



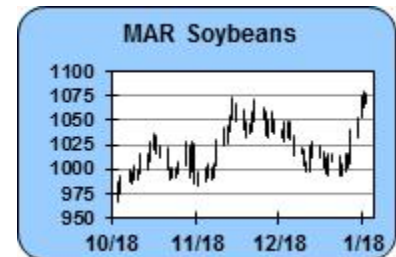
## DAILY GRAINS COMMENTARY Friday January 20, 2017

### DAILY SOY COMPLEX COMMENTARY 01/20/17

Seems unlikely that trade sees "all clear" for Argentina crop

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -6.2, BEAN OIL -0.0, SOYMEAL -2.7

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading 6 1/2 cents lower this morning. China soybean futures were down 0.4% overnight and Palm oil futures in Malaysia were down 1%. Global equity markets were mostly lower with Asian shares managing to carve out minimal gains in the wake of a somewhat positive Chinese GDP result. Countervailing the partially positive Chinese growth news is evidence of a 1.9% decline in UK December retail sales readings. The North American session will start out with Canadian CPI and retail sales. At Noon EST (5 PM GMT), Donald Trump will be sworn in as the 45th President of the United States followed by an inauguration speech that will be widely scrutinized for clues on the new administration's upcoming policies. The dollar is firm but so are energy prices.



**NEAR-TERM MARKET FUNDAMENTALS:** The weather in Argentina seems to be improving with a drier forecast albeit with very hot temperatures through January 28th. Updated weather models have the ridge backing off allowing 1-2 inch rains for La Pampa, Cordoba and Buenos Aires. Needless to say, Argentine weather will be the focal point for the soybean/soymeal markets over the near term. The soybean market closed lower yesterday with an inside trading session. The Rosario Grains Exchange stated that flooding in Argentina over the last month has damaged 1.6 million hectares. They estimate soybean production at 52.9 million tonnes down from their previous estimate of 54 million tonnes and compared to the USDA at 57 million. They also commented that harvested area could drop to 18.6 million hectares from 19.3 million currently. The Buenos Aires Grains Exchange also updated their soybean plantings to 19.2 million hectares from last week's estimate of 19.3 million. They noted that there is 770,000 hectares already planted that are affected by excess water and more than half of that area could be lost. The Buenos Aires Grain Exchange also stated that total grains production is estimated to be cut by 5.2 million tonnes to 119.7 million tonnes.

Private estimates are even lower with two noted consultancies based in Buenos Aires and Cordoba coming in at 50 and 48 mmt. One town in Santa Fe has seen 16 inches of rain since December 15th, the most in 27 years. In northwest Buenos Aires, a city had 23 inches in the past month, the highest since 1913. The point is; this is a serious situation and if rains return, production issues will persist. The International Grains Council sees global soybean production at 334 million tonnes compared to the previous estimate of 336 million. The Farm Futures initial survey has US soybean plantings at 90.52 million acres, up 7.1 million (8.5% higher) from last year's 83.4 million. This would be the first time soybean plantings would be higher than corn plantings since 1983. With 90.52 million soybean acres and plugging in a 49 bushels/acre yield with crush at 1.940 million bushels and exports at 2.100 billion bushels, you end up with a 670 million bushel ending stocks figure. Soybean yields have been up three years in a row; watch out if 2017 is four in a row! If yield is unchanged, ending stocks come in at 948 million bushels.

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

March soybeans suffered its first down day since last Wednesday. The market is up 24 cents on the week. Follow through weakness today could cause some profit taking, especially with traders already nervous about the Argentine weather. With RSI levels now above 70%, some back and fill action is possible. March soybean support should be significant at 1054 with 1104 1/2 as next target. November soybeans hold a huge weather premium with close-in support at 1019 1/4, with 1043 and 1066 3/4 as key resistance.

## **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) 01/20/2017:** 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 slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 1081 1/2. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 1075 1/2 and 1081 1/2, while 1st support hits today at 1065 and below there at 1060 3/4.

**SOYBEAN OIL (MAR) 01/20/2017:** Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 35.98. The next area of resistance is around 35.67 and 35.98, while 1st support hits today at 35.21 and below there at 35.05.

**SOYMEAL (MAR) 01/20/2017:** 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 market's close below the pivot swing number is a mildly negative setup. The next upside objective is 354.2. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 351.2 and 354.2, while 1st support hits today at 345.2 and below there at 342.2.

## **DAILY CORN COMMENTARY**

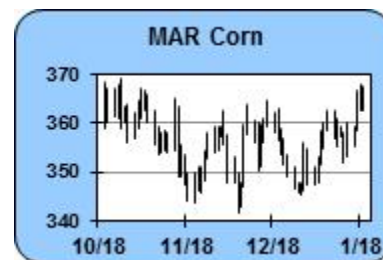
**01/20/17**

**Short-term trend is up and no sign of top yet; OI surging**

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

**CORN +0.0**

**OVERNIGHT DEVELOPMENTS:** March corn is trading slightly lower this morning. Outside market forces look mixed. South Korea bought 60,000 tonnes of optional origin corn overnight.



**NEAR-TERM MARKET FUNDAMENTALS:** Open interest continues to advance quickly and the short-term trend is up. March corn traded slightly higher yesterday and experienced the highest close since October 27th. Open interest went up 10,133 contracts on Wednesday and has gained 95,000 contracts over the last eight trading days. Exporters announced the sale of 110,400 tonnes of US corn to unknown destination. According to a new survey from Farm Futures, they see corn plantings down 3.5 million acres at 90.49 million acres for 2017. Soybean plantings were seen at 90.52 million acres (up 7.1 million) and this is the first time since the PIK (payment in kind) program in 1983 that soybean plantings would be larger than corn plantings.

According to the International Grains Council, global corn production will rise 7.5 million tonnes to 1.045 billion tonnes from the previous estimate of 1.042 billion. The Buenos Aires Grains Exchange reported that corn plantings were estimated at 95.3% with planted area seen unchanged at 4.9 million hectares. Ethanol production for the week ending January 13th averaged 1.054 million barrels per day. This is up 0.48% vs. last week and up

7.22% vs last year. Total ethanol production for the week was 7.378 million barrels and a new record high. Corn used in last week's production is estimated at 110.67 million bushels. Corn use needs to average 98.9 million bushels per week to meet the USDA estimate. Stocks came in at 21.1 million barrels, up 5.5% vs last week and up 12.5% over the last two weeks. This is the highest 2-week percentage gain on record.

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

March corn was resilient yesterday in light of lower wheat and soybean prices. The market is 1 1/2 cents from the weekly high and within reach of the October high at 369. The trend followers have been covering shorts along with buying from new money wanting commodity exposure. The lower acres from the Farm Futures survey is a positive step for the bull camp, but more weather issues in South America will be needed to keep prices going. We still think fading the rally in the near term is the play, so look to sell March corn between 370-372 and December corn from 399-403 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. \* Sell 2 calls at 7 cents each.

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

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CORN (MAR) 01/20/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 370 1/4. The next area of resistance is around 368 1/2 and 370 1/4, while 1st support hits today at 364 and below there at 361.

#### **DAILY WHEAT COMMENTARY**

01/20/17

**In position to see increased selling if support cannot hold**

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

**WHEAT -0.4**

**OVERNIGHT DEVELOPMENTS:** March wheat is down slightly this morning. Outside market forces look mixed. Matif futures are unchanged.



**NEAR-TERM MARKET FUNDAMENTALS:** The wheat market was under pressure yesterday and traded to a weekly low in light volume. The Kansas City wheat market was also down over 2.0%. The strong US dollar and weaker MATIF futures provided a negative tone. Egypt is tendering for wheat today for February 22nd-March 3rd shipment. Egypt bought 235,000 tonnes of wheat from Russia and Romania last Saturday. Global wheat output was estimated to reach 752 million tonnes, up from the previous estimate of 749 million, according to the International Grains Council. They also see prospects for the 2017-18 US wheat crop mostly favorable with a few areas in need of precipitation. EU soft wheat exports are down 3.1% so far this year, with shipments at 13.64 million tonnes since the season started on July 1st compared to 14.08 million a year earlier according to the European Commission. Argentina's Agroindustry Ministry has raised their wheat production estimate to 16.5 million tonnes from their December estimate of 15.2 million. The Buenos Aires Grain Exchange left their wheat production unchanged at 15.0 million tonnes. The USDA estimated the Argentine wheat crop at 14.4 million tonnes compared to 11.3 million tonnes of production last year.

### TODAY'S MARKET IDEAS:

A close below the 420 area for March wheat should reinvigorate the bear camp. Unlike corn and soybeans where open interest has been rising over the last two weeks, the buying in wheat has been mostly short covering from trend followers. Slow stochastics have crossed over pointing lower, as is the RSI indicating waning momentum. The next downside target is 417 1/4.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

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

### 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) 01/20/2017: The daily stochastics gave a bearish indicator with a crossover down. 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 short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 417 1/4. The next area of resistance is around 427 1/2 and 433, while 1st support hits today at 419 1/2 and below there at 417 1/4.

KC WHEAT (MAR) 01/20/2017: The daily stochastics gave a bearish indicator with a crossover down. 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 below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 434 3/4. The next area of resistance is around 447 1/4 and 454 1/2, while 1st support hits today at 437 1/4 and below there at 434 3/4.

MINN WHEAT (MAR) 01/20/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. 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 downside objective is now at 565. The next area of resistance is around 582 3/4 and 590 1/4, while 1st support hits today at 570 1/4 and below there at 565.

RICE (MAR) 01/20/2017: Momentum studies are rising from mid-range, which could accelerate 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 market's close below the pivot swing number is a mildly negative setup. The next upside target is 10.028. The next area of resistance is around 9.917 and 10.028, while 1st support hits today at 9.753 and below there at 9.699.

### 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	366 1/4	68.54	62.42	79.97	86.42	363.81	360.78	356.76	355.19	355.88
CNAZ7	393 1/2	68.64	62.35	79.95	87.34	391.00	388.36	384.99	384.29	384.85
SSAH7	1070 1/4	70.11	64.47	73.76	86.82	1065.19	1036.25	1022.67	1029.23	1024.01
SSAX7	1029 3/4	69.40	62.93	73.52	85.93	1024.13	1009.69	1000.86	1007.84	1003.44
SMAH7	348.2	74.08	69.13	76.59	87.51	345.50	329.72	323.29	321.23	319.82
BOAH7	35.44	44.86	45.58	41.73	41.93	35.55	35.60	35.31	36.10	35.95
WHAH7	423 1/2	53.30	53.90	83.12	78.15	428.50	426.25	416.76	414.16	417.87
WHAN7	455 1/4	58.91	58.01	88.05	84.76	458.69	454.67	443.81	440.91	445.20

RCAH7	9.835	53.77	51.71	67.66	69.83	9.90	9.80	9.69	9.82	9.92
KWAH7	442 1/4	58.77	59.09	87.94	82.88	448.88	442.47	429.64	422.27	424.39
MWAH7	576 1/2	68.40	67.63	81.70	77.46	574.81	567.61	552.76	540.54	536.61
OTAH7	258	80.45	74.53	80.51	87.38	251.69	239.36	233.99	228.07	225.98

Calculations based on previous session. Data collected 01/19/2017

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	361	364	365 3/4	368 1/2	370 1/2
CNAZ7	Corn	387 3/4	391	392 3/4	396	397 3/4
SSAH7	Soybeans	1060 1/2	1065	1071	1075 1/2	1081 1/2
SSAX7	Soybeans	1022 3/4	1026	1030	1033 1/2	1037 1/4
SMAH7	Soymeal	342.2	345.2	348.2	351.2	354.2
BOAH7	Soybean Oil	35.04	35.20	35.51	35.67	35.98
WHAH7	Wheat	417	419 1/2	425	427 1/2	433
WHAN7	Wheat	448 3/4	451 1/2	456	459	463 1/4
RCAH7	Rice	9.698	9.752	9.863	9.917	10.028
KWAH7	KC Wheat	434 1/2	437 1/4	444 1/2	447 1/4	454 1/2
MWAH7	MINN Wheat	564 3/4	570	577 1/2	583	590 1/4
OTAH7	Oats	247 1/2	253 1/2	256 1/2	262 1/2	265 1/2

Calculations based on previous session. Data collected 01/19/2017

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