



DAILY GRAINS COMMENTARY

Tuesday February 07, 2017

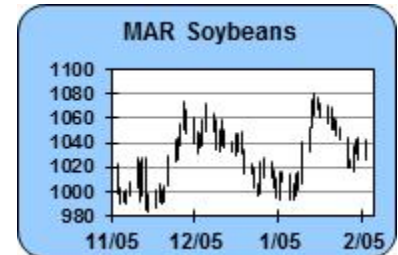
DAILY SOY COMPLEX COMMENTARY

02/07/17

If focus shifts to new crop, resumption of downtrend

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -1.0, BEAN OIL -0.1, SOYMEAL +0.0

OVERNIGHT DEVELOPMENTS: March soybeans are trading down 1 1/2 cents this morning. China futures are up 0.3% overnight while Palm oil futures in Malaysia were down 0.45%. Global equity markets were mixed again with Asian stocks lower while European and U.S. stocks were showing early gains. The Asian session featured December readings on Japanese leading economic indicators which showed a moderate improvement from November. The European session was highlighted by December German industrial production which showed a much larger than expected decline and that reading was also accompanied by sharp declines in Manufacturing output and Construction. However, German officials claimed the data was significantly impacted by cold weather and the holiday season. The North American session will start out with the December international trade balance which is expected to show a modest decrease to the monthly deficit. The January job openings and labor turnover (JOLTS) survey is forecast to show a modest uptick from December's 5.522 million reading. December Canadian building permits are forecast to see a sizable decline from November's 0.1% reading. The January Canadian Ivey PMI is expected to see a moderate decline from December's 60.8 reading. Later in the session, December US consumer credit will be released and is expected to have a moderate decline from November's reading.



NEAR-TERM MARKET FUNDAMENTALS: While a bit of a short-term oversold condition, the market looks to trend lower into the spring; especially if the focus shifts to the new crop season. South Korea bought 55,000 tonnes of meal overnight which is thought to be of South American origin. March soybeans closed higher yesterday but still within Friday's range. Talk of too much rain in the 6 to 10 day forecast for northern Brazil, with the EU model showing 5 plus inch rains supported prices. Also, ideas that China will be active buyers over the near-term with the Lunar New Year behind helped to support. The Brazilian line-up is solid and there is continued US export interest. Weekly export inspections for soybeans came in at 1.635 million tonnes from trade expectations for 900,000 to 1.1 million tonnes. As of February 2nd, cumulative soybean export inspections for the 2016-17 marketing year have reached 72.5% of the USDA forecast versus a 5 year average of 71.1%.

The combined length for the managed money trader in the soy complex (soybeans, meal, oil) went down 55,000 contracts from a near record high as of January 31st to a combined 286,000 contracts net long. The long liquidation selling trend is a short-term bearish force. While the USDA raised Brazil production to a record 104 million tonnes from 102 the previous month, there are plenty of traders who see 106 million or higher given early yield results. The combined Brazilian (104.1 million tonnes) and Argentine (54.4 million tonnes) soybean production average estimates for the report Thursday is at 158.5 million tonnes, a surprise around 162 million tonnes certainly would get the bear camp's attention.

TODAY'S MARKET IDEAS:

With the USDA report on Thursday, the market could continue to trade within last Monday's range of 1044 1/4 to 1019 1/4. A trade above or below those levels should accelerate and follow-thru, and right now the market feels like it needs fresh inputs to break above or below. Close-in selling resistance is at 1041 for March soybeans. Keep 1009 and 992 1/4 as next downside targets.

NEW RECOMMENDATIONS:

1) Sell July soybean meal at 343.20 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) 02/07/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 1019. The next area of resistance is around 1044 and 1051 1/4, while 1st support hits today at 1028 and below there at 1019.

SOYBEAN OIL (MAR) 02/07/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 34.88. Daily studies suggest buying dips today. The next area of resistance is around 34.72 and 34.88, while 1st support hits today at 34.16 and below there at 33.75.

SOYMEAL (MAR) 02/07/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 327.6. The next area of resistance is around 335.7 and 339.1, while 1st support hits today at 329.9 and below there at 327.6.

DAILY CORN COMMENTARY

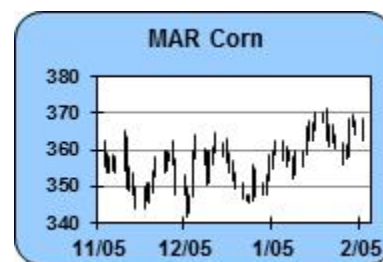
02/07/17

Speculators in China pour into Dalian exchange but world prices?

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.2

OVERNIGHT DEVELOPMENTS: March corn is trading 1/2 of a cent lower this morning. Outside market forces look bearish with strength in the US dollar.



NEAR-TERM MARKET FUNDAMENTALS: Ideas that the new China policy will help spark increased usage of corn in China to draw down the huge stock piles (more ethanol and plastics production from corn) has sparked aggressive buying in China corn futures and the market has surged higher. Dalian futures hit a new 18 month high and both volume and open interest are at record highs. Volume was near 4.7 million contracts on Monday. US corn futures trading as much as 4 1/4 cents higher yesterday and closed lower for the third session in a row. Traders also pointed to strength in China futures tied to a government policy to reduce planted area by as much as 670,000 hectares in an effort to rebalance output away from basic grains and towards soybeans and dairy.

Weekly export inspections for corn came in at 1.113 million tonnes from trade expectations of 750,000 to 1.0

million tonnes. As of February 2nd, cumulative export inspections for the 2016-17 marketing year have reached 38.9% of the USDA forecast versus a 5 year average of 36.6%. Inspections of 1.145 million tonnes are needed each week to reach the USDA forecast. The USDA attache left their Argentine corn production estimate unchanged at 36.5 million tonnes. The market most likely turned down yesterday off of reports that Brazil's Agriculture Minister Blairo Maggi will open negotiations with Mexico for soybean, beef, pork and agriculture exports. His comments were made at an event in Sao Paulo, but were certainly attributed to the weakness in corn and wheat.

TODAY'S MARKET IDEAS:

Look for sideways trade until Thursday's report, but the market can't seem to get above the 370 level in March and we do not expect anything in the coming report to surprise the market on the bull side. One way to trade this might be to sell March corn futures somewhere in the range of \$3.67 to \$3.70 and buy 2 May \$390 calls at 5 1/4 cents each. Traders can look to cover the futures on a retest of the recent lows at \$3.50-\$3.55 and stay long the May calls into the early spring.

NEW RECOMMENDATIONS:

* Buy March corn \$3.70 put at 7 1/2 cents with an objective of 17 cents. Risk a total of 3 1/2 cents from entry.

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) 02/07/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The outside day down and close below the previous day's low is a negative signal. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 358 1/2. The next area of resistance is around 366 3/4 and 370 3/4, while 1st support hits today at 360 3/4 and below there at 358 1/2.

DAILY WHEAT COMMENTARY

02/07/17

Spring weather is still key; short-term trend down

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT -1.2**

OVERNIGHT DEVELOPMENTS: March wheat is down 2 1/4 cents this morning. Outside market forces look bearish with a jump in the US dollar. mixed. Matif futures are up 0.3%. Jordan and Tunisia are tendering to buy 100,000 tonnes of wheat and Morocco seeks 236,636 tonnes from the EU.



NEAR-TERM MARKET FUNDAMENTALS: India futures were under pressure this week with government data showing winter wheat plantings this season up 7% to 31.78 million hectares. The US wheat market pushed sharply lower on the session yesterday closing down 1.8% on the day. There is less concerns over the cold temperatures for the Ukraine wheat crop along with potential moisture in parts of the western and southern Plains as well as the Midwest over the 6 to 10 day period which helped to pressure. Brazilian wheat production was high enough and their prices low enough to see them export 338,000 tonnes of wheat in December and January with a further sale of 244,000 tonnes on the books for February. Brazil is typically one of the largest importers in the world. Weekly export inspections for wheat came in at 618,235 tonnes compared to estimates of 200,000 to

400,000 tonnes. As of February 2nd, cumulative wheat export inspections for the 2016-17 marketing year have reached 65.7% of the USDA forecast versus a 5 year average of 65.5%. Inspections of 540,636 tonnes are needed each week to reach the USDA forecast.

TODAY'S MARKET IDEAS:

March wheat is 15 1/4 cents below last Thursday's high after the close yesterday. The market sits just above the 100 day moving average at 421 1/2. Slow stochastics are getting ready to roll over and a sell signal is ready to confirm. The managed money trader category added 10,338 contracts to their short position of 99,087 contracts and look to be back in control. Close-in resistance is at 427 1/2 with key support back at 417 1/2. Close-in resistance for July wheat is 453 3/4 with key support at 443 3/4. Consider buying the July 460/530 bull call spread for 12 1/2 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) 02/07/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 415. The next area of resistance is around 427 1/2 and 434 3/4, while 1st support hits today at 417 1/2 and below there at 415.

KC WHEAT (MAR) 02/07/2017: The daily stochastics have crossed over down which is a bearish indication. 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. The close below the 1st swing support could weigh on the market. The next downside target is now at 427. The next area of resistance is around 441 and 448 1/4, while 1st support hits today at 430 1/2 and below there at 427.

MINN WHEAT (MAR) 02/07/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside objective is 548 1/2. The next area of resistance is around 559 1/4 and 564 1/2, while 1st support hits today at 551 1/4 and below there at 548 1/2.

RICE (MAR) 02/07/2017: 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 outside day down is somewhat negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 9.359. The next area of resistance is around 9.567 and 9.688, while 1st support hits today at 9.403 and below there at 9.359.

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	363 3/4	51.22	52.71	63.16	61.16	366.19	363.86	363.78	358.37	356.86
CNAZ7	392	52.92	53.65	67.28	67.91	393.88	391.33	391.14	386.89	385.66
SSAH7	1036	48.27	49.75	41.80	33.13	1034.25	1037.58	1046.36	1034.01	1030.62
SSAX7	1017	52.55	52.61	56.32	52.16	1014.31	1015.14	1018.18	1010.72	1008.88

SMAH7	332.8	45.24	50.46	48.34	32.86	333.55	336.88	338.44	326.01	324.43
BOAH7	34.44	46.14	44.26	24.25	29.60	34.30	34.25	34.89	35.77	35.72
WHAH7	422 1/2	47.16	49.57	58.79	57.22	430.25	425.31	426.39	416.38	417.03
WHAN7	448 3/4	45.54	48.67	55.31	51.81	456.38	452.56	454.69	442.86	444.17
RCAH7	9.485	31.44	37.27	20.28	11.19	9.52	9.64	9.75	9.78	9.80
KWAH7	435 3/4	48.44	50.89	44.65	44.00	440.06	436.42	440.51	425.51	425.69
MWAH7	555 1/4	46.65	49.62	26.76	24.14	557.56	557.14	563.47	549.33	543.29
OTAH7	261 1/4	66.44	64.85	60.38	61.59	256.44	253.58	252.00	236.00	233.29

Calculations based on previous session. Data collected 02/06/2017

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 1/2	360 1/2	364 3/4	367	371
CNAZ7	Corn	387	389 1/4	392 1/2	394 3/4	398
SSAH7	Soybeans	1019	1028	1035 1/4	1044	1051 1/2
SSAX7	Soybeans	1003	1010 1/2	1016 1/4	1023 1/2	1029 1/2
SMAH7	Soymeal	327.5	329.9	333.3	335.7	339.1
BOAH7	Soybean Oil	33.74	34.15	34.31	34.72	34.88
WHAH7	Wheat	415	417 1/2	425	427 1/2	435
WHAN7	Wheat	441 3/4	444	451	453 1/2	460 1/4
RCAH7	Rice	9.358	9.402	9.523	9.567	9.688
KWAH7	KC Wheat	427	430 1/2	437 3/4	441	448 1/2
MWAH7	MINN Wheat	548 1/2	551 1/4	556 1/2	559 1/4	564 1/2
OTAH7	Oats	250 3/4	256 1/2	260 1/2	266	270 1/4

Calculations based on previous session. Data collected 02/06/2017

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