



DAILY GRAINS COMMENTARY Wednesday February 22, 2017

DAILY SOY COMPLEX COMMENTARY 02/22/17

Some areas of S America are too wet but big crop coming

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +3.2, BEAN OIL +0.3, SOYMEAL +0.3

OVERNIGHT DEVELOPMENTS: March soybeans are trading up 4 cents this morning. China futures were down 0.9% this morning and down to the lowest level since January 26th. Palm oil bounced 0.9% after falling 9.3% in the previous four sessions. Global equity markets were mostly higher overnight with the RTS Index and the MICEX measures bucking the trend and trading lower. The Asian session saw a January reading on the Chinese house price index which on the whole showed ongoing price gains but within the report cities like Shanghai and Shenzhen saw minor declines. The European session started out with a January reading on Italian CPI that showed a somewhat surprisingly strong +0.3% rise from December's level. The market also saw the February IFO survey of German business climate that was expected to come in at 109.5 but instead it rose to 111.0. Fourth quarter UK GDP was expected to hold steady on a month over month basis but it was revised slightly higher from the initial estimate. The highlight of the European session was the January Euro zone CPI which seemed a little weak at -0.8% but some Press outlets were suggesting that the year over year gain of +1.8% leaves the Euro zone clear of the deflation moniker. January existing home sales are forecast to see a modest uptick from December's 5.49 million annualized rate.



NEAR-TERM MARKET FUNDAMENTALS: The USDA Ag Forum will release a new 2017 planted area estimate early Thursday morning, which should have a better pulse as to the producer intentions than the recent 10 year baseline figures which came in at 85.5 million. A Bloomberg survey of analysts and trading companies showed an average estimate of 88.3 million acres with a range of 86.5 to 92.5. Using the average estimate and assuming a set-back in exports, ending stocks come in at 575 million bushels from 420 this season and 197 million last year. China continues to struggle with the bird flu outbreak with news of 304 new laboratory-confirmed human infections between January 19th to February 14th along with 36 deaths according to the World Health Organization. This could hurt poultry margins and reduce meal demand. May soybeans reversed early gains and closed moderately lower on the session yesterday and down 17 1/2 cents from the overnight highs.

The managed money traders increased their net long position in soybeans by 20,354 contracts to 170,668 contracts as of February 14th. The managed money net long position for soybeans, soybean oil and soybean meal is at 305,873 contracts combined, almost eclipsing the 328,000 combined contract long from June 14th 2016. Brazil's harvest progress has reached 25% as of February 17th compared to the five year average of 17%. The number one producing state of Mato Grosso is sharply ahead with 52% harvested compared to 30% normal, with yields continuing to impress and output seen at a record for the state. Weekly export inspections for soybeans came in at 1,076,390 tonnes versus estimates of 1.1 to 1.3 million. As of February 16th, cumulative soybean export inspections for the 2016-17 marketing year have reached 76.5% of the USDA forecast versus a 5 year average of 76.8%. May soybeans closed below the 50 day moving average at 1044 1/2 for the second consecutive day. Some areas are suffering from too much rain for the harvest season. The market is long and the recent break has some key technical levels just below. The 100 day moving average for May soybeans is at 1028 and the 200 day is at 1020 1/4. Recent buyers will be watching these areas closely.

TODAY'S MARKET IDEAS:

Close-in selling resistance for May soybeans is at 1046 1/2 followed by 1050 3/4. May soybean support is at 1028 followed by 1023 1/4. Look for break to at least 1012 3/4. The advancing Brazil harvest, an overbought condition basis the COT report and the demand concerns out of China are all seen as factors which could spark long

liquidation selling ahead. May meal selling resistance is at 346.20 with 327.20 as key support. Consider selling meal or soybeans on any bounce.

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) 02/22/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 1012 1/4. The next area of resistance is around 1035 1/2 and 1049 1/4, while 1st support hits today at 1017 and below there at 1012 1/4.

SOYBEAN OIL (MAR) 02/22/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 32.08. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 33.01 and 33.43, while 1st support hits today at 32.33 and below there at 32.08.

SOYMEAL (MAR) 02/22/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. A negative signal was given by the outside day down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 332.5. The next area of resistance is around 340.5 and 345.0, while 1st support hits today at 334.3 and below there at 332.5.

DAILY CORN COMMENTARY

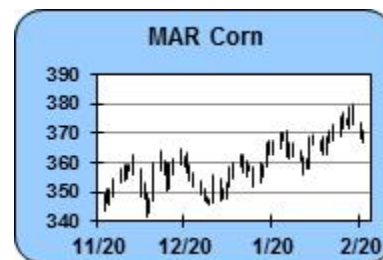
02/22/17

Still operating under negative tech influence of Feb 16 reversal

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +1.4

OVERNIGHT DEVELOPMENTS: March corn is trading 1 1/4 cents higher this morning. Outside market forces look a bit negative with a firm US dollar and weaker energy markets. South Korea bought 55,000 tonnes of US corn.



NEAR-TERM MARKET FUNDAMENTALS: The USDA Ag Forum will release their updated acreage estimates early Thursday morning with last week's USDA baseline projection showing corn acres at 90.0 million. A Bloomberg survey of analysts and trading companies showed an average estimate of 90.8 million acres with a range of 89 to 92.5. Using the average estimate and assuming a set-back in exports and the 20-year trend yield, ending stocks come in at 2.003 billion bushels from 2.32 billion this season and 1.737 billion last year. Yesterday, exporters announced the sale of 269,000 tonnes of US corn to Japan along with 111,000 tonnes of corn to unknown destination which helped to support prices. Also, a letter from President Trump to the president of the

Renewable Fuels Association Bob Dinneen confirming support from the administration to the renewable fuels industry also supported corn prices.

Some isolated 2 to 4 inch rains in central Argentina may have caused some minor flooding issues but for the most part, the rain event over the weekend in Argentina was viewed as beneficial. Brazil plantings are also well ahead of last year's pace and there are no weather concerns so far. The managed money trader increased their net long position in corn by 56,527 in just one week as of February 14th to a total of 85,360 contracts. Weekly export inspections for corn came in at 1,152,233 tonnes compared to average estimates of 1.1 to 1.3 million tonnes. As of February 16th, cumulative corn export inspections for the 2016-17 marketing year have reached 43.2% of the USDA forecast versus a 5 year average of 40.0%.

TODAY'S MARKET IDEAS:

The market will want to see the USDA Ag Forum acreage numbers on Thursday which could help the recent buyers with a healthy reduction in corn planted area. On the other hand a 1 to 3 million acre reduction will not move the needle enough for the fresh longs in the market. Resistance for May corn is at 380 1/4 followed by 382. Support is at 369 3/4 and at 365 1/2.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May Corn from 367 with an objective of 359 3/4. Also long 2 May Corn 400 calls for a net cost of 3 1/2 cents each.

CORN TECHNICAL OUTLOOK:

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CORN (MAR) 02/22/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market tilt is slightly negative with the close under the pivot. The next downside target is 364 3/4. The next area of resistance is around 371 1/4 and 373, while 1st support hits today at 367 1/4 and below there at 364 3/4.

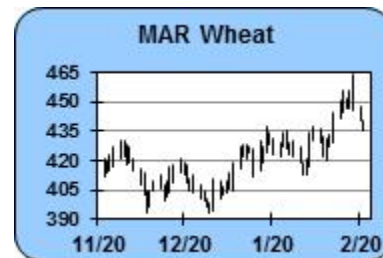
DAILY WHEAT COMMENTARY

02/22/17

Small acreage base; March weather more important than normal

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT +3.0

OVERNIGHT DEVELOPMENTS: March wheat is up 1 1/2 cents this morning. Outside market forces look slightly negative with a firm US dollar. Matif futures are up 0.9% this morning. Traders await results of the Egypt wheat tender.



NEAR-TERM MARKET FUNDAMENTALS: The USDA Ag Forum will release their updated acreage estimates early Thursday morning with last week's USDA baseline projection showing what acres at 48.5 million. A Bloomberg survey of analysts and trading companies showed an average estimate of 46.45 million acres with a range of 41.3 to 52. Using the average estimate and a 20-year trend yield, ending stocks come in at 1.005 billion bushels from 1.139 billion this season and 967 million last year. In the last three days, the market has fallen 27 1/4 cents, almost 6.0%, from last Thursday's high of 477. Friday's COT report showed the managed money traders reduced their net short position by 42,500 contracts and are now short 40,047 contracts as of February 14th. This is the smallest net short that trend following money managers have held since November 2015. The

managed money net short position in Chicago is at 40,047 contracts, when you factor in the Kansas City and Minneapolis markets (long 27,425 and 15,336 contracts, respectively) they really are a small net long via the inter-market spread.

SovEcon has cut the Russian wheat export estimate to 26.6 million tonnes for 2016-17 down 5.0% from the previous estimate of 27.9 million tonnes. Egypt's purchase of 360,000 tonnes of wheat on Friday included 4 cargoes of Russian wheat at an average price of \$207.25 C&F, and was the highest price Egypt has paid for Russian wheat in 15 months. Egypt's GASC is seeking to buy wheat for March 25th to April 4th shipment in a tender today. Weekly export inspections for wheat came in at 558,252 tonnes compared to estimates of 350,000 to 550,000 tonnes. As of February 16th, cumulative wheat export inspections for the 2016-17 marketing year have reached 65.9% of the USDA forecast versus a 5 year average of 69.3%.

TODAY'S MARKET IDEAS:

Going into the spring weather season, with record low acreage, pressing the market below the 430 level in the May is not advisable. While the upside also looks somewhat limited, weather is always a wildcard. Support in May wheat is seen at 441 1/2 followed by 433. Traders could look to buy one May 440 call and sell 2 May 490 calls at 5 3/4 cents. The 1x2 spread settled at 8 5/8 cents, so look to buy the spread on a test of retracement support between 433 and 441 1/2. Position trade buyers might wait for a set-back to key support levels at 454 1/2 or 446 1/2 for July wheat.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

WHEAT TECHNICAL OUTLOOK:

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WHEAT (MAR) 02/22/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside objective is 431 1/4. The next area of resistance is around 438 3/4 and 442 1/2, while 1st support hits today at 433 1/4 and below there at 431 1/4.

KC WHEAT (MAR) 02/22/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 next downside target is 447 3/4. The next area of resistance is around 454 3/4 and 458, while 1st support hits today at 449 3/4 and below there at 447 3/4.

MINN WHEAT (MAR) 02/22/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 536 1/4. The next area of resistance is around 544 1/2 and 549 1/2, while 1st support hits today at 538 and below there at 536 1/4.

RICE (MAR) 02/22/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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. 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 target is at 9.578. The next area of resistance is around 9.502 and 9.578, while 1st support hits today at 9.358 and below there at 9.289.

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 1/4	49.55	52.53	76.03	65.31	372.44	372.69	368.40	361.89	360.38
CNAZ7	395 3/4	50.17	52.78	78.62	68.01	397.94	398.14	394.88	389.57	388.54
SSAH7	1026 1/4	39.51	43.94	57.12	45.16	1040.94	1047.92	1042.06	1034.55	1037.64
SSAX7	1014 1/2	43.57	47.46	72.69	64.95	1022.75	1025.06	1019.76	1011.53	1014.13
SMAH7	337.4	47.19	50.74	57.05	50.73	341.48	341.14	338.60	330.56	328.37
BOAH7	32.67	22.56	28.68	28.96	16.57	33.26	33.92	34.06	34.95	35.58
WHAH7	436	47.46	51.34	73.44	61.02	444.88	445.14	435.57	424.02	420.75
WHAN7	464 1/4	49.37	52.68	74.56	63.66	471.63	470.94	461.85	450.84	447.33
RCAH7	9.430	42.76	42.12	17.74	19.17	9.37	9.45	9.52	9.64	9.73
KWAH7	452 1/4	51.49	54.52	76.61	68.88	458.94	457.94	447.28	435.89	430.51
MWAH7	541 1/4	30.47	38.15	40.70	21.96	551.44	560.36	558.64	554.68	549.62
OTAH7	252 1/2	48.49	52.54	51.25	49.48	253.88	254.14	253.72	243.11	237.43

Calculations based on previous session. Data collected 02/21/2017

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 3/4	367	369	371 1/2	373 1/4
CNAZ7	Corn	391 1/4	393 3/4	395 1/4	397 3/4	399 1/4
SSAH7	Soybeans	1012 1/4	1017	1030 3/4	1035 1/2	1049 1/4
SSAX7	Soybeans	1002 1/2	1007	1017 1/2	1022	1032 1/2
SMAH7	Soymeal	332.4	334.2	338.7	340.5	345.0
BOAH7	Soybean Oil	32.07	32.33	32.75	33.01	33.43
WHAH7	Wheat	431 1/4	433	437	439	442 3/4
WHAN7	Wheat	459 3/4	461 1/2	465	467	470 1/4
RCAH7	Rice	9.288	9.357	9.433	9.502	9.578
KWAH7	KC Wheat	447 3/4	449 1/2	453	455	458 1/4
MWAH7	MINN Wheat	536	538	542 3/4	544 1/2	549 1/2
OTAH7	Oats	247 1/2	249 1/2	253 1/2	255 1/2	259 1/2

Calculations based on previous session. Data collected 02/21/2017

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

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