



DAILY GRAINS COMMENTARY

Wednesday February 01, 2017

DAILY SOY COMPLEX COMMENTARY

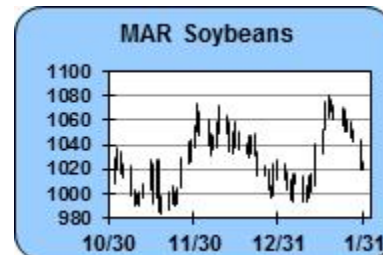
02/01/17

Weather is shifting more normal to leave stocks burdensome

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

SOY BEANS -6.4, BEAN OIL +0.0, SOYMEAL -3.0

OVERNIGHT DEVELOPMENTS: March soybeans are trading 3 1/2 cents lower this morning. China soybean futures were closed and Palm oil futures in Malaysia were down 1.3%. Global equity markets were mostly higher overnight, with the exception the Russian RTS and the Hang Seng. Equity markets were probably boosted by the news yesterday that Apple managed to beat earnings and sales projections. The Asian session was highlighted by the "official" (NBS) Chinese manufacturing PMI number for January which rose for the 6th month in a row. The European session featured January manufacturing PMI readings from the Euro zone which were up from the prior month and slightly above expectations. German PMI results were above the prior month but slightly less than expectations. UK PMI readings were forecast to show a minor decline and they were below the prior month and slightly below expectations. The North American session will start out with the January ADP employment survey which is expected to show modest improvement from December's 153,000 reading. The January ISM manufacturing index is forecast to uptick from December's 54.7 reading. December construction spending is expected to decline from November's +0.7% reading but they are expected to remain in positive territory. January total vehicle sales will be released during the day and are forecast to downtick from December's 18.4 million annualized rate. The highlight of the North American session will be the results of the FOMC's latest monetary policy meeting which is forecast to have no changes to rates or policy.



NEAR-TERM MARKET FUNDAMENTALS: More normal weather in South America opens the door for declining US usage pace ahead and weak meal values in the US add to the short-term bearish tone. March soybeans pushed down to the lowest level since January 12th this morning. Open interest for soybeans fell 9,263 contracts and soybean meal was down 7,094 contracts which points to long liquidation in both markets. The market was able to find light support yesterday tied to the strong Brazilian real and the weak US dollar. The South American weather remains beneficial with Brazil receiving rains through the weekend for most all corn and soybean areas and Argentina expected to get 1 1/2 to 2 1/2 inches of moisture with 50% to 70% coverage. A prominent crop scout left Brazil's soybean production unchanged at 103 million tonnes but raised Argentine production to 52 million tonnes from 51 million previous as drier weather reduced flooding concerns the past two weeks. Brazil's export vessel lineup is indicating a volume of 4.39 million tonnes of soy product to be shipped, which is up 97% from the same period last year. The December US crush data will be released today with trade estimates looking for a crush number at 170.5 million bushels versus 167.0 million last year. Oil stocks are estimated at 1.848 billion pounds compared to 1.973 billion last year.

TODAY'S MARKET IDEAS:

March soybeans consolidated yesterday with very little bounce after Monday's big selloff. The speculative length is still large in all three products and rallies will be capped. March soybean selling resistance is at the 1030 1/4 to 1034 1/2 zone. Use 1009 and 992 1/4 as next downside targets.

NEW RECOMMENDATIONS:

1) Sell July soybean meal at 343.90 with an objective of 321.70. Risk the trade to a close over 350.00. 2) Sell the July/Dec soybean meal spread at +\$13.30 with an objective of -\$2.50. Risk a total of \$4.00 on the spread. 3) Buy 3 July soybean meal 310.00 puts and sell 1 July soybean meal 350.00 call for a net premium paid of +3.00 or better on the spread. Use an objective of +37.50 on the spread, and risk a total of 8.00 from entry.

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) 02/01/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 1016 3/4. The next area of resistance is around 1028 and 1030 3/4, while 1st support hits today at 1021 and below there at 1016 3/4.

SOYBEAN OIL (MAR) 02/01/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 33.24. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 34.16 and 34.47, while 1st support hits today at 33.54 and below there at 33.24.

SOYMEAL (MAR) 02/01/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 331.3. The next area of resistance is around 336.1 and 337.4, while 1st support hits today at 333.1 and below there at 331.3.

DAILY CORN COMMENTARY

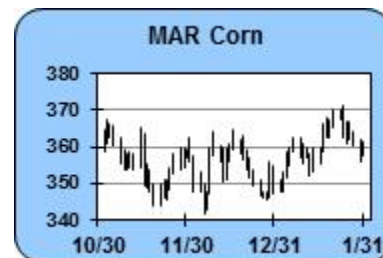
02/01/17

Choppy trade may continue as funds are not long or short much

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -1.6

OVERNIGHT DEVELOPMENTS: March corn is trading down 1 1/4 cents this morning. Outside market forces look mixed. The EU lowered their ending stocks estimate for the 2016/17 season to 9.95 million tonnes from 15.9 million last month due to better than expected usage for ethanol production.



NEAR-TERM MARKET FUNDAMENTALS: The market experienced a decent bounce yesterday finding support from the weaker US dollar as well as strong ethanol and crude oil markets. Some talk that export flow to Mexico could be strong short-term as commercials fear a trade war ahead may have helped support as well. Open interest in corn went down 9,263 contracts with noted long liquidation from trend followers who have recently flipped from a short position to a long position. The market is still holding above the 50 day moving average at 357 as well as the 100 day moving average at 355 which has provided support for most of the month of January. A major South American crop scout has left their Brazilian and Argentine production estimates unchanged at 86 and 34 million tonnes respectively. The USDA is at 86.5 million and 36.5 million tonnes with some Brazil trade estimates well over 90 for Brazil. The EIA will release their ethanol production figures today with industry estimates for weekly production seen at 1.041 million barrels per day with a range of 1.03 to 1.052 million. The stockpiles are estimated at 21.99 million barrels with a range of 21.3 to 21.58 million.

We believe it is safe to say the large speculator is not going to initiate a large short position at this time with the planting decision in front of the market and the corn/soybean ratio still at a historically high 2.58. On top of financial considerations like fertilizers, soybeans will be an easy decision for a financially strapped producer and an easy one for his banker as well. In addition, soybean production is showing some positive return on investment

and corn does not. Last March, trend followers were short 229,000 contracts only to get run in by late April, and in May 2015 they were short 140,000 contracts and covered by mid-June. The trade will want to be sure the second crop in Brazil (safrinha) is in good shape and the US acreage is large enough to keep ending stocks comfortable.

TODAY'S MARKET IDEAS:

March corn found support against the 50 day moving average at 357 yesterday. With the trend following traders short position covered, the market will most likely drift from here. Producers sold into the recent rally, but at this point it's hard to find a buyer at these levels and there does not seem to be many longs that are stuck. The market should continue to track along the 360 level for another month or two. Traders could look to sell the May 360 straddle (call and put) for 24 1/2 cents. Look for the straddle to erode to near 12-14 cents over the next 5 to 6 weeks.

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) 02/01/2017: 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 mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 356 1/4. The next area of resistance is around 361 1/2 and 363, while 1st support hits today at 358 and below there at 356 1/4.

DAILY WHEAT COMMENTARY

02/01/17

Will need help from weather short-term or more erosion

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -3.4

OVERNIGHT DEVELOPMENTS: March wheat is down 2 3/4 cents this morning. Outside market forces look mixed but the dollar is slightly higher. Matif futures are unchanged.



NEAR-TERM MARKET FUNDAMENTALS: March wheat rallied 6 3/4 yesterday as the weaker dollar gave the market a needed boost. The market rebounded from an early low of 413 yesterday as weakness in the US dollar lent support for a bounce. In fact, the dollar traded down to levels not seen since December 8th. Japan is tendering for their weekly purchase of 108,000 tonnes of wheat from the US and Canada. The Russian wheat crop is seen declining 9.0% to 67 million tonnes compared to 2016 output of 73.3 million according to a report from Interfax. The colder winter this year is the main reason for the lower expectations as winterkill issues have been prevalent. Canada's farm ministry AAFC released their first forecast of 2017-18 wheat production at 29.1 million tonnes. This is down 2.6 million from last year but would still be the fourth largest output in twenty years. A decrease of 25% in durum wheat production to 5.8 million tonnes was due to a 15% drop in planted area. Ukraine grain exports fell to 2.92 mmt in January from 4.49 million in December.

TODAY'S MARKET IDEAS:

Comments from one of President Trump's team members about the export advantage Germany has over the US because of the undervalued Euro caught the attention of currency traders. For the US to become competitive, the US dollar needs to break much further but every little bit helps. The market still is carrying a large net short from the managed money category. Weather will soon become more important for wheat. We already know wheat acres are at 109 year lows, but what if yields are down 10% from the 47.1 trend? That turns a 1.186 billion bushel ending stocks figure into 750 million pretty quickly. Traders should look for upside call spreads in the July or September contracts that gives you leverage without much time decay. Consider the July 460/530 call spread for 12 cents.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Short March wheat 430 call from 10 3/4 cents with an objective 1 3/4 cents. Risk to 9 cents.

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) 02/01/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 410 3/4. The next area of resistance is around 424 3/4 and 427, while 1st support hits today at 416 3/4 and below there at 410 3/4.

KC WHEAT (MAR) 02/01/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 421 3/4. The next area of resistance is around 432 3/4 and 434 3/4, while 1st support hits today at 426 1/4 and below there at 421 3/4.

MINN WHEAT (MAR) 02/01/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies are declining, but have fallen to oversold levels. 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 now at 543 1/4. The next area of resistance is around 551 3/4 and 556 1/4, while 1st support hits today at 545 1/4 and below there at 543 1/4.

RICE (MAR) 02/01/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 9.365. The next area of resistance is around 9.645 and 9.805, while 1st support hits today at 9.425 and below there at 9.365.

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	359 3/4	45.86	49.29	62.88	50.46	360.94	364.31	362.26	357.24	356.32
CNAZ7	387 1/4	45.29	48.66	62.36	48.55	388.19	391.42	389.61	385.99	385.23

SSAH7	1024 1/2	37.92	44.38	62.00	48.51	1036.50	1050.58	1040.21	1035.66	1028.62
SSAX7	1001	35.52	42.91	71.33	56.56	1013.38	1020.97	1013.47	1011.76	1007.05
SMAH7	334.6	47.77	52.73	71.57	64.11	338.60	342.34	334.37	325.35	323.13
BOAH7	33.85	26.80	31.83	17.51	13.05	34.05	34.67	35.12	36.02	35.79
WHAH7	420 3/4	48.18	49.99	51.69	38.79	420.56	424.28	425.42	414.74	417.04
WHAN7	447 1/4	45.64	48.90	54.64	39.49	448.50	453.19	453.60	441.51	444.38
RCAH7	9.535	33.64	38.96	44.04	28.88	9.72	9.79	9.79	9.81	9.84
KWAH7	429 1/2	42.27	47.26	47.45	32.44	432.44	437.69	439.65	423.91	425.04
MWAH7	548 1/2	39.42	45.36	37.38	21.10	556.63	561.56	563.13	547.16	540.65
OTAH7	244 1/4	45.71	51.78	67.51	56.21	249.13	254.89	245.93	232.26	231.12

Calculations based on previous session. Data collected 01/31/2017

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	358	359 1/2	361 1/2	363
CNAZ7	Corn	384	385 1/2	387 1/4	389	390 1/2
SSAH7	Soybeans	1016 3/4	1021	1023 3/4	1028	1030 3/4
SSAX7	Soybeans	992 3/4	996 1/2	1001 3/4	1005 1/2	1010 3/4
SMAH7	Soymeal	331.2	333.0	334.3	336.1	337.4
BOAH7	Soybean Oil	33.23	33.54	33.85	34.16	34.47
WHAH7	Wheat	410 3/4	416 1/2	419	425	427 1/4
WHAN7	Wheat	439 1/4	444	446	450 1/2	452 3/4
RCAH7	Rice	9.365	9.425	9.585	9.645	9.805
KWAH7	KC Wheat	421 3/4	426 1/4	428 1/4	432 3/4	434 3/4
MWAH7	MINN Wheat	543 1/4	545 1/4	549 3/4	551 3/4	556 1/4
OTAH7	Oats	240 1/4	242	244 3/4	246 1/2	249 1/4

Calculations based on previous session. Data collected 01/31/2017

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