



DAILY GRAINS COMMENTARY Wednesday February 08, 2017

DAILY SOY COMPLEX COMMENTARY

02/08/17

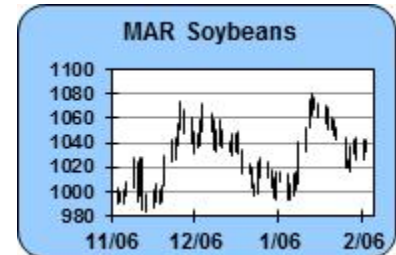
Shift in demand from China could soon shift to Brazil

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

SOY BEANS +8.4, BEAN OIL +0.2, SOYMEAL +3.1

OVERNIGHT DEVELOPMENTS: March soybeans are trading up 9 cents this morning. China futures are up 0.3% overnight while Palm oil futures in Malaysia were up 0.5%. Global equity markets were mostly higher overnight with the exceptions being the RTS Index and the MICEX.

The Asian session featured the January Japanese Eco Watchers survey which came in weaker than expected. The European session will be relatively quiet, while the North American session will start with a weekly reading on mortgage applications but will ultimately offer little information on the US economy. January Canadian housing starts are forecast to see a modest downtick from December's 207,000 annualized rate. Earnings announcement will include Rio Tinto, Allergan, Time Warner and Exelon before the Wall Street opening while Suncor Energy and Prudential Financial report after the close.



NEAR-TERM MARKET FUNDAMENTALS: Trader hopes that China demand for US soybeans will remain strong over the near-term has supported resumed speculative buying and the market has already retraced more than half of the January 18th to February 1st break. Without a lot more help from the weather, we see the bounce as short-lived and a resumption of the downtrend soon. India meal exports jumped to 165,980 tonnes in January from 71,890 tonnes last year. Brazil's soybean shipments are 45% higher than last year at this time with 4.7 million tonnes of soybeans set to ship this month. Wait times at ports are down significantly due to improved logistics and the corn export program is yet to begin. China is likely to resume weekly soybean sales of state reserves after March (according to China National Grains and Oils Information Center) and may sell 2.5 million tonnes for the 2016/17 season. China has approved imports of soybeans from Kazakhstan and Uruguay.

March soybeans saw follow through strength yesterday with a solid gain. The trade is still nervous over the possibility of heavy rains in Northern Brazil over the next seven days, with forecasts of 3 to 5 inches that could slow soybean harvest. Brazil's advance soybean sales have reached 40.6 million tonnes (roughly 38%) of the total 107.1 million tonne crop according to Safras & Mercado consulting. The advance sales are below last year's 51% and also the five year average of 44%. Conab will release their updated soybean production number tomorrow with the average estimate running at 104.6 million tonnes. A prominent weather service believes the Brazil soybean crop will come in near 106.7 million tonnes.

TODAY'S MARKET IDEAS:

March soybeans close-in resistance is at 1055 3/4 and a close over 1048 1/2 today would be seen as a bullish force. The market will need to see some bullish news on Thursday to extend much higher. A potential double bottom still stands at 1026 3/4 from Monday's trade. The market was able to close above the 50 day moving average, a second close above it will get the trend followers to take notice.

NEW RECOMMENDATIONS:

None.

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. 3)

Short July soybean meal from 343.20 with an objective of 321.70. Risk the trade to a close over 350.00. 4) Long 3 July soybean meal 310.00 puts and short 1 July soybean meal 350.00 call for a net premium paid of +0.90. Use an objective of +37.50 on the spread, and risk a total of 8.00 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) 02/08/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 1029. The next area of resistance is around 1048 1/4 and 1051 1/4, while 1st support hits today at 1037 1/4 and below there at 1029.

SOYBEAN OIL (MAR) 02/08/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 34.88. The next area of resistance is around 34.57 and 34.88, while 1st support hits today at 34.03 and below there at 33.79.

SOYMEAL (MAR) 02/08/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up on the daily chart is somewhat positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 328.8. The next area of resistance is around 338.8 and 340.5, while 1st support hits today at 333.0 and below there at 328.8.

DAILY CORN COMMENTARY

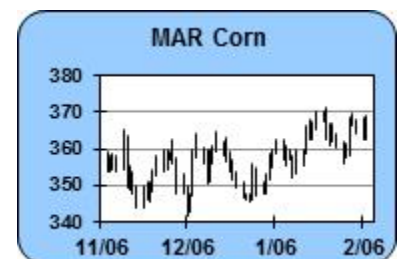
02/08/17

A top of Oct-Feb range and needs bullish supply new for breakout

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.6

OVERNIGHT DEVELOPMENTS: March corn is trading 1 1/4 cents lower this morning. Outside market forces look slightly negative.



NEAR-TERM MARKET FUNDAMENTALS: The market is trading near the high end of the October to February trading range and until the focus shifts to the new crop season, it may be difficult to find the news to support further gains without help from Brazil weather. March corn surged higher yesterday with the market recouping all of Monday's losses. US exporters announced the sale of 128,000 tonnes of corn to Japan. French corn stocks were lowered 11% to 2.04 million tonnes versus the earlier estimate 2.29 million. The trade is also concerned about potential soybean harvest delays in parts of Mato Grosso and Goias in northern Brazil that could delay the second "safrinha" corn crop plantings. Celeres consulting has left their Brazilian corn production estimate unchanged at 97.7 million tonnes, well above the average trade estimate at 87.1 million. The trade continues to debate the effect of the recent Chinese key rural policy statement issued on Sunday which led to massive speculation in Dalian futures for the second day in a row yesterday.

The government policy will provide steps to boost demand for corn in plastics to ethanol which will hopefully reduce the glut of supply and also increase prices. As a result, an expectation for Chinese corn acres and production to decrease considerably in 2017 should reduce carryout in China. The USDA latest estimate of Chinese corn ending stocks are at 106.31 million tonnes, with many in the trade who believe it is much larger. The

China National Grains and Oils Information Center sees corn consumption for the 2016/17 season at 197.6 million tonnes, up 500,000 from their previous estimate and up 21 million tonnes from last year. On top of anti-dumping duties on US distiller grains, the government is encouraging regional authorities to offer subsidies to livestock feed companies as the latest move to boost demand. The average estimates for today's ethanol production report from the EIA have production at 1.044 million barrels per day with a range of 1.030 to 1.059 million. Stockpiles are seen at 22.12 million barrels with a range of 21.69 to 22.6 million.

TODAY'S MARKET IDEAS:

March corn closed right on the 200 day moving average at 368 1/2 and has not closed above the 200 day since June of last year. Solid export commitments, Dalian corn speculation and short covering prior to Thursday's report all lent support. We believe there is a need for fresh bullish inputs on Thursday to extend gains. One way to trade this might be to sell March corn futures somewhere in the range of \$3.68 to \$3.70 and buy 2 May \$390 calls at 6 3/4 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:

None.

PREVIOUS RECOMMENDATIONS:

1) 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. 2) Long March corn \$3.70 put from 7 1/2 cents with an objective of 17 cents. Risk to 4.

CORN TECHNICAL OUTLOOK:

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CORN (MAR) 02/08/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 373 1/2. The next area of resistance is around 371 3/4 and 373 1/2, while 1st support hits today at 365 1/4 and below there at 360 3/4.

DAILY WHEAT COMMENTARY

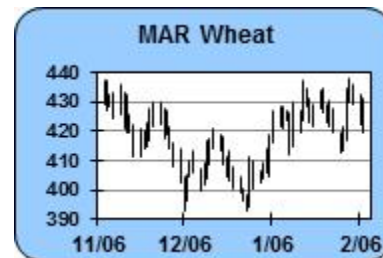
02/08/17

Spread unwinding and hefty net short position supports bounce

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -0.6

OVERNIGHT DEVELOPMENTS: March wheat is down 3/4 of a cent this morning. Outside market forces look slightly bearish. Matif futures are up 0.4%. Bangladesh bought 200,000 tonnes of wheat from Russia.



NEAR-TERM MARKET FUNDAMENTALS: The market traded to a four day low early yesterday only to rebound and trade as much as 8 cents higher on the day. Some solid export news is supporting the market with Ethiopia looking for 400,000 tonnes of wheat, Japan in for 112,000 tonnes of wheat and Jordan also in for 100,000 wheat. In addition, India has bought more than 5 million tonnes of wheat since mid-2016 which is the largest annual imports in a decade. The strength yesterday was led by Chicago, with Kansas City and Minneapolis not nearly as strong. The strength could have been attributed to unwinding of intra-market spreads by fund managers who are long Kansas City and Minneapolis wheat and short Chicago. France's soft wheat stockpiles were raised 4.4% to 2.75 million tonnes from 2.64 million in January according to FranceAgriMer. Russia exports of wheat increased

to 25.3 million tonnes on 2016 from 21.2 million the previous year.

TODAY'S MARKET IDEAS:

March wheat held support on the 100 day moving average and surged higher yesterday. It felt more like an unwind day of intra-market spreads (Chicago/Kansas City, & Chicago/Minneapolis) as well as the calendar spreads in Chicago. With the March roll coming up at the end of the month, Chicago spreads were noticeably strong. The managed money trader is short almost 100,000 contracts which will get rolled to the May or July. March wheat needs a close above 445 3/4 to reverse the trend. Close-in support for July wheat is 449 3/4 followed by 441 1/2. Consider buying the July 460/530 bull 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) 02/08/2017: The crossover up in the daily stochastics is a bullish signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 439 1/4. The next area of resistance is around 436 1/4 and 439 1/4, while 1st support hits today at 425 1/4 and below there at 417.

KC WHEAT (MAR) 02/08/2017: The crossover up in the daily stochastics is a bullish signal. Positive momentum studies in the neutral zone will tend to reinforce higher 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 on the daily chart is somewhat positive. The close over the pivot swing is a somewhat positive setup. The next upside target is 446 1/4. The next area of resistance is around 444 and 446 1/4, while 1st support hits today at 435 and below there at 428 1/2.

MINN WHEAT (MAR) 02/08/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 548 3/4. The next area of resistance is around 558 1/2 and 561, while 1st support hits today at 552 1/2 and below there at 548 3/4.

RICE (MAR) 02/08/2017: The sell-off took the market to a new contract low. 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 9.270. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 9.500 and 9.570, while 1st support hits today at 9.350 and below there at 9.270.

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 | 368 1/2 | 59.73 | 58.08 | 64.87 | 68.30 | 366.25 | 364.11 | 364.40 | 358.94 | 357.17 |
| CNAZ7 | 396 1/4 | 60.90 | 58.85 | 70.51 | 76.97 | 393.88 | 391.61 | 391.72 | 387.36 | 385.93 |

| | | | | | | | | | | |
|-------|----------|-------|-------|-------|-------|---------|---------|---------|---------|---------|
| SSAH7 | 1042 3/4 | 53.05 | 52.61 | 39.89 | 36.08 | 1035.75 | 1036.19 | 1048.10 | 1034.09 | 1031.35 |
| SSAX7 | 1019 1/2 | 54.67 | 53.97 | 56.06 | 55.54 | 1016.19 | 1014.47 | 1019.38 | 1010.86 | 1009.44 |
| SMAH7 | 335.9 | 52.01 | 54.01 | 42.59 | 31.09 | 333.53 | 336.06 | 339.61 | 326.46 | 324.77 |
| BOAH7 | 34.30 | 44.07 | 42.91 | 26.98 | 32.42 | 34.30 | 34.19 | 34.80 | 35.68 | 35.71 |
| WHAH7 | 430 3/4 | 55.37 | 54.87 | 59.89 | 62.11 | 429.50 | 426.00 | 427.06 | 417.16 | 417.14 |
| WHAN7 | 455 1/4 | 52.97 | 53.41 | 55.43 | 55.67 | 455.25 | 452.75 | 455.14 | 443.56 | 444.16 |
| RCAH7 | 9.425 | 28.17 | 34.98 | 17.48 | 11.90 | 9.50 | 9.60 | 9.74 | 9.77 | 9.79 |
| KWAH7 | 439 1/2 | 52.98 | 53.67 | 45.60 | 47.50 | 439.81 | 436.61 | 440.94 | 426.32 | 425.89 |
| MWAH7 | 555 1/2 | 46.96 | 49.80 | 25.70 | 23.58 | 557.50 | 556.92 | 563.14 | 549.71 | 543.85 |
| OTAH7 | 257 1/2 | 59.48 | 60.40 | 60.32 | 60.22 | 258.13 | 253.31 | 253.43 | 236.94 | 233.83 |

Calculations based on previous session. Data collected 02/07/2017

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 | 360 1/2 | 365 1/4 | 367 | 371 3/4 | 373 1/2 |
| CNAZ7 | Corn | 389 1/2 | 393 1/2 | 395 | 399 | 400 1/2 |
| SSAH7 | Soybeans | 1029 | 1037 | 1040 1/4 | 1048 1/2 | 1051 1/2 |
| SSAX7 | Soybeans | 1009 1/2 | 1015 | 1018 1/4 | 1024 | 1027 |
| SMAH7 | Soymeal | 328.7 | 332.9 | 334.6 | 338.8 | 340.5 |
| BOAH7 | Soybean Oil | 33.78 | 34.02 | 34.33 | 34.57 | 34.88 |
| WHAH7 | Wheat | 416 3/4 | 425 | 428 | 436 1/2 | 439 1/4 |
| WHAN7 | Wheat | 443 1/2 | 450 1/2 | 453 | 460 | 462 1/2 |
| RCAH7 | Rice | 9.270 | 9.350 | 9.420 | 9.500 | 9.570 |
| KWAH7 | KC Wheat | 428 1/2 | 435 | 437 1/2 | 444 | 446 1/2 |
| MWAH7 | MINN Wheat | 548 3/4 | 552 1/2 | 555 | 558 1/2 | 561 1/4 |
| OTAH7 | Oats | 251 1/2 | 254 1/2 | 257 3/4 | 260 1/2 | 264 |

Calculations based on previous session. Data collected 02/07/2017

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

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