



DAILY GRAINS COMMENTARY

Wednesday June 07, 2017

DAILY SOY COMPLEX COMMENTARY

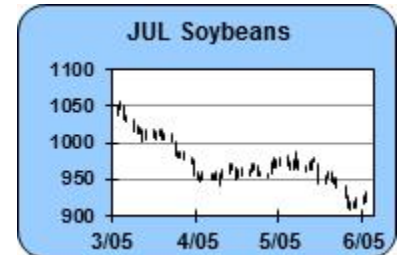
06/07/17

Not enough rain and too much heat short-term; short-covering

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

SOY BEANS +4.4, BEAN OIL -0.1, SOYMEAL +2.6

OVERNIGHT DEVELOPMENTS: July soybeans are trading 4 3/4 cents higher this morning. China futures were up 0.3% and palm oil futures were down 1.8%. Global markets were mostly higher with the XETRA DAX, All Ordinaries and IBEX bucking the trend and trading weaker. The Asian session featured April readings for the Japanese leading economic index which was weaker but that was partially offset by the fact that the Japanese coincident index showed improvement. The European session started out with April German factory orders which were weak as expected. A May reading for a key private survey of UK house prices was forecast to have a moderate decline but it managed to best expectations with a modest rise. The markets were presented with an upwardly revised OECD world growth forecast with the new estimate raising world-wide growth to 3.5%. The North American session will start with an April reading on Canadian building permits, followed by a weekly private survey on mortgage applications. Later in the day, an April reading on consumer credit is forecast to have a moderate increase on March's \$16.4 billion reading.



NEAR-TERM MARKET FUNDAMENTALS: The 7-day rain outlook is sparse across the heart of the Midwest with .1 to .5 inches for South Dakota, Nebraska, Iowa, Illinois, Indiana and Ohio. This could be an issue for the dry areas as temperatures are also above normal but for recently planted crops, a short period of dry weather is not much of an issue. However, fears that the dry weather trend extends is a bullish force which could spark aggressive short-covering. Early strength yesterday was tied to short covering in corn and wheat due to condition reports that showed crop deterioration in spring wheat and weather concerns for corn. Dry weather at this early stage in soybean development is not a great concern. However, with the managed money trader (trend following funds) still short 89,310 contracts of soybeans, the oversold condition of the market has given way to its first three day rally since early May.

Conab will release their production estimate on Thursday with the average estimate at 113.3 million tonnes compared to the USDA's 111.6 million tonnes. Traders will anticipate Friday's WASDE Supply/Demand update, with 2016-17 US ending stocks at 433 million bushels (range of 400-458 million) compared to 435 million bushels in May. The 2017-18 US ending stocks are estimated at 485 million bushels (range of 435-612 million) compared with 480 million bushels last month. Any adjustments in acreage will most likely come on the June 30th Grain Stocks and Acreage report. Additional short covering in sympathy with corn and wheat can't be ruled out.

TODAY'S MARKET IDEAS:

November soybeans closed higher for the third day in a row, a feat not seen since May 1st to the 3rd. Friday's report could be a negative surprise if South American production is raised again, and 2017-18 US ending stocks come in with a figure above 500 million bushels. Traders looking for a cheap bullish strategy for a weather scare should look at the November 1000/1100 call spread at 11 cents and also sell the November 860 put for 13 cents. Support for November soybeans is seen at 927 1/2 with 947 3/4 and 955 as resistance. Look for more up into USDA report.

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) * Exited July/Nov soybean spread for a gain of 11 1/2 cents.

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) 06/07/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 939 1/2. The next area of resistance is around 930 1/2 and 939 1/2, while 1st support hits today at 916 1/2 and below there at 911 1/4.

SOYBEAN OIL (JUL) 06/07/2017: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 31.97. The next area of resistance is around 31.67 and 31.97, while 1st support hits today at 31.11 and below there at 30.86.

SOYMEAL (JUL) 06/07/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 307.0. The next area of resistance is around 303.6 and 307.0, while 1st support hits today at 298.6 and below there at 296.9.

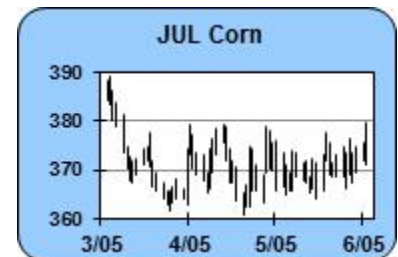
DAILY CORN COMMENTARY

06/07/17

Jump in open interest this week means more shorts entering?

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CORN +2.6

OVERNIGHT DEVELOPMENTS: July corn is trading up 3 3/4 cents this morning. Outside market forces look negative with a strong US dollar and weakness in gold and energy markets. China futures are up 0.25% and pushed up to a 2-week high. China will offer 1.65 million tonnes of corn from reserves on June 9th.



NEAR-TERM MARKET FUNDAMENTALS: With fund traders net short near 200,000 contracts and very little rain in the Midwest forecast for the next week and temperatures into the mid-90's and crop conditions already sub-par, the short-term trend looks higher. December corn is trading at the highest level since March 6th this morning. Ideas that a combination of lower acreage and below-trend yield might tighten the ending stocks outlook considerably helped to support the strong gains. The forecast remains dry in the near term with potential showers in the 8-14 day forecast, but the forecasting models have been too wet in previous runs. After little or no rain over the past 1-2 weeks, the dry forecast could spark a quick drawdown in topsoil moisture if more widespread rains do not develop. As of Sunday, Iowa was already 9% short in topsoil moisture with Minnesota 7% short. Nebraska is 17% short to very short. South Dakota and North Dakota were 54% short to very short. Another interesting statistic is that the coverage of US corn that was drier than normal over the last 14 days is the highest for June since 2012! We all know how 2012 ended: 123.2 bushels per acre, down over 20% from trend line. A 20% decline from this year's 170.7 trendline yield would be 136.7 bushels per acre, so rains next week are very important.

For Friday's Supply/Demand update, traders see 2017-18 US ending stocks at 2.085 billion bushels (range of

1.985-2.200 billion) as compared with 2.110 billion last month. If there are adjustments in acreage or yield, the report could offer a bullish surprise. The offset would be a bearish surprise for South America production. The average estimate for Conab's corn production number on Thursday is 98.8 million tonnes compared to the USDA estimate of 96.0 million tonnes. The average estimate for today's EIA ethanol production report is 1.016 million barrels per day with a range of 1.0 to 1.031 million barrels per day. Stockpiles are estimated at 22.7 million barrels with a range of 22.6 to 22.94 million barrels.

TODAY'S MARKET IDEAS:

Weather markets have arrived and will be here for the foreseeable future. Friday's report could have some data for both the bears and the bulls, but the market will be driven by the weather especially going into the upcoming weekend. If forecasters start to take moisture out of next week's forecast, the market will blow right by the recent high of 404 and look to test the June 2016 high of 422 3/4. Traders may consider buying December Corn at 391 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) 06/07/2017: 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. The outside day up is somewhat positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 384 3/4. The next area of resistance is around 381 1/2 and 384 3/4, while 1st support hits today at 373 and below there at 368.

DAILY WHEAT COMMENTARY

06/07/17

Spring wheat crop deteriorating and China rains may hurt quality

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +4.2

OVERNIGHT DEVELOPMENTS: July wheat is trading 4 3/4 cents higher this morning and KC wheat is up 5 3/4 cents and Minneapolis wheat is up 1/2 of a cent and up as much as 66 1/2 cents in just 14 trading sessions. Outside market forces are bearish with a stronger US dollar and weaker energy and metal markets. MATIF September futures are up 0.6%.



NEAR-TERM MARKET FUNDAMENTALS: The 7-day forecast models this morning show decent rains for the northern half of North Dakota but little rain for South Dakota. Mostly dry weather for the central plains for the next few weeks should support active harvest. Heavy rains are in the forecast for China growing areas which could hurt yield and slow the second half of harvest. The Chicago and Kansas City wheat markets were led higher yesterday by the surge in Minneapolis July wheat which traded as much as 15 cents higher to 604. This is just 3 1/2 cents from the contract high made on June 8th, 2016 at 607 1/2. The continued slide in crop conditions for the spring wheat crop to 55% good/excellent from 62% last week and 79% last year helped to drive the market higher.

Hard red wheat early harvest results continue to be disappointing with low protein levels seen. An Egyptian court has decided to reinstate a zero tolerance policy for ergot in wheat shipments, which is most likely a ploy trying to talk down prices by the Egyptian buyer. The CEO of Roots Commodities in Egypt sees Egyptian wheat imports rising to 12.2 million tonnes in 2017-18 compared to 11.0 million tonnes in 2016-17. Algeria also is tendering for 50,000 tonnes of wheat which should be a larger purchase and Jordan has re-tendered for 100,000 tonnes of wheat. Russia's grain crop could fall to 107.5 million tonnes in 2017-18 from the previous estimate of 109.5 million tonnes according to SovEcon. Wheat production is seen at 64.0 million tonnes compared to the USDA estimate of 67.0 million tonnes and compared to last year's 72.53 million tonnes.

TODAY'S MARKET IDEAS:

July wheat closed above the 50 day moving average at 434 1/2 yesterday. The 100 day moving average (446 1/2) and the 200 day (447 1/4) are within reach, and a close above those levels prior to the report on Friday could spark further short covering. Weather in the northern Plains will be the key market driver, and it looks to be somewhat dry thru June 12th with possible "triple digit" heat this weekend. Some showers popped up late yesterday in eastern South Dakota but coverage was light. There was heavy volume of Minneapolis September 600 calls (30 cents) and 700 calls (7 cents) being bought yesterday. July wheat short-term buying support is at 434 1/2 with 452 1/4 and 461 as next 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) 06/07/2017: The major trend could be turning up with the close back above the 40-day moving average. The daily stochastics have crossed over up which is a bullish indication. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 446 3/4. The next area of resistance is around 441 1/2 and 446 3/4, while 1st support hits today at 430 and below there at 424.

KC WHEAT (JUL) 06/07/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 448 3/4. The next area of resistance is around 443 3/4 and 448 3/4, while 1st support hits today at 432 1/4 and below there at 425 1/2.

MINN WHEAT (JUL) 06/07/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 610 3/4. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 605 and 610 3/4, while 1st support hits today at 592 1/2 and below there at 585 3/4.

RICE (JUL) 06/07/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing

pivot. The next downside objective is now at 10.988. The next area of resistance is around 11.150 and 11.207, while 1st support hits today at 11.040 and below there at 10.988.

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	377 1/4	60.09	56.50	57.53	67.36	373.38	371.92	370.97	370.66	370.06
CNAZ7	395 3/4	60.69	57.25	64.31	73.57	392.00	390.50	389.17	388.43	387.25
SSAN7	923 1/2	36.68	36.67	12.14	14.90	919.75	924.67	942.83	954.09	964.69
SSAX7	931 3/4	41.95	40.10	14.06	19.13	925.75	928.61	943.26	952.34	960.35
SMAN7	301.1	38.25	37.84	11.09	15.85	300.28	301.08	306.18	311.81	315.17
BOAN7	31.39	37.65	40.07	13.01	13.54	31.24	31.52	32.16	32.08	32.24
WHAN7	435 3/4	57.16	52.97	45.12	50.52	430.94	431.56	430.54	434.40	436.30
WHAU7	450 1/4	58.69	53.72	46.36	53.26	445.31	445.61	444.56	448.38	450.56
RCAN7	11.095	62.63	62.99	84.54	80.10	11.08	11.07	10.92	10.41	10.32
KWAN7	438	55.88	52.34	45.73	52.85	433.00	433.17	432.69	435.43	438.26
MWAN7	598 3/4	85.61	77.59	89.88	92.94	587.56	575.81	561.76	550.26	549.12
OTAN7	256 1/4	63.69	61.80	65.91	66.11	249.88	246.00	242.36	233.06	233.79

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

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	373	376 1/2	381 1/2	385
CNAZ7	Corn	387	391 3/4	395	399 3/4	403
SSAN7	Soybeans	911	916 1/2	925 1/4	930 1/2	939 1/2
SSAX7	Soybeans	919 1/4	925	932 1/2	938 1/2	945 3/4
SMAN7	Soymeal	296.8	298.5	301.9	303.6	307.0
BOAN7	Soybean Oil	30.85	31.10	31.41	31.67	31.97
WHAN7	Wheat	424	430	435 1/2	441 1/2	447
WHAU7	Wheat	438 1/2	444 1/2	449 3/4	456	461
RCAN7	Rice	10.987	11.040	11.097	11.150	11.207
KWAN7	KC Wheat	425 1/2	432	437 1/4	444	449
MWAN7	MINN Wheat	585 3/4	592 1/2	598 1/4	605	610 3/4
OTAN7	Oats	238 1/2	249	253 1/4	263 1/2	268

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

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