



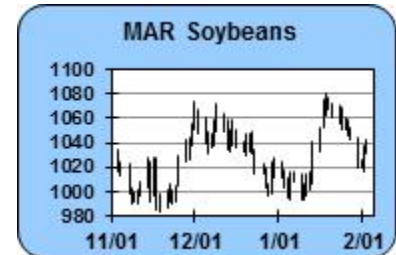
## DAILY GRAINS COMMENTARY Friday February 03, 2017

### DAILY SOY COMPLEX COMMENTARY 02/03/17

**Market bulls need weather issue or down into spring**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS -1.4, BEAN OIL -0.1, SOYMEAL -0.7**

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading 2 cents higher this morning after trading up as much as 8 3/4 cents overnight. China futures are up 1.8% from the January 26th close. Palm oil futures in Malaysia were down 0.6%. Global equity markets were mixed overnight with Asian and Pacific Rim markets weaker with the rest of the world's markets higher. The Asian session started with Caixin Chinese manufacturing PMI readings which declined to 51.0 from December's 51.9 reading. The European session saw a flurry of January readings on services and composite PMI from around Europe that were generally forecast to hold steady with the December numbers. However Euro zone January services PMI ticked down slightly with the composite PMI from the Euro zone also managing a single tick higher. On the other hand December Euro zone retail sales declined by 0.3%. The North American session will start out with the highlight for the global markets, the January US employment situation report. January non-farm payrolls are forecast to come in around the +175,000 level while the January unemployment rate is forecast to hold steady at 4.7%. A key number for future Fed rate hike prospects is January average hourly earnings which are expected to downtick from December's +0.4% result. December factory orders are forecast to see notable improvement from November's -2.4% reading and climb into positive territory. The January ISM non-manufacturing index is expected to see a modest downtick from December's 57.2 reading. Chicago Fed President Evans will speak during morning US trading hours.



**NEAR-TERM MARKET FUNDAMENTALS:** The short-term weather forecast looks mostly bearish, and the soybean market appears to be holding a huge weather premium. If the weather turns more normal for the next month, the jump in soybean production from Brazil is likely to more than offset any production decline from Argentina. In that case, the market will be facing a burdensome or even record supply and record world ending stocks for the 2016/17 season. There are many traders who believe that time and time again we see high ending stocks estimates for US soybeans during the marketing year only to see stronger than expected global demand eat into the surplus. Ending stocks estimates last year started at 500 million bushels and ended at 197 million bushels as strong China demand and especially flooding in Argentina boosted US usage. For the 2014/15 season, ending stocks reached as high as 475 million bushels and collapsed to 191 million by September. Usage estimates for this year are already historically high and without a weather issue, a record Brazil crop this year should keep world demand saturated for the March to September time frame, and ending stocks are likely to remain at a 10-year high.

Looking forward to the 2017/18 season, if beginning stocks for the 2017/18 season are 420 million bushels and soybean planted acreage in the US jumps 6 million acres this year, and yield comes in at 50 bushels per acre, ending stocks could reach 700 million bushels, well above the previous all-time high of 574 million bushels. March soybeans closed fractionally higher while new crop November soybeans closed with a 6 1/2 cent gain yesterday with new money looking for value in soybeans preferring to buy the new crop to avoid paying an inverse for the old crop months. There have been rumors that China has secured up to 10 cargoes of soybeans from Brazil over the last several days and with the Chinese holiday ending, the market could be anticipating fresh announcements today. The UN FAO estimated their global soybean production at 333 million tonnes versus the previous estimate of 336 million. They cited gains in India and Brazil only partially offset lower U.S. and Argentina. Weekly export sales for soybeans came in at 623,900 tonnes for the current marketing year and 351,100 for the next marketing year for a total of 975,000 tonnes. As of January 26th, cumulative soybean sales stand at 90.5% of the USDA forecast versus a 5 year average of 85.4%. Meal sales came in at a much stronger than expected 395,900

tonnes. Net oil sales came in at 12,200 tonnes. March soybeans are down 12 cents on the week going into today. November is down 6 3/4 cents. July/November spread is trading at 36 3/4 cent inverse, 1 cent off the weekly low.

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

The charts have been damaged this week and key retracement resistance for March soybeans is at 1048 1/2 with close-in at 1040 1/2. The market is still too long and looking to lighten up. Keep 1009 and 992 1/4 as next downside targets. March oil resistance is at 35.14 and 35.57.

#### **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) 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:**

1) 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. 2) Short July/Dec soybean meal spread from +\$13.30 with an objective of -\$2.50. Risk a total of \$4.00 on the spread.

#### **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) 02/03/2017:** The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 1026 1/2. The next area of resistance is around 1042 1/2 and 1047 1/4, while 1st support hits today at 1032 and below there at 1026 1/2.

**SOYBEAN OIL (MAR) 02/03/2017:** The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 35.12. The next area of resistance is around 34.89 and 35.12, while 1st support hits today at 34.29 and below there at 33.92.

**SOYMEAL (MAR) 02/03/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 329.3. The next area of resistance is around 336.4 and 339.6, while 1st support hits today at 331.2 and below there at 329.3.

#### **DAILY CORN COMMENTARY**

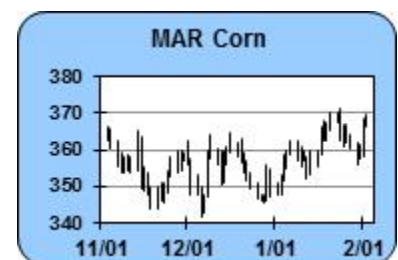
**02/03/17**

**Should struggle to break through key support without weather help**

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

**CORN -1.6**

**OVERNIGHT DEVELOPMENTS:** March corn is trading down 2 cents this morning. Outside market forces look negative with a firm US dollar and



weakness in gold.

**NEAR-TERM MARKET FUNDAMENTALS:** Without help from outside market forces, short-covering from funds or a rally in soybeans and meal, the corn market looks vulnerable to some back-and-fill type action just ahead. The market is trading near the high end of a four month trading range and it will likely take a significant weather issue in South America to expect a move to a higher price level. March corn backed away from resistance at the 370 level yesterday and settled fractionally lower. US exporters announced the sale of 140,000 tonnes corn to unknown destination and 110,000 tonnes of corn to Japan. FC Stone estimated the Brazilian corn production at 91.51 million tonnes which is up 5.01 million tonnes from the USDA estimate or up 197 million bushels. Any "extra" corn from Brazil will compete with US corn on the world market into the summer. The USDA estimate is already a record high.

The UN FAO raised their global corn production to 1.033 billion tonnes from 1.027 billion tonnes, and also raised world ending stocks to 216 million tonnes from 212 million in December. Open interest went up 23,899 contracts on the surge higher on Wednesday confirming new money entering the market on the first day of the month. Weekly export sales came in at 1,143,700 tonnes for the current marketing year and 14,000 for the next marketing year for a total of 1,157,700 tonnes. Traders were looking for 800,000 to 1.3 million tonnes. As of January 26th, cumulative corn sales stand at 71.2% of the USDA forecast versus a 5 year average of 65.3%.

**TODAY'S MARKET IDEAS:**

As of yesterday's close, March corn is up 3 3/4 cents on the week. The bulls would love to see a weekly close above 371. The 200 day moving average is at 368 3/4 and the corn market has not had a close above the 200 day since June of last year. Producer selling in March corn is seen at 375 and in December above 400. The first level of support is at 365 3/4 followed by 364 1/4. Look for choppy to lower trade ahead.

**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) 02/03/2017: A bullish signal was given with an upside crossover of the daily stochastics. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside target is 371 1/4. The next area of resistance is around 369 1/4 and 371 1/4, while 1st support hits today at 365 3/4 and below there at 364 1/4.

**DAILY WHEAT COMMENTARY**

02/03/17

**Positive technical action continues and lack of rain a concern**

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

**WHEAT -3.2**

**OVERNIGHT DEVELOPMENTS:** March wheat is down 3 cents this morning. Outside market forces look slightly negative with a jump in the US dollar. Matif futures are down 0.75%.



**NEAR-TERM MARKET FUNDAMENTALS:** March wheat pushed up to the highest level since October 27th yesterday. Minneapolis March wheat ended up 5 1/4 cents on rumored Chinese interest in spring wheat. Algeria bought 585,000 tonnes of wheat for April shipment at a price thought to be around \$203 to \$207 per tonne. Open interest was down 3,798 contracts which would suggest short covering was the theme for Wednesday's 13 cent rally. The UN FAO raised their global wheat production for 2016-17 to 758 million tonnes from 749 million tonnes. They noted larger crops in Australia and Russia, and also estimate ending stocks at 245 million tonnes versus 239 million. The UN FAO also reported world food prices rising to a nearly two year high for January with their index at 173.8 points, which is up over 2.0% from December and the highest since February 2015. Net weekly export sales for wheat came in at 451,200 tonnes for the current marketing year and 59,000 for the next marketing year for a total of 510,200 tonnes. This was within the average estimates of 300,000 to 600,000 tonnes. As of January 26th, cumulative wheat sales stand at 86.2% of the USDA forecast versus a 5 year average of 80.3%.

**TODAY'S MARKET IDEAS:**

March wheat is up 14 cents on the week on the close yesterday and in position to make its highest weekly close since October. The trade will be anxious to see if the managed money category has covered much of their 88,699 contract short position. Lower winter wheat acres, dry forecasts for the Plains for the balance of the month and a report from the University of North Dakota citing spring wheat acres could be down 1.5 million all added fuel to the bullish tone. The short in Chicago is twice as large as the long in Kansas City and Minneapolis so there still could be some upside with short covering in Chicago. We still like owning call spreads for further upside, so look for a pullback towards the 428 level in March to initiate these strategies. Consider the July 460/530 call spread for 14 cents.

**NEW RECOMMENDATIONS:**

None.

**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) 02/03/2017:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 objective is 442. The next area of resistance is around 438 1/2 and 442, while 1st support hits today at 430 1/2 and below there at 426 1/4.

**KC WHEAT (MAR) 02/03/2017:** A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 453. The next area of resistance is around 448 1/2 and 453, while 1st support hits today at 438 1/2 and below there at 433.

**MINN WHEAT (MAR) 02/03/2017:** Daily stochastics are trending lower but have declined into oversold territory. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 552 3/4. The next area of resistance is around 565 1/4 and 569 1/2, while 1st support hits today at 556 3/4 and below there at 552 3/4.

**RICE (MAR) 02/03/2017:** Momentum studies are declining, but have fallen to oversold levels. 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 9.417. The next area of resistance is around

9.592 and 9.646, while 1st support hits today at 9.478 and below there at 9.417.

## 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	367 1/2	59.44	57.92	63.70	66.29	363.31	364.28	363.18	357.67	356.68
CNAZ7	394 1/2	58.70	57.41	65.47	70.26	390.88	391.58	390.54	386.33	385.52
SSAH7	1037 1/4	47.81	49.96	51.97	42.34	1030.31	1043.50	1043.92	1034.66	1029.96
SSAX7	1018 1/2	53.99	53.71	62.43	55.99	1008.88	1017.86	1016.35	1011.09	1008.15
SMAH7	333.8	46.30	51.55	63.30	53.52	334.70	339.33	336.61	325.64	323.92
BOAH7	34.59	45.52	43.60	20.42	25.85	34.09	34.49	35.05	35.90	35.76
WHAH7	434 1/2	61.13	58.65	56.27	64.30	425.75	426.11	426.46	415.46	417.15
WHAN7	460 3/4	60.61	58.62	55.47	59.80	452.56	453.94	454.88	442.06	444.43
RCAH7	9.535	33.92	39.08	29.70	16.77	9.59	9.72	9.77	9.80	9.82
KWAH7	443 1/2	58.35	57.31	44.37	44.56	434.81	437.56	440.54	424.44	425.47
MWAH7	561	52.65	53.68	29.49	24.74	554.13	558.42	563.89	548.32	542.00
OTAH7	255	59.96	60.54	60.72	56.01	248.44	253.22	248.22	233.87	232.15

Calculations based on previous session. Data collected 02/02/2017

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	364 1/4	365 3/4	367 3/4	369 1/4	371 1/4
CNAZ7	Corn	392	393	395	396	398
SSAH7	Soybeans	1026 1/2	1032	1037	1042 1/2	1047 1/2
SSAX7	Soybeans	1006 1/2	1013 1/2	1016 1/2	1023 1/2	1026 1/2
SMAH7	Soymeal	329.2	331.2	334.4	336.4	339.6
BOAH7	Soybean Oil	33.92	34.29	34.52	34.89	35.12
WHAH7	Wheat	426	430 1/2	434	438 1/2	442
WHAN7	Wheat	452	456 3/4	460	464 3/4	468
RCAH7	Rice	9.416	9.477	9.531	9.592	9.646
KWAH7	KC Wheat	433	438 1/2	443	448 1/2	453
MWAH7	MINN Wheat	552 1/2	556 3/4	561	565 1/4	569 1/2
OTAH7	Oats	246 1/2	251	254 1/2	259	262 1/2

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