

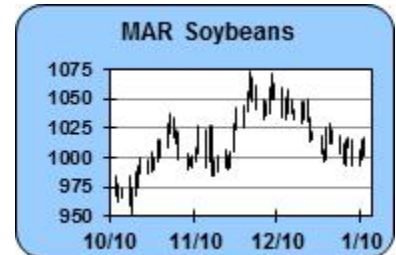


DAILY SOY COMPLEX COMMENTARY
01/12/17

Bearish supply fundamentals for new crop; USDA old crop today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -1.6, BEAN OIL -0.1, SOYMEAL -0.2

OVERNIGHT DEVELOPMENTS: March soybeans are trading up 1/2 of a cent this morning. China soybean futures were down 1% overnight and palm oil futures in Malaysia were down 0.5%. There were 121 January soybean deliveries, 239 meal and 174 oil. Global equity markets were generally lower overnight with the Russian RTS one of the few markets able to buck the trend. The European session started out with December French CPI which showed a modest gain of 0.3% and that was joined by the fastest German GDP growth in 5 years. The North American session will start out with a weekly reading on initial jobless claims that is expected to see a sizable increase from the previous 235,000 reading. The December export price index and December import price index are both forecast to see a moderate increase from their November readings. The sharp drop in the US dollar with higher crude and gold values are supportive forces for grains this morning.



NEAR-TERM MARKET FUNDAMENTALS: The results of the USDA Crop Production, Supply/demand report and December 1st Stocks report will set the tone for the market into the close today. March soybeans staged a late comeback yesterday after trading down as much as 12 3/4 cents. The trade continues to battle with unfavorable wet weather in Argentina and excellent growing conditions in Brazil. Celeres Consultancy raised their Brazilian crop estimate to 105.2 million tonnes from 102.9 million previously and AgroConsult also raised their Brazilian production from 102.6 million tonnes to 104.4 million. On the other hand, the Argentine Ag Minister lowered their soybean production forecast to 56.0 million tonnes from 58.8 million and the December USDA estimate is at 57.0 million tonnes. Some traders see losses of near 5 million tonnes from recent flooding weather. Open interest in soybeans was up 8,993 contracts on Tuesday with new longs entering the market on the rally. The Brazilian equivalent to the USDA is Conab, and yesterday they pegged the Brazilian crop at 103.8 million tonnes.

Like most government agencies, this number could be dated by as much as 4 weeks. Conditions have been ideal in Brazil with many farms using the same supercharged hybrid soy seeds the U.S. farmer used to produce a record 52.5 bushels/acre yield last year. When taking each of the Brazilian states (Parana, Mato Grosso, Goias, Minas Gerais, Mato Grosso do Sul = 77% of their total output) production numbers, one would be looking for a total production number closer to 107 million tonnes. The takeaway point here is that Argentina's soybean crop most likely has lost some yield and acreage potential, but Brazil's production will more than offset that loss. A combined Brazilian/Argentine soybean crop of 160 million tonnes with a U.S. 475 to 500 million bushel ending stocks number makes the world soybean balance sheet very flush, not tight at all. Now put 89 million soybean acres for 2017-18 on top of that with a trendline 49.0 bushel/acre yield, and you get ending stocks at 663 million bushels and can see why some Ag advisors are touting that soybeans might have a "6" handle next year. Weekly export sales estimates for today are 500,000 to 900,000 tonnes.

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. Traders see ending stocks at 468 million bushels (407-510 range) as compared with 480 million last month.

TODAY'S MARKET IDEAS:

On bullish news, 1023 3/4 and 1033 1/4 are initial key resistance levels. On bearish news, 990 and then 960

become initial support. Aggressive traders could buy the March 980 put/sell March 1060 call paying 1 3/4 cents for the put on the combo spread.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Exited long March Soybean 1030 call for a loss of 3/4 of a cent.

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) 01/12/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 1012 1/4. The next area of resistance is around 1008 3/4 and 1012 1/4, while 1st support hits today at 997 1/4 and below there at 989 1/2.

SOYBEAN OIL (JAN) 01/12/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 36.16. The next area of resistance is around 36.04 and 36.16, while 1st support hits today at 35.54 and below there at 35.17.

SOYMEAL (JAN) 01/12/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower 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 objective is now at 306.5. The next area of resistance is around 312.7 and 314.4, while 1st support hits today at 308.7 and below there at 306.5.

DAILY CORN COMMENTARY

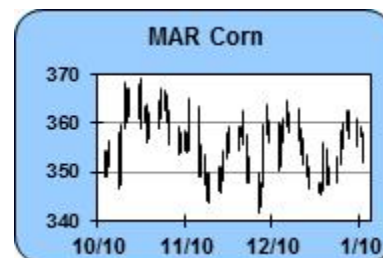
01/12/17

May need to absorb much bigger Brazil crop estimates

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -1.2

OVERNIGHT DEVELOPMENTS: March corn is trading 2 cents lower this morning. Outside market forces look supportive with a weak US dollar and strength in crude oil.



NEAR-TERM MARKET FUNDAMENTALS: Talk of good weather for South America plus minimal impact from re-balancing buying this week leaves the market in a short-term downtrend. The results of the USDA reports today should set the tone into the close. Pressure yesterday was tied to the new Chinese import duties on US DDG's. Chinese importers of DDG's will have to pay an anti-dumping duty of 42.2-53.7%, plus an 11.2-12% subsidy tax according to the Ministry of Commerce. This is an increase from the rates that were set in September of last year of 33% and 10%, respectively. China imported 3.0 million tonnes of DDG's in the first 11 months of last year, which was down 53% from the previous year. China continues to try to deplete their significant stocks of corn,

with others in the trade fearing a potential trade war. Open interest in corn went up 2,975 contracts on Tuesday as the rebalance buying has been met with producer selling. Brazilian consultancy AgroConsult estimated their summer corn production at 30.3 million tonnes which is up 17% from last year, and the winter corn (Safrinha) production at 64.6 million tonnes which would be up 40.9% from last year's drought-plagued crop. This would be a combined 94.9 million tonne crop versus the USDA estimate of 86.8 million tonnes.

If realized, this would eat into the U.S. share of exports for the late spring and summer months. Ethanol production for the week ending January 6th averaged 1.049 million barrels per day. This is up 0.58% vs. last week and up 4.59% vs. last year. Total ethanol production for the week was 7.343 million barrels and was a record number, so look for the USDA to increase ethanol demand by 25 to 40 million bushels for today's report. Corn used in last week's production is estimated at 110.15 million bushels. Corn use needs to average 99.2 million bushels per week to meet this crop year's USDA estimate. Stocks were 20.009 million barrels. This is up 7.1% vs. last week and down 6.3% vs. last year. For the weekly export sales report today, traders see 500,000 to 900,000 tonnes.

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. Ending stocks are expected near 2.385 billion bushels (2.206-2.800 range) as compared with 2.403 billion last month.

TODAY'S MARKET IDEAS:

Rebalance buying interest of as much as 12,000 contracts has helped to support rallies into the close for yesterday and Tuesday. The market is still above the 100 day moving average at 351 3/4 and the 50 day moving average at 354 3/4 but slow stochastics are pointing to waning momentum. On bearish news, 347 and 341 3/4 are 1st strong support levels for March corn. On bullish news, 364 3/4 and 372 are next targets.

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:

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) 01/12/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 362 1/4. The next area of resistance is around 360 1/4 and 362 1/4, while 1st support hits today at 354 1/4 and below there at 350.

DAILY WHEAT COMMENTARY

01/12/17

2-3 inches in the next five days for central and southern plains

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -2.2

OVERNIGHT DEVELOPMENTS: March wheat is down 1 3/4 cents this morning. Outside market forces are supportive with a sharp drop in the US dollar. Matif futures are down 0.3%.



NEAR-TERM MARKET FUNDAMENTALS: The wheat market ran into heavy speculative selling yesterday on forecasts of beneficial rains moving into the dry winter wheat areas. The Plains should see favorable moisture covering 85% of the winter wheat belt over the next ten days. The March contract traded down to a low of 412, down 3.3% on the session yesterday. Earlier concerns of cold weather in Russia and Ukraine have subsided as heavy snow cover has moved into most areas and should provide protection for the crop. Open interest in wheat was up 4,951 contracts Tuesday with fresh length entering the market on the index rebalancing. Prices rallied late yesterday on continued end of day rebalance buy orders with over 6,000 contracts changing hands in the last minute of trading.

The market has priced in a lower winter wheat acreage number, the average estimate is 34.14 million acres which is down 2.0 million from last year's 36.13 million. However, an acreage number around 33 million would not surprise the trade. December 1st stocks are estimated at 2.056 billion bushels compared to last year's 1.746 billion bushels. That's 310 million bushels, 15% more than last year. Ending stocks are expected to come in near 1.148 billion bushels (range 1.113 to 1.340) as compared with 1.143 billion last month. Weekly export sales are expected to come in near 200,000 to 500,000 tonnes.

TODAY'S MARKET IDEAS:

The market saw heavy selling on big volume yesterday trading below and closing below the 100 day moving average at 422. If the market can't take out the weekly high of 428 1/4 in the next day or two, the bear camp will be reinvigorated as the slow stochastics have given a sell signal. On bearish news, 410 1/2 and 406 1/4 become next support. On bullish news, 428 1/4 and 434 1/2 are initial key resistance.

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) 01/12/2017: The major trend has turned down with the cross over back below the 60-day moving average. 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 close below the 2nd swing support number puts the market on the defensive. The next upside target is 433. The next area of resistance is around 425 3/4 and 433, while 1st support hits today at 411 3/4 and below there at 404 3/4.

KC WHEAT (MAR) 01/12/2017: 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 close below the 2nd swing support number puts the market on the defensive. The next upside target is 446 1/2. The next area of resistance is around 439 1/2 and 446 1/2, while 1st support hits today at 424 and below there at 415 1/2.

MINN WHEAT (MAR) 01/12/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 568 1/4. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 565 1/4 and 568 1/4, while 1st support hits today at 557 3/4 and below there at 553.

RICE (JAN) 01/12/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside target is 9.471. The next area of resistance is around 9.422 and 9.471, while 1st support hits today at 9.358 and below there at

9.342.

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	357 1/4	53.29	52.57	66.06	71.05	358.38	356.89	353.99	354.19	355.95
CNAK7	364	53.77	52.80	66.70	73.07	365.25	363.22	360.49	361.01	362.80
SSAF7	1003	48.80	48.05	27.72	35.76	997.75	998.58	1005.08	1013.89	1009.90
SSAH7	1011 1/2	48.47	47.84	26.77	34.36	1006.31	1007.19	1014.32	1023.06	1018.43
SMAF7	310.7	46.68	47.25	33.33	32.13	310.35	311.90	312.22	315.02	314.17
BOAF7	35.79	58.53	53.19	28.41	41.86	35.32	34.97	35.35	35.79	35.72
WHAH7	418 3/4	54.57	53.59	79.55	83.83	424.00	417.78	410.43	413.90	418.79
WHAH7	432 1/4	56.36	54.63	80.66	85.02	436.69	429.86	422.79	426.76	432.18
RCAF7	9.390	44.02	43.89	49.30	57.56	9.44	9.41	9.39	9.58	9.74
KWAH7	431 3/4	59.72	57.81	84.92	87.02	435.50	427.86	419.82	420.15	423.72
MWAH7	561 1/2	76.54	70.92	83.29	92.35	558.81	549.00	543.38	534.50	533.17
OTAH7	231 3/4	56.66	56.21	61.55	58.71	227.94	230.72	227.28	225.44	222.40

Calculations based on previous session. Data collected 01/11/2017

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						
CNAH7	Corn	350	354	356 1/4	360 1/2	362 1/2
CNAK7	Corn	357	361	363	367	369
SSAF7	Soybeans	989 1/2	997 1/4	1001	1008 3/4	1012 1/2
SSAH7	Soybeans	994 1/2	1003 3/4	1010	1019 1/4	1025 1/2
SMAF7	Soymeal	306.4	308.7	310.4	312.7	314.4
BOAF7	Soybean Oil	35.16	35.54	35.66	36.04	36.16
WHAH7	Wheat	404 3/4	411 1/2	419	426	433 1/4
WHAH7	Wheat	418 1/4	425 1/4	432 1/4	439 1/4	446 1/4
RCAF7	Rice	9.341	9.357	9.406	9.422	9.471
KWAH7	KC Wheat	415 1/2	424	431	439 1/2	446 1/2
MWAH7	MINN Wheat	553	557 1/2	560 3/4	565 1/2	568 1/2
OTAH7	Oats	223 3/4	228 1/2	230 1/2	235	237 1/4

Calculations based on previous session. Data collected 01/11/2017

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.