



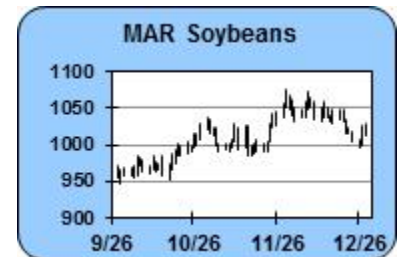
DAILY GRAINS COMMENTARY Thursday December 29, 2016

DAILY SOY COMPLEX COMMENTARY 12/29/16

Too much weather uncertainty to attract new sellers; more up

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +5.0, BEAN OIL -0.0, SOYMEAL +2.5**

OVERNIGHT DEVELOPMENTS: March soybeans were trading up 5 1/4 cents this morning. China soybean futures were up 1.7% overnight and palm oil futures in Malaysia were down 0.77%. Global equity markets continue to appear as if they are running out of steam with the month-end and year-end on the horizon. A weaker than expected reading for US pending home sales may have been the catalyst for the turnaround in sentiment as thin post-holiday markets may have exaggerated the impact of US pending home sales. The Asian economic calendar was relatively quiet while the European schedule featured November readings for French and Italian CPI and November Euro zone loans to households which rose by 1.9% in November versus the prior month. The North American economic calendar will start out with a weekly reading on initial jobless claims that are forecast to downtick from the previous 275,000 reading. November wholesale inventories are expected to see a moderate increase from October's -0.4% reading and climb into positive territory. The November goods/trade balance is expected to see a decrease from October's \$62 billion deficit.



NEAR-TERM MARKET FUNDAMENTALS: Given the record pace of demand so far this season, a minor weather issue in South America over the next few weeks could spark significant buying interest in soybeans. In the end, near normal weather for South America could spark a major break next year, but the short-term forecast is not normal and traders could begin to trim Brazil production if the warm, dry trend continues for northern and eastern growing areas. March soybeans gave back some of Tuesday's gains and closed lower yesterday. Some conflicting forecasts caused some profit taking in the market as northeast Brazil continues to be the area the market is focusing on now. A high pressure ridge has developed bringing temperatures in the 90's to low 100's Fahrenheit. Rains in central Argentina and southern Brazil will be in the 2.0 to 5.0 inch range during the first week of January. While concerns in some of the northern areas of Brazil need to be watched, early yields from anecdotal reports in Mato Grosso have been stellar. This "push and pull" type trade could be with the market for some time, or at least until a more uniform yield outlook can be determined. Export sales will be released on Friday due to the holiday on Monday and the market will be keen to see if there is any slowdown in the Chinese appetite for soybeans.

TODAY'S MARKET IDEAS:

A test of the 1035 1/2 area in March soybeans is likely as that is the 50% retracement level of the Nov 28th to Dec 23rd break. With a weather market brewing and the managed money traders still long 111,712 contracts, any flare up in weather will give cause for another spike higher. Shorts might consider standing aside for now while new sellers can wait and see how far the recovery bounce will be before (or if) the weather turns bearish. For now, support for March soybeans is at 1016 3/4 and 1013 1/2. Aggressive short-term buyers can use 1044 1/2 as near-term target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Took a 42 cent gain on our short January soybean position.

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 (JAN) 12/29/2016: 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 short-term trend is negative as the close remains below the 9-day moving average. 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 next upside objective is 1025 1/2. The next area of resistance is around 1015 1/4 and 1025 1/2, while 1st support hits today at 998 1/4 and below there at 991 1/4.

SOYBEAN OIL (JAN) 12/29/2016: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is 33.99. The next area of resistance is around 35.29 and 35.70, while 1st support hits today at 34.43 and below there at 33.99.

SOYMEAL (JAN) 12/29/2016: Momentum studies are trending higher from mid-range, which should support 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. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 322.4. The next area of resistance is around 318.9 and 322.4, while 1st support hits today at 313.5 and below there at 311.6.

DAILY CORN COMMENTARY

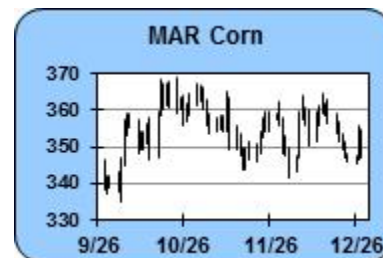
12/29/16

Until S American weather shifts bearish, buyers active

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +2.0

OVERNIGHT DEVELOPMENTS: March corn is up 2 1/2 cents this morning. Outside market forces are positive due to a weak US dollar and firm gold market.



NEAR-TERM MARKET FUNDAMENTALS: While it may take a significant weather event in South America to spark any type of tightness, the downside seems quite limited below the 342 level for March corn as record world supply and a large South America crop has already been priced. Near-term demand factors are improving with higher than expected livestock supply, firm exports and great margins for ethanol producers. China plans to boost production of biodegradable plastics made out of corn and increase the use of corn as animal feed over the next three years to help clear up surplus stocks. They also plan to boost ethanol production from corn. March corn reversed course and gave back almost all of Tuesday's gains yesterday. The South American weather took a back seat to U.S. dollar strength and weak equities that helped to pulled corn prices lower yesterday.

Also, ongoing concerns about bird flu entering Europe or China have given the market one more potential negative input to deal with. Japan has already culled 924,000 birds on top of South Korea which has culled upwards of 12% of their total number of birds. The market will begin to anticipate the rebalance net buying in the second week of January which looks to be in the 30,000 to 58,000 contract range. The weekly EIA report is today with ethanol production estimates running 1.025 to 1.036 million barrels per day compared to last week's 1.036 million barrel estimate. Stockpiles are estimated in a range of 18.56 to 19.38 million barrels. Hopes for better demand for ethanol from China before import tariffs hit in late January could be a positive demand force in the coming weeks.

TODAY'S MARKET IDEAS:

March corn could not trade above the 50 day moving average at 355 1/2 over the last two days and has given the bear camp renewed confidence. Like wheat, the large managed money short could control the direction short-term but with a potential weather market brewing in South America, the short side is not preferred at this time. Support for March corn comes in at 344 1/2 and again at 342 1/4. Resistance is at 357 1/2 and a close through resistance would turn the charts bullish and leave 379 1/4 as upside target. Consider buying February corn 355 calls near 4 cents.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Still long 4 May Corn 400 calls for a net cost of 20 cents from previous 4 by 1 spread. Hold calls and risk a total of 12 cents on the entire spread.

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 (MAR) 12/29/2016: 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. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 342 1/4. The next area of resistance is around 352 and 357, while 1st support hits today at 344 1/2 and below there at 342 1/4.

DAILY WHEAT COMMENTARY

12/29/16

US wheat cheap and oversold; recovery bounce to 419?

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT +3.2

OVERNIGHT DEVELOPMENTS: March wheat is up 3 1/4 cents this morning. Outside market forces look supportive with a break in the US dollar. Matif futures are up slightly.



NEAR-TERM MARKET FUNDAMENTALS: While it is tempting to turn bearish wheat with the enormous world supply, the market is oversold and seems to have already priced most of the bearish supply news as long as weather stays bearish. However, wheat looks cheap and funds are already short and demand seems to be picking up and rebalancing may favor wheat. March wheat was under pressure from the start yesterday in typical back and fill action. The open interest for Tuesday went down 11,588 contracts which suggests the big rally on Tuesday was short covering. Yesterday's weakness could also have been tied to the stronger U.S. dollar which traded to a 14 year high. According to the Russia Federal Statistics Service, the Russian wheat production was seen at 73.3 million tonnes, up 19% from last year and compares to the USDA December estimate at 72 million tonnes and the last SovEcon estimate at 71.9 million. Egypt's General Authority for Supply Commodities is tendering for wheat with results expected during the session today. Traders suspect that funds will be active buyers in the first half of January as part of the rebalancing period with early estimates looking for 25,000 contracts of Chicago wheat and 13,000 contracts of KC wheat to be bought from January 9th to 13th.

TODAY'S MARKET IDEAS:

With the managed money traders still short over 100,000 contracts and year end on Friday, a push back towards last week's contract low is not out of the question. With recent weather developments in South America, however, the market seems vulnerable to a recovery bounce and talk of reduced wheat seedings could add fuel to the bull case. Close in support is at 399 3/4 followed by 394 1/2. Don't rule out a recovery bounce to 419 1/4.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (MAR) 12/29/2016: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 393 3/4. The next area of resistance is around 406 1/4 and 413, while 1st support hits today at 396 3/4 and below there at 393 3/4.

KC WHEAT (MAR) 12/29/2016: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The daily closing price reversal down puts the market on the defensive. The close below the 1st swing support could weigh on the market. The next upside objective is 423 1/2. The next area of resistance is around 415 and 423 1/2, while 1st support hits today at 404 and below there at 401 1/4.

MINN WHEAT (MAR) 12/29/2016: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 524. The next area of resistance is around 535 and 541 1/4, while 1st support hits today at 526 1/2 and below there at 524.

RICE (JAN) 12/29/2016: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 9.129. The next area of resistance is around 9.322 and 9.418, while 1st support hits today at 9.178 and below there at 9.129.

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										
CNAH7	348 1/4	42.64	44.52	33.58	25.82	349.06	351.08	354.51	354.87	355.65
CNAK7	354 3/4	42.03	44.04	32.92	25.32	355.63	357.75	361.24	361.83	362.58
SSAF7	1006 3/4	44.48	46.23	18.00	22.15	1001.25	1011.58	1023.29	1014.88	1004.65
SSAH7	1016 1/2	44.52	46.36	18.30	22.27	1010.56	1021.44	1033.53	1023.69	1012.84
SMAF7	316.2	54.00	51.97	23.94	36.14	312.83	312.54	314.66	315.62	312.78
BOAF7	34.86	30.67	37.57	16.79	14.43	34.84	35.72	36.53	35.89	35.53
WHAH7	401 1/2	44.22	43.76	33.16	32.30	400.38	403.08	406.96	416.61	419.68
WHAH7	414 1/2	44.51	43.72	33.14	33.45	413.19	415.72	418.93	430.07	433.30
RCAF7	9.250	31.93	36.31	15.25	12.22	9.26	9.37	9.60	9.70	9.89
KWAH7	409 1/2	45.38	45.04	52.32	55.28	410.63	411.78	410.92	420.93	423.20
MWAH7	530 3/4	42.57	46.50	50.90	38.22	533.88	537.75	536.63	530.06	529.87

OTAH7 227 3/4 58.17 56.58 49.93 52.02 223.19 223.83 223.56 222.91 217.03

Calculations based on previous session. Data collected 12/28/2016

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						
CNAH7	Corn	342	344 1/2	349 1/2	352	357
CNAK7	Corn	348 3/4	351	356	358 1/2	363 1/4
SSAF7	Soybeans	991 1/4	998	1008 1/2	1015 1/2	1025 3/4
SSAH7	Soybeans	1001	1008	1018	1025	1035
SMAF7	Soymeal	311.6	313.5	317.0	318.9	322.4
BOAF7	Soybean Oil	33.98	34.43	34.84	35.29	35.70
WHAH7	Wheat	393 1/2	396 1/2	403 1/4	406 1/2	413
WHAK7	Wheat	407	410	416	419	425
RCAF7	Rice	9.128	9.177	9.273	9.322	9.418
KWAH7	KC Wheat	401	404	412 1/4	415	423 1/2
MWAH7	MINN Wheat	524	526 1/2	532 3/4	535	541 1/2
OTAH7	Oats	225 1/4	226 1/2	227 3/4	229	230 1/4

Calculations based on previous session. Data collected 12/28/2016

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.