

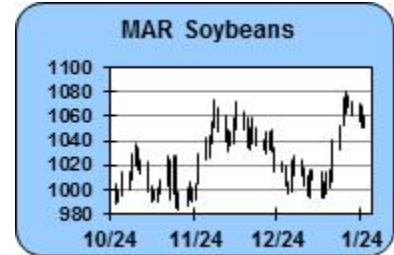


**DAILY SOY COMPLEX COMMENTARY**  
01/26/17

**Threat in Argentina shifting to dry, not wet; normal means down**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**SOY BEANS -3.0, BEAN OIL -0.1, SOYMEAL -1.3**

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading 4 1/4 cents lower this morning. China soybean futures were up 0.6% overnight and Palm oil futures in Malaysia were down 1.2%. Global equity markets continued to show positive risk appetites with the only weak market overnight the RTS Index.



Overnight the German GfK Consumer confidence report came in better than expected a Spanish jobless survey showed a reduction in unemployed readings and UK 4th quarter GDP came in a touch better than expectations. Countervailing the positive flow of economic data was a contraction in Italian retail sales for November. The North American session will start out with a weekly reading on initial jobless claims that are expected to see a moderate increase from the previous 235,000 reading. December wholesale inventories are forecast to show a minimal downtick from November's +1.0% reading. The Chicago Fed's national activity index will also be released during the early US data window. Later in the morning, the Conference Board's leading indicators for January is expected to uptick from December's unchanged reading. December new home sales are forecast to hold steady with November's 592,000 annualized rate. The KC Fed's January manufacturing index will be released during midday US trading hours.

**NEAR-TERM MARKET FUNDAMENTALS:** Soybeans lacked momentum on Wednesday and continued its stretch of lower highs and lower lows for the fifth consecutive day. This type of flagging congestion could be considered a bull flag formation, but Wednesday's low of 1050 is thirty cents off last week's high and there could be fresh length in the market that could be losing patience. Combined length in the soybean, soybean oil and soybean meal markets are estimated at 285,000 contracts which is historically high. South American weather looks to be beneficial in the near term with dry conditions through the weekend in Argentina, and Brazil will see rains increase into next week with 80% coverage of the corn and soybean areas in the next 6 to 10 days. The recent fears of significant losses in Argentine production (with production below 50 million tonnes) are beginning to be downplayed with commercial trade houses moving production near 52 to 53 million.

The one caveat going forward would be for the recent dry weather locking in, along with some heat, for an extended period. While Mato Grosso has been dealing with harvest delays due to rain, harvest progress is 12% as of this week and is still above the five year average. Soybeans are starting to make it to market and Brazil's FOB soybean prices are below US Gulf prices for the first time since May. Weekly export sales estimates for today's release are forecast to come in around 450,000 to 850,000 tonnes. With expanding bird flu concerns, cheap DDG prices and weak meal basis, consider selling rallies in meal.

**TODAY'S MARKET IDEAS:**

March soybeans traded down to 1050 yesterday with very little enthusiasm or volume from either the bull or bear camp. The bulls have placed their bets and the bears are waiting for confirmation that the Argentine crop is "not" a disaster. Argentina's Grains Exchanges will update production numbers today. Aggressive traders could sell March soybeans at 1065 to 1068 as momentum indicators have turned negative. Look to cover on a test of support at 1046 3/4 or even 1036 1/2.

**NEW RECOMMENDATIONS:**

\* Sell July Meal at 348.90 with an objective of 321.70. Risk to close over 354.00.

### **PREVIOUS RECOMMENDATIONS:**

\* Long 6 of the July soybean 960 puts (near 11 5/8th) and short 1 July soybean 1080 put (near 56 7/8th) from a net premium paid of +12 7/8th with an objective of + 59 cents. Risk a total of 16 cents from entry.

### **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) 01/26/2017:** A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 1045 1/4. The next area of resistance is around 1060 1/4 and 1065, while 1st support hits today at 1050 1/4 and below there at 1045 1/4.

**SOYBEAN OIL (MAR) 01/26/2017:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 34.40. The next area of resistance is around 35.14 and 35.49, while 1st support hits today at 34.60 and below there at 34.40.

**SOYMEAL (MAR) 01/26/2017:** Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. 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 next downside target is now at 338.5. The next area of resistance is around 345.4 and 347.0, while 1st support hits today at 341.2 and below there at 338.5.

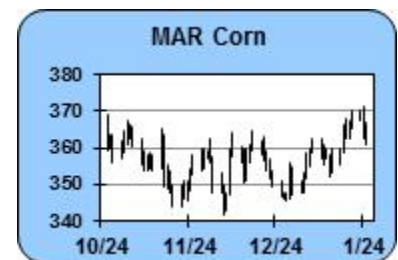
## **DAILY CORN COMMENTARY**

**01/26/17**

### **Trade concerns, big S America crop and ethanol weakness**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CORN -1.6**

**OVERNIGHT DEVELOPMENTS:** March corn is trading 1 3/4 cents lower on the session this morning. Outside market forces look somewhat negative with gold down and the US dollar higher.



**NEAR-TERM MARKET FUNDAMENTALS:** It will take a shift to more threatening weather in South America to avoid a further correction and the market is still under the negative technical influence of the January 24th sweeping reversal. March corn showed independent strength yesterday. Exporters announced the sale of 141,244 tonnes of US corn to unknown destination. South Africa has approved permits to allow 1.3 million tonnes of GMO corn imports from the US. The country has suffered a severe drought and has become a net importer of corn for the first time since 2008. Some spillover support could have been tied to stories that Sinograin (China's grain stock holder) may buy as much as 10 million tonnes of corn after the week-long Lunar New Year holiday which begins on Friday according to agriculture analysts in China. This type of regional buying would run counter to Beijing's recent abandonment of its corn stockpiling program which left producers to rely on market demand and prices without government support for the first time in a decade.

A 10 million tonne purchase is 5.0% of annual consumption. The Dalian corn futures open interest is at an all-time high of 3.45 million contracts and is up 45% since the start of the year. Chinese corn futures were down 1.15% on the session yesterday and up slightly today. The ethanol futures market was down 1.3% on the session yesterday and down over 3.0% since the beginning of the week, primarily off of the news that the EPA will delay the

implementation of the 2017 renewable Fuels Standard until March 21st. The uncertainty has also caused a steep drop in the RIN market which is down 33% over the last two days. Ethanol production for the week ending January 20th averaged 1.051 million barrels per day. This is down 0.28% vs. last week and up 9.37% vs. last year. Total ethanol production for the week was 7.357 million barrels. Corn used in last week's ethanol production is estimated at 110.36 million bushels. Corn use needs to average 98.5 million bushels per week to meet the USDA estimate. Stocks were 21.7 million barrels. This is up 2.9% vs. last week and up 1.4% vs. last year. Weekly export sales estimates for today's released are 700,000 to 1.0 million tonnes.

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

The market still feels like the recent push higher was primarily short covering from the trend following managed money crowd. One must remember the South American corn production is on pace to be 25 million tonnes "larger" than last year's 96 million tonne figure (Brazil 67 million, Argentina at 29 million). The 2017-18 export number could be significantly lower than this year's 2.225 billion bushels. Aggressive traders could look to sell a recovery bounce up at 367 1/4 for March corn with an objective of 358 1/2.

#### **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:**

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) 01/26/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 359 1/2. The next area of resistance is around 369 and 370 3/4, while 1st support hits today at 363 1/2 and below there at 359 1/2.

#### **DAILY WHEAT COMMENTARY**

01/26/17

#### **US still struggling to compete on the world market**

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

**OVERNIGHT DEVELOPMENTS:** March wheat is down 1 1/4 cents this morning. Outside market forces look weak. Matif futures are up slightly. Egypt received offers from 13 different suppliers for their tender.



**NEAR-TERM MARKET FUNDAMENTALS:** The market has penetrated the uptrend channel off of the December 23rd low and technical indicators are already beginning to correct. The pattern could be seen as short-term bearish. March wheat traded lower yesterday with pressure tied to production increases in Argentina and Australia. The Foreign Ag Service (FAS) estimated Australian wheat production at 33.0 million tonnes which is equal to the USDA estimate from January. Argentine wheat production is estimated at 15.5 million tonnes according to their Agroindustry Minister, with 10 million tonnes available for export versus 8.5 million last year. Egypt is tendering for wheat today for March 1-10 shipment. Last week Egypt tendered and received offers from eight exporters yet only took one cargo from Ukraine at roughly \$201.00 C&F. Russian wheat offers have risen of late due to the strength in the ruble, trading as high as \$185.00 per tonne FOB. Japan bought 110,000 tonnes of

soft wheat in their weekly tender from US and Canada. Morocco is seeking offers for 132,000 tonnes of soft wheat. The average estimates for today's weekly export sales total are 200,000 to 450,000 tonnes.

**TODAY'S MARKET IDEAS:**

March wheat is now trading below trendline support which comes in at 427 3/4 today. A second close below this level could trigger speculative selling. A close below 421 will reverse the trend for a potential test of the monthly low at 404 3/4. Aggressive traders should sell a bounce to the 429-431 level looking for a test of 410. March KC wheat resistance is at 444 1/4 with 428 1/2 as next key support.

**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) 01/26/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is 419 1/2. The next area of resistance is around 427 1/4 and 430 3/4, while 1st support hits today at 421 3/4 and below there at 419 1/2.

KC WHEAT (MAR) 01/26/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 433 1/4. The next area of resistance is around 440 1/2 and 444 1/2, while 1st support hits today at 435 and below there at 433 1/4.

MINN WHEAT (MAR) 01/26/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 552 1/2. The next area of resistance is around 560 3/4 and 565 3/4, while 1st support hits today at 554 1/4 and below there at 552 1/2.

RICE (MAR) 01/26/2017: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 9.698. The next area of resistance is around 9.924 and 10.037, while 1st support hits today at 9.755 and below there at 9.698.

**DAILY TECHNICAL STATISTICS**

|                      | CLOSE    | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|----------------------|----------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>GRAIN COMPLEX</b> |          |              |               |                           |                           |                |                |                 |                 |                 |
| CNAH7                | 366 1/4  | 59.54        | 58.42         | 83.33                     | 79.69                     | 367.19         | 364.69         | 360.79          | 356.92          | 356.25          |
| CNAZ7                | 393 3/4  | 60.87        | 59.07         | 84.78                     | 82.64                     | 394.13         | 391.83         | 388.32          | 385.77          | 385.19          |
| SSAH7                | 1055 1/4 | 58.25        | 57.47         | 78.67                     | 76.95                     | 1059.75        | 1060.00        | 1033.60         | 1034.91         | 1026.70         |
| SSAX7                | 1025 1/2 | 63.35        | 59.71         | 83.49                     | 85.35                     | 1026.38        | 1024.28        | 1008.54         | 1011.36         | 1005.33         |
| SMAH7                | 343.3    | 64.68        | 63.24         | 80.45                     | 78.99                     | 344.63         | 343.16         | 329.50          | 323.92          | 321.60          |
| BOAH7                | 34.86    | 34.60        | 39.12         | 31.54                     | 23.54                     | 35.11          | 35.41          | 35.30           | 36.15           | 35.89           |

|       |         |       |       |       |       |        |        |        |        |        |
|-------|---------|-------|-------|-------|-------|--------|--------|--------|--------|--------|
| WHAH7 | 424 1/2 | 51.30 | 52.84 | 75.45 | 68.49 | 428.19 | 428.11 | 422.94 | 415.21 | 417.80 |
| WHAN7 | 453 1/2 | 52.55 | 54.33 | 80.66 | 73.53 | 457.38 | 457.53 | 450.57 | 442.02 | 445.16 |
| RCAH7 | 9.840   | 52.44 | 51.40 | 62.97 | 59.56 | 9.85   | 9.89   | 9.77   | 9.83   | 9.87   |
| KWAH7 | 437 3/4 | 50.66 | 54.04 | 73.53 | 63.85 | 441.81 | 445.28 | 436.57 | 423.93 | 424.98 |
| MWAH7 | 557 1/2 | 46.99 | 51.98 | 62.91 | 50.64 | 562.75 | 569.36 | 559.18 | 544.41 | 538.78 |
| OTAH7 | 260     | 72.47 | 70.28 | 82.90 | 81.25 | 259.88 | 253.56 | 242.14 | 230.52 | 229.08 |

Calculations based on previous session. Data collected 01/25/2017

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        | 359 1/4   | 363 1/2   | 365      | 369      | 370 3/4  |
| CNAZ7                | Corn        | 387 1/2   | 391       | 392 3/4  | 396 1/2  | 398      |
| SSAH7                | Soybeans    | 1045      | 1050 1/4  | 1055     | 1060 1/4 | 1065     |
| SSAX7                | Soybeans    | 1016      | 1021 1/4  | 1024 1/2 | 1029 3/4 | 1033     |
| SMAH7                | Soymeal     | 338.4     | 341.1     | 342.7    | 345.4    | 347.0    |
| BOAH7                | Soybean Oil | 34.39     | 34.59     | 34.94    | 35.14    | 35.49    |
| WHAH7                | Wheat       | 419 1/2   | 421 1/2   | 425 1/4  | 427 1/2  | 431      |
| WHAN7                | Wheat       | 448 1/2   | 450 1/2   | 454 1/4  | 456 1/2  | 460      |
| RCAH7                | Rice        | 9.697     | 9.754     | 9.867    | 9.924    | 10.037   |
| KWAH7                | KC Wheat    | 433 1/4   | 435       | 439      | 440 1/2  | 444 3/4  |
| MWAH7                | MINN Wheat  | 552 1/4   | 554       | 559      | 561      | 565 3/4  |
| OTAH7                | Oats        | 255 3/4   | 258       | 259 1/2  | 262      | 263 1/4  |

Calculations based on previous session. Data collected 01/25/2017

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