



## DAILY GRAINS COMMENTARY Thursday March 02, 2017

### DAILY SOY COMPLEX COMMENTARY 03/02/17

#### Impressive short-term buying activity but upside limited

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -3.4, BEAN OIL -0.3, SOYMEAL -0.9

**OVERNIGHT DEVELOPMENTS:** May soybeans are trading down 7 cents this morning. China futures were down 0.7% overnight. Palm oil futures closed up 1.1%. There were 561 deliveries for soybeans this morning to push total for the month to 1,626 contracts. There were 594 oil (2,497 to date) and 253 meal (755 to date). Global equity markets were mixed overnight but the losers outnumbered the winners. The Asian session was relatively quiet with January Australian trade balance data which showed a narrowing of the Australian trade surplus. The European session started out with a fourth quarter reading on Swiss GDP which grew more slowly than was anticipated. The Swiss data was followed by January Italian unemployment which bested expectations with a decline from 12.0% to 11.9%. The February UK construction PMI was expected to hold steady but instead it managed a slight improvement. January Euro zone unemployment was expected to hold steady at 9.6% and it did while PPI was stronger than expected and CPI also showed an expansion over the prior month. The North American session will start out with the February Challenger jobs cuts reading, followed by a weekly reading on initial jobless claims that are expected to see a modest decline from the previous 244,000 reading.



**NEAR-TERM MARKET FUNDAMENTALS:** The rally is impressive as fund traders are quick to jump in the long side at this time of the year but it may be difficult to rationalize a continued strong advance ahead without help from adverse weather. May soybeans settled 16 cents higher yesterday, yet still traded with an inside day. The continued uncertainty on the US bio-fuel program should underpin soybean oil until there is some confirmation of a new plan. Many feel that Trump's America First program falls in nicely with a renewal of the bio-diesel tax credit, which would prohibit foreign imports and could boost US soybean oil demand by 500 plus million pounds. The new month brings new money looking for exposure to commodities and the reflation trade, and yesterday did not disappoint the bull camp. The open interest in soybean went up 11,139 contracts on Tuesday and up 2,805 yesterday. Soybean oil volume was triple the average on Tuesday and open interest went down 3,301 contracts with short covering. One "red flag" on the recent 30 cent rally over the last two days is that the July/November soybean spread settled at +27 1/4 cents on Wednesday, up only 2 1/4 cents since Monday's settlement.

Oil World has estimated the Brazilian soybean production at 105 million tonnes (USDA is at 104 million) and the Argentine soybean crop at 54 million tonnes (USDA is at 55.5 million). Consulting firm Safras & Mercado has estimated the Brazilian soybean harvest at 34.3% complete versus 33.3% last year. There still seems to be concerns about logistics in Brazil with trucks heading to northern ports struggling on a stretch of highway BR-163. There has been talk that as many as 11 soybean shipments were cancelled because of the slow movement. US soybean crush for January came in at 170.62 million bushels which was higher than expected. The cumulative crush of 824.55 million bushels is 42.72% of the current USDA estimate for the year. The average crush pace for this time of year is 43.70%. Traders see weekly sales for today's update near 350,000 to 700,000 tonnes. Growing confidence in global growth and new highs in equity prices has the reflate trade back in favor. While the last half of February was tough for the bull camp, those who held on are being rewarded. That being said, there seems to be hurdles ahead for the bulls as the March 31st plantings could see a 90 million plus soybean acreage number especially with November soybeans ten cents off its highs at 1032 1/4.

#### TODAY'S MARKET IDEAS:

It seems like everyone has forgot that Brazil is on its way to producing 107-109 million tonnes of soybeans versus the USDA estimate of 104 million. The market will probably see another day or two of new money wanting into the

long side. Consider selling May soybeans against resistance levels at 1060 1/4 and 1064 3/4. July meal selling resistance is at 348.90 with 329.30 as longer-term target.

**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 + \$11.40.

**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) 03/02/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 1064 3/4. The next area of resistance is around 1060 1/4 and 1064 3/4, while 1st support hits today at 1043 1/4 and below there at 1030 1/2.

SOYBEAN OIL (MAY) 03/02/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 35.54. The next area of resistance is around 35.25 and 35.54, while 1st support hits today at 34.23 and below there at 33.49.

SOYMEAL (MAY) 03/02/2017: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 335.1. The next area of resistance is around 341.0 and 342.0, while 1st support hits today at 337.6 and below there at 335.1.

**DAILY CORN COMMENTARY**

03/02/17

**May need signs of strong demand to hold upside momentum**

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

CORN -1.4

**OVERNIGHT DEVELOPMENTS:** May corn is trading 2 1/4 cents lower this morning. Outside market forces look negative with a strong US dollar and weakness in energy and gold markets. There were 118 deliveries overnight for the first of the delivery period.



**NEAR-TERM MARKET FUNDAMENTALS:** There was fresh money flows entering the market at the start of the month along with the "reflation" trade with growing confidence on global growth as well as the ethanol blend rate topic helped to support the strong 2-day gains. The open interest went up 19,782 contracts on Tuesday, with both

fresh buyers and producer sellers active on the bio-fuel rumor rally. Lanworth estimated their 2017-18 US corn planted area at 91.05 million acres compared to the recent US Ag Forum estimate of 90 million. With 3.6 million corn, wheat and soybean acres still undecided from last year's 277.2 million total, the recent rallies in new crop corn and soybeans could cause both corn and soybean acreage totals to go up. The February 2017 crop insurance for corn is at 396, up from last year's 386. Soybeans crop insurance price was 1019, up 15% from last year's 885.

Brazil's winter corn plantings is 57.3% done compared to 73.5% last year. Ethanol production for the week ending February 24th averaged 1.034 million barrels per day, unchanged vs. last week and up 4.7% vs. last year. Total ethanol production for the week was 7.238 million barrels. Corn used in last week's production is estimated at 108.57 million bushels. Corn use needs to average 98.3 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.091 million barrels, up 1.9% vs. last week and up 2.1% vs. last year. For the weekly export sales report, traders see corn sales near 750,000 to 1.250 million tonnes.

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

May corn held the 200 day moving average at 372 1/2 yesterday and rallied into the close. It was a very impressive performance given the weak close on Tuesday from a blow off top. The slow stochastics crossed over and are pointing up indicating continued upward momentum. May corn support is at 377 followed by 372 1/2. A move through the February highs would count up to 394 3/4.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

\* Hit stop on short May Corn for a 13 cents loss. Still 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) 03/02/2017: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 389 1/2. The next area of resistance is around 387 and 389 1/2, while 1st support hits today at 377 and below there at 369 3/4.

#### **DAILY WHEAT COMMENTARY**

03/02/17

**No rain in 7-day for central and western Kansas; nervous shorts**

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

**WHEAT -1.2**

**OVERNIGHT DEVELOPMENTS:** May wheat is down 1 3/4 cents this morning. Outside market forces look a bit negative with a firm dollar and weakness in gold and energy markets. Matif futures are up 0.4%. There were 790 Chicago deliveries (2,467 month to date) and 6 KC wheat deliveries (293 month to date).



**NEAR-TERM MARKET FUNDAMENTALS:** The European Commission has pegged 2017/18 production from the 28-country EU will reach 143.00 million tonnes, up 6.5% from last year. May wheat traded higher yesterday with the trade starting to get worried about warm and dry weather in the Plains. The longer term forecasts have the Southwest Plains dry through mid-March and traders have taken notice. According to the US Drought Monitor,

37% of the Plains states are in an abnormally dry to severe drought stage compared to 26% last year. Not to mention, Illinois just had the warmest February on record with temperatures averaging 40.5 degrees, up 9.6 degrees from normal. It was also the 16th driest February in Illinois dating back to 1895. The reflate trade has also entered the wheat space and with planted acres down to levels we have not seen in over 100 years, it probably has the most upside if there is a weather problem. India will reinstate their wheat import tax of 25% in the near future as this year's production has rebounded to 96.6 million tonnes from 92.2 million last year. Japan bought 113,000 tonnes of wheat in their weekly tender from the US and Canada. For the weekly export sales report this morning, traders see wheat sales near 350,000 to 800,000 tonnes.

**TODAY'S MARKET IDEAS:**

The slow stochastics are turning up but have yet crossed over. With the reduced acreage for winter wheat this year, a sub-par yield around 43 bushels per acre could see ending stocks fall below 800 million bushels. Look to buy a pullback. Support for May wheat is at 449 1/4 to 447 3/4 with resistance is at 464 3/4 followed by 469. Consider buying July wheat near 463 with 475, 488 3/4 and maybe 502 1/2 as upside targets.

**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) 03/02/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 438. The next area of resistance is around 464 3/4 and 469, while 1st support hits today at 449 1/4 and below there at 438.

KC WHEAT (MAY) 03/02/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend could be turning up with the close back above the 18-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 457 3/4. The next area of resistance is around 485 1/4 and 489 1/2, while 1st support hits today at 469 1/4 and below there at 457 3/4.

MINN WHEAT (MAY) 03/02/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 570. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 567 and 570, while 1st support hits today at 556 and below there at 547 3/4.

RICE (MAY) 03/02/2017: The daily stochastics have crossed over up which is a bullish indication. 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 upside closing price reversal on the daily chart is somewhat bullish. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 9.790. The next area of resistance is around 9.739 and 9.790, while 1st support hits today at 9.580 and below there at 9.470.

## 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	382	60.41	58.26	39.93	42.97	373.69	375.39	377.04	370.96	368.78
CNAZ7	401 1/4	61.89	59.19	42.33	47.28	393.69	394.75	396.00	391.11	389.64
SSAK7	1051 3/4	55.85	52.96	27.65	34.26	1033.44	1036.11	1047.56	1043.58	1044.09
SSAX7	1032 1/4	63.45	59.06	44.45	54.72	1015.94	1015.39	1019.64	1012.69	1013.26
SMAK7	339.3	48.54	50.18	26.41	22.75	336.75	339.30	341.27	336.09	332.40
BOAK7	34.74	63.60	55.94	26.40	44.77	33.49	33.28	33.94	34.75	35.39
WHAk7	457	56.24	55.62	41.61	35.93	446.88	451.50	452.50	441.52	436.11
WHAN7	470 3/4	56.84	56.10	44.22	38.60	461.13	465.31	465.56	455.30	449.66
RCAK7	9.660	45.54	43.78	33.54	35.85	9.63	9.64	9.69	9.85	9.93
KWAK7	477 1/4	61.35	60.05	56.85	55.03	466.19	468.14	466.61	453.93	446.06
MWAK7	561 1/2	57.90	55.69	25.84	28.05	553.44	553.22	558.15	553.17	549.19
OTAK7	246 1/2	45.56	49.58	36.48	26.00	245.94	249.19	250.28	242.63	238.37

Calculations based on previous session. Data collected 03/01/2017  
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	369 1/2	377	379 1/2	387	389 1/2
CNAZ7	Corn	390	396 3/4	399	405 3/4	408
SSAK7	Soybeans	1030 1/2	1043	1047 3/4	1060 1/2	1065
SSAX7	Soybeans	1013 1/2	1024 1/2	1028 3/4	1040	1044
SMAK7	Soymeal	335.0	337.5	338.5	341.0	342.0
BOAK7	Soybean Oil	33.48	34.22	34.51	35.25	35.54
WHAk7	Wheat	438	449 1/4	453 1/2	464 3/4	469
WHAN7	Wheat	453 1/4	463 1/2	467 1/2	478	481 3/4
RCAK7	Rice	9.469	9.579	9.629	9.739	9.790
KWAK7	KC Wheat	457 1/2	469 1/4	473 1/2	485 1/4	489 1/2
MWAK7	MINN Wheat	547 1/2	556	558 3/4	567	570
OTAK7	Oats	241 1/2	243 3/4	247	249 1/4	252 1/2

Calculations based on previous session. Data collected 03/01/2017  
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