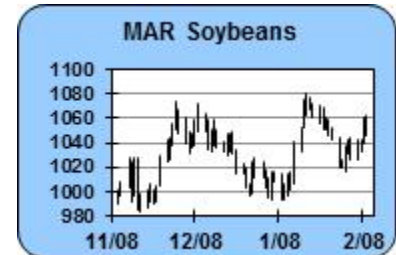




DAILY SOY COMPLEX COMMENTARY
02/10/17

USDA report neutral but Brazil crop to keep expanding

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +4.2, BEAN OIL -0.1, SOYMEAL +2.0



OVERNIGHT DEVELOPMENTS: March soybeans are trading up 4 cents this morning. China futures were down 0.4% overnight. Palm oil futures in Malaysia were down 0.9% on the session into the close with an outside day down after early strength to the highest level since January 25th. Global equity markets were generally positive overnight with the Russian markets and the IBEX 35 tracking lower. A slight risk-on vibe is in place overnight from the Trump comments in the prior trading session regarding the prospect of a comprehensive tax program in the coming weeks. It is also possible that signs of positive interaction between the US President and the Chinese is seen as a positive by the global markets. The Asian session started out with the Chinese trade balance, which showed a sizable uptick in both exports and imports and that should contribute to risk-on and it should also lend support to a number of physical commodities. The European session saw December UK industrial and manufacturing readings that improved on their November year-over-year results. The North American session will start out with January readings for the import price index and export price index, both of which are forecast to see modest downtick from their December readings. The highlight of the North American session will be January Canadian jobs data which is expected to show their unemployment rate holding steady at 6.9% along with a net change in employment close to unchanged levels. A private survey of January consumer sentiment is expected to see a modest decline from the previous 98.5 reading.

NEAR-TERM MARKET FUNDAMENTALS: March soybeans traded to a two week high yesterday ahead of the USDA report but sold off more than 15 cents after the update. The USDA left ending stocks unchanged. The Supply/Demand report was considered bearish with ending stocks at 420 million bushels compared to the average estimate of 410 million bushels. World ending stocks came in at 80.38 million tonnes versus the average estimate of 81.2 million tonnes and last month's 82.3 million tonnes. The Brazilian soybean production was unchanged at 104 million tonnes but many traders see this estimate growing by 1-3 million tonnes next month. Argentine soybean production was estimated at 55.5 million tonnes versus the average estimate of 54.4 million tonnes. Conab, the Brazilian government crop forecasting agency, estimated the soybean crop at 105.6 million tonnes up 1.78 million tonnes from January's estimate. Pine Consulting has estimated the Brazilian soybean production at 110.0 million tonnes and IBGE out of Brazil estimated soybean production at 107.0 million tonnes.

The trade feels the USDA punted on their Brazilian estimate because of the potential of big rains over the next two weeks that could delay harvest progress, but it certainly does not look like the local Ag consulting agencies are too concerned. With the overbought condition basis the COT report and with the official Brazilian production forecast at 105.6 million tonnes, yesterday's report is seen as bearish as it will take smaller South American crops to boost US demand. Net weekly export sales for soybeans came in at 536,300 tonnes for the current marketing year and 129,300 for the next marketing year for a total of 665,600 tonnes compared to the average estimates of 400,000 to 900,000 tonnes. There also was a flash announcement of 107,000 tonnes of soybeans sold to Unknown destinations. Net meal sales came in at 347,700 tonnes for the current marketing year and 1,000 for the next marketing year for a total of 348,700. Net oil sales came in at 35,300 tonnes. As of February 2nd, cumulative soybean oil sales stand at 71.2% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 57.3%.

TODAY'S MARKET IDEAS:

It has been a demand-led rally with rumors of Chinese securing US cargoes for summer shipment. The Brazilian

producer has been a reluctant seller because of the recent strength in the Brazilian Real but that will eventually loosen up, especially if the recent private estimates are accurate. For new crop, if acreage is 89.3 million acres and yield is at the 20-year trend of 47.7, ending stocks come in at 497 million bushels. If yield is the same as 2016, ending stocks come in at a record high 886 million bushels. March soybean resistance is at 1057 with support at 1036 1/2 followed by 1026.

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) 02/10/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 1068 1/4. The next area of resistance is around 1058 3/4 and 1068 1/4, while 1st support hits today at 1042 1/4 and below there at 1035 1/2.

SOYBEAN OIL (MAR) 02/10/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 35.20. The next area of resistance is around 34.92 and 35.20, while 1st support hits today at 34.42 and below there at 34.19.

SOYMEAL (MAR) 02/10/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates 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 now at 332.9. The next area of resistance is around 341.2 and 344.2, while 1st support hits today at 335.6 and below there at 332.9.

DAILY CORN COMMENTARY

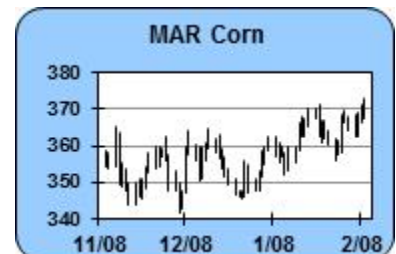
02/10/17

USDA report mostly neutral; not bullish enough for new longs

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.2

OVERNIGHT DEVELOPMENTS: March corn is trading 3/4 of a cent higher this morning. Outside market forces look mixed. South Korea bought 210,000 tonnes of optional origin corn overnight.



NEAR-TERM MARKET FUNDAMENTALS: March corn forged to a 6 1/2 month high yesterday but closed lower. The USDA numbers were supportive but for the most part expected. Ending stocks came in at 2.320 billion bushels versus trade expectations of 2.335 billion. World corn ending stocks came in at 217.6 million tonnes compared to the average estimate of 220.5 million tonnes and last month's 221.0 million. The Brazilian corn production was estimated at 86.5 million tonnes versus the average estimate of 87.1 million tonnes. Argentine corn production was estimated at 36.5 million tonnes compared to the average estimate of 35.8 million tonnes. The Brazilian crop forecasting agency, Conab estimated corn production at 87.4 million tonnes, up 3.0 million tonnes from the January estimate.

The US ending stocks were lowered 35 million bushels, with ethanol usage up 25 million accounting for most of the decrease. The World ending stocks came in 2.9 million tonnes below the average estimate on an increase of 2.0 million tonnes of feed use by China. Overall, the market has seen open interest jump 38,000 contracts over the last few sessions with trend following traders entering the market from the long side and these numbers will not excite the recent buyers. Net weekly export sales for corn came in at 971,700 tonnes for the current marketing year and 34,500 for the next marketing year for a total of 1,006,200 tonnes versus the trade estimates of 700,000 to 1.3 million tonnes. For new crop, if acreage is 90 million acres and yield is at the 20-year trend of 167.2, ending stocks come in at 1.729 billion bushels. If yield is the same as 2016, ending stocks come in at 2.344 billion bushels.

TODAY'S MARKET IDEAS:

March corn is up 4 1/4 cents on the week but it feels like the market should be up 24 1/4 cents. There was big volume, open interest higher, new 6 1/2 month highs and the market is up a little more than 4 cents. It feels like a classic "buy the rumor and sell the news" after yesterday's settlement. The weekly low is at 362 1/2 and if the market were to trade below that level, it will have trapped fresh longs. Look for a pullback to near 360. Look for December to set-back to near 387.

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) * Hit stop on March corn 370 put position for a loss of 3 1/2 cents.

CORN TECHNICAL OUTLOOK:

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CORN (MAR) 02/10/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next upside objective is 375. The next area of resistance is around 372 and 375, while 1st support hits today at 367 and below there at 364 3/4.

DAILY WHEAT COMMENTARY

02/10/17

Fund traders hold big net short and focus shifting to new crop

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -0.4

OVERNIGHT DEVELOPMENTS: March wheat is down 3/4 of a cent this morning. Outside market forces look mixed. Matif futures are up 0.4%. Bangladesh expects to import near 250,000 tonnes for the 2016/17 season.



NEAR-TERM MARKET FUNDAMENTALS: The USDA report was supportive and the large speculative short in the Chicago wheat market started the short covering process. Yesterday's volume was double the 15 day average volume in the nearby March contract. The market closed 11 cents higher with the highest close since August 25th. Ending stocks came in at 1.139 billion bushels compared to the average estimates at 1.176 billion. Ending stocks were below the low end of analyst estimates. World wheat ending stocks were estimated at 248.6 million tonnes versus the average estimate of 253.1 mmt and last month's USDA estimate of 253.3 mmt. US wheat ending stocks were down 47 million bushels from last month due to an increase of 50 million in exports. The increased exports were in hard red (25 million) and spring (15 million) varieties. World ending stocks went down by 4.7 million tonnes due to lower production in India (3.0 million) and Kazakhstan (1.5 million).

With the trend following traders still holding a large short position of 99,087 contracts as of January 31st, a trade above the October high for March wheat at 445 3/4 could spark short-covering. The trade is also watching the near term weather with the recent drought monitor map showing 78% of the state of Oklahoma in some stage of drought. Also, temperatures expected to be 70 to 80 degrees in most of the Plains this weekend, with the threat of breaking dormancy then colder temperatures down the road on all wheat trader's minds. Net weekly export sales for wheat came in at 527,300 tonnes for the current marketing year and 16,300 for the next marketing year for a total of 543,600 tonnes compared to 300,000 to 600,000 tonnes. The wheat ending stocks are still 1.139 billion bushels (not a very bullish scenario) but with lower acres this year, some possible weather issues and a big short, more upside seems likely.

TODAY'S MARKET IDEAS:

With Chicago leading the charge, it's all about short covering. The managed money category has been short Chicago soft red wheat since August 18, 2015. With a short position of 99,087 contracts as of January 31st, we doubt they will cover it all. Last April they were short 106,000 contracts and covered half their position to 48,000 contracts and it took the market up 70 cents. Close-in support for July wheat is 457 1/4 followed by 454. Consider buying the July 500 call and selling the July 430 put combo for 3 cents.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

WHEAT TECHNICAL OUTLOOK:

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WHEAT (MAR) 02/10/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 454 1/2. The next area of resistance is around 450 3/4 and 454 1/2, while 1st support hits today at 436 1/4 and below there at 425 3/4.

KC WHEAT (MAR) 02/10/2017: 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. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 461 1/2. The next area of resistance is around 458 and 461 1/2, while 1st support hits today at 444 1/2 and below there at 434 3/4.

MINN WHEAT (MAR) 02/10/2017: 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 market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 579. The next area of resistance is around 575 1/4 and 579, while 1st support hits today at 561 3/4 and below there at 552 1/4.

RICE (MAR) 02/10/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under the 9-bar 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 9.678. The next area of resistance is around 9.567 and 9.678, while 1st support hits today at 9.383 and below there at 9.309.

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	369 1/2	59.96	58.46	72.51	79.02	368.13	365.67	365.71	359.69	357.83
CNAZ7	395 3/4	58.12	57.30	77.63	82.72	395.38	393.08	392.89	387.94	386.45
SSAH7	1050 1/2	55.92	54.76	45.97	52.69	1047.00	1037.36	1049.36	1034.51	1033.16
SSAX7	1026	58.92	56.91	63.57	71.79	1022.69	1015.11	1020.44	1011.18	1010.72
SMAH7	338.4	54.95	55.67	39.91	38.29	337.08	335.41	340.59	327.39	325.63
BOAH7	34.67	50.60	47.48	36.39	46.21	34.53	34.26	34.67	35.54	35.70
WHAH7	443 1/2	65.65	61.97	68.16	79.47	432.31	429.17	428.38	418.57	417.67
WHAN7	467	64.11	60.94	62.54	74.05	456.75	454.83	455.96	444.87	444.47
RCAH7	9.475	37.45	39.83	18.71	19.90	9.49	9.54	9.69	9.74	9.78
KWAH7	451 1/4	64.94	61.47	55.27	68.63	442.13	438.69	440.92	428.01	426.54
MWAH7	568 1/2	61.53	58.79	31.58	42.61	559.19	556.83	561.43	550.88	545.23
OTAH7	254 1/2	54.31	56.93	56.36	51.94	256.81	253.31	255.11	238.73	234.85

Calculations based on previous session. Data collected 02/09/2017

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	364 1/2	367	369 3/4	372	375
CNAZ7	Corn	392	393 1/2	396 1/4	398	400 1/2
SSAH7	Soybeans	1035 1/2	1042 1/4	1052	1058 3/4	1068 1/2
SSAX7	Soybeans	1015 1/2	1021 1/4	1025	1030 3/4	1034 1/2
SMAH7	Soymeal	332.8	335.5	338.5	341.2	344.2
BOAH7	Soybean Oil	34.18	34.41	34.69	34.92	35.20
WHAH7	Wheat	425 1/2	436 1/4	440	450 3/4	454 1/2
WHAN7	Wheat	449 3/4	460	463 1/2	474	477 1/4
RCAH7	Rice	9.308	9.382	9.493	9.567	9.678
KWAH7	KC Wheat	434 1/2	444 1/2	448	458	461 1/2
MWAH7	MINN Wheat	552	561 3/4	565 1/2	575 1/4	579
OTAH7	Oats	246 1/2	250 3/4	254	258 1/4	261 1/2

Calculations based on previous session. Data collected 02/09/2017

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