



## DAILY GRAINS COMMENTARY Tuesday February 28, 2017

### DAILY SOY COMPLEX COMMENTARY 02/28/17

**Could see recovery bounce if funds buy early in March**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS +3.6, BEAN OIL +0.3, SOYMEAL +1.0**

**OVERNIGHT DEVELOPMENTS:** May soybeans are trading up 3 cents this morning. China futures were up 0.6% overnight. Palm oil closed up 0.6% as well. There were 500 deliveries for first notice day for soybeans, 1,059 oil and 249 meal. Global equity markets were generally lower overnight. The Asian session featured a series of key Japanese economic data points, with January industrial production showing a modest decline and Japanese retail sales forging a third straight month of gains. The European session started out with a stronger than expected February Swiss KOF leading indicator that reached its highest level since 2013. January French CPI came in softer than expected, while Italian CPI readings were expected to see minimal upticks from their December numbers. The North American session will start out with a reading on fourth quarter gross domestic product that is forecast to have a modest uptick from the previous +1.9% annualized rate. January wholesale inventories are expected to see a modest decline from December's 1.0% reading but remain in positive territory. The December Case-Shiller home price index is forecast to hold steady with November's 5.3% year-over-year rate. The Conference Board's February reading on consumer confidence is expected to see a minimal downtick from January's 111.8 reading. The February Chicago PMI and Richmond Fed manufacturing indices will be released during morning US trading hours.



**NEAR-TERM MARKET FUNDAMENTALS:** With the sharp break last week and abnormal weather, the market is vulnerable to a recovery bounce at any time but we see a downtrend into mid-March ahead of the planting season. More and more traders see a jump from the USDA estimates for South America production and a jump in soybean acres from last week's USDA preliminary estimates. May soybeans traded to a low of 1017 yesterday and the lowest level since January 12th before a late recovery bounce. Long liquidation has been the feature over the last ten sessions with the market down in eight of those sessions. The open interest went down 25,991 contracts on Friday and is down 85,634 contracts since February 15th. The managed money category reduced their net long position by 16,361 contracts to 154,307 contracts for the week ending February 21st. As of today, their net long position is estimated at 100,000 contracts.

The late bounce yesterday could have been tied to stories of truck delays on a stretch of highway BR-163 in Brazil. A 19 mile stretch is essentially mud due to excessive rain with the flow of trucks cut to 100 or less per day compared to a normal 800 per day. Brazil's soybean harvest is estimated at 34.3% versus the average of 26%. Chinese soy import activity has slowed with the focus on Brazilian supplies along with bird flu concerns and stagnate crush margins. Weekly export inspections for soybeans came in at 704,945 tonnes from trade expectations for 750,000 to 1.0 million tonnes. As of February 23, cumulative soybean export inspections for the 2016-17 marketing year have reached 77.8% of the USDA forecast versus a 5 year average of 79.1%.

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

The market has liquidated recent length and has held above the 200 day moving average at 1020 1/4 for May soybeans. With month end today, the market is down 12 1/4 cents on the month. Typical new buying that comes with the beginning of a new month is possible later this week but uncertain. Short term traders might consider covering shorts and look to sell a retracement bounce at 1044 1/4 in the May contract. Keep 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 to + \$13.80.

**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) 02/28/2017: 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 market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 1010 1/2. The next area of resistance is around 1028 and 1034 3/4, while 1st support hits today at 1016 and below there at 1010 1/2.

SOYBEAN OIL (MAY) 02/28/2017: 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's close below the pivot swing number is a mildly negative setup. The next downside target is now at 32.11. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 32.88 and 33.12, while 1st support hits today at 32.38 and below there at 32.11.

SOYMEAL (MAY) 02/28/2017: 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. The downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 332.0. The next area of resistance is around 337.5 and 340.0, while 1st support hits today at 333.6 and below there at 332.0.

**DAILY CORN COMMENTARY**

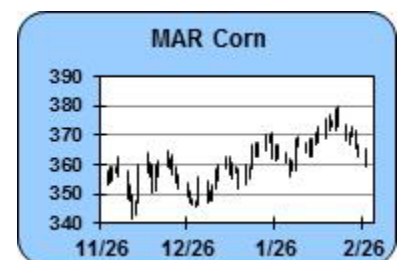
02/28/17

**A bit oversold and fund buyers may emerge early March**

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

**CORN +0.6**

**OVERNIGHT DEVELOPMENTS:** May corn is trading 1 1/4 cents higher this morning. Outside market forces look slightly negative but a weaker dollar is supportive. There were no deliveries for first notice day for March corn.



**NEAR-TERM MARKET FUNDAMENTALS:** The National Weather Service has reported 6,260 new all-time highs from reporting stations this year and only 69 new all-time lows. There does not appear to be any correlation with warm weather early in the year and yield but the warm weather is psychologically supportive. May corn traded lower for the third session in a row yesterday and to the lowest level since February 1st. Favorable forecasts in South America along with the potential for record large crops pressured. The managed money traders increased their net long position by 6,856 contracts to 92,216 contracts as of February 21st. Long liquidation has been noted the last three sessions with open interest down 58,107 contracts on Friday, mostly due to option expiration, but total corn open interest is now down 114,080 contracts since February 15th.

Brazil's safrinha (second) corn crop is 57.3% planted versus 73% planted last year. The USDA Outlook Forum acreage estimate of 90.0 million corn acres is a good working number to start, but the Nov soybean/Dec corn ratio

has rebounded from 2.53 last week to trade as high as 2.58. A further appreciation in this ratio will keep producers on edge, especially with the lackluster corn demand profile the Ag Forum presented the trade last week. Weekly export inspections for corn came in at 1,461,296 tonnes from trade expectations for 900,000 to 1.2 million tonnes. As of February 23rd, cumulative corn export inspections for the 2016-17 marketing year have reached 45.8% of the USDA forecast versus a 5 year average of 42.1%.

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

May corn is up 1 1/4 cents on the month going into the last day of February. Momentum studies are getting a bit oversold with retracement support for May corn at 365 3/4 and the 100 day moving average at 366 1/4. Short term traders could look to buy May corn against these levels looking for a re-test of 374 1/4 to 377 1/4 resistance.

#### **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) 02/28/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 364. The next area of resistance is around 370 3/4 and 374 1/4, while 1st support hits today at 365 3/4 and below there at 364.

## **DAILY WHEAT COMMENTARY**

02/28/17

### **May be too cheap given dry outlook for plains**

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

WHEAT +1.0

**OVERNIGHT DEVELOPMENTS:** May wheat is up 2 1/2 cents this morning. Outside market forces look mixed. Matif futures are up 0.9%. Traders await results in the Egypt tender.



**NEAR-TERM MARKET FUNDAMENTALS:** The wheat market was under significant selling pressure yesterday. Heavy selling in the March contract, with first notice today, caused the March/May calendar spread to lose 3 cents on the day trading out to a -19 3/4 cent carry. The variable storage rate review period ended Friday with the soft red wheat carrying charge remaining unchanged at 11 cents per month. There are 395 contracts registered for delivery, with the market expecting some deliveries. Deliveries came in at 958 for Chicago wheat and 145 for KC wheat. The open interest went down 31,994 contracts on Friday with option expiry noted. Total open interest in wheat is down 60,122 contracts since February 15th. USDA state winter wheat conditions showed Kansas at 43% rated good to excellent (G/EX) in February, down from 44% from January. Nebraska was rated 44% G/EX down from 47% last month, Oklahoma 43% G/EX versus 33% last month, Colorado 40% G/EX versus 36% last month and Montana 51% G/EX versus 70% last month. A bit of a mixed bag, but the theme is that conditions are below year ago levels with a dry outlook for the next two weeks in the Plains.

With the February Outlook Forum numbers behind us, focus has shifted to the export competition out of Australia and Argentina that continues to weigh on prices. Egypt is tendering for wheat for April 1st-10th shipment and this

would be their third tender since February 17th. The previous two tenders were for 360,000 tonnes each and both were dominated by Russian offers. Weekly export inspections for wheat came in at 537,877 tonnes from trade expectations for 350,000 to 550,000 tonnes. As of February 23, cumulative wheat export inspections for the 2016-17 marketing year have reached 67.8% of the USDA forecast versus a 5 year average of 71.1%.

**TODAY'S MARKET IDEAS:**

The managed money trader has reduced their short in Chicago wheat to 27,385 contracts as of February 21st, the lowest short position since November 10th 2015. Their length in Kansas City wheat went up 6,945 contracts to 34,370 contracts and they still remain long 12,316 contracts of Minneapolis wheat. Both May (433) and July (446 1/4) are running into retracement support and should hold these levels. May wheat resistance is at 443 1/2 followed by 450 1/2 with 433 as key support level. July wheat looks set for a bounce with 466 1/2 and 470 3/4 as initial resistance.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long the July Wheat 470/540 bull call spread from 12 1/2 cents with an objective of 29 cents. Risk to 6 cents.

**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) 02/28/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 431 1/4. The next area of resistance is around 443 1/2 and 450 1/2, while 1st support hits today at 434 and below there at 431 1/4.

KC WHEAT (MAY) 02/28/2017: 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 448. The next area of resistance is around 462 1/2 and 470, while 1st support hits today at 451 1/2 and below there at 448.

MINN WHEAT (MAY) 02/28/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 543 1/4. The next area of resistance is around 551 1/4 and 555 1/2, while 1st support hits today at 545 1/4 and below there at 543 1/4.

RICE (MAY) 02/28/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 9.758. The next area of resistance is around 9.687 and 9.758, while 1st support hits today at 9.573 and below there at 9.529.

**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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<b>GRAIN COMPLEX</b>										
CNAK7	368 1/4	35.83	42.63	44.02	24.43	372.44	376.72	376.76	369.89	367.95
CNAZ7	388 3/4	36.33	42.86	45.32	25.26	392.19	395.56	395.76	390.24	388.97
SSAK7	1022	33.38	39.39	26.30	13.79	1025.56	1040.58	1047.92	1042.52	1044.20
SSAX7	1006 1/4	38.06	43.21	41.32	26.82	1007.81	1016.14	1018.53	1011.23	1012.95
SMAK7	335.6	38.86	45.03	32.82	20.34	336.50	341.44	341.34	335.14	331.82
BOAK7	32.63	22.57	27.87	13.37	8.79	32.72	33.27	33.98	34.82	35.50
WHAk7	438 3/4	37.41	43.84	51.62	36.81	449.06	454.94	452.07	439.78	434.83
WHAN7	453 1/4	37.73	44.19	53.73	39.66	463.00	468.22	465.07	453.55	448.43
RCAK7	9.630	38.72	39.90	32.71	37.99	9.68	9.65	9.71	9.86	9.95
KWAK7	457	40.83	47.16	62.99	51.70	466.69	470.28	464.86	451.70	444.33
MWAK7	548 1/4	36.67	42.61	29.61	17.24	551.88	556.14	558.21	552.21	548.62
OTAK7	243	36.17	44.34	49.16	34.37	249.63	250.50	250.40	241.57	237.45

Calculations based on previous session. Data collected 02/27/2017

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	363 3/4	365 1/2	369	371	374 1/4
CNAZ7	Corn	384 3/4	386 1/2	389 1/2	391	394 1/4
SSAK7	Soybeans	1010 1/4	1016	1022 1/2	1028	1034 3/4
SSAX7	Soybeans	996	1001	1006 1/4	1011 1/2	1016 1/2
SMAK7	Soymeal	332.0	333.5	336.0	337.5	340.0
BOAK7	Soybean Oil	32.10	32.37	32.61	32.88	33.12
WHAk7	Wheat	431	434	440 3/4	443 1/2	450 1/2
WHAN7	Wheat	446 1/4	448 3/4	455 1/4	457 3/4	464 1/4
RCAK7	Rice	9.528	9.572	9.643	9.687	9.758
KWAK7	KC Wheat	448	451 1/2	459	462 1/2	470
MWAK7	MINN Wheat	543 1/4	545	549 1/2	551 1/2	555 3/4
OTAK7	Oats	236 3/4	239	244 1/2	247	252 1/4

Calculations based on previous session. Data collected 02/27/2017

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