

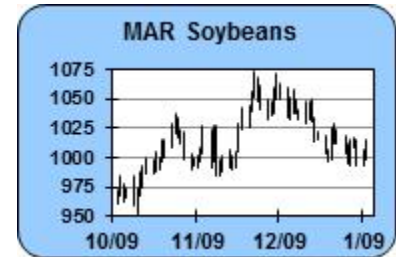


## DAILY GRAINS COMMENTARY Wednesday January 11, 2017

### DAILY SOY COMPLEX COMMENTARY 01/11/17

**More downside ahead as trade mulls record stocks next year**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS -2.2, BEAN OIL +0.1, SOYMEAL -1.6**



**OVERNIGHT DEVELOPMENTS:** March soybeans are trading down 2 1/2 cents this morning. China soybean futures were up very slightly overnight and palm oil futures in Malaysia were up 1.6%. There were 151 January soybean deliveries, 195 meal and 208 oil. Global equity markets were mixed with Asian markets generally weaker and European shares generally higher. The Asian economic calendar featured November Japanese leading economic index and coincident indexes both of which showed a slight beat of expectations. The European session brought forth November readings on UK industrial and manufacturing production both of which showed improvement from their October readings. The North American session will be relatively quiet data wise, and will be highlighted by a weekly reading on mortgage applications and a January reading for the Atlanta Fed's business inflation expectations survey. However, many traders will focus on President-elect Trump's news conference during morning US trading hours for signs of upcoming fiscal policy.

**NEAR-TERM MARKET FUNDAMENTALS:** The market is absorbing overnight news of a hike in China import taxes for DDG'S, a mostly favorable weather outlook for South America and positioning ahead of the key USDA Stocks and Production reports. The big picture fundamentals for the soybean market remain very bearish unless there are supportive surprises for the reports tomorrow. China's Commerce Ministry has increased punitive tariffs on DDG's from the US to levels even higher than the preliminary levels proposed in September. Anti-dumping duties will range from 42.2% to 53.7% which is up from 33.8% in September. March soybeans found solid footing yesterday with continued wet weather concerns in Argentina despite longer range forecasts that lean drier for northern and central Argentina over the next 6 to 10 days. A South American crop scout lowered Argentine soybean crop estimate to 55 million tonnes from 56 previous on very erratic weather. There have been other whisper estimates as low as 51 to 53 million tonnes, and the December USDA estimate was 57.0 million tonnes.

Conab released their soybean production estimate at 103.77 million tonnes, up from the December estimate of 102.44 million and up 8.7% from last year's disappointing 95.4 million tonnes. The trade will be sensitive to a total South American production number below 159 million tonnes. While there continues to be rumors of Chinese buying 3-4 cargoes over the last couple of days, the last "flash" sale announcement was on December 21st. This week's export sales number will be closely analyzed especially after last week's large cancellation. Key to the USDA reports will be December 1st stocks as there is already a bearish outlook for South America production and increasing concern that US planted acreage will increase sharply. Traders see December 1st stocks at 2.935 billion bushels with a wide range of estimates of 2.745 to 3.119 billion.

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

The market rallied right up to the downtrend line at 1014 1/2 yesterday and the trend line comes in at 1011 3/4 for March soybeans today. A close above this level would turn the charts supportive. On the other hand, a break below the 992 3/4 support area could accelerate long liquidation from trend followers who remain long 94,247 contracts. Aggressive traders could buy the March 980 put/sell March 1060 call at even money on the combo spread. March soybean resistance is at 1016 1/2 and a close under 990 would suggest a test of 938. Consider bearish strategies for the report.

#### **NEW RECOMMENDATIONS:**

None.

## **PREVIOUS RECOMMENDATIONS:**

\* Look to exit long March Soybean 1030 call from 14 3/4 cents at the market this morning.

## **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) 01/11/2017:** The daily stochastics have crossed over up which is a bullish indication. 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 positive on the close above the 9-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 1017 1/4. The next area of resistance is around 1013 1/4 and 1017 1/4, while 1st support hits today at 997 3/4 and below there at 986.

**SOYBEAN OIL (JAN) 01/11/2017:** 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 cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 35.90. The next area of resistance is around 35.74 and 35.90, while 1st support hits today at 35.12 and below there at 34.65.

**SOYMEAL (JAN) 01/11/2017:** 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. 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 317.8. The next area of resistance is around 316.3 and 317.8, while 1st support hits today at 310.5 and below there at 306.1.

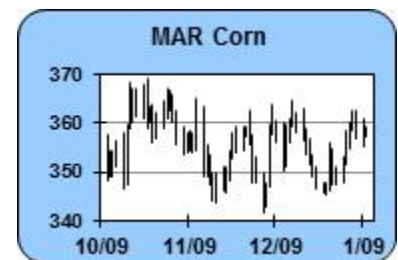
## **DAILY CORN COMMENTARY**

**01/11/17**

**In position for back and fill but downside limited**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CORN -1.4**

**OVERNIGHT DEVELOPMENTS:** March corn is trading 1 1/4 cents lower this morning. Outside market forces look slightly negative with a jump in the US dollar.



**NEAR-TERM MARKET FUNDAMENTALS:** The market has consolidated ahead of key USDA reports this week. Overnight news of a sharp increase in the China DDGS might be seen as a positive for China corn demand. The market traded with an inside day yesterday in typical pre-report action. March corn closed slightly lower but remains above the key 50 day and 100 day moving averages. Exporters announced the sale of 130,000 tonnes of US corn to Taiwan and 241,600 tonnes to unknown destination (91,300 tonnes old crop and 150,300 new crop). A South American crop scout estimated the Argentine corn crop at 34.5 million tonnes, down from last month's estimate of 35.0 million. Conab estimated the Brazilian corn production at 84.48 million tonnes, up from their previous estimate of 83.82 million but well below the average guesses of 88.9 million. Brazil's first crop is estimated at 28.4 million which is up about 10% from last year. The second crop (Safrinha) was estimated at 56 million tonnes, up from last year's drought plagued 41 million tonnes. The average estimates for today's EIA ethanol production report are 1.035 million barrels per day with a range of estimates at 1.030 to 1.040 million. Stockpiles are estimated at 19.1 million barrels with a range of estimates at 18.6 to 19.68 million.

Traders see both export and ethanol demand revisions higher for the supply/demand update tomorrow. U.S exports of ethanol doubled in November from last year as shipments soared to Brazil and India. Ethanol exports totaled 121.9 million gallons versus last year's 57.8 million which was down from 131.6 million from October. Key to the USDA reports will be December 1st stocks as there is already a bullish tilt toward demand and already expectations for a drop in planted acreage for 2017. Traders see December 1st stocks at 12.300 billion bushels with a wide range of estimates of 11.600 to 12.700 billion.

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

The market remains above the 100 day moving average at 351 3/4 and the 50 day moving average at 354 3/4. The stochastics are starting to get a little overbought, and are ready to cross over which is a sign of waning momentum. With a normal yield, traders see ending stocks next year near 1.7 billion bushels from 2.4 billion this year and this may be seen as a longer-term positive force. Close in support for March corn is 355 1/4 and 352 1/4.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

\* Short May Corn from 367 with an objective of 354 1/2. Also long 4 May Corn 400 calls for a net cost of 20 cents.

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

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CORN (MAR) 01/11/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 360 1/2. The next area of resistance is around 359 1/4 and 360 1/2, while 1st support hits today at 357 1/4 and below there at 356 1/4.

#### **DAILY WHEAT COMMENTARY**

01/11/17

**Jump in world production may be offset by US plantings?**

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

**WHEAT -3.0**

**OVERNIGHT DEVELOPMENTS:** March wheat is down 3 3/4 cents this morning. Outside market forces are slightly negative. Matif futures are unchanged.



**NEAR-TERM MARKET FUNDAMENTALS:** With talk of revisions higher for production for Argentina and Russia for the report this week, it may take a surprise in the US planted area for the market to avoid some short-term weakness. March wheat traded in a tight 3 3/4 cent range yesterday with limited interest prior to tomorrow's reports. Many analysts have been ratcheting down their winter wheat acreage estimates over the past few days and this will be the focus for the reports. The average estimate is 34.14 million acres with our estimate at 33.5 million versus 36.13 million last year. The market settled slightly lower and considering the increase rain potential for the dry winter wheat areas of Kansas, Oklahoma and Texas, the set-back was minor. Conab estimated the Brazilian wheat production at 6.7 million tonnes, unchanged from last year. Brazilian wheat imports should rise to 5.95 million tonnes for the August 2016 to July 2017 period, up from 5.52 million for the same period last year. Imports for December rose 53% from last year to 717,000 tonnes.

**TODAY'S MARKET IDEAS:**

March wheat closed above the 100 day moving average for the fourth consecutive session yesterday, yet the market has not seen an extension up day since last Tuesday. Most of the pre re-balance hype entered the market from the long side last week and the last few days have seen tight ranges with big transfer of ownership. 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. Close-in resistance for March wheat is at 425 1/2 with 419 1/4 and 413 as support.

**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) 01/11/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 429 3/4. The next area of resistance is around 428 1/2 and 429 3/4, while 1st support hits today at 425 and below there at 422 1/2.

KC WHEAT (MAR) 01/11/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 441 1/2. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 440 1/4 and 441 1/2, while 1st support hits today at 436 1/4 and below there at 433 1/2.

MINN WHEAT (MAR) 01/11/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 567. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 564 3/4 and 567, while 1st support hits today at 557 3/4 and below there at 552 3/4.

RICE (JAN) 01/11/2017: Momentum studies are trending higher from mid-range, which should support 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 down is a negative signal. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The near-term upside objective is at 9.592. The next area of resistance is around 9.510 and 9.592, while 1st support hits today at 9.400 and below there at 9.373.

**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	358 1/4	55.55	53.88	63.57	72.48	359.38	355.89	354.25	354.20	356.05
CNAK7	365 1/4	56.69	54.48	63.52	74.28	366.13	362.19	360.74	361.03	362.90
SSAF7	1005 1/2	50.29	48.99	23.70	29.24	997.88	999.00	1006.24	1013.62	1009.35
SSAH7	1013 3/4	49.79	48.67	22.98	28.06	1006.56	1007.75	1015.60	1022.74	1017.84
SMAF7	313.4	51.17	50.07	33.92	34.47	311.28	312.51	312.34	315.02	314.02
BOAF7	35.43	51.99	48.91	21.68	29.91	35.12	34.87	35.41	35.77	35.70
WHAH7	426 3/4	66.30	60.64	77.41	89.41	425.88	415.86	410.39	414.19	419.13

WHAK7	439 3/4	68.20	61.64	78.48	90.47	437.75	427.89	422.61	427.08	432.52
RCAF7	9.455	50.10	46.96	45.16	57.25	9.47	9.40	9.41	9.59	9.76
KWAH7	438 1/4	70.09	64.07	83.87	92.03	436.19	425.39	419.17	420.11	423.77
MWAH7	561 1/4	76.36	70.78	78.77	91.72	556.00	545.58	542.25	533.54	532.68
OTAH7	226 1/2	47.58	50.45	62.97	54.65	229.13	230.28	227.17	225.28	221.86

Calculations based on previous session. Data collected 01/10/2017

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	356	357	358 1/4	359 1/2	360 1/2
CNAK7	Corn	363 1/4	364 1/4	365 1/4	366 1/4	367 1/4
SSAF7	Soybeans	986	997 1/2	1001 3/4	1013 1/2	1017 1/2
SSAH7	Soybeans	992 1/4	1005	1010	1022 1/2	1027 3/4
SMAF7	Soymeal	306.0	310.4	311.9	316.3	317.8
BOAF7	Soybean Oil	34.64	35.11	35.27	35.74	35.90
WHAH7	Wheat	422 1/4	425	426	428 1/2	429 3/4
WHAK7	Wheat	434 3/4	437 1/2	439	442	443 1/4
RCAF7	Rice	9.372	9.400	9.482	9.510	9.592
KWAH7	KC Wheat	433 1/2	436 1/4	437 1/2	440 1/4	441 1/2
MWAH7	MINN Wheat	552 1/2	557 1/2	559 3/4	565	567
OTAH7	Oats	222	224	227 1/4	229	232 1/2

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