



DAILY GRAINS COMMENTARY Monday January 30, 2017

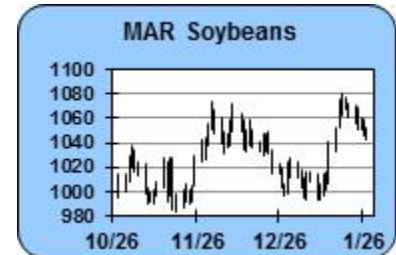
DAILY SOY COMPLEX COMMENTARY 01/30/17

Market still holds huge weather premium and meal overpriced

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -12.4, BEAN OIL -0.3, SOYMEAL -5.2**

OVERNIGHT DEVELOPMENTS: March soybeans are trading 13 cents lower this morning and down to the lowest level since January 13th. China soybean futures were closed and Palm oil futures in Malaysia were down 0.6%. Global markets were weaker overnight with some markets closed for holiday in Asia.

The Asian session was relatively quiet due to Lunar New Year holidays across the region, but the markets did see December Japanese retail trade decline by 1.7% in a reading that was below most expectations. The European session started out with the January Swiss KOF leading indicator which rose slightly and that was followed by a series of Euro zone sentiment numbers that were mixed. The headline Euro zone consumer confidence reading improved from the prior month but remained in negative ground. However, the January Euro zone economic confidence reading was the highest in 5 1/2 years. Unfortunately December German CPI posted a decline of 0.8% and that was reading was well below expectations and that suggests Germany might not be set to leave negative rates quickly. The North American session will start out with December personal income which is forecast to see notable improvement from November's unchanged reading. December pending home sales reading is expected to see strong improvement from their November reading and climb into positive territory. The January Dallas Fed manufacturing business index is forecast to see a modest downtick from December's 15.5 reading.



NEAR-TERM MARKET FUNDAMENTALS: The short-term weather still looks mostly bearish, but there might be enough disruptive weather news and enough uncertainty for the market to avoid aggressive new selling. In Brazil, there may be too much rain in the forecast for this week which should slow harvest and could cause some quality issues. In Argentina, the rain event which is expected to start late this week will need to be "just right" with warm and dry weather on each side. A shift to too much rain this coming weekend plus a shift to a wetter longer-term forecast would re-ignite a bullish tone. In addition, the region has been dry recently, it should be dry through Friday and it looks warm and dry for the 11-15 day models so if there is a shift to a drier weekend forecast, it would be supportive. For now, the market looks poised for further weakness. July meal is already up as much as 24.5% from their 2017 lows, as there is plenty of concern regarding the Argentina's soybean crop. It will be important for soybean meal bulls to see significant damage to the Argentina soybean crop to rationalize the current high price for meal.

Potential bearish factors include:

- 1) Bird Flu. While the US has so far been spared, infections have reached unprecedented levels this year in Europe, Asia and Africa. In the last few months, nearly 40 countries have experienced outbreaks, with Britain, Italy, Kuwait and Bangladesh reporting some just this past week. Russia's agricultural watchdog describes the situation as "extremely tense."
- 2) There are plenty of cheap substitutes for soybean meal, notably distillers dried grains, whose prices have fallen to their lowest levels since July 2010.
- 3) Concerns about trade disputes with China and Mexico have created negative overtones for the market this past week. Mexico represents 28% of US corn imports. If more corn is becomes available in the US due to reductions in exports, it will be difficult to move high-priced meal. The US represents 40% of China soybean imports. China

also represents 62% of the global soybean imports.

4) The soybean complex remains extremely overbought basis the COT reports.

5) Meal basis levels in central Illinois are \$3.00/ton over the futures, versus \$10.00 over last year at this time and a 5-year average of \$22.00 over.

6) If planted acreage in the US jumps 6 million acres this year and yield comes in at 50 bushels per acre (compared to 52.1 in 2016), ending stocks could reach 700 million bushels, well above the previous all-time high of 574 million bushels.

The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net long 200,858 soybean contracts, an increase of 33,420 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 125,153 contracts, up 32,467 contracts for the week. Commodity Index traders held a net long position of 139,974 contracts, up 1,967 contracts for the week. For Soybean Oil, Non-Commercial traders were net long 117,959 contracts, an increase of 5,744 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 134,448 contracts, up 5,817 contracts for the week. Commodity Index traders held a net long position of 93,550 contracts, up 2,858 contracts for the week. For Soybean Meal, Non-Commercial traders were net long 93,029 contracts, an increase of 20,860 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 116,046 contracts, up 19,980 contracts. Commodity Index traders held a net long position of 89,832 contracts, down 3,399 contracts for the week.

TODAY'S MARKET IDEAS:

March soybean selling resistance is at the 1056 with 1025 3/4 and 1009 as next targets. Traders might also consider buying 4 May soybean meal 320.00 puts and selling 1 May soybean meal 340.00 call. Also, consider selling the July/Dec soybean meal spread at +\$14.60 with an objective of -\$2.50.

NEW RECOMMENDATIONS:

Sell July Meal at 346.40 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.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Grains							
Soybeans	200,858	+33,420	-125,152	-32,465	-75,705	-953	
Soymeal	93,029	+20,860	-116,046	-19,979	23,017	-880	
Soyoil	117,959	+5,744	-134,447	-5,815	16,489	+73	

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) 01/30/2017: 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 negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 1039 3/4. The next area of resistance is around 1053 1/2 and 1057, while 1st support hits today at 1045 and below there at 1039 3/4.

SOYBEAN OIL (MAR) 01/30/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative

indicator that the close was lower than the pivot swing number. The next downside target is now at 33.77. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 34.52 and 34.77, while 1st support hits today at 34.02 and below there at 33.77.

SOYMEAL (MAR) 01/30/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 338.9. The next area of resistance is around 344.7 and 346.0, while 1st support hits today at 341.2 and below there at 338.9.

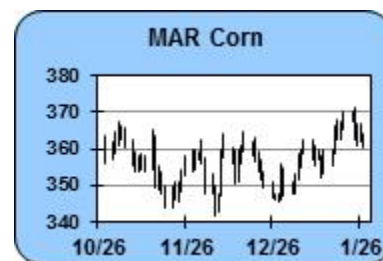
DAILY CORN COMMENTARY

01/30/17

Trade sees good weather in S America and concerns with Mexico

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CORN -2.4

OVERNIGHT DEVELOPMENTS: March corn is trading 3 1/2 cents lower on the session this morning. Outside market forces look negative with a strong US dollar.



NEAR-TERM MARKET FUNDAMENTALS: The market seems to be in a position to push lower over the near-term unless a more serious weather threat develops in South America. Fears of seeing a drop in Mexican corn imports from the US helped to drive the market to an eight session low. The corn market was under pressure for much of the session Friday with continued concerns about the trade war rhetoric from the new administration and Mexico. The sweeping reversal lower on January 24th was accompanied with a stochastic sell signal from an overbought condition. This opens the door for a more extensive pullback than previously thought. The more negative pattern comes at a time of seasonal weakness as well. The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net long 134,386 contracts, an increase of 55,121 contracts in just one week. Non-Commercial and Nonreportable combined traders held a net long position of 87,194 contracts, up 40,476 contracts in the net long position held by these traders. Commodity Index traders held a net long position of 352,686 contracts, down 699. Managed money traders bought 72,283 contracts for the week, taking their net position from short 51,385 contracts to long 20,898 contracts.

TODAY'S MARKET IDEAS:

The demand news has been strong for the past few weeks, but the technical action turned sour last week. March corn close-in resistance is at the 363 1/4 to 364 3/4 zone, with key support levels back at 356 1/4 and 352 3/4.

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.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
Grains	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Corn	134,386	+55,121	-87,194	-40,477	-47,192	-14,645

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) 01/30/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 lower than the pivot swing number. The next downside objective is now at 358 3/4. The next area of resistance is around 364 1/4 and 366, while 1st support hits today at 360 3/4 and below there at 358 3/4.

DAILY WHEAT COMMENTARY

01/30/17

Tough to hold support if other grains push down

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT -3.4

OVERNIGHT DEVELOPMENTS: March wheat is down 4 1/4 cents this morning. Outside market forces look bearish led by a stronger US dollar. Matif futures are down 0.6%.



NEAR-TERM MARKET FUNDAMENTALS: The technical action is weak and the December-January rally has left US wheat non-competitive on the world market. While the downside seems somewhat limited, it will take a significant weather issue in one of the world's larger producers to avoid burdensome supply for another year. March wheat traded to a weekly low on Friday and pushed down to the lowest level since January 13th. The Egyptian tender last week shed light on how far off US wheat offers are to Russian offers. Egypt's 410,000 tonne purchase puts their total for the 2016-17 season at 3.88 million tonnes, up 22.0% from last year's 3.185 million for the same period. Traders should be aware of potential winter kill in parts of Russia from January 27th through February 4th and this will be monitored closely. Areas around Krasnodar and Northern Crimea could be most affected. The longer-term outlook for much smaller planted area for the US provides some underlying support.

Mexico was the number two buyer of US wheat last year and trade frictions could force US stocks higher; especially with so many competitors. The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net short 52,877 contracts, an increase of 2,345 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 48,407 contracts, up 3,721 contracts for the week. Commodity Index traders held a net long position of 123,538 contracts, down 1,324. For Kansas City Wheat, Non-Commercial traders were net long 34,004 contracts, an increase of 1,823 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 33,369 contracts, up 1,471 contracts for the week.

TODAY'S MARKET IDEAS:

The lowest close for March wheat since January 11th on Friday gives the bear camp the nod early this week. Resistance is at 424 1/4 with 415 and 409 3/4 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.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
Net Position	Non-Commercial		Net Position	Commercial		Net Position
	Weekly Net Change	Weekly Net Change		Weekly Net Change	Weekly Net Change	

Grains						
KC Wheat	34,004	+1,823	-33,370	-1,472	-635	-352
Wheat	-52,877	-2,345	48,408	+3,723	4,470	-1,376

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) 01/30/2017: 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 413 3/4. The next area of resistance is around 424 1/2 and 430, while 1st support hits today at 416 1/2 and below there at 413 3/4.

KC WHEAT (MAR) 01/30/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 427 3/4. The next area of resistance is around 438 and 442 1/2, while 1st support hits today at 430 1/2 and below there at 427 3/4.

MINN WHEAT (MAR) 01/30/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The daily closing price reversal down is a negative indicator for prices. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 552 1/2. The next area of resistance is around 564 3/4 and 571 1/2, while 1st support hits today at 555 1/4 and below there at 552 1/2.

RICE (MAR) 01/30/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The daily closing price reversal up is a positive indicator that could support higher prices. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 9.612. The next area of resistance is around 9.892 and 9.941, while 1st support hits today at 9.728 and below there at 9.612.

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	362 1/2	50.56	52.87	76.00	67.68	363.94	365.75	362.15	357.26	356.25
CNAZ7	389 1/4	48.65	51.44	76.95	67.46	391.19	392.69	389.47	386.04	385.19
SSAH7	1049 1/4	53.38	54.62	74.49	70.01	1053.13	1061.36	1038.15	1036.42	1027.73
SSAX7	1025 1/4	61.92	59.08	83.55	83.63	1025.00	1025.78	1012.19	1012.38	1006.32
SMAH7	343.0	63.61	62.60	78.40	76.47	342.93	345.78	332.27	324.94	322.36
BOAH7	34.27	25.72	32.86	23.47	15.40	34.72	35.08	35.27	36.13	35.85
WHAH7	420 1/2	46.10	49.37	66.76	55.89	424.69	427.58	424.88	415.11	417.56
WHAN7	449 1/4	46.16	50.14	71.10	59.55	453.44	457.08	452.69	441.93	444.91
RCAH7	9.810	50.48	50.15	55.61	48.78	9.83	9.85	9.79	9.82	9.85
KWAH7	434 1/4	45.64	50.54	63.27	51.80	438.50	443.14	438.83	424.19	425.20
MWAH7	560	49.20	52.78	53.10	42.23	561.25	566.03	562.14	546.11	539.82
OTAH7	253 1/4	59.14	61.53	78.34	73.02	256.31	256.92	245.11	231.44	230.23

Calculations based on previous session. Data collected 01/27/2017

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	358 3/4	360 1/2	362 1/2	364 1/2	366 1/4
CNAZ7	Corn	386 1/4	387 3/4	389 1/4	390 3/4	392 1/4
SSAH7	Soybeans	1039 3/4	1045	1048 1/2	1053 1/2	1057 1/4
SSAX7	Soybeans	1015 1/2	1021 1/4	1023 1/2	1029 1/4	1031 1/2
SMAH7	Soymeal	338.9	341.2	342.5	344.7	346.0
BOAH7	Soybean Oil	33.77	34.02	34.27	34.52	34.77
WHAH7	Wheat	413 3/4	416 1/2	422	424 1/2	430 1/4
WHAN7	Wheat	442 3/4	445 1/2	450 1/4	453	457 3/4
RCAH7	Rice	9.611	9.727	9.776	9.892	9.941
KWAH7	KC Wheat	427 1/2	430 1/2	435	438	442 1/2
MWAH7	MINN Wheat	552 1/2	555 1/4	562	564 3/4	571 1/2
OTAH7	Oats	245 1/2	249 1/2	253 1/4	257	261

Calculations based on previous session. Data collected 01/27/2017

Data sources can & do produce bad ticks. Verify before use.

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