



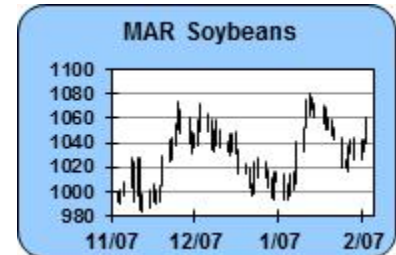
## DAILY GRAINS COMMENTARY Thursday February 09, 2017

### DAILY SOY COMPLEX COMMENTARY 02/09/17

**USDA update today; any sign of slowdown in US demand to pressure**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS -5.6, BEAN OIL -0.1, SOYMEAL -2.2**

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading down 6 cents this morning. China futures are down slightly overnight. Palm oil futures in Malaysia were up 0.5% but closed near the lows. Global equity markets were once again mixed overnight with Chinese markets higher and other markets waffling around both sides of unchanged. The Asian session featured December Japanese machinery orders which showed a sizable uptick from November's reading and they also climbed back into positive territory. The European session started out with the December German trade balance that reached a record high surplus for 2016 with December exports down and imports basically unchanged. The North American session will start with a weekly reading on initial jobless claims that are forecast to see a modest uptick from the previous 246,000 reading. December wholesale inventories are expected to see a moderate downtick from November's 1.0% reading but remain in positive territory.



**NEAR-TERM MARKET FUNDAMENTALS:** The official Brazil production forecast from Conab was released this morning and helped to push futures lower. Brazil soybean production was pegged at 105.558 million tonnes which is a new all-time high and up 10.6% from last year. The USDA raised their estimate from 102 to 104 mmt last month and traders will monitor today's supply/demand update from the USDA closely. March soybeans surged to a two week high yesterday and closed sharply higher on the day. The Brazilian soybean basis is rising with Brazilian producers reluctant to sell because of a strong currency. Paranagua FOB offers for March are up 3 cents from a week ago and April is up 10 cents. This has brought the US FOB offers back to being competitive or even a discount to Brazil. Harvest progress continues and the size of the crop is growing, but the trade is focused on demand especially with the US offers competitive.

Brazil's soybean production was raised to 105.3 million tonnes from the previous estimate of 104.4 million according to AgroConSult. The Rosario Grains Exchange estimated the Argentine soybean crop at 54.5 million tonnes, up from last month's 52.5 million tonnes. The average estimate for US ending stocks in today's USDA report is 410 million bushels with a range of 386 to 505 million bushels. The USDA last month was at 420 million bushels. World soybean stocks are estimated at 80.9 million tonnes compared to last month's 82.3 million tonnes. The estimates for today's weekly export sales update are 400,000 to 900,000 tonnes.

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

Trend following fund traders have piled into the market with open interest up 7,716 contracts on Tuesday and heavy buying again yesterday. With the USDA report today, the recent longs better get some bullish news or otherwise South American selling could start. Regardless of where their currency is trading, one thing is for certain, their crop is getting bigger. March soybean resistance is at 1066 1/2 followed by 1073.

#### **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) 02/09/2017:** The daily stochastics have crossed over up which is a bullish indication. 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 1074. The next area of resistance is around 1068 1/2 and 1074, while 1st support hits today at 1049 and below there at 1034 3/4.

**SOYBEAN OIL (MAR) 02/09/2017:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 35.19. The next area of resistance is around 34.97 and 35.19, while 1st support hits today at 34.40 and below there at 34.04.

**SOYMEAL (MAR) 02/09/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next downside target is now at 333.1. The next area of resistance is around 344.5 and 346.3, while 1st support hits today at 337.9 and below there at 333.1.

## DAILY CORN COMMENTARY

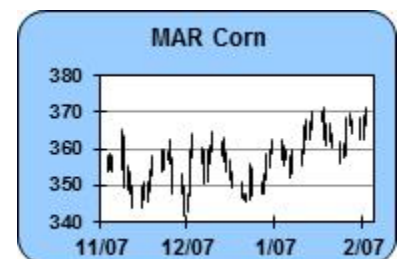
02/09/17

**USDA report today; surge in S America corn production expected**

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

**CORN -1.2**

**OVERNIGHT DEVELOPMENTS:** March corn is trading 1 1/4 cents lower this morning. Outside market forces look slightly positive. South Korea bought 136,000 tonnes of optional origin corn overnight.



**NEAR-TERM MARKET FUNDAMENTALS:** The official Brazil production forecast from Conab was released this morning. Brazil corn production was pegged at 87.4 million tonnes which is a new all-time high and up 31.4% from last year. The USDA left their estimate at 86.5 mmt last month and some trade estimates are well over 90 million tonnes. March corn closed above the 200 day moving average yesterday, and the market settled at 370 3/4 (up 2 3/4 cents on the day) which is the highest settlement since July 18th. The speculative community is again entering the market from the long side with open interest up 14,298 contracts on Tuesday, and more trend-following buying on Wednesday. With the USDA report today, traders are looking for a 20 million bushel decrease in US ending stocks to an average estimate of 2.335 billion bushels. With ethanol production strong as well as exports, the USDA could lower ending stocks more than 20 million bushels. The low estimate of analyst estimates is 2.250 billion bushels, which would be 105 million bushels below the last USDA ending stocks number of 2.355 billion bushels. With South America production up about 1 billion bushels from last year, US exports could fall off dramatically into the spring. The average estimate for world ending stocks is at 220.5 million tonnes compared to 221.0 million tonnes from last month's USDA report.

The Rosario Exchange estimated the Argentine corn crop at 36.5 million tonnes, up 1.0 million from their estimate last month and compares to the latest USDA estimate of 36.5 million. Ethanol production for the week ending February 3rd averaged 1.055 million barrels per day. This is down 0.57% vs. last week and up 8.88% vs. last year. Total ethanol production for the week was 7.385 million barrels. Corn used in last week's production is estimated at 110.78 million bushels. Corn use needs to average 97.7 million bushels per week to meet this crop year's USDA estimate. Stocks were 22.085 million barrels, which is the fifth consecutive week that stocks have risen. This is up 1% vs. last week and down 3.8% vs. last year. For the weekly export sales report, traders see sales near 800,000 to 1.3 million tonnes. There have been stories of late that input costs for corn have come down significantly and producers on the fence are considering planting corn instead of soybeans. Rotation issues and the fact that farmers like to plant corn could spell a corn planting number down only 2.0 to 3.0 million acres. A December corn/November soybean ratio at 2.58 should mean more soybean acres, but the US producer might have other things in mind. This will be a much larger issue for soybeans than corn in the long run, as soybeans will need every extra acre with demand at the current pace.

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

The re-inflate trade along with a supportive story out of China trying to deplete old stocks has got the speculative traders back into the corn market. A move over 371 for March corn would leave 376 3/4 as next target. The next upside target for December corn is at 401 1/2.

#### **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) 02/09/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 374 1/4. The next area of resistance is around 373 and 374 1/4, while 1st support hits today at 368 1/2 and below there at 365 1/4.

#### **DAILY WHEAT COMMENTARY**

02/09/17

**Fund traders move to the bull camp in grains; big short wheat**

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

**WHEAT -2.0**

**OVERNIGHT DEVELOPMENTS:** March wheat is down 2 1/4 cents this morning. Outside market forces look slightly supportive. Matif futures are down 0.4%. Egypt officials see sufficient reserves to last for four months.



**NEAR-TERM MARKET FUNDAMENTALS:** A key agriculture consultancy in Russia sees wheat production for the 2017/18 season near 67.5 million tonnes from 73.3 million tonnes this year. March wheat closed positive yesterday on late buying pushing the market up to a high of 433 1/4. The market was pulled higher by a very strong soybean market as well as some short covering prior to today's USDA report. India has bought more than five million tonnes of wheat since mid-2016, which is the largest annual purchase in a decade. An active tender

sheet has Bangladesh importing 200,000 tonnes of Russian wheat, Morocco in for 263,000 tonnes of EU wheat, Jordan in for 100,000 tonnes of soft wheat and Tunisia buying 100,000 tonnes of durum wheat. The average estimate for today's USDA report has ending stocks at 1.176 billion bushels compared to 1.186 last month. The average estimate for world ending stocks is at 253.1 million tonnes versus 253.2 million last month. For the weekly export sales, traders see wheat sales near 300,000 to 600,000 tonnes.

**TODAY'S MARKET IDEAS:**

The market still feels range bound but with the recent move in soybeans and to a certain extent corn, the speculative money wants to be long going into the planting season. With the managed money category still carrying a short of 99,087 contracts in Chicago, the downside is limited. March wheat support is at 428 3/4 and 426 3/4, with 437 3/4 and 444 3/4 as next resistance. Close-in support for July wheat is 453 1/4 followed by 450 1/2. Consider buying the July 460/530 bull call spread for 14 cents.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**WHEAT TECHNICAL OUTLOOK:**

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WHEAT (MAR) 02/09/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 437. The next area of resistance is around 435 1/4 and 437, while 1st support hits today at 429 3/4 and below there at 425 3/4.

KC WHEAT (MAR) 02/09/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 446 1/4. The next area of resistance is around 444 3/4 and 446 1/4, while 1st support hits today at 439 1/4 and below there at 435 1/2.

MINN WHEAT (MAR) 02/09/2017: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 562 1/2. The next area of resistance is around 560 and 562 1/2, while 1st support hits today at 555 and below there at 552 3/4.

RICE (MAR) 02/09/2017: The crossover up in the daily stochastics is a bullish signal. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 upside objective is 9.691. The next area of resistance is around 9.642 and 9.691, while 1st support hits today at 9.468 and below there at 9.342.

**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	370 3/4	63.15	60.38	69.25	78.01	367.06	364.89	365.10	359.47	357.48
CNAZ7	397 1/2	62.98	60.26	75.08	84.22	394.63	392.36	392.36	387.80	386.18
SSAH7	1058 3/4	62.33	58.62	42.62	48.06	1041.13	1037.22	1049.13	1034.57	1032.23

SSAX7	1028 1/4	61.47	58.44	59.46	66.25	1018.63	1015.03	1020.03	1011.15	1010.02
SMAH7	341.2	61.22	59.36	40.72	37.00	335.38	335.92	340.34	327.03	325.20
BOAH7	34.69	50.96	47.70	31.48	40.50	34.32	34.21	34.72	35.61	35.70
WHAH7	432 1/2	56.97	55.93	62.50	67.71	429.00	426.61	427.40	417.79	417.30
WHAN7	456	53.79	53.94	56.79	59.51	454.06	452.86	455.28	444.11	444.22
RCAH7	9.555	42.69	43.15	18.11	19.36	9.50	9.58	9.72	9.76	9.79
KWAH7	442	55.90	55.48	48.59	54.58	439.44	436.81	440.79	427.06	426.15
MWAH7	557 1/2	49.62	51.34	26.07	26.80	556.63	555.89	562.22	550.13	544.48
OTAH7	254	53.58	56.50	58.57	55.05	257.88	253.17	254.44	237.82	234.35

Calculations based on previous session. Data collected 02/08/2017

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	365 1/4	368 1/2	369 3/4	373	374 1/4
CNAZ7	Corn	393 1/4	395 3/4	396 3/4	399 1/4	400 1/4
SSAH7	Soybeans	1034 1/2	1049	1054 1/4	1068 1/2	1074
SSAX7	Soybeans	1013 1/2	1022 1/4	1025 1/2	1034 1/4	1037 1/2
SMAH7	Soymeal	333.1	337.9	339.7	344.5	346.3
BOAH7	Soybean Oil	34.03	34.39	34.61	34.97	35.19
WHAH7	Wheat	425 3/4	429 1/2	431 1/2	435 1/2	437 1/4
WHAN7	Wheat	449 1/2	453 1/4	455	458 3/4	460 1/2
RCAH7	Rice	9.341	9.467	9.516	9.642	9.691
KWAH7	KC Wheat	435 1/2	439 1/4	441	444 3/4	446 1/2
MWAH7	MINN Wheat	552 1/2	555	557 1/2	560	562 1/2
OTAH7	Oats	246 1/2	250 1/4	254	257 3/4	261 1/2

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