midwest, the market is vulnerable to short-covering until the rain outlook improves. Many areas of the Midwest have gone a week or more without much rain and the 1-10 day forecast is mostly hot and dry. The 5-day models are very dry. There was a flash sale announcement of 120,000 tonnes of soybeans sold to unknown destination yesterday, of which 60,000 is old crop delivery and 60,000 is new crop delivery. Dalian soybean futures rose by 0.6% today, 0.45% yesterday and advanced for the fourth consecutive day as speculation that low prices will stimulate demand from end users and crushers supported. Traders expected US exports to drop off dramatically by now but cumulative old crop export sales have reached 104.7% of the USDA forecast for the season as compared with 98.1% as the 5-year average and the data suggests that exports could be revised higher in Friday's supply/demand update.

The open interest in soybeans went up 12,994 contracts on Friday and the COT data showed managed money traders had increased their net short position by 26,955 contracts to 89,310 contracts. Managed money traders increased their net short in soybean meal by 9,039 contracts to 44,500 contracts and soybean oil by 13,692 contracts to 22,313 contracts. Needless to say a combined short of 155,000 of soy complex contracts is close to a record for the managed money trader. The weekly progress update showed that 83% of the planting is complete compared to 67% last week and 82% last year. The 10 year average for this time of year is 78%. Brazilian soybean sales are estimated at 58% compared to 76% sold last year and a 74% five year average. Weekly export inspections came in at 277,298 tonnes.

TODAY'S MARKET IDEAS:

With the trade focusing on the recent drier trend for the upper Midwest, November soybeans were well supported yesterday. Warmer and drier weather is just what the producer needs to finish off the last of the soybean plantings, but the market will be sensitive to a continued drier trend. Traders looking for a weather scare strategy might consider buying the November 1000/1100 call spread at 11 cents and also sell the November 840 puts near 10 cents. Aggressive short-term traders could buy November soybeans at 926 3/4 with 940 3/4 and 948 1/2 as initial resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Exited 1 Nov soybean 900 put at 29 cents and are now net short 2 Sept corn 350 puts for a net premium received of 24 1/2 cents. Hold short puts for now. 2) * Short the July/Nov soybean spread at +5 1/2 cents. Look to exit at the market today.

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) 06/06/2017: The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 near-term upside objective is at 930 3/4. The next area of resistance is around 926 1/4 and 930 3/4, while 1st support hits today at 917 3/4 and below there at 913 1/2.

SOYBEAN OIL (JUL) 06/06/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 30.76. The next area of resistance is around 31.54 and 31.67, while 1st support hits today at 31.08 and below there at 30.76.

SOYMEAL (JUL) 06/06/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. 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 next upside objective is 305.6. The next area of resistance is around 302.7 and 305.6, while 1st support hits today at 298.5 and below there at 297.3.

DAILY CORN COMMENTARY

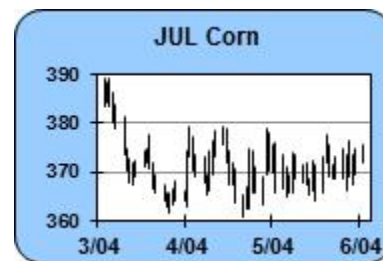
06/06/17

Weather threatens Dakota crops with funds big net short

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.2

OVERNIGHT DEVELOPMENTS: July corn is trading up 1 cent this morning. Outside market forces look positive with a jump in gold and weakness in the US dollar. China futures are down slightly.



NEAR-TERM MARKET FUNDAMENTALS: There are plenty of locations in the Midwest that have seen little or no rain over the past week or two so the dry forecast will initially support strong growth but topsoil conditions could deteriorate quickly if more widespread rains do not develop. The 1-10 day forecast is mostly hot and dry. The 5-day models are very dry. Iowa is already 9% short in topsoil moisture and Minnesota 7%. Nebraska is 17% short to very short. South Dakota and North Dakota are 54% short to very short. The market found early support yesterday from nervousness about the dry areas in the Dakotas and Minnesota. The trade is also becoming concerned about the recent dryness as it expands into parts of eastern Nebraska, Iowa, and Illinois. Comments from Illinois crop scouts over the weekend noted thin corn stands and plant populations at 85%-90% of normal which could reduce yield potential by 10% or more.

The weekly conditions update showed 68% was rated good/excellent compared to 65% last week and 75% last year. Traders estimated a 1% increase of good/excellent ratings to 66%. The 10 year average for this time of year is 71%. Indiana and Ohio still stick out with only 46% good/excellent in Indiana compared to 72% (G/EX) last year and 49% (G/EX) in Ohio compared to 67% last year. Illinois' (G/EX) went up 7% to 59%, but still is 17% below the 2016 (G/EX) level of 76%. When put together, Illinois, Indiana and Ohio account for 26% of the US corn crop and all three states are well below the starting point of last year. South Dakota produced 6% of the US corn crop last year and the (G/EX) ratings went down 5% last week to 62% compared to 74% last year. North Dakota produced 3% of the US corn crop last year and the (G/EX) ratings went up 1% to 67% compared to 86% last year. The takeaway point is that while it is still very early in the process, you can't ignore the fact that 35% of the corn crop is rated significantly below last year at this time. The weekly progress update showed 96% of the crop is planted compared to 91% last week and 97% last year. Friday's COT data showed the managed money trader increased their net short position by 24,478 contracts to a whopping 200,981 contracts as of May 30th. This is just shy of the record. Weekly export inspections came in at 1,177,107 tonnes. As of June 1st, cumulative corn export inspections have reached 78.4% of the USDA forecast versus a 5 year average of 71.3%.

TODAY'S MARKET IDEAS:

December corn settled at 392 for the fourth time in the last five weeks. The last three times the market settled at this level, it was down hard the next day (on May 4th by 8 cents, on May 23rd by 5 cents and on May 28th by 7 cents). Every time the corn market has been pushed down to 385 or lower, it has been a buy. With plenty of weather to trade in the near future and the possibility of corn acres being down 1-2 million acres or more, look to buy weakness on setbacks. Traders should consider buying December Corn at 389 1/2 with an objective of 447.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Long December Corn from 388 1/2 with an objective of 447. Risk 11 cents from entry. 2) 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) 06/06/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 376 3/4. The next area of resistance is around 374 3/4 and 376 3/4, while 1st support hits today at 371 1/4 and below there at 370.

DAILY WHEAT COMMENTARY

06/06/17

Spring wheat crop conditions collapsing and not much rain

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +3.4

OVERNIGHT DEVELOPMENTS: July wheat is trading 5 cents higher this morning and KC wheat is up 7 cents and Minneapolis wheat is up 12 1/2 cents to 601 1/2, up 61 3/4 cents in just 14 trading sessions. Outside market forces are positive. MATIF September futures are up 0.8%.



NEAR-TERM MARKET FUNDAMENTALS: Collapsing spring wheat crop conditions combined with the hefty net

spec short positioning leaves the market vulnerable to a short-term rally. Kansas City futures were under pressure yesterday tied to hedge pressure as hard red wheat harvest will be picking up in the coming days. The weekly conditions update showed 49% of the crop was rated good/excellent compared to 50% last week and 62% last year. The 10 year average for this time of year is 46%. The winter wheat harvest pace is estimated at 7% complete compared to 2% last year. Traders were looking for conditions to hold steady so a 1% decline should not really excite the market. But when taking a closer look, the state of Oklahoma is down 5% to 40% (G/EX), Kansas is down 2% to 43% (G/EX), Colorado is down 2% to 48% (G/EX) and South Dakota is down 21% to 29% (G/EX) with their poor/very-poor category at 38% up 18% from last week. Early harvest results in Texas and Oklahoma have showed protein levels averaging 10.8% versus 11.2% last year. A significant amount of abandoned wheat acres were seen southwest Oklahoma with yields reported in 20-40 bushels per acre. The winter wheat harvest is 10% complete compared to 2% last year.

The Minneapolis spring wheat market continues to trend higher with concerns of extreme dryness and very warm temperatures over the past three weeks starting to take its toll on the crops. The weekly Spring Wheat Conditions report showed 55% was rated good/excellent compared to 62% last week and 79% last year. The 10 year average for this time of year is 74%. South Dakota's (G/EX) went down 14% to 25% while their (P/VP) went up 9% to 32% and North Dakota (G/EX) went down 8% to 54%. The bottom line is that protein levels are poor in the hard red winter areas and the spring wheat (or protein crop) is getting worse. It's no wonder that Minneapolis July wheat is up 61 3/4 cents in just 14 trading days. The managed money traders hold a net short position of 113,760 contracts as of May 30th. Weekly export inspections came in at 522,881 tonnes.

TODAY'S MARKET IDEAS:

With a strong seasonal buy coming up in the second half of June, and large speculative shorts likely getting a bit anxious to get their position covered, the short-term trend looks up. Not too many of the new "algorithmic" style traders know that the Minneapolis wheat contract once traded well above \$20.00 a bushel. We still like buying the September Wheat 470 call and selling the September Wheat 420 put. July wheat short-term buying support is at 428 3/4 with 443 3/4 and 452 1/4 as resistance.

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:

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WHEAT (JUL) 06/06/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 downside objective is 421 3/4. The next area of resistance is around 433 1/4 and 437, while 1st support hits today at 425 3/4 and below there at 421 3/4.

KC WHEAT (JUL) 06/06/2017: 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's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 439 1/4. The next area of resistance is around 434 1/4 and 439 1/4, while 1st support hits today at 425 3/4 and below there at 422 1/4.

MINN WHEAT (JUL) 06/06/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 595. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 592 3/4 and

595, while 1st support hits today at 585 1/4 and below there at 579 3/4.

RICE (JUL) 06/06/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 10.922. The next area of resistance is around 11.122 and 11.231, while 1st support hits today at 10.968 and below there at 10.922.

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	373	53.80	52.45	52.62	57.73	372.06	371.06	370.78	370.53	369.98
CNAZ7	392	55.16	53.63	59.68	65.98	390.81	389.61	388.93	388.27	387.09
SSAN7	922	34.90	35.57	10.76	12.43	917.88	927.42	945.43	954.84	966.24
SSAX7	928	36.82	36.80	11.52	14.06	922.38	930.47	945.21	952.83	961.49
SMAN7	300.6	36.48	36.78	8.72	13.27	299.53	301.66	307.11	312.04	315.69
BOAN7	31.31	35.19	38.67	12.75	10.21	31.23	31.62	32.21	32.10	32.27
WHAN7	429 1/2	46.42	46.67	42.43	42.30	429.31	430.86	430.32	434.47	436.64
WHAU7	443 3/4	46.29	46.47	42.91	43.30	443.69	444.92	444.36	448.46	450.91
RCAN7	11.045	60.61	61.79	86.76	82.38	11.09	11.04	10.87	10.39	10.30
KWAN7	430	44.07	45.39	42.17	43.55	431.44	432.33	432.76	435.34	438.75
MWAN7	589	81.89	74.03	88.35	93.67	580.88	570.86	558.78	549.00	548.23
OTAN7	242 1/4	49.78	52.03	65.82	58.28	247.69	244.33	241.69	232.27	233.50

Calculations based on previous session. Data collected 06/05/2017

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	370	371 1/4	373 1/2	374 3/4	377
CNAZ7	Corn	388 1/2	390 1/4	392	393 3/4	395 1/2
SSAN7	Soybeans	913 1/4	917 1/2	922	926 1/2	930 3/4
SSAX7	Soybeans	918 1/4	923	928 1/4	933	938 1/4
SMAN7	Soymeal	297.2	298.5	301.4	302.7	305.6
BOAN7	Soybean Oil	30.75	31.08	31.21	31.54	31.67
WHAN7	Wheat	421 3/4	425 1/2	429 1/2	433 1/2	437 1/4
WHAU7	Wheat	436 3/4	440 1/4	443 3/4	447 1/4	450 3/4
RCAN7	Rice	10.921	10.967	11.076	11.122	11.231
KWAN7	KC Wheat	422 1/4	425 3/4	430 3/4	434 1/4	439 1/4
MWAN7	MINN Wheat	579 3/4	585	587 1/2	593	595 1/4
OTAN7	Oats	230 1/2	236	243	248 1/2	255 1/2

Calculations based on previous session. Data collected 06/05/2017

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