



DAILY GRAINS COMMENTARY Friday February 24, 2017

DAILY SOY COMPLEX COMMENTARY 02/24/17

USDA first look at ending stocks is unchanged at 420 mil bushels

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
SOY BEANS +3.0, BEAN OIL +0.2, SOYMEAL +0.6**

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 3 1/4 cents this morning. China futures were down 1.7% overnight and pushed down to the lowest level since January 15th. Palm oil closed 0.9% higher this morning. Global equity markets were mostly weaker but the Chinese markets bucked the trend with modest gains. While the Asian session was relatively quiet, the European session started out with a February French consumer confidence reading that held steady with January's reading. February readings on Italian business sentiment improved while consumer confidence showed softening. A private survey of UK mortgage applications showed a slight contraction while lending to non-financial companies reached a 12 month high. The North American session will start out with January Canadian CPI which is forecast to see a modest uptick from December's +1.5% year-over-year rate. January new home sales are expected to see a moderate increase from December's 536,000 annualized rate. A private survey of February consumer sentiment is forecast to see a modest uptick from the previous 95.7 reading.



NEAR-TERM MARKET FUNDAMENTALS: The USDA Outlook Forum released supply/demand tables this morning and showed 2017/18 crush at a record high 1.945 billion bushels and also pushed exports up to a record high 2.125 billion bushels from 2.050 this year and 1.936 billion last year. This leaves ending stocks unchanged at 420 million bushels. With the surge in South America production this year from last year, traders might question the export estimate. May soybeans have closed lower in 7 of the past 8 trading sessions and pushed down to the lowest level since January 12th. The USDA Ag Forum released their working acreage estimate yesterday at 88.0 million acres, which was right on the average estimate of 88.2 million. The total acreage mix from eight crops is down 3.6 million from last year at 249.8 million acres. The trade will anticipate more fringe acres that will go to soybeans, especially with the new crop corn/soybean ratio at 2.56%.

The open interest in soybeans went down 12,904 contracts Wednesday and is down 37,021 contracts since last Thursday's reversal action. The trend following managed money traders are liquidating with more likely to come, as of last Tuesday there net long in soybeans was at 170,668 contracts, and the combined soybeans plus soybean meal plus soybean oil length was over 300,000 contracts. Brazilian soybean estimates continue to rise with Agroconsult consultancy raising their soybean production to 107.8 million tonnes from 105.3 million previous and from 104 mmt from the USDA. The Buenos Aires Grains Exchange left their Argentine production unchanged at 54.8 million tonnes. The Agroindustry Minister of Argentina has trimmed their planted area to 19.45 million hectares from 19.8 million. The export sales estimates for today are 500,000 to 1.0 million tonnes. Today's COT data will be highly anticipated as traders want to see how much liquidation has occurred. As of last Tuesday managed money traders were long 170,668 contracts.

TODAY'S MARKET IDEAS:

The trade may question the outlook for record US exports given the higher than expected Brazil crop. In addition, planted acreage could be boosted up by 1-2 million and if yield comes in at 50, ending stocks surge to a record high. The bottom line is that it is still a "sell rallies" trade, not a "buy breaks" trade. Resistance for May soybeans is at 1041 with 1012 3/4 and 994 3/4 as next 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.

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) 02/24/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 1009 1/2. The next area of resistance is around 1030 3/4 and 1042 1/4, while 1st support hits today at 1014 1/4 and below there at 1009 1/2.

SOYBEAN OIL (MAY) 02/24/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 32.04. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 32.93 and 33.40, while 1st support hits today at 32.25 and below there at 32.04.

SOYMEAL (MAY) 02/24/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 329.9. The next area of resistance is around 338.5 and 343.2, while 1st support hits today at 331.9 and below there at 329.9.

DAILY CORN COMMENTARY

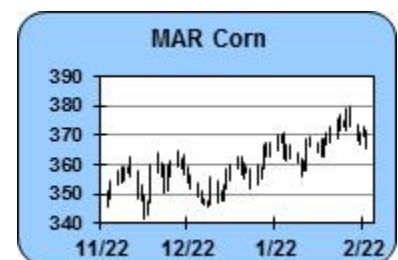
02/24/17

USDA shows big drop in exports and lower feed use ahead

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

CORN +0.6

OVERNIGHT DEVELOPMENTS: May corn is trading unchanged this morning. Outside market forces look positive with a jump in gold and weakness in the US dollar.



NEAR-TERM MARKET FUNDAMENTALS: The USDA Outlook Forum released supply/demand tables this morning and showed 2017/18 ethanol demand up by 50 million bushels at a record high 5.4 billion bushels. However, fusage is down 150 million bushels to 5.45 billion and exports are down 325 million bushels to 1.9 billion. The 14.6% drop in exports is likely due to the outlook for a surge in South America corn production. The weak demand news leaves the preliminary ending stocks forecast at 2.215 billion bushels. May corn traded lower yesterday in sympathy with soybean weakness. Yesterday, the USDA Ag Forum estimated corn acreage at 90.0 million which is the same as the ten year baseline estimate. The average estimate from industry analysts was 90.8 million acres. The Buenos Aires Grains Exchange left their corn production estimate unchanged at 37.0 million tonnes.

The Argentine Ag Minister raised the corn production estimate to 40.0 million tonnes compared to the USDA

estimate of 36.5 million tonnes, they also raised the planted area to 7.3 million hectares from 7.25 million. AgroConsult consultancy estimated their Brazilian corn production at 93.0 million tonnes, up 32% from last year. As Brazilian farmers prepare to plant their 2016-17 safrinha corn crop, the fertilizer purchases for December of last year and January of 2017 have gone up 23.5% from a year ago each month. In February, Conab estimated that the safrinha corn acreage would increase 4.7% to 11.03 million hectares and much of the increase in fertilizer will be used for the second crop. The open interest in corn went down 6,249 contracts on Wednesday and is down 26,919 contracts over the last four trading days. Ethanol production for the week ending February 17th was 7.238 million barrels, down 0.58% vs. last week and up 4.02% vs. last year. Corn used is estimated at 108.6 million bushels. Corn use needs to average 98.7 million bushels per week to meet this crop year's USDA estimate. Stocks were 22.669 million barrels and the highest since March 2016. This is up 0.75% vs. last week and down 1.89% vs. last year. The estimates for today's export sales are 750,000 to 1.3 million tonnes. The market has seen long liquidation over the last few days, but the managed money length was only 85,360 contracts as of Tuesday, February 14th. Remember on Wednesday of last week, open interest went up a record 53,077 contracts for the day. Regardless, the speculative length in corn is not nearly as cumbersome as in the soybean complex.

TODAY'S MARKET IDEAS:

With the planting/growing season just ahead, the market should hold some type of weather premium. We feel at these levels it's still a little rich as July corn should find value around 365 to 360. The huge USDA ending stocks estimate of 2.215 billion bushels could be seen as burdensome. Aggressive traders could look to buy the April 370 puts at 4 3/4 cents. May corn resistance is at 377 1/4, with 368 1/4 and 363 3/4 as support.

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 (MAY) 02/24/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 367 1/2. The next area of resistance is around 375 3/4 and 380 3/4, while 1st support hits today at 369 1/4 and below there at 367 1/2.

DAILY WHEAT COMMENTARY

02/24/17

USDA preliminary ending stocks to 3-year low of 905 mil bu

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

WHEAT -1.6

OVERNIGHT DEVELOPMENTS: May wheat is down 2 1/2 cents this morning. Outside market forces look supportive. Matif futures are up slightly.



NEAR-TERM MARKET FUNDAMENTALS: The USDA Outlook Forum released supply/demand tables this morning and showed 2017/18 feed usage and exports down from this year but still ending up with ending stocks falling to 905 million bushels as compared with 1.139 billion this year and 976 million bushels last year. May wheat traded lower yesterday from spillover weakness in soybeans and corn. The market will go into today's trade

down 2 cents on the week. The USDA Ag Forum estimate for wheat acreage was 46.0 million which was below analyst expectations of 46.85 million and provided some early strength in the market but soon faded.

The Argentine Ag Minister raised their wheat production to 18.3 million tonnes, which is above the previous estimate of 16.5 million and well above the last USDA estimate of 15.0 million. Argentina could export 11.0 to 11.5 million tonnes of wheat compared to 8.90 million estimated by the USDA. International Grains Council raised the global grain production estimate to a record 2.102 billion tonnes for the 2016-17. This is up 4.8% compared to last year and is due to bigger crops in Australia and South America. The wheat market continues to see liquidation with open interest down 9,500 contracts yesterday, and over the last five days wheat open interest is down 25,481 contracts. The estimates for today's export sales are 350,000 to 700,000 tonnes.

TODAY'S MARKET IDEAS:

The Ag forum acreage number of 46.0 million is supportive, but with corn and soybeans struggling, wheat will not find independent strength. Traders should look for a break down to support at 454 1/4 to 446 1/4 in the July wheat to initiate a bullish strategy. Look to buy one July 470 call and sell two July 540 calls (1x2 spread) at 5 1/4 cents. Resistance for May wheat is at 457 3/4 with 446 as support.

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) 02/24/2017: 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. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 447 1/2. The next area of resistance is around 457 and 461 1/2, while 1st support hits today at 450 and below there at 447 1/2.

KC WHEAT (MAY) 02/24/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 465 1/2. The next area of resistance is around 474 1/2 and 477 3/4, while 1st support hits today at 468 1/2 and below there at 465 1/2.

MINN WHEAT (MAY) 02/24/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 549 1/2. The next area of resistance is around 555 1/4 and 557 1/4, while 1st support hits today at 551 1/4 and below there at 549 1/2.

RICE (MAY) 02/24/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 9.816. The next area of resistance is around 9.772 and 9.816, while 1st support hits today at 9.668 and below there at 9.607.

DAILY TECHNICAL STATISTICS

CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW	14 DAY SLOW	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
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GRAIN COMPLEX										
CNAK7	372 1/2	42.22	47.35	63.37	46.98	375.69	379.58	376.38	369.41	367.66
CNAZ7	391 3/4	41.73	46.78	65.00	47.88	394.75	397.67	395.38	389.94	388.77
SSAK7	1022 1/2	32.95	39.30	40.49	21.70	1034.13	1050.53	1049.07	1042.94	1045.56
SSAX7	1004 1/2	35.47	41.83	56.94	38.25	1012.69	1021.03	1018.07	1011.13	1013.72
SMAK7	335.2	37.88	44.51	46.46	30.28	340.13	344.00	341.57	334.35	331.64
BOAK7	32.59	20.37	26.68	19.34	9.74	32.93	33.72	34.13	35.01	35.66
WHAK7	453 1/2	51.37	53.70	64.39	55.12	453.69	459.75	450.68	438.59	434.26
WHAN7	467	51.88	54.08	65.77	57.19	467.38	472.47	463.65	452.36	447.90
RCAK7	9.720	47.30	44.73	25.76	36.13	9.67	9.68	9.74	9.87	9.97
KWAK7	471 1/2	58.39	58.90	71.81	66.59	469.38	473.47	462.44	450.06	443.47
MWAK7	553 1/4	43.16	47.17	41.40	27.11	552.31	560.44	557.93	551.64	548.15
OTAK7	252 3/4	58.61	59.19	60.13	56.39	251.88	251.86	249.51	240.63	236.52

Calculations based on previous session. Data collected 02/23/2017

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						
CNAK7	Corn	367 1/4	369	374	376	380 3/4
CNAZ7	Corn	387	388 1/2	393 1/4	395	399 1/2
SSAK7	Soybeans	1009 1/2	1014 1/4	1026	1030 3/4	1042 1/2
SSAX7	Soybeans	993 1/2	997 1/2	1007 1/4	1011 1/2	1021
SMAK7	Soymeal	329.8	331.8	336.5	338.5	343.2
BOAK7	Soybean Oil	32.04	32.25	32.72	32.93	33.40
WHAK7	Wheat	447 1/2	450	454 1/2	457	461 1/2
WHAN7	Wheat	460 3/4	463 1/2	468	470 1/2	475 1/4
RCAK7	Rice	9.606	9.667	9.711	9.772	9.816
KWAK7	KC Wheat	465 1/2	468 1/2	471 3/4	474 1/2	478
MWAK7	MINN Wheat	549 1/2	551 1/4	553 1/2	555 1/4	557 1/2
OTAK7	Oats	250 1/2	251 3/4	252 1/2	253 3/4	254 1/2

Calculations based on previous session. Data collected 02/23/2017

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