



DAILY GRAINS COMMENTARY Thursday January 19, 2017

DAILY SOY COMPLEX COMMENTARY 01/19/17

Speculative buying and Argentina crop concerns remain force

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -1.0, BEAN OIL -0.0, SOYMEAL -1.3

OVERNIGHT DEVELOPMENTS: March soybeans are trading 6 1/2 cents lower this morning. China soybean futures were up 0.7% overnight and Palm oil futures in Malaysia were down 0.6%. Global equity markets were mostly weaker overnight with the Australian market managing a slight gain. We suspect that sentiment was partially knocked off balance overnight by predictions from Morgan Stanley that a US/China trade war could result in a 29% decline in stocks. The highlight of the European session today will be the results of the European Central Bank meeting with no changes expected to either policy or rates. The North American session will start out with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 247,000 reading. December housing starts and December building permits are both expected to show moderate increases from their November readings. The Philadelphia Fed's January manufacturing survey is forecast to see a notable decline from December's 21.5 reading.



NEAR-TERM MARKET FUNDAMENTALS: The market remains in a solid uptrend and the move over the November highs leaves 1104 3/4 as next technical target for March soybeans. The surging open interest suggests that speculators remain as active buyers. South Korea bought 140,000 tonnes of US soybeans overnight. Traders remain concerned with the Argentina production outlook and the strong demand trend from China. March soybeans traded to a new high for the move yesterday, up 74 cents from the "January report day" low of 1006. The 60 million bushel decline in ending stocks certainly started the rally in soybeans, but it has been Argentina's wet weather that has taken the market to new highs this week. The areas most affected are in Cordoba, Santa Fe and northern Buenos Aires, with estimates of 500,000 to 950,000 hectares (1.2-2.3 million acres) under water. The forecast for the next ten days has heat and dryness for Argentina which will help matters, but it is clear that some irreversible damage to the crop has occurred. Early crop loss estimates have ranged from 3 to 5 million tonnes which would result in a 52 to 54 million tonne crop. The USDA estimate last week was at 57 million tonnes.

If one remembers last spring's rally due to excessive rains in Argentina during all of April, early losses were estimated at 10 million tonnes. The USDA March 2016 estimate for Argentine production was 58.5 million tonnes, eventually the loss of production equaled just under 2 million tonnes at 56.8 million tonnes. With Argentine production down 2 or 3 million tonnes this year, it looks as if Brazilian production should offset that easily as some are now touting a 105 to 107 million tonne crop. Early harvest results from Brazil's top producing state of Mato Grosso were reported at 60-62 bags per hectare (53.5-55.3 bushels/acre) according to analysts at Pine Research. These yields were viewed as excellent as last year the same area yielded 49.8 bags per hectare. Hot money has jumped in from the long side as open interest was up 28,683 contracts Tuesday, and is up over 60,000 contracts the last six trading days. Technically, a close over 1074 in March soybeans will target a run to 1104, and a close over 1026 in November brings the old high at 1043 as the next target.

TODAY'S MARKET IDEAS:

We think the rain event in Argentina is a bit overblown and came at the right time for the trend-following crowd to run the market higher. The next target for March soybeans is at 1104 3/4 and is not out of the question. However, the market is overheated and any bearish rhetoric from the Argentina situation could cause some profit taking. Traders could buy 1 March 1060 put/sell 2 March 1020 puts for a cost of 4 cents on the 1x2 put spread. Look to exit the spread near 12 cents on a setback to 1036-1046 support levels. March soybean close in resistance is at

1083 3/4 followed by 1090 1/2.

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) 01/19/2017: 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 1090 1/2. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 1083 3/4 and 1090 1/2, while 1st support hits today at 1066 1/4 and below there at 1055 3/4.

SOYBEAN OIL (MAR) 01/19/2017: 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 36.03. The next area of resistance is around 35.77 and 36.03, while 1st support hits today at 35.39 and below there at 35.26.

SOYMEAL (MAR) 01/19/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 next upside target is 359.4. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 355.8 and 359.4, while 1st support hits today at 346.4 and below there at 340.7.

DAILY CORN COMMENTARY

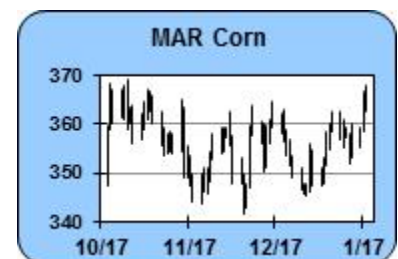
01/19/17

Solid and steady new buying/short covering but what next?

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.6

OVERNIGHT DEVELOPMENTS: March corn is trading unchanged this morning. Outside market forces look mixed with weaker gold and higher crude oil.



NEAR-TERM MARKET FUNDAMENTALS: The market has been supported by the Argentina situation. A re-inflate attitude among key world money managers, a solid global growth tone and short covering and these positive forces could ease if the rally continues much further. March corn traded to a high of 367 3/4 yesterday, the highest price level since the October 20th high of 369. The market continues to benefit from the strength in the soy complex due to the recent flooding in Argentina. According to the Agroindustry Minister in Argentina, the areas affected in northwestern Buenos Aires, Cordoba and Santa Fe are primarily soy farms. Argentine corn production was estimated at 36.5 million tonnes in January's USDA report. Early reports have lowered Argentine corn production 2 to 3 million tonnes. On the flip side, some early estimates of Brazil's corn production have come in 3 to 10 million tonnes "above" the USDA estimate of 86.5 million.

South African 2017 corn plantings will rise 31% to 2.54 million hectares according to industry estimates. South Africa's corn production was 27% lower last year due to the worst drought since 1904, and prompted the country to become a net importer for the first time since 2008. Above average rainfall over the last three months has given relief to growers and has increased intended planted area. Average estimates for today's EIA ethanol production numbers have production estimated at 1.041 million barrels (1.034-1.047 million range) and stockpiles average estimate at 20.25 million barrels (19.1-20.54 million range).

TODAY'S MARKET IDEAS:

Open interest is up over 85,000 contracts over the last six trading days, yet corn really does not have a storyline that soybeans have. Lost production in Argentina will be easily offset and then some by Brazil as a conservative 90 million tonne corn crop is 33 million larger than last year's production. In addition, most of that crop will be exported to the world in April, May, June, July and August and will compete against U.S. exports. A re-inflate attitude plus short covering could run its course soon, so look to sell March corn against the 370-372 level and December corn against the 399-403 1/4 level.

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) 01/19/2017: 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 close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 370. The next area of resistance is around 367 1/2 and 370, while 1st support hits today at 362 1/2 and below there at 360 1/4.

DAILY WHEAT COMMENTARY

01/19/17

Big supply and more coming plus US not too competitive

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -1.4

OVERNIGHT DEVELOPMENTS: March wheat is down 2 1/2 cents this morning. Outside market forces look mixed. Matif futures are down 0.3%.



NEAR-TERM MARKET FUNDAMENTALS: Consultancy firm Strategie Grains lowered their forecast for 2017 EU wheat production by 1.2 million tonnes to 143.8 million tonnes due to expected damage to crops in the east from this month's cold weather. This is still up 6% from last year. March wheat traded with an inside day yesterday with a small range. The volume was well below the volume of the last few days. A stronger dollar yesterday also provided some negative overtones as US wheat continues to be uncompetitive on the world stage. The Argentine wheat crop is close to 98% harvested with a production estimated at 15.0 million tonnes versus 14.4 million in December by the USDA. Morocco tendered for 360,000 tonnes of U.S. soft wheat and the Philippines bought 165,000 tonnes of feed wheat from Australia. Jordan bought 50,000 tonnes of wheat from Black Sea, France or Argentine origin at a price of \$207.50 C&F for June shipment. The recent four day rain/snow event from Texas to Nebraska has significantly reduced the drought in the hard red wheat fields. Indonesia may not import any corn or feed wheat in 2017 due to sufficient local production. They have also been pushing to boost domestic production

in order to stop imports by 2018 at the latest. March Chicago and KC wheat traded lower yesterday in a narrow range but Minneapolis did rebound to trade slightly higher after Tuesday's big selloff. Commercial traders switching basis bids from March to May could have caused the large selloff in Minneapolis March wheat Tuesday.

TODAY'S MARKET IDEAS:

The rally in Chicago wheat has been led by short covering which could have run its course. Slow stochastics are crossing over and the RSI is flat lining indicating waning momentum. A pull back to 421 seems likely. Close in resistance is at 434 followed by 437 1/4.

NEW RECOMMENDATIONS:

* Sell March wheat 430 call at 10 3/4 cents with an objective of zero. Risk a total of 4 cents from entry.

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) 01/19/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 437 1/4. The next area of resistance is around 434 and 437 1/4, while 1st support hits today at 428 and below there at 425.

KC WHEAT (MAR) 01/19/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 457 1/2. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 455 and 457 1/2, while 1st support hits today at 449 1/2 and below there at 446 1/4.

MINN WHEAT (MAR) 01/19/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 564. The next area of resistance is around 577 3/4 and 580 3/4, while 1st support hits today at 569 1/4 and below there at 564.

RICE (MAR) 01/19/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. 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 market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 10.134. The next area of resistance is around 10.029 and 10.134, while 1st support hits today at 9.810 and below there at 9.695.

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	66.62	61.11	76.75	83.13	361.81	360.22	355.71	354.81	355.81
CNAZ7	391 3/4	65.50	60.20	76.26	83.46	389.13	387.81	384.14	383.98	384.78
SSAH7	1075	73.69	66.61	67.23	85.57	1057.69	1029.83	1019.71	1027.55	1022.82
SSAX7	1028 1/4	68.62	62.34	67.31	82.11	1020.81	1005.97	999.07	1006.83	1002.70
SMAH7	351.1	79.04	72.33	71.12	87.72	340.43	326.39	321.37	320.43	319.18
BOAH7	35.58	48.17	47.42	41.63	44.28	35.70	35.57	35.36	36.08	35.96

WHAH7	431	63.78	60.42	85.61	86.52	429.19	426.56	415.43	414.12	418.06
WHAN7	461 1/2	69.16	64.26	89.69	91.30	458.25	454.00	442.21	440.84	445.33
RCAH7	9.920	60.87	55.77	66.57	74.19	9.94	9.79	9.68	9.82	9.93
KWAH7	452 1/4	74.21	68.65	90.46	90.98	449.50	441.61	427.81	421.95	424.34
MWAH7	573 1/2	66.54	66.27	83.82	77.66	574.19	564.69	550.71	539.37	535.88
OTAH7	257	79.91	74.04	77.08	84.97	246.13	236.97	232.06	227.33	225.17

Calculations based on previous session. Data collected 01/18/2017

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	360	362 1/2	365	367 1/2	370
CNAZ7	Corn	388 1/2	390	392	393 1/2	395 1/2
SSAH7	Soybeans	1055 1/2	1066 1/4	1073	1083 3/4	1090 1/2
SSAX7	Soybeans	1003 1/2	1017 1/2	1024 3/4	1039	1046
SMAH7	Soymeal	340.6	346.4	350.0	355.8	359.4
BOAH7	Soybean Oil	35.25	35.38	35.64	35.77	36.03
WHAH7	Wheat	425	428	431 1/4	434	437 1/2
WHAN7	Wheat	456	458 3/4	461 1/2	464 1/4	467
RCAH7	Rice	9.695	9.809	9.915	10.029	10.134
KWAH7	KC Wheat	446 1/4	449 1/2	452	455	457 3/4
MWAH7	MINN Wheat	564	569 1/4	572 1/2	577 3/4	581
OTAH7	Oats	243 1/2	250 3/4	256	263 1/4	268 1/2

Calculations based on previous session. Data collected 01/18/2017

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