



**DAILY SOY COMPLEX COMMENTARY**  
02/23/17

**USDA first look at acreage due soon; Brazil crop still larger?**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -3.2, BEAN OIL -0.1, SOYMEAL -0.7



**OVERNIGHT DEVELOPMENTS:** May soybeans are trading down 3 3/4 cents this morning. China futures were down slightly this morning and pushed down to the lowest level since January 25th. Palm oil closed 1% lower this morning and pushed down to the lowest level since November 4th. Global equity markets were mixed overnight with Asian/Pacific Rim and Russian markets weaker while early European and US markets were positive. The Asian session was relatively quiet with a January reading on the Japanese leading economic indicators which came in at 104.8 down from 105.2. The European session was highlighted by fourth quarter German GDP that showed some improvement but that was offset by a slightly lower than targeted German GfK Consumer Confidence result. December Italian retail sales were expected to hold steady but instead they fell 0.5 versus a forecasts of +0.2%. The North American session will start out with initial jobless claims that are forecast to see a modest uptick from the previous 239,000 reading. The Chicago Fed's January national activity index is expected to see a slight downtick from December's 0.14 reading. The Kansas City Fed's February manufacturing index will be released later in the morning.

**NEAR-TERM MARKET FUNDAMENTALS:** While there are some concerns with too much rain for parts of Brazil, news from Agroconsult that Brazil soybean production should reach 108 million tonnes from 105.3 million previous (104 USDA), and that Brazil exports should reach 61 million tonnes as compared with the USDA at 59.5 million is a bearish development. The weather in Brazil has a drier trend for the rest of the week which should accelerate harvest progress rapidly. According to shipping agents in Brazil, they have already shipped 3.8 million tonnes of soybeans in the month of February with another 3.0 million booked for export in this month. That would be 2.9 million tonnes ahead of last February's pace if realized. The Dalian soybean and soybean meal markets were both lower yesterday with China continuing to struggle with the bird flu outbreak. There are reports of 304 new laboratory-confirmed human infections from January 19th to February 14th along with 36 deaths according to the World Health Organization. This could hurt poultry margins and reduce meal demand. The open interest in soybeans went down 9,049 contracts Tuesday with long liquidation evident.

The USDA Ag Forum will release a new 2017 planted area estimate this 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. Reuters average was 87.6 million acres. Using a twenty year average yield of 47.7 bushels per acre and assuming a setback in exports, ending stocks come in at 575 million bushels from 420 this season and 197 million last year.

**TODAY'S MARKET IDEAS:**

May soybeans closed poorly with the market nervous over a potential surprise acreage number from the annual Outlook Forum. Soybean option volatility has been up the past two days with put buying noted. 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. Close-in selling resistance for May soybeans is at 1044 1/4 with support seen at 1024. Look for break to at least 1012 3/4. May meal selling resistance is at 344.20 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 (MAY) 02/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 1026 1/4. The next area of resistance is around 1038 1/4 and 1045, while 1st support hits today at 1028 3/4 and below there at 1026 1/4.

SOYBEAN OIL (MAY) 02/23/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 target is 32.59. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 33.24 and 33.56, while 1st support hits today at 32.76 and below there at 32.59.

SOYMEAL (MAY) 02/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 336.7. The next area of resistance is around 341.2 and 343.5, while 1st support hits today at 337.8 and below there at 336.7.

**DAILY CORN COMMENTARY**

02/23/17

**May need help from USDA Outlook forum to avoid drift lower**

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

**CORN** -0.4

**OVERNIGHT DEVELOPMENTS:** May corn is trading 1/2 of a cent lower this morning. Outside market forces look positive with a jump in gold and energy markets.



**NEAR-TERM MARKET FUNDAMENTALS:** Cheaper supplies from Brazil and Argentina in the near future are starting to get the attention of world buyers. Agroconsult consultancy estimated the Brazilian corn crop at 93 million tonnes versus the USDA estimate of 86.5 million. They also see Brazil's corn exports at 28 million tonnes compared to 14 million last year. Agroconsult's Argentine corn production estimate is at 37 million tonnes compared to the last USDA estimate of 36.5 million. The USDA announced a cancellation of 136,000 tonnes of optional origin corn sold to South Korea yesterday. With February coming to a close next week, the February spring crop insurance price for corn is at 386, compared to 385 last year. This compares to 1021 this year for soybeans versus 885 last year. The open interest in corn went down 12,176 contracts on Tuesday, but is still up 130,056 contracts since the beginning of February. 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 continues to support corn prices.

The USDA Ag Forum will release their updated acreage estimates this 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 89.0 to 92.5 million. The Reuters average estimate came in at 91 million. Using the average estimate and assuming a set-back in exports and the 20-year trend yield of 167.2 bushels per acre, ending stocks come in at 2.003 billion bushels from 2.32 billion this season and 1.737 billion last year.

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

The market found support due to the USDA annual outlook forum with a surprise being a lower acreage number than what the trade is expecting. Option volatility is up and upside call buying has been active. There is plenty of new length in the market, so rallies should be capped against the old highs at 387 1/4 in the May contract. Close-in support is at 373 followed by 369 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:**

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.

CORN (MAY) 02/23/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 374 3/4. The next area of resistance is around 380 and 381 1/2, while 1st support hits today at 376 1/2 and below there at 374 3/4.

#### **DAILY WHEAT COMMENTARY**

02/23/17

#### **USDA to give first estimate on total US acreage**

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

WHEAT -1.0

**OVERNIGHT DEVELOPMENTS:** May wheat is down 1 cent this morning. Outside market forces look supportive. Matif futures are up 0.3% this morning. Traders await Planted acreage estimates from the USDA this morning.



**NEAR-TERM MARKET FUNDAMENTALS:** The market found solid support yesterday tied to Egypt's purchase of 360,000 tonnes of wheat at an average price of \$208.64 per tonne including freight. Five Russian cargoes were sold and one from Ukraine for March 24th to April 4th delivery. This is Egypt's second purchase in as many weeks, with last week's average price at \$207.25 per tonne, more than \$1.00 lower than this week's. MATIF wheat futures closed 0.73% higher yesterday at 172.25 euro. India's 2017-18 wheat production is estimated at a record 96.6 million tonnes compared to 91.0 million in 2016-17, and there is speculation that they may reintroduce the import duty on wheat. The open interest on Tuesday dropped 8,168 contracts. 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 USDA Ag Forum will release their updated acreage estimates this morning with last week's USDA baseline projection showing wheat acres at 48.5 million. A Bloomberg survey of analysts and trading companies showed an average estimate of 46.45 million wheat acres with a range of 41.3 to 52.0 million. Using the average estimate and a 20-year trend yield of 47.2 bushels per acre, ending stocks come in at 1.005 billion bushels from 1.139 billion this season and 967 million last year.

**TODAY'S MARKET IDEAS:**

May wheat rallied yesterday off of some export news to Egypt and Tunisia and further short covering prior to the USDA February annual outlook which will give the market fresh acreage numbers today as well as new supply/demand outlook on Friday morning. We still think wheat is range bound with support in May wheat seen at 441 1/2 followed by 433. July wheat key support is back at 454 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 (MAY) 02/23/2017: 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. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 447. The next area of resistance is around 460 and 463, while 1st support hits today at 452 and below there at 447.

KC WHEAT (MAY) 02/23/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is now at 462 1/2. The next area of resistance is around 475 and 477 1/4, while 1st support hits today at 467 1/2 and below there at 462 1/2.

MINN WHEAT (MAY) 02/23/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 547 1/4. The next area of resistance is around 554 1/2 and 556 1/2, while 1st support hits today at 550 and below there at 547 1/4.

RICE (MAY) 02/23/2017: 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 close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 9.873. The next area of resistance is around 9.812 and 9.873, while 1st support hits today at 9.598 and below there at 9.444.

**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>										
CNAK7	378 1/4	52.78	54.62	71.56	60.71	377.81	380.11	376.22	369.19	367.54
CNAZ7	397 1/4	53.61	54.85	73.56	63.42	396.56	398.11	395.24	389.82	388.70
SSAK7	1033 1/2	37.91	42.94	49.89	32.71	1042.19	1054.86	1051.08	1043.65	1046.19
SSAX7	1013 1/2	42.70	46.87	66.29	53.50	1017.56	1023.42	1019.22	1011.47	1014.08

SMAK7	339.5	44.21	49.02	54.54	43.61	342.88	344.82	342.17	334.10	331.51
BOAK7	33.00	24.10	29.62	24.14	13.93	33.23	33.98	34.24	35.11	35.73
WHAK7	456	54.20	55.57	69.03	59.13	455.63	459.94	449.63	437.89	433.94
WHAN7	469 3/4	55.30	56.31	70.06	61.06	469.06	472.47	462.67	451.64	447.62
RCAK7	9.705	45.63	43.72	20.58	27.98	9.64	9.68	9.76	9.88	9.97
KWAK7	471 1/4	58.13	58.74	74.42	67.92	469.25	472.58	461.06	449.06	442.97
MWAK7	552 1/4	41.43	46.15	48.54	31.67	553.00	561.92	558.08	551.37	547.80
OTAK7	252 3/4	58.61	59.19	62.00	57.49	251.56	251.89	249.13	240.03	235.98

Calculations based on previous session. Data collected 02/22/2017

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>						
CNAK7	Corn	374 1/2	376 1/2	378	380	381 1/2
CNAZ7	Corn	394	395 1/2	397 1/4	399	400 1/2
SSAK7	Soybeans	1026	1028 3/4	1035 1/2	1038 1/4	1045
SSAX7	Soybeans	1007 1/2	1010	1014 1/4	1017	1021
SMAK7	Soymeal	336.7	337.8	340.1	341.2	343.5
BOAK7	Soybean Oil	32.58	32.75	33.07	33.24	33.56
WHAK7	Wheat	447	452	455	460	463
WHAN7	Wheat	461 3/4	466	469	473 1/2	476 1/4
RCAK7	Rice	9.443	9.597	9.658	9.812	9.873
KWAK7	KC Wheat	462 1/2	467 1/2	470	475	477 1/2
MWAK7	MINN Wheat	547 1/4	550	552	554 1/2	556 3/4
OTAK7	Oats	248	250 1/2	252 1/2	255	257

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