



## DAILY GRAINS COMMENTARY

Wednesday February 15, 2017

### DAILY SOY COMPLEX COMMENTARY

02/15/17

**China market turns down on bird flu issues; poor crush margins**

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

**SOY BEANS -2.6, BEAN OIL +0.0, SOYMEAL -1.2**

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading down 2 3/4 cents this morning. China futures were down 1.8% overnight. Palm oil futures in Malaysia were up 0.6%. Global equity markets were mostly higher overnight but Chinese stocks were tracking lower. The Asian session was relatively quiet economic report wise while the European session started out with a look at the UK employment situation from the January ILO unemployment report which as expected held steady at 4.8% but their claimant count was much better than expected with a decline of 42,400. The UK jobless claimant expectation was for an increase of 2000. The December Euro zone trade balance posted a surplus. However, there will be a busy North American session will start out with the NY Fed's February Empire State manufacturing survey, followed by January retail sales that are forecast to have a moderate decline from December's +0.6% reading but remain in positive territory. The January consumer price index is expected to show a moderate increase from December's +2.1% year-over-year rate. January industrial production is forecast to decline from December's +0.8% reading but it is expected to remain in positive territory. December business inventories and the February NAHB housing index will also be released during morning US trading hours. Fed Chair Yellen will give testimony in front of the House Financial Services Committee during morning US trading hours.



**NEAR-TERM MARKET FUNDAMENTALS:** Good South America weather, a strong US dollar and some weak technical action for China soybean futures were seen as bearish forces. We continue to believe that the soybean market is holding a huge weather premium which could come out as the harvest advances in Brazil. In China, 79 people died in January which is four times higher than the same month last year. The Center for Infectious Disease Research and Policy at the University of Minnesota last week estimated that China had at least 347 human infections so far this winter which passed the record of 319 seen three years ago. China chicken prices have dropped to the lowest level in a decade and this is the main concern for grain traders as meal demand should slow temporarily and weaker meal could hurt crush margins and slow soybean imports. India vegetable oil imports in January reached 1.01 million tonnes, down 14.2% from last year. The Dalian futures market May contract traded to a new high for the move yesterday, only to close down 2.35% with an outside day reversal.

US exporters announced the sale of 142,500 tonnes of soybeans to Unknown destinations. NOPA crush numbers will be released today at 11:00 AM CST (5:00 PM GMT) with the average estimate from analysts at 158.7 million bushels compared to last month's 160.1 million bushels. The oil stocks are estimated at 1.527 billion pounds versus 1.434 billion pounds last month. The open interest continues to grow with Monday's trade up 16,940 contracts bringing the total increase of 51,000 contracts over the past five trading days. Yesterday, the Brazilian Real closed at the strongest level since June 2015 and continues to keep the Brazilian producer from selling their soybeans. The market pushed to another new high this morning.

#### TODAY'S MARKET IDEAS:

Chinese crush margins continue to slide and yesterday's selloff in the Dalian futures certainly looks like a reversal. The recent increase in open interest, as with corn, will try and stay with the market for the long haul. Close-in resistance for May soybeans is at 1060 1/2 with 1030 1/2 and 1012 3/4 as key support. May meal resistance is at 344.50 with 327.20 as key support.

#### 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) 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) 02/15/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 1060 1/2. The next area of resistance is around 1051 3/4 and 1060 1/2, while 1st support hits today at 1038 1/4 and below there at 1033 3/4.

SOYBEAN OIL (MAR) 02/15/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 34.65. The next area of resistance is around 34.42 and 34.65, while 1st support hits today at 33.86 and below there at 33.52.

SOYMEAL (MAR) 02/15/2017: 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's close below the 1st swing support number suggests a moderately negative setup for today. The next upside objective is 345.4. The next area of resistance is around 341.9 and 345.4, while 1st support hits today at 337.0 and below there at 335.4.

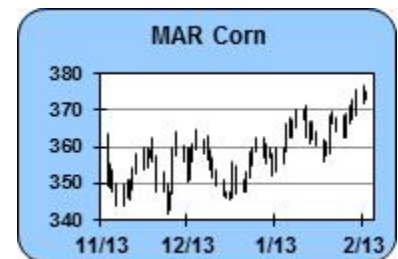
#### **DAILY CORN COMMENTARY**

02/15/17

#### **Surge in South America production this year to slow exports**

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

**OVERNIGHT DEVELOPMENTS:** March corn is trading 1 1/2 cents lower this morning. Outside market forces look a bit negative with a bounce in the US dollar and increased bird flu concerns.



**NEAR-TERM MARKET FUNDAMENTALS:** Without help from the weather in South America over the next several weeks, the "increase" in South America production from last year of over 1 billion bushels could significantly sour the US export outlook. Corn open interest went up 31,886 contracts on Monday and is up 123,234 contracts since January 31st. US exporters announced the sale of 229,000 tonnes of corn to Japan. The Dalian corn futures closed down 1.49% yesterday and traded to its lowest level in two weeks. The market is down 1% today as bird flu feedgrain demand concerns has helped spark selling. A South American crop analytical firm raised their corn production in Argentina to 36 million tonnes from 34 million previously estimated. They left their Brazilian corn production unchanged at 86 million tonnes. Still, using 36 million for Argentina and 86 million for Brazil, a combined 122 million tonnes of corn production is 26 million larger than last year's total. That equates to 1.023 billion bushels of exportable supplies that the US was able to capture last year. This year's corn exports

could be in for a rough patch.

Fresh talk that Mexico is considering buying corn from Argentina and Brazil instead of the US this year is seen as a psychological bearish force. Mexican Senator Armando Rios is introducing a bill requiring Mexico to buy corn from Argentina and Brazil rather than the US. Rios plans to introduce the bill to the legislation within a week and is intended to highlight the current benefits of the trade relationship under NAFTA. The ethanol production and stockpile estimates for today's EIA report have production estimated at 1.045 million barrels per day with a range of 1.035 to 1.054 million barrels. The stockpiles are estimated at 22.44 million barrels with a range of 21.9 to 22.89 million barrels.

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

The volume yesterday subsided after five consecutive days with volume above the 15 day average. The slow stochastics are setting up for a cross from elevated levels. Resistance for March corn is at 375 with 368 3/4 and 366 1/4 as initial support. The recent push in open interest with new longs entering the market will likely stay with the corn market until the planting season gets started. You might call the recent buying in Ag commodities an inflation hedge on long equity positions. Fundamentals eventually rule out, but it might be awhile before the dust settles.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

\* Short May Corn from 367 with an objective of 364 1/2. Also long 2 May Corn 400 calls for a net cost of 7 cents.

#### **CORN TECHNICAL OUTLOOK:**

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CORN (MAR) 02/15/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside objective is 376 1/4. The next area of resistance is around 375 1/4 and 376 1/4, while 1st support hits today at 373 1/4 and below there at 372.

#### **DAILY WHEAT COMMENTARY**

02/15/17

#### **Larger India crop and record Australia crop helps pressure**

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

WHEAT -1.4

**OVERNIGHT DEVELOPMENTS:** March wheat is down 2 1/4 cents this morning. Outside market forces look weak with a firm US dollar. Matif futures are unchanged. Taiwan tendered to buy 102,850 tonnes of US wheat.



**NEAR-TERM MARKET FUNDAMENTALS:** For their winter wheat season for the 2017/18 marketing year, India sees wheat production near 33 million tonnes from 22.96 million this year. The market was under pressure yesterday from a slightly lower US dollar along with the news Monday that ABARES has raised the Australian wheat crop to 35.1 million tonnes from 32.6 million. Australia has shipped between 4.0 and 4.3 million tonnes of grain in January easily topping the previous record for the month. Bumper wheat and barley crops in Australia with strong demand from China, Saudi Arabia and India were noted.

The Russian wheat crop was seen dropping to 69 million tonnes versus the earlier estimate of 70.0 million tonnes according to SovEcon. Winterkill of as much as 4.0% of winter plantings was estimated and given as the reason

for the reduction. Rain forecast for the next two days will aid winter wheat in Texas and Oklahoma along with extended forecasts showing moisture in the central Great Plains next week. With the managed money short estimated at 50,000 contracts in Chicago and length in Kansas City and Minneapolis close to 30,000 contracts the wheat market is pretty well balanced compared to the 100,000 contract short in Chicago just two weeks ago. The market rallied 36 1/4 cents in five trading days on short covering.

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

A back and fill trade going into the option expiration next Friday along with first notice on the 27th seems likely. When looking at the March wheat option open interest profile, the March 430 call has the largest open interest of all the call strikes with 13,000 contracts. The March 420 puts have the second largest open interest for puts at 9,500 contracts. Futures markets have a tendency to drift to the larger open interest strikes as you get closer to expiration. Traders could buy the March 440 puts for 2 1/2 cents looking for a break down to 430 or lower next week. Support levels for March wheat include 439 1/2 and 434 1/2.

#### **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) 02/15/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 455. The next area of resistance is around 452 1/4 and 455, while 1st support hits today at 446 3/4 and below there at 443 3/4.

KC WHEAT (MAR) 02/15/2017: Momentum studies are trending higher but have entered overbought levels. 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 target is 470 1/4. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 468 and 470 1/4, while 1st support hits today at 462 1/2 and below there at 459.

MINN WHEAT (MAR) 02/15/2017: 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. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 572 1/2. The next area of resistance is around 570 1/2 and 572 1/2, while 1st support hits today at 566 and below there at 563 3/4.

RICE (MAR) 02/15/2017: 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 negative as the close remains below the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 9.559. The next area of resistance is around 9.489 and 9.559, while 1st support hits today at 9.380 and below there at 9.340.

#### **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	374 1/4	65.02	62.27	83.18	88.32	373.44	369.94	367.24	360.86	359.21
CNAZ7	399 1/2	64.74	61.67	86.52	91.47	398.50	396.33	394.03	388.80	387.57
SSAH7	1045	49.94	51.33	59.32	64.98	1052.19	1045.61	1046.24	1034.58	1036.05

SSAX7	1023	53.39	53.89	73.56	76.70	1026.56	1022.14	1020.57	1011.36	1012.81
SMAH7	339.5	53.92	55.24	51.13	58.33	340.80	337.61	339.30	328.66	327.03
BOAH7	34.14	40.96	41.60	44.59	47.76	34.40	34.39	34.47	35.29	35.68
WHAH7	449 1/2	67.06	63.64	81.53	86.97	448.56	438.31	431.86	421.57	419.42
WHAN7	475 1/2	67.03	63.84	80.15	88.04	474.00	463.67	458.68	448.02	446.10
RCAH7	9.435	37.31	39.56	22.10	22.42	9.49	9.50	9.63	9.70	9.76
KWAH7	465 1/4	72.62	67.71	77.00	89.01	460.94	449.44	443.47	432.07	428.63
MWAH7	568 1/4	58.33	57.25	55.76	69.35	570.00	563.06	561.15	553.49	547.88
OTAH7	254	53.00	56.14	53.52	52.08	254.44	256.03	255.06	240.93	236.08

Calculations based on previous session. Data collected 02/14/2017

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	372	373	374 1/4	375 1/2	376 1/2
CNAZ7	Corn	396	398	399	401	402
SSAH7	Soybeans	1033 1/2	1038 1/4	1047	1051 3/4	1060 1/2
SSAX7	Soybeans	1013	1018	1023	1028	1033
SMAH7	Soymeal	335.4	336.9	340.4	341.9	345.4
BOAH7	Soybean Oil	33.51	33.85	34.08	34.42	34.65
WHAH7	Wheat	443 1/2	446 1/2	449 1/4	452 1/2	455
WHAN7	Wheat	470	472 3/4	475 1/2	478 1/4	481
RCAH7	Rice	9.340	9.379	9.450	9.489	9.559
KWAH7	KC Wheat	459	462 1/2	464 3/4	468	470 1/2
MWAH7	MINN Wheat	563 1/2	566	568	570 1/2	572 1/2
OTAH7	Oats	250 1/2	252 1/4	254	255 3/4	257 1/2

Calculations based on previous session. Data collected 02/14/2017

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