



DAILY GRAINS COMMENTARY Friday February 17, 2017

DAILY SOY COMPLEX COMMENTARY 02/17/17

Market may be starting to absorb or react to bearish news

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -6.6, BEAN OIL -0.5, SOYMEAL -1.3**

OVERNIGHT DEVELOPMENTS: March soybeans are trading down 7 1/2 cents this morning and down to a 9-session low. China futures were down 1% overnight. Palm oil futures in Malaysia were down 2.4% and fell to the lowest level since November 18th. Global equity markets saw a negative shift in risk appetites overnight but the weakness seemed to be mere profit taking/technical balancing instead of some disconcerting story line. The Asian session was relatively quiet while the European session was highlighted by January UK retail sales that showed a 0.3% downtick from December's +4.3% year-over-year reading. The North American session will feature the January leading indicator report which is forecast to see a minimal downtick from December's +0.5% reading.



NEAR-TERM MARKET FUNDAMENTALS: A close today under close-in support for May soybeans at 1045 would sour the technical outlook and could spark a round of long liquidation selling into next week. The Brazilian Real weakened by almost 1.0% yesterday after reversal-type action and could have initiated some fresh selling from Brazilian producers. The drier weather pattern in Brazil has accelerated harvest progress in most areas, while Argentina will see a more active weather pattern next week that should maintain high corn and soybean yields. The Rosario Grains Exchange left their Argentine soybean crop production unchanged at 54.8 million tonnes. They rated their crop at 75% good to excellent, down from 77% last week. So far, South American weather has cooperated and there have been many analysts who are starting to talk about a 107 to 109 million tonne Brazilian crop from 104 mmt from the USDA. Remember, US yields jumped nearly 11% from trendline yield last year with the new high-yielding soybean seed. There are estimates that nearly 40% to 50% of Brazilian producers used similar seeds this year. The trend for the Brazilian crop size is definitely going up from the USDA's 104.0 million tonne crop.

The bird flu story in China is starting to become a bigger issue for the trade as Chinese crush margins have turned negative and chicken broiler prices are at ten-year lows, down nearly 30% on the year. The open interest went up 8,839 contracts on Wednesday and has increased 92,000 contracts since the start of the year. The managed money traders could have increased their net long by 10,000 to 15,000 contracts for today's COT report. That would put them long 160,000 to 165,000 contracts. Weekly export sales came in at 890,000 tonnes for the current marketing year and 207,400 for the next marketing year for a total of 1,097,400 compared to estimates of 450,000 to 900,000 tonnes. As of February 9th, cumulative soybean sales stand at 92.7% of the USDA forecast. Meal sales came in at 121,300 tonnes and oil sales came in at 9,900 tonnes.

TODAY'S MARKET IDEAS:

The market shrugged-off any bearish news all week as fresh speculative money plows into the long side but with the weakness overnight, bird flu demand issues in China and higher than expected production in South America, the market looks vulnerable to a correction. Close-in resistance for May soybeans is at 1056 1/4 with 1030 1/2 and 1012 3/4 as key support. May meal resistance is at 350.40 with 327.20 as key support. The move under the January lows for May oil leaves 32.98 as next 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.

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) 02/17/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 1068 1/2. The next area of resistance is around 1054 and 1068 1/2, while 1st support hits today at 1033 1/2 and below there at 1027 3/4.

SOYBEAN OIL (MAR) 02/17/2017: A crossover down in the daily stochastics is a bearish signal. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 33.05. The next area of resistance is around 33.82 and 34.26, while 1st support hits today at 33.22 and below there at 33.05.

SOYMEAL (MAR) 02/17/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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 daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 353.1. The next area of resistance is around 346.6 and 353.1, while 1st support hits today at 337.4 and below there at 334.6.

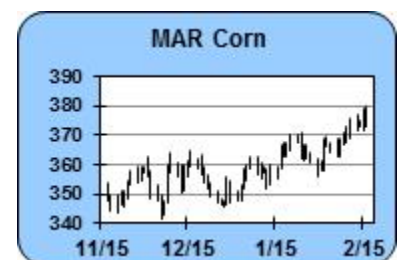
DAILY CORN COMMENTARY

02/17/17

Weak technical action from overbought level; big supply to absorb

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CORN -3.0

OVERNIGHT DEVELOPMENTS: March corn is trading 3 1/4 cents lower this morning. China futures were down 0.9% overnight. Outside market forces look slightly negative with a firm dollar and weak energy.



NEAR-TERM MARKET FUNDAMENTALS: The hook reversal with follow-through selling overnight to confirm a high is a bearish technical development and the reversal is coming from a short-term overbought condition. All three markets (corn, wheat and soybeans) saw reversal action with corn making a new seven month high before falling. The open interest went up 53,077 contracts on Wednesday on macro re-inflate type buying, and open interest is now up 284,000 contracts since the beginning of the year. The 30 and 90 day forecasts from NOAA showed a warmer than normal trend for most of the corn and soybean belt for the months of March, April and May. Precipitation looks to be mostly normal in the US for the same period, which should promote early field work as well as early plantings. The Rosario Grains Exchange left their Argentine corn crop forecast unchanged at 37.0 million tonnes with 75% of the crop rated in very good to excellent condition. The USDA is at 36.5 mmt.

The USDA chief economist left the 10 year baseline supply & demand numbers unchanged from November, with corn plantings for 2017-18 at 90.0 million acres and using a 170.8 yield. Their ending stocks figure is at 2.298

billion bushels or 16.2% stocks to usage. If planted acres are down 4.5 million, and yield comes in at the 20-year trend of 167.2 bushels/acre (down just 4.2% from last year's record), and we assume lower demand due to a much larger South American crop (exports down 325 million bushels), ending stocks come in at 1.802 billion bushels from 2.320 billion this season. This is a stocks/usage ratio of 12.5% which would be a 4-year low. Weekly export sales for corn came in at 783,500 metric tonnes for the current marketing year and 285,200 for the next marketing year for a total of 1,068,700 tonnes versus the average estimates of 850,000 to 1.2 million tonnes.

TODAY'S MARKET IDEAS:

The slow stochastics have crossed and given the market a sell signal from some very overbought levels. The massive open interest influx has the market at lofty levels given the South American crop potential (up 28% from last year) and the recent concerns with bird flu in China. Traders might consider buying one April 380 put and sell 2 April 355 puts for a cost of 5 1/4 cents. Resistance for May corn is at 383 1/4 with 372 3/4 and 368 1/4 as initial key support levels.

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) 02/17/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is 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 close below the 1st swing support could weigh on the market. The next downside target is 368. The next area of resistance is around 377 and 382, while 1st support hits today at 370 and below there at 368.

DAILY WHEAT COMMENTARY

02/17/17

Short-term peak in place due to overbought status

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -3.6

OVERNIGHT DEVELOPMENTS: March wheat is down 3 3/4 cents this morning. Outside market forces look slightly negative. Matif futures are down 0.7%. Morocco bought 263,636 tonnes of wheat from the EU.



NEAR-TERM MARKET FUNDAMENTALS: The market put in a very bearish outside day lower close yesterday from a seven month high. Solid export sales figures supported the trade early, as well as the release of longer term forecasts from NOAA that showed a warmer trend in the 90 day forecast for most of the soft and hard wheat areas. The market closed at 447 3/4, down 7 cents on the day and down 16 1/2 cents from the highs. Minneapolis and Kansas City markets were also down hard with Minneapolis down 17 3/4 cents and Kansas City down 11 1/4 cents. The rally has been led by short covering in Chicago over the last few days, but seems like a large portion has been covered. Open interest is down 36,000 contracts since February 1st. Egypt is tendering for wheat today for March 16th-26th shipment. Weekly export sales came in at 569,100 tonnes for the current marketing year and 19,500 for the next marketing year for a total of 588,600 tonnes versus estimates of 350,000 to 550,000 tonnes. As of February 9th, cumulative wheat sales stand at 86.0% of the USDA forecast versus a 5 year average of 83.8%.

TODAY'S MARKET IDEAS:

The February rally has been short covering, along with new "high priced" macro length. The wheat story is unfolding with lower acres and possibly some longer term dry weather issues. But the action and the charts lean to a correction in the near term. Traders who bought the March 445 puts and March 440 puts should look to liquidate on a trade to 430 or lower in March futures. March wheat close-in resistance is at 454 with 438 1/2 and 432 1/2 as support. July wheat resistance is at 478 3/4 with 462 1/2 and 454 1/4 as key support levels.

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) 02/17/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 432 1/4. The next area of resistance is around 457 1/4 and 470 1/4, while 1st support hits today at 438 1/4 and below there at 432 1/4.

KC WHEAT (MAR) 02/17/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. A negative signal was given by the outside day down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The near-term upside target is at 480 1/4. The next area of resistance is around 467 1/4 and 480 1/4, while 1st support hits today at 448 3/4 and below there at 443.

MINN WHEAT (MAR) 02/17/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 535 1/4. The next area of resistance is around 559 3/4 and 573, while 1st support hits today at 540 3/4 and below there at 535 1/4.

RICE (MAR) 02/17/2017: The market was pushed to a new contract low. Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 9.219. The next area of resistance is around 9.407 and 9.488, while 1st support hits today at 9.273 and below there at 9.219.

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	373 1/2	57.78	58.26	85.89	85.23	375.50	372.11	367.96	361.57	360.03
CNAZ7	399	58.21	58.28	88.77	87.82	400.19	397.94	394.58	389.33	388.26
SSAH7	1043 3/4	48.31	50.14	65.92	69.04	1051.06	1050.14	1045.11	1034.89	1037.78
SSAX7	1024	51.99	53.09	78.29	80.56	1027.13	1025.47	1020.81	1011.61	1014.02

SMAH7	342.0	55.11	55.98	60.72	66.45	342.90	340.22	339.12	329.67	327.98
BOAH7	33.52	31.32	35.34	41.32	34.73	33.94	34.28	34.31	35.14	35.66
WHAH7	447 3/4	60.72	60.13	83.62	81.72	451.06	442.50	434.14	423.10	420.38
WHAN7	473 3/4	61.03	60.41	83.49	82.45	477.00	467.75	460.56	449.69	446.96
RCAH7	9.340	31.75	35.87	19.02	15.09	9.41	9.46	9.58	9.67	9.75
KWAH7	458	58.56	59.22	82.60	83.21	464.81	454.25	445.67	434.27	429.81
MWAH7	550 1/4	37.14	43.35	57.82	51.68	564.31	562.94	560.35	554.49	549.00
OTAH7	255 3/4	56.05	57.22	50.92	50.40	253.75	255.19	254.14	242.07	236.55

Calculations based on previous session. Data collected 02/16/2017

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	368	370	375	377	382
CNAZ7	Corn	394 1/4	396	400	402	405 3/4
SSAH7	Soybeans	1027 1/2	1033 1/2	1048	1054	1068 1/2
SSAX7	Soybeans	1011 3/4	1017	1025 3/4	1031	1039 3/4
SMAH7	Soymeal	334.5	337.3	343.8	346.6	353.1
BOAH7	Soybean Oil	33.04	33.21	33.65	33.82	34.26
WHAH7	Wheat	432 1/4	438 1/4	451 1/4	457 1/4	470 1/4
WHAN7	Wheat	459 1/2	465	477	482 1/2	494 1/2
RCAH7	Rice	9.218	9.272	9.353	9.407	9.488
KWAH7	KC Wheat	442 3/4	448 1/2	461 1/2	467 1/2	480 1/4
MWAH7	MINN Wheat	535	540 3/4	554	559 3/4	573
OTAH7	Oats	247	251 3/4	255	259 3/4	263

Calculations based on previous session. Data collected 02/16/2017

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