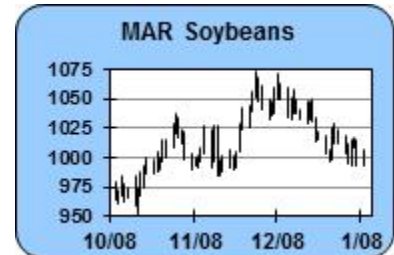




**DAILY SOY COMPLEX COMMENTARY**  
01/10/17

**Rains may ease dry areas in Brazil; more up in US yield?**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -6.6, BEAN OIL -0.2, SOYMEAL -2.1



**OVERNIGHT DEVELOPMENTS:** March soybeans are trading down 4 cents this morning. China soybean futures were down 1% overnight and palm oil futures in Malaysia were down 1%. There were 465 January soybean deliveries, 198 meal and 329 oil. Global equity markets were mixed with stock prices not showing much in the way of geographical consistency. The Asian economic calendar started out with a December reading on Chinese inflation, which showed a slightly larger than expected increase. However, seeing a positive Chinese inflation reading should help to put deflationary fears in that region in the rearview mirror. December Japanese household confidence also managed an uptick from November's 40.9 reading in a minor show of forward economic progression. The European session started out with December Swiss unemployment which held steady at 3.3%. November French industrial output posted a surprisingly large jump to 2.2% from October's -0.2% reading and that should contribute to a risk-on vibe in the Euro zone. The North American session will start out with Canadian housing data as December housing starts are expected to see decent improvement on November's reading. The November job openings and labor turnover (JOLTS) survey from the US is forecast to see a modest uptick from October while November US wholesale inventories are expected to hold steady with October's +0.9% reading.

**NEAR-TERM MARKET FUNDAMENTALS:** Brazil officials raised their soybean production forecast to 103.8 million tonnes (Conab) which is up from the USDA forecast of 102 million tonnes and this helped to ease supply concerns overnight but the number is right on trade expectations. Their previous estimate came in at 102.45 million tonnes compared to last year's production of 95.43 million. Late in the session buying from index rebalancing gave the market a boost yesterday. Talk of buying interest from Chinese crushers of South American and U.S. origin soybeans also supported price action yesterday, but some still fear more potential cancellations (like Friday's 890,000 tonne tranche) if South American weather co-operates and produces a combined crop equal to 159 million tonnes or larger. The market continues to find support at the 993-995 area basis March soybeans as this has been the low in four of the last five trading days.

Argentina did receive unwanted rains of as much as 1.0 to 2.0 inches over the weekend, and could continue to see some unwanted rains in the week ahead, but Brazil's dry areas of the northeast look to receive more rain in the next week which could reduce the dry area. AgRural raised their Brazilian soybean crop production to 103.1 million tonnes versus 101.8 million previous. Weekly export inspections came in at 1.457 million tonnes versus average estimates of 900,000 to 1.2 million. As of January 5th, cumulative soybean export inspections have reached 61.7% of the USDA forecast versus a 5 year average of 58.8%.

**TODAY'S MARKET IDEAS:**

The market continues to hold support around 992 for March soybeans but remains below the downtrend line coming in at 1016 1/2 today. Until the South American soybean production can be quantified, the market may trend sideways. Rallies will be sold with the U.S. ending stocks scenario double last year's total, and Chinese buying interest will focus on South American supplies. Consider selling 1 March Soybean \$10.00 put near 24 cents and buy 6 May Soybean \$9.00 puts at 5 cents each for net cost of 6 cents on the spread. Ideally, traders will be able to lift the short put on a bounce off either the weather or the USDA report and hold the out-of-money-puts for a spring price collapse. March soybean resistance is at 1016 1/2 with 984 target if support gives way.

## **NEW RECOMMENDATIONS:**

None.

## **PREVIOUS RECOMMENDATIONS:**

1) Unable on selling March soybean 1010 put/ buy 5 of the May puts. 2) 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) 01/10/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 983 1/4. The next area of resistance is around 1001 3/4 and 1004 1/2, while 1st support hits today at 991 1/4 and below there at 983 1/4.

SOYBEAN OIL (JAN) 01/10/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close above the 9-day moving average is a positive short-term indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 35.64. The next area of resistance is around 35.52 and 35.64, while 1st support hits today at 35.02 and below there at 34.65.

SOYMEAL (JAN) 01/10/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is 305.9. The next area of resistance is around 311.5 and 312.6, while 1st support hits today at 308.1 and below there at 305.9.

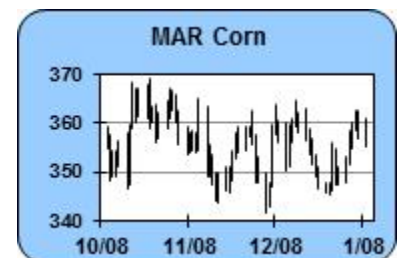
## **DAILY CORN COMMENTARY**

*01/10/17*

**Tough to expect more up without a lot of help from weather**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CORN -2.2**

**OVERNIGHT DEVELOPMENTS:** March corn is trading 2 1/2 cents lower this morning. Outside market forces look slightly negative.



**NEAR-TERM MARKET FUNDAMENTALS:** With improving weather conditions in Brazil, traders see sluggish demand for US corn into the summer. Brazil officials (Conab) pegged corn production at 84.5 million tonnes which is up from their previous estimate but down 2 million tonnes from the USDA estimate. The number came in well below trade expectations which were at 88.9 million tonnes. Last year's Brazilian corn production was 66.57 million tonnes. The market traded moderately lower early yesterday and rebounded to trade higher on the day. The index fund rebalancing started yesterday with index fund buying estimated to be 15,000 contracts per day over the next four days. The average estimate for Thursday's USDA report for corn yield is at 175.1 bushels per acre, down 0.2 from the December estimate. Final corn ending stocks are estimated at 2.385 billion bushels down from 2.403 billion in December.

The bottom line is that there will not be much to move the needle in the corn balance sheet until spring when the market addresses the corn acreage mix. With a trend line yield of 168.8 bushels per acre next year and corn acres at 90 million (down 4.5 million) ending stocks still are a bit cumbersome at 1.722 billion bushels. U.S. exporters announced the sale of 112,000 tonnes of corn to unknown destinations on Monday. Weekly export

inspections came in at 876,562 tonnes versus average estimates of 600,000 to 800,000 tonnes. As of January 5th, cumulative export inspections have reached 31.7% of the USDA forecast versus a 5 year average of 30.1%.

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

The weather leans bearish and the Brazil crop estimate overnight was supportive. The stochastics are starting to get a little overbought as the market has stalled and running into producer selling on rallies. With the USDA report on Thursday, the trade will be reminded of large stocks and unless the weather turns a little more threatening, the market looks to drift down and test the 100 day moving average at 351 3/4. March corn close-in resistance is at 360 3/4.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

\* Short May Corn from 367 and also long 4 May Corn 400 calls for a net cost of 20 cents. Hold for now.

#### **CORN TECHNICAL OUTLOOK:**

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CORN (MAR) 01/10/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 364 1/2. The next area of resistance is around 362 3/4 and 364 1/2, while 1st support hits today at 357 1/4 and below there at 353 1/2.

#### **DAILY WHEAT COMMENTARY**

01/10/17

**Weak Matif futures down over 1.0% drag wheat**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**WHEAT -3.6**

**OVERNIGHT DEVELOPMENTS:** March wheat is down 3 1/2 cents this morning. Outside market forces are mixed with the dollar slightly higher. Matif futures are down 1.02% at 169.25 Euro.



**NEAR-TERM MARKET FUNDAMENTALS:** The wheat market is under pressure this morning with spillover weakness from Matif futures, volume overnight has been above average with over 9,000 contracts traded. Japan is tendering for 162,777 tonnes of milling wheat from the U.S. and Canada. China sold 375,000 tonnes of wheat out of 2.67 million tonnes offered at auction today. Ukraine grain exports are seen 6.7% higher in the 2016-17 marketing year, with grain supply to reach 71.6 million tonnes of which 28.8 million tonnes is wheat. Open interest in wheat went up 3,072 contracts on Monday. March wheat traded both sides of unchanged yesterday with late index fund rebalance buying firming the market for a 4 cent gain. Index funds are expected to buy as much as 7,000 contracts of wheat each day through the end of the week. The market is up 34 cents since December 27th due to some weather concerns in the U.S. and also due to the expected new buying from the index rebalance. There also are some concerns that winter wheat acreage could come in lower than the average estimates.

Last year's winter wheat planted area totaled 36.13 million acres, which was down 2.7 million from the previous year. In fact, winter wheat acres have been down in each of the last four years. The average pre-report estimate for this year's acreage is 34.36 million, which would be down 1.77 million from last year. The range of estimates is 31.70 to 36.38 million, and our estimate is 33.5 million. U.S. exporters announced the sale of 120,000 tonnes of

spring wheat sold to unknown destination with many in the trade believing this sale is to China. Russian wheat offers advanced for the first time in six weeks, up over 1.0% since last week at \$183 per tonne. Managed money trend followers reduced their net short position last week by 5,334 contracts to a still very large net short of 103,593 contracts. Weekly export inspections for wheat came in at 260,555 tonnes versus estimates of 300,000 to 500,000 tonnes.

**TODAY'S MARKET IDEAS:**

With the market now up over 30 cents over the last two weeks, some back and fill action is likely. Still, with the USDA report on Thursday, a surprise to the trade could come with a bullish acreage number. Traders could consider buying the May Wheat \$4.50 call/sell the May Wheat \$5.20 call/and sell the May Wheat \$3.90 put at a net cost of 7 cents on the spread. March wheat support is at 423 3/4 with resistance at 430 3/4.

**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) 01/10/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 433. The next area of resistance is around 430 3/4 and 433, while 1st support hits today at 423 3/4 and below there at 418 3/4.

KC WHEAT (MAR) 01/10/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 444 1/2. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 442 1/4 and 444 1/2, while 1st support hits today at 434 3/4 and below there at 429 1/4.

MINN WHEAT (MAR) 01/10/2017: 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 566 1/2. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 564 1/4 and 566 1/2, while 1st support hits today at 555 1/4 and below there at 548 3/4.

RICE (JAN) 01/10/2017: 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 indicates the intermediate-term trend has turned up. The gap upmove on the day session chart is a bullish indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 9.460. The next area of resistance is around 9.460 and 9.460, while 1st support hits today at 9.460 and below there at 9.460.

**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	360	59.47	56.15	59.11	71.79	359.75	355.53	354.40	354.17	356.08
CNAK7	367	60.79	56.83	58.14	72.51	366.25	361.75	360.88	361.01	362.91

SSAF7	996 1/2	44.91	45.43	20.94	20.43	998.06	1000.03	1007.49	1013.26	1008.68
SSAH7	1005 1/4	44.77	45.35	20.44	19.98	1006.94	1008.92	1017.03	1022.36	1017.13
SMAF7	309.8	44.89	46.09	33.65	28.10	311.75	313.00	312.43	314.90	313.86
BOAF7	35.27	48.80	46.90	17.56	22.53	35.01	34.83	35.49	35.77	35.67
WHAH7	427 1/4	67.10	61.10	71.40	85.97	423.81	413.94	409.88	414.26	419.26
WHAK7	440	68.63	61.89	72.49	87.08	435.13	425.86	421.97	427.20	432.67
RCAF7	9.460	50.58	47.19	39.12	51.15	9.48	9.38	9.42	9.60	9.78
KWAH7	438 1/2	70.51	64.32	79.79	89.10	433.25	423.22	417.89	419.89	423.65
MWAH7	559 3/4	75.33	69.93	72.29	87.71	551.81	543.11	540.94	532.57	532.19
OTAH7	225 1/2	45.65	49.27	67.14	60.09	231.94	230.50	227.50	225.12	221.40

Calculations based on previous session. Data collected 01/09/2017

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	353 1/2	357 1/4	359	362 3/4	364 1/2
CNAK7	Corn	360 1/4	364	366	370	371 3/4
SSAF7	Soybeans	983 1/4	991	994	1002	1004 3/4
SSAH7	Soybeans	990	999	1002 1/2	1011 1/2	1015
SMAF7	Soymeal	305.8	308.0	309.2	311.5	312.6
BOAF7	Soybean Oil	34.64	35.02	35.14	35.52	35.64
WHAH7	Wheat	418 3/4	423 1/2	426	431	433 1/4
WHAK7	Wheat	430 1/4	436	438 1/2	444	446 3/4
RCAF7	Rice	9.460	9.460	9.460	9.460	9.460
KWAH7	KC Wheat	429 1/4	434 1/2	437	442 1/2	444 3/4
MWAH7	MINN Wheat	548 1/2	555 1/4	557 1/2	564 1/4	566 1/2
OTAH7	Oats	220	222	227	229	234

Calculations based on previous session. Data collected 01/09/2017

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