



DAILY GRAINS COMMENTARY Wednesday January 18, 2017

DAILY SOY COMPLEX COMMENTARY 01/18/17

Argentina weather scare for real but may be priced already

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -3.4, BEAN OIL +0.1, SOYMEAL -3.1

OVERNIGHT DEVELOPMENTS: March soybeans are trading down 2 3/4 cents this morning. China soybean futures were up slightly overnight and Palm oil futures in Malaysia were down 0.3%. Global equity markets saw mixed action again overnight with Asian markets sitting just under 3 month highs. The Asian economic calendar was relatively quiet, while the European session started out with the December German CPI that reached a 3 1/2 year high. UK unemployment was forecast to uptick to a 4.9% rate but held steady. The trade also expected a modest increase in the UK claimant count but instead the claimant count declined by 10,100. The highlight of the European session was the December Euro zone CPI which held steady with November's +1.1% year-over-year rate with a +0.5% gain in December. The North American session will start out with the December consumer price index which is forecast to have a sizable jump from November's +1.7% year-over-year rate. December industrial production is also expected to see notable improvement from November's -0.4% reading and climb into positive territory. The January NAHB housing market index is forecast to hold steady with December's 70 reading. Later in the day, the latest FOMC Beige Book will be released and will be scrutinized for hints on upcoming Fed policy.



NEAR-TERM MARKET FUNDAMENTALS: Ideas that Argentina could be relatively dry for the next two weeks helped to pressure the market overnight as this scenario would be much different than last year when it seemed to rain for the entire month of April. In addition, there are plenty of traders who recalled talk of huge losses last year but actual damage was thought to be down just 2-4 million tonnes. Given the market reaction of the past three days, traders see more than 2-4 million tonnes in losses. March soybeans surged higher yesterday and managed to push up to the highest level since July 14th. Excessive rains in the Argentine soybean production areas of Cordoba, Santa Fe and western Entre Rios which received as much as 3 to 5 inch rains over the weekend on already saturated soils led to speculation of significantly reduced production. A South American crop analyst lowered their Argentine production to 51 million tonnes from 55 million tonnes. The USDA is at 57 million tonnes.

Also, news of a Brazilian trucker strike blocking passage on two roads in the top producing state of Mato Grosso also lent support. China's Ag Minister estimated their soybean output at 12.5 million tonnes up 8.0% from last year. China's National Grain and Oils Information Center estimates January soybean imports at 8.0 million tonnes versus 9.0 million in December. They also see February imports at 5.5 to 6.0 million tonnes and March imports at 6.7 to 7.0 million. Imports will remain at high levels in the coming weeks as weekly crush volumes have been at or above 1.8 million tonnes for two months straight. NOPA crush data was released with the December crush at 160.17 million bushels versus average estimates at 162.8 million bushels. This is still the fourth largest December crush number. Oil inventories came in at 1.434 billion pounds versus the average estimate of 1.396 billion pounds and compared to 1.482 billion last year. Open interest in soybeans over the past five days is up 75,665 contracts with trend followers adding to their already long position of 95,890 contracts. Weekly export inspections for soybeans came in at 1,409,000 tonnes compared to trade estimates for 1.0 to 1.4 million. As of January 12th, cumulative soybean export inspections for the 2016-17 marketing year have reached 64.3% of the USDA forecast versus a 5 year average of 62.0%. November soybeans opened and closed at 1020 putting in a very bearish technical pattern yesterday.

TODAY'S MARKET IDEAS:

March soybeans are up 64 cents since last Monday's settlement. The rally has been led by soymeal up over \$35.00 in the last three days and has many remembering the \$83.00 rally in December 2016 soymeal from mid-May to mid-June. This flood event does not seem as widespread as the event early in 2016, but headlines and social media pictures will continue to fuel the market. July/November spread put in a new high at 64 1/2 with retracement resistance at 66. Look for set-back to at least 41 3/4. March soybeans took out the old high at 1074 with retracement resistance now at 1104 3/4. Support is at 1054 and 1049 3/4. Aggressive short-term traders could sell November soybeans near 1019 1/2 with 1004 1/2 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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 (MAR) 01/18/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 1090. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 1081 and 1090, while 1st support hits today at 1057 1/2 and below there at 1043.

SOYBEAN OIL (MAR) 01/18/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 36.24. The next area of resistance is around 35.84 and 36.24, while 1st support hits today at 35.28 and below there at 35.11.

SOYMEAL (MAR) 01/18/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains 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 363.3. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 357.3 and 363.3, while 1st support hits today at 340.3 and below there at 329.4.

DAILY CORN COMMENTARY

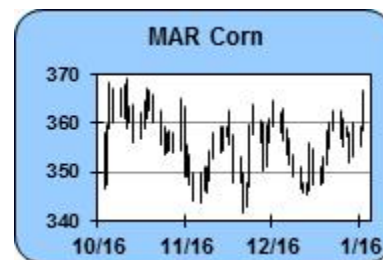
01/18/17

Big fund short position vulnerable to cover if Argentina wet

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.2

OVERNIGHT DEVELOPMENTS: March corn is trading 1/2 of a cent higher this morning. Outside market forces look weak as the US dollar is strong and energy markets lower.



NEAR-TERM MARKET FUNDAMENTALS: March corn traded up to the highest level since October 28th yesterday. The market is being driven by excessive rains in the Santa Fe and Cordoba provinces of Argentina

which have flooded soybean fields as well as and some corn area. A major South American crop advisor has lowered their Argentine corn production to 34.0 million tonnes compared to the USDA estimate of 36.5 million. Other analysts estimates have come in as low as 33.3 million tonnes. Safras estimated the Brazilian corn crop at 94.89 million tonnes versus the latest USDA estimate of 86.5 million as the weather in Brazil has been ideal for corn and soybean development. It certainly seems as though any shortfall in Argentine corn production will be more than offset by above average expectations for the Brazilian crop potential.

U.S. exporters reported the sale of 102,944 tonnes of corn to Unknown destinations. Open interest in corn is up 75,665 over the last five trading days due to fresh index length tied to the re-balancing buying from last week. There have been seven cargoes of ethanol cancelled by Chinese buyers for March delivery as speculation that the import tax will revert back to 30% from 5% is circulating in the trade. No official announcement has been made but ethanol was not on the list of products receiving preferential 5% duties for 2017. China took 179.1 million gallons of U.S. ethanol from January-November 2016 which was 18.9% of all U.S. ethanol exports and the third largest destination behind Canada and Brazil. China's Ag Minister estimated their 2016-17 corn crop at 215.3 million tonnes down 4.0% from last year. China's goal is to produce more ethanol to ease air quality issues but they also want to use their own corn stockpile. Weekly export inspections came in at 888,009 tonnes compared to estimates of 800,000 to 1.0 million tonnes. As of January 12th, cumulative corn inspections have reached 33.3% of the USDA forecast versus a 5 year average of 31.7%.

TODAY'S MARKET IDEAS:

March corn broke out to the upside led by soybeans and soymeal. Last week, managed money traders covered 19,805 contracts of shorts as of January 10th which leaves them short 76,564 contracts. This is plenty of fuel to take the market up to the 200 day moving average of 370 or higher. Once this position gets pared down, however, then the question becomes "who needs to buy corn?" especially when one considers a 2.355 billion bushel ending stocks figure. The next level of resistance is at 372.

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. * Sell 2 calls at 7 cents each.

CORN TECHNICAL OUTLOOK:

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CORN (MAR) 01/18/2017: 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 372. The next area of resistance is around 369 1/2 and 372, while 1st support hits today at 361 1/2 and below there at 356.

DAILY WHEAT COMMENTARY

01/18/17

Huge crop from Russia should continue to move on world market

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +0.2

OVERNIGHT DEVELOPMENTS: March wheat is down 1 cent this morning. Outside market forces look bearish with a strong dollar and weakness in energy markets. Matif futures are unchanged.



NEAR-TERM MARKET FUNDAMENTALS: March wheat followed the other grains yesterday and pushed up to the highest level since October 27th. Egypt bought 235,000 tonnes of wheat over the weekend at an average price of \$199.81 for February 15th-25th shipment, taking their total for the 2016-17 season to 3.41 million tonnes (up 7.1% from last year). They purchased three cargoes from Russia and one from Romania. Japan is also tendering for 118,000 tonnes of wheat from U.S. and Canada in their regular weekly tender. Jordan also tendered for 100,000 tonnes of milling wheat and 50,000 tonnes of feed barley. The Philippines bought 165,000 tonnes of feedwheat and some traders see Australia as the source. Ukraine's Ag Ministry reported 2016 total grain harvest at 66 million tonnes, of which 26 million tonnes is wheat, which is up 10% from last year and the largest crop since 1991. Open interest in wheat was up 6,656 contracts on Friday and up 24,608 contracts over the last five days of index fund re-balancing. Weekly export inspections for wheat came in at 344,436.0 tonnes versus trade estimates of 300,000 to 500,000 tonnes. As of January 12th, cumulative export inspections have reached 60.8% of the USDA forecast versus a 5 year average of 60.8%.

TODAY'S MARKET IDEAS:

March wheat rallied on a strong soy complex and corn market with continued short covering from managed money trend followers. As of January 10th, they still hold 84,968 contracts of shorts, down 18,625 from last week. If one includes the potential buying from Wednesday through Friday of last week, the short they hold could be already at a manageable level or spread against long soybeans. Once the buying ends, it could get slippery as evidenced by recent action in Minneapolis March wheat. The one market with bullish fundamentals (protein) traded up to 590 then sold off 25 cents to settle at 566 1/2. There still could be more short covering ahead, but a rally up to the 450 level in March wheat should be sold.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

WHEAT TECHNICAL OUTLOOK:

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WHEAT (MAR) 01/18/2017: 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 445 3/4. The next area of resistance is around 440 1/4 and 445 3/4, while 1st support hits today at 426 3/4 and below there at 418 1/2.

KC WHEAT (MAR) 01/18/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 463. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 457 1/2 and 463, while 1st support hits today at 446 1/2 and below there at 441.

MINN WHEAT (MAR) 01/18/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day down is somewhat negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 546 3/4. The next area of resistance is around 579 and 597, while 1st support hits today at 554 and below there at 546 3/4.

RICE (MAR) 01/18/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving

average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 10.190. The next area of resistance is around 10.060 and 10.190, while 1st support hits today at 9.840 and below there at 9.750.

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	365 1/2	68.10	61.91	73.55	81.20	359.88	359.64	354.89	354.52	355.74
CNAZ7	392 1/2	68.09	61.60	72.66	81.59	387.63	387.25	383.58	383.76	384.72
SSAH7	1069 1/4	72.16	65.32	58.06	79.44	1041.81	1023.19	1016.42	1026.03	1021.42
SSAX7	1020	64.13	59.02	59.92	75.63	1013.25	1002.69	997.32	1006.06	1001.91
SMAH7	348.8	78.00	71.35	62.82	82.64	331.38	322.83	319.26	319.64	318.45
BOAH7	35.56	47.68	47.14	40.30	44.92	35.81	35.53	35.40	36.08	35.96
WHAH7	433 1/2	67.73	62.76	85.15	88.46	426.13	425.17	413.89	413.93	418.17
WHAN7	463 1/4	72.28	66.11	88.89	92.49	454.69	451.83	440.49	440.63	445.38
RCAH7	9.950	63.49	57.25	62.77	74.24	9.86	9.77	9.67	9.82	9.95
KWAH7	452	74.06	68.53	90.20	92.07	444.38	438.75	425.61	421.38	424.15
MWAH7	566 1/2	61.88	62.87	86.91	81.00	571.19	561.47	548.89	538.18	535.23
OTAH7	249 1/4	75.20	69.92	73.13	82.46	239.81	234.83	230.21	226.56	224.33

Calculations based on previous session. Data collected 01/17/2017

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	356	361 1/2	364	369 1/2	372
CNAZ7	Corn	384	389	391	396	398
SSAH7	Soybeans	1043	1057 1/2	1066 1/2	1081	1090
SSAX7	Soybeans	1010 3/4	1014 1/2	1022	1025 1/2	1033 1/4
SMAH7	Soymeal	329.3	340.3	346.3	357.3	363.3
BOAH7	Soybean Oil	35.10	35.27	35.67	35.84	36.24
WHAH7	Wheat	418 1/4	426 1/2	432	440 1/2	445 3/4
WHAN7	Wheat	447 1/2	456 1/2	461	470	474 1/2
RCAH7	Rice	9.750	9.840	9.970	10.060	10.190
KWAH7	KC Wheat	441	446 1/2	452	457 1/2	463
MWAH7	MINN Wheat	546 3/4	554	572	579	597 1/4
OTAH7	Oats	236 3/4	243 1/2	248 1/2	255	260 1/4

Calculations based on previous session. Data collected 01/17/2017

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