



DAILY GRAINS COMMENTARY

Thursday June 08, 2017

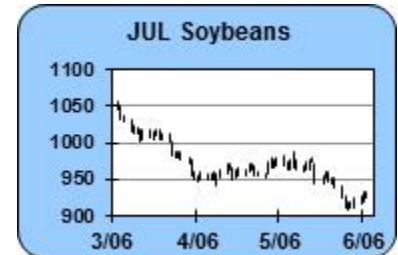
DAILY SOY COMPLEX COMMENTARY

06/08/17

Short-covering may continue as corn and wheat add premium

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +9.0, BEAN OIL +0.1, SOYMEAL +3.6

OVERNIGHT DEVELOPMENTS: July soybeans are trading 8 1/4 cents higher this morning. China futures were up 0.2% and palm oil futures were down 0.5%. Global equities were mostly positive overnight with the exceptions the TOPIX, RTS and MICEX trading weaker. The Asian session started out with a first quarter reading on Japanese GDP that was expected to show a modest increase but instead the measure showed a weaker growth rate. The highlight of the Asian session came from a May reading on the Chinese trade balance that showed gains for both exports and imports. The European session started with April German industrial production that bested expectations. First quarter Euro zone GDP was expected to hold steady but instead it was revised higher and weighed in at the fastest growth rate in 2 years! However, the highlight for European trading will be the results of the latest European Central Bank monetary policy meeting. While no change in rates or policy is expected, post-meeting comments by ECB President Draghi will be scrutinized by the market. The North American session will start out with May Canadian housing starts which are forecast to have a modest downtick from April's reading. A weekly reading on initial jobless claims is expected to have a moderate downtick from the previous 248,000 reading. Former FBI Director Comey will begin his congressional testimony during mid-morning US trading hours. After the close, the first exit polls for the UK Parliamentary election will be released at 4 PM CDT (9 PM GMT).



NEAR-TERM MARKET FUNDAMENTALS: Des Moines Iowa has already seen near 12 days without measurable rain and there is very little rain in the 7-day forecast models. Highs on Friday through Thursday are expected at 91 degrees, 94, 97, 99, 97, 92, and 93 degrees. While crop conditions may have improved some in the first 10 days of the dry period, crop stress (especially corn) could be significant for the nine days ending June 15th. The models still show more normal weather conditions after June 15th but the heat wave could have done some damage and it comes at a time when speculators hold a massive net short position. The warm and dry pattern is not nearly as big an issue for soybeans as it is for corn at this early stage but soybeans should find significant support if the other grains rally. The soybean meal market is finding some fresh support as end users and feedlot producers are locking in cheap prices compared to other feed grains. The price of DDG's has recently risen compared to soybean meal to the highest level since last October. Chinese crush margins, while still negative, have also rebounded from lower levels and have also provided support. China imported 9.59 million tonnes of soybeans in May (record for month of May) which was up from 8.02 million in April. This pushed cumulative imports for 2017 to 37.12 million tonnes, up 19.8% from last year's pace.

Dalian soybean meal futures have closed higher in six of the last seven days. The managed money trader still holds a net short position for soybeans of 89,310 contracts and the recent run-up in corn and wheat has provided some short covering from these trend-following traders. For the USDA report on Friday, traders are looking for ending stocks for 2017-18 season to come in a bit higher due to higher Brazilian soybean production. Palm oil production is picking up rapidly, especially for the second half of the year which is helping to pressure the market. For the weekly export sales report today, traders see soybean sales near 300,000 to 500,000 tonnes for old crop and 50,000 to 250,000 tonnes of new crop. Old crop soybean meal sales are expected at 50,000 to 150,000 tons with 0 to 50,000 tons for new crop. Old crop soybean oil export sales are expected at 8,000 to 25,000 tons with 0 to 12,000 tons for new crop.

TODAY'S MARKET IDEAS:

June weather is not normally a market driver but wheat and corn issues plus the spec short position suggest that another weak of harsh weather could support. The report on Friday is probably keeping what bullish traders that are left on the sidelines for now. Larger South American production and 2017-18 US ending stocks that could come in above 500 million bushels continue to cast a long shadow over the market. Close-in support for November soybeans is seen at 935 3/4 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) 06/08/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 940. Daily studies suggest buying dips today. The next area of resistance is around 935 3/4 and 940, while 1st support hits today at 925 3/4 and below there at 920 1/4.

SOYBEAN OIL (JUL) 06/08/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 under the swing pivot. The near-term upside target is at 31.69. The next area of resistance is around 31.53 and 31.69, while 1st support hits today at 31.19 and below there at 31.02.

SOYMEAL (JUL) 06/08/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 309.9. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 307.5 and 309.9, while 1st support hits today at 302.2 and below there at 299.1.

DAILY CORN COMMENTARY

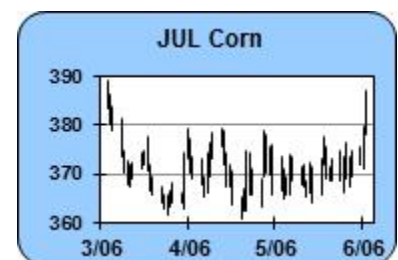
06/08/17

Crops are likely to stop growing as roots can't keep up

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +4.2

OVERNIGHT DEVELOPMENTS: July corn is trading up 4 1/2 cents this morning and up to the highest level since March 6th. Outside market forces look slightly negative. China futures are up slightly. China sold 474,845 tonnes of the 1.86 million tonnes of state reserves offered.



NEAR-TERM MARKET FUNDAMENTALS: With very little rain in the past two weeks and a very hot and dry trend for the heart of the corn belt for the next 6-7 days, the crop is likely to stop growing and conditions are deteriorating. The volume in corn was triple the average yesterday with 1,090,830 contract traded as speculative fund short covering was the feature. The corn volatility index is up nearing 30%, rebounding from a 13 month low

on April 19th at 14%. Yesterday's breakout in both July corn above 380 and December corn above 396 has caught the trend following funds offside and scrambling to cover short positions. After two weeks of very little rain in the Midwest, the market faces a seven day period of very little rain across the heart of the Corn Belt along with very warm temperatures. The mid-day weather models maintain hot and dry conditions over the next seven days but does have rain potential in North Dakota, Minnesota, Wisconsin along with Illinois, Indiana and Ohio late next week. However, the reliability of that weather model has been poor as of late. Suddenly, next week's rain event for June 16th to the 20th is critical or crop conditions will deteriorate rapidly.

Des Moines Iowa has already seen near 12 days without measurable rain and there is very little rain in the 7-day forecast models. Highs on Friday through Thursday are expected at 91 degrees, 94, 97, 99, 97, 92, and 93 degrees. This is from the American model which has been reading temperatures too low. The problematic states as of Monday's condition report were Illinois, Indiana, Ohio, North Dakota and South Dakota which account for 35% of the corn crop. These states will not improve after this week's weather, and most likely will be joined by other states in the western belt with deteriorating conditions. A 5% decline in trendline yield is 162.2 bushels per acre and would take ending stocks down to 1.300 billion bushels. A 10% decline in trendline yields is 153.7 bushels per acre and would bring ending stocks down to 600 million bushels.

Ethanol production for the week ending June 2nd averaged 999,000 barrels per day. This is down 2.1% vs. last week and down 0.70% vs. last year. This is the first time all marketing year that production dipped under the prior year's production. Total ethanol production for the week was 6.993 million barrels. Corn used in last week's production is estimated at 104.9 million bushels. Corn use needs to average 97.197 million bushels per week to meet this crop year's USDA estimate. Stocks were 21.982 million barrels. This is down 3.43% vs. last week and up 8.69% vs. last year. The sharp drop in stocks indicates very strong implied demand of 7.74 million barrels per week. This would be the second highest implied demand since June 19th of 2015. For the weekly export sales report, traders see corn sales near 500,000 to 700,000 tonnes of old crop corn and 100,000 to 250,000 tonnes of new crop corn.

TODAY'S MARKET IDEAS:

A close above 404 for December corn would leave 413 3/4, 422 3/4 and 447 1/4 as the next upside targets. Consider buying futures or calls on a minor correction.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Long December Corn from 388 1/2 with an objective of 447. * Risk to 394. 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) 06/08/2017: 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 392 1/4. The next area of resistance is around 389 and 392 1/4, while 1st support hits today at 380 1/2 and below there at 375.

DAILY WHEAT COMMENTARY

06/08/17

Part of spring wheat areas to see continued stress ahead

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 6 1/2 cents and Minneapolis wheat is up 6 1/4 cents. Outside market forces are slightly negative. MATIF September futures are up 0.75%.

NEAR-TERM MARKET FUNDAMENTALS: Fund short covering in Chicago wheat futures saw volume nearly double the average yesterday, and speculative buying in Kansas City futures with poor yield reports continue to come out of the hard red areas are factors which supported this week's gains. Minneapolis futures barely made a new high at 604 1/2 and ended down 3 1/4 cents putting in an outside day lower close. The early models had better chances of rains in the Dakotas, but updated weather models this morning are keeping the rains up in the northern half of North Dakota and into Minnesota. The Minneapolis market may have just needed "the pause that refreshes", as traders have been analyzing 2011/12 and 2007/08 spring wheat balance sheets for comparison to this year. The ten year average yield for spring wheat is 43.9 bushels per acre with last year's yield at 46.1 bushels per acre.

The 2011/12 yield was 37.7 bushels per acre and 2007/08 yield was 37.1 bushels per acre. The market topped out at \$11.20 in 2011 in late June, and at \$24.25 in 2008 in late February. Keep in mind that this past week's spring wheat crop condition was 55% good/excellent with seven more days of heat and dryness before potential rains arrive. Algeria bought 420,000 tons of optional origin milling wheat at \$197-\$199.50 per ton with most coming from France. For the weekly export sales report, traders see wheat sales near 350,000 to 650,000 tonnes. On top of dryness issues in the US, there is little or no rain in the 7-day forecast for Ukraine.

TODAY'S MARKET IDEAS:

July wheat tested the 100 day (446 1/2) and the 200 day (447) moving averages yesterday, but could not close above them. A close above these averages should spark further short covering for a test of the early May high at 461 1/2. The first level of support in July wheat is at 439 1/4 followed by 432 3/4. Look for a continued advance 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) 06/08/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. 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. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 455. The next area of resistance is around 450 1/4 and 455, while 1st support hits today at 439 1/4 and below there at 432 3/4.

KC WHEAT (JUL) 06/08/2017: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 456 3/4. The next area of resistance is around 451 3/4 and 456 3/4, while 1st support hits today at 440 1/4 and below there at 433 1/2.

MINN WHEAT (JUL) 06/08/2017: 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 market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 613. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 604 1/4 and 613, while 1st support hits today at 586 3/4 and below there at 578 1/4.

RICE (JUL) 06/08/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside objective is now at 11.002. The next area of resistance is around 11.322 and 11.371, while 1st support hits today at 11.138 and below there at 11.002.

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	384 3/4	68.59	62.55	64.21	77.55	376.94	373.42	371.83	370.87	370.33
CNAZ7	402 1/2	68.55	62.87	70.27	82.20	395.31	391.92	390.01	388.67	387.56
SSAN7	930 3/4	44.87	41.88	15.02	20.76	924.38	922.72	940.86	953.68	963.28
SSAX7	935 3/4	47.10	43.48	17.96	25.76	930.25	927.25	941.69	952.02	959.25
SMAN7	304.9	50.13	45.38	15.54	24.45	302.13	300.91	305.63	311.67	314.68
BOAN7	31.36	37.06	39.71	13.75	15.23	31.27	31.41	32.10	32.07	32.23
WHAN7	444 3/4	67.67	60.25	51.36	63.83	434.88	432.92	431.15	434.50	436.27
WHAU7	459 1/4	69.62	61.50	53.33	67.26	449.25	447.08	445.18	448.49	450.53
RCAN7	11.230	67.66	66.08	84.19	83.49	11.12	11.08	10.95	10.43	10.34
KWAN7	446	64.35	58.09	52.24	65.26	436.81	434.64	432.99	435.74	438.11
MWAN7	595 1/2	79.49	73.95	90.03	90.33	591.75	579.64	564.39	551.52	550.06
OTAN7	260 1/2	66.83	64.18	68.34	73.20	251.25	248.44	243.15	233.91	234.13

Calculations based on previous session. Data collected 06/07/2017

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	375	380 1/2	383 3/4	389	392 1/2
CNAZ7	Corn	393 1/2	398 1/2	401 1/4	406 1/2	409
SSAN7	Soybeans	920	925 3/4	930	935 3/4	940
SSAX7	Soybeans	927 1/4	931	936 1/2	940 1/2	945 3/4
SMAN7	Soymeal	299.1	302.2	304.5	307.5	309.9
BOAN7	Soybean Oil	31.01	31.19	31.35	31.53	31.69
WHAN7	Wheat	432 3/4	439	444	450 1/2	455 1/4
WHAU7	Wheat	447 1/4	454	458	464 1/2	468 3/4
RCAN7	Rice	11.001	11.137	11.186	11.322	11.371
KWAN7	KC Wheat	433 1/4	440	445	452	456 3/4
MWAN7	MINN Wheat	578	586 3/4	595 1/2	604 1/4	613
OTAN7	Oats	248	254 1/2	259 3/4	266 1/2	271 1/2

Calculations based on previous session. Data collected 06/07/2017

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