



## DAILY GRAINS COMMENTARY Wednesday January 04, 2017

### DAILY SOY COMPLEX COMMENTARY

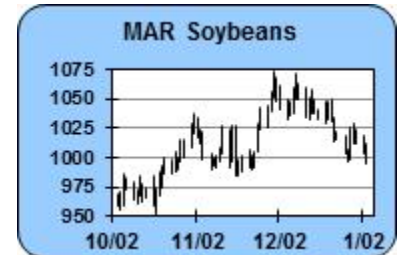
01/04/17

**Flooding on unplanted Argentina growing areas; firm**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**SOY BEANS +0.6, BEAN OIL +0.1, SOYMEAL -0.1**

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading up 4 cents this morning. China soybean futures were down 0.2% overnight and palm oil futures in Malaysia were down 0.7%. There were 500 January soybean deliveries, 150 January soybean meal and 727 January soybean oil. International equity markets were mixed to slightly higher overnight with the biggest gainer the Nikkei 225. The markets might take some guidance from news that Euro zone Inflation in December was the highest in 3 years as that suggests some forward motion in that economic zone. The North American session will start out with the December ADP employment survey which is forecast to show a notable downtick from November's 216,000 reading. December total vehicle sales are expected to see a modest downtick from November's 17.9 million annualized rate. During early afternoon US trading hours, the FOMC will release the meeting minutes of their December gathering which will be scrutinized for signs of upcoming Fed policy moves.



**NEAR-TERM MARKET FUNDAMENTALS:** While the market seemed very sensitive to weather issues in December in South America, much of the premium built up seems to be gone and this is happening just as conditions turn way too wet in Argentina and still a bit too dry for northeastern Brazil. The soybean market started the year out with a loss of 0.9%. After early gains from excessive rains in Argentina over the long weekend, it was evident the market lacked fresh buying interest and March soybeans traded to a low of 992 3/4 overnight before a bounce. While there remains some concern about more than 2.0 million acres of soybeans that still need to be planted in Argentina, the trade seems more interested in the fact that northern Brazil received some rain over the long weekend and the forecast is for more which should shrink the dry areas. The index fund re-balancing begins January 9th with some traders fearing these funds may be net sellers which could be causing some long liquidation prior to next week. The Argentine government announced plans to reduce the export tax on soybeans by 0.5% per month for two years. The plan will begin in January 2018 through the end of 2019 which will reduce the tariff to 18.0% from today's 30.0%. Producers hoped for a quicker reduction but will settle on the plan. Some feel that farmers could potentially hold off supplies from this year's crop until the program begins in January 2018.

Another potential reason for the weakness in soybeans could have come from the announcement of Robert Lighthizer as the chief trade negotiator. Mr. Lighthizer is a long term critic of China, and his selection has raised some concerns of a trade dispute with China. A strong U.S. dollar and weak Chinese Yuan also pressured prices as Chinese devaluation concerns continue. Weekly export inspections for soybeans came in at 1,578,703 tonnes compared to estimates of 1.3 to 1.7 million. As of December 29th, cumulative soybean export inspections for the 2016-17 marketing year have reached 59.1% of the USDA forecast versus a 5 year average of 55.8%. US soybean crush for November came in at 170.73 million bushels versus the average trade estimate of 170.96 million bushels. US soybean oil stocks in November came in at 1.777 billion pounds versus the average trade estimate of 1.763 billion and 1.795 billion last month.

#### TODAY'S MARKET IDEAS:

March soybeans closed at its lowest level since December 23rd and below the key 100 day moving average. With the managed money traders still carrying a long of 107,075 contracts, some minor liquidation is possible but with several more weeks of South American weather forecasts to digest, we feel the bulk of these longs will try and hold on. Aggressive traders could buy the March 1030 call/sell the March 950 put combo paying 3 cents. March soybean support is at 995 1/4 with 1006 and 1010 1/2 as resistance. Look for rally back to at least 1033.

## NEW RECOMMENDATIONS:

None.

## PREVIOUS RECOMMENDATIONS:

\* Long March Soybean 1030 call from 14 3/4 cents with an objective of 32. Risk to 9 3/4 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 (JAN) 01/04/2017: A bearish signal was triggered on a crossover down in the daily stochastics. 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 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 974 1/2. The next area of resistance is around 994 3/4 and 1006 3/4, while 1st support hits today at 978 3/4 and below there at 974 1/2.

SOYBEAN OIL (JAN) 01/04/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 34.20. The next area of resistance is around 34.75 and 34.93, while 1st support hits today at 34.39 and below there at 34.20.

SOYMEAL (JAN) 01/04/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is 304.7. The next area of resistance is around 310.7 and 314.2, while 1st support hits today at 305.9 and below there at 304.7.

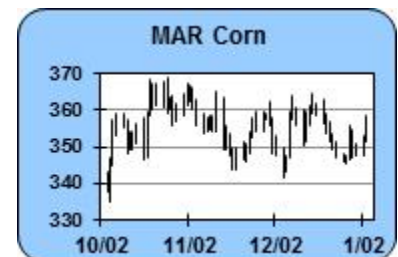
## DAILY CORN COMMENTARY

01/04/17

**In position to see steady flow of buying ahead; 361 1/2 next**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
CORN +0.0

**OVERNIGHT DEVELOPMENTS:** March corn is trading 1 cent higher this morning. Outside market forces are positive with a weaker US dollar.



**NEAR-TERM MARKET FUNDAMENTALS:** The market seems to have priced-in the hefty supply outlook into the December low but some weather issues in South America, stronger than expected ethanol demand, a hefty net short position from funds and expectations for active index fund buying are all positive short-term forces. March corn traded higher for the third consecutive session yesterday. The trade is concerned about heavy rains that fell in Argentina over the past weekend that are causing delays in planting as much as 1.7 million acres. Re-balance buying from the index funds starting on January 9th could reach 60,000 to 100,000 contracts that need to be bought. Weekly export inspections came in at 636,684 tonnes compared to estimates of 800,000 to 1.0 million. As of December 29th, cumulative corn export inspections for the 2016-17 marketing year have reached 30.2% of the USDA forecast versus a 5 year average of 28.8%. NASS released the November grain crushing report with total corn consumed for fuel alcohol at 452 million bushels, down 1.0% from October's 455.3 million but up 4.0% from last year's 433.9 million.

### **TODAY'S MARKET IDEAS:**

March corn is challenging stiff resistance at the 360-365 area. The trade is well aware of the potential re-balance buying that will hit the market next week. On top of that, trend-following fund traders are holding a net short position of 110,648 contracts, the highest since October 11th. This could provide the fuel for a further rally, especially if the Argentine weather remains too wet for the last 25% of the corn plantings. Support for March corn comes in at 352 1/4 with 361 1/2 and 367 1/4 as next targets.

### **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. \* Sell 1 call at 6 3/4 cents. Risk a total of 12 cents on the entire spread.

### **CORN TECHNICAL OUTLOOK:**

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CORN (MAR) 01/04/2017: The major trend could be turning up with the close back above the 60-day moving average. The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 362 1/4. The next area of resistance is around 359 1/4 and 362 1/4, while 1st support hits today at 352 1/4 and below there at 348 1/2.

### **DAILY WHEAT COMMENTARY**

01/04/17

#### **Winter wheat conditions need to be monitored**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**WHEAT -1.2**

**OVERNIGHT DEVELOPMENTS:** March wheat is up 1/2 of a cent this morning. Outside market forces are higher with a weaker US dollar. Matif futures are down 0.3% at 168.75 Euro.



**NEAR-TERM MARKET FUNDAMENTALS:** Ukraine wheat output was seen at 23.5 million tonnes according to a report from UkrAgroConsult. Lost winter wheat acreage due to lack of sprouting could account for 5 to 6 % of the planted area. The USDA has pegged Ukraine wheat production at 27.0 million tonnes. March wheat traded to a three week high yesterday. The market eventually drifted lower with pressure coming from a strong U.S. dollar and a weak Kansas City wheat market that closed 4 1/2 cents lower. A cold snap over the next three days in the Plains and Midwest was cause for concern early in the day and provided some minor short covering.

Dryness in the Plains has also been a concern and after the close yesterday, some state crop ratings were released. Oklahoma's winter wheat crop ratings fell to 25% good to excellent (G/E) from 53% as of November 27th, while Kansas ratings fell to 44% G/E from 52% as of November 27th. Nebraska ratings fell to 46% G/E from 53% and Colorado was 40% G/E from 47%. According to the U.S. Drought Monitor last week, 31% of Kansas and 72% of Oklahoma were in moderate drought stage or worse. With the year-end behind us, some trend following funds could be looking at covering short positions prior to next week's USDA report which should show a significant reduction in winter wheat seedings. Weekly export inspections for wheat came in at 395,417 tonnes versus average estimates of 300,000 to 500,000 tonnes. As of December 29th, cumulative wheat export

inspections for the 2016-17 marketing year have reached 58.5% of the USDA forecast versus a 5 year average of 57.8%.

**TODAY'S MARKET IDEAS:**

March wheat did not close well after trading to the highest level since December 15th. The state by state weekly conditions could provide some support for the market today. Managed money traders covered a small 5,332 contracts last week and remain short 108,927 contracts as of December 27th. The path of least resistance feels like it is up for the next week or two, or until the report on January 12th. Close in support is at 402 1/2 followed by 400.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**WHEAT TECHNICAL OUTLOOK:**

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WHEAT (MAR) 01/04/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 416 1/4. The next area of resistance is around 410 1/2 and 416 1/4, while 1st support hits today at 402 1/2 and below there at 400.

KC WHEAT (MAR) 01/04/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The close below the 1st swing support could weigh on the market. The next upside objective is 425 1/2. The next area of resistance is around 418 3/4 and 425 1/2, while 1st support hits today at 409 1/4 and below there at 406 3/4.

MINN WHEAT (MAR) 01/04/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. 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 next downside objective is now at 531 3/4. The next area of resistance is around 540 3/4 and 545, while 1st support hits today at 534 1/4 and below there at 531 3/4.

RICE (JAN) 01/04/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 9.458. The next area of resistance is around 9.402 and 9.458, while 1st support hits today at 9.328 and below there at 9.309.

**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
<b>GRAIN COMPLEX</b>										
CNAH7	355 3/4	55.73	52.87	31.76	36.08	351.44	350.14	353.99	354.18	355.51
CNAK7	361 1/2	54.68	52.00	29.85	33.14	357.38	356.47	360.51	361.07	362.37
SSAF7	986 3/4	34.53	39.30	18.20	14.52	998.31	1000.39	1015.94	1013.51	1006.13

SSAH7	995	34.17	39.05	17.77	13.72	1007.06	1009.64	1025.94	1022.42	1014.41
SMAF7	308.3	39.72	43.25	32.97	31.59	313.05	311.73	313.67	315.12	313.08
BOAF7	34.57	30.47	36.42	12.11	9.55	34.59	35.00	35.99	35.80	35.59
WHAH7	406 1/2	50.08	47.91	39.31	44.45	405.19	402.61	406.96	414.99	419.01
WHAK7	418	48.77	46.87	40.45	45.45	417.69	415.25	418.92	428.23	432.55
RCAF7	9.365	43.32	42.40	16.75	20.33	9.30	9.31	9.51	9.64	9.84
KWAH7	414	50.20	48.80	60.05	61.68	414.31	412.47	412.33	419.74	422.79
MWAH7	537 1/2	52.52	53.17	44.31	43.48	535.44	536.31	536.83	530.50	530.41
OTAH7	235 1/2	68.93	64.12	58.49	69.33	229.56	225.58	226.01	223.93	219.16

Calculations based on previous session. Data collected 01/03/2017

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>GRAIN COMPLEX</b>						
CNAH7	Corn	348 1/2	352 1/4	355 1/2	359 1/4	362 1/2
CNAK7	Corn	354 1/2	358 1/4	361	364 3/4	367 1/2
SSAF7	Soybeans	974 1/2	978 1/2	990 3/4	995	1007
SSAH7	Soybeans	981 3/4	986 1/2	999	1003 1/2	1016 1/4
SMAF7	Soymeal	304.6	305.9	309.4	310.7	314.2
BOAF7	Soybean Oil	34.19	34.38	34.56	34.75	34.93
WHAH7	Wheat	400	402 1/2	408 1/4	410 1/2	416 1/2
WHAK7	Wheat	412	414	419 3/4	422	427 1/2
RCAF7	Rice	9.308	9.327	9.383	9.402	9.458
KWAH7	KC Wheat	406 1/2	409 1/4	416	418 3/4	425 1/2
MWAH7	MINN Wheat	531 3/4	534	538 1/2	541	545 1/4
OTAH7	Oats	226	231 1/2	234 1/4	239 1/2	242 1/2

Calculations based on previous session. Data collected 01/03/2017

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