



DAILY SOY COMPLEX COMMENTARY
03/03/17

Reflation trade continues to support as funds see beans as cheap

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -2.2, BEAN OIL -0.1, SOYMEAL -1.9

OVERNIGHT DEVELOPMENTS: May soybeans are trading 2 cents this morning. China futures were down 1.8% overnight. Palm oil futures are near unchanged. There were 568 deliveries for soybeans this morning to push total for the month to 2,194 contracts. There were 489 oil (2,986 to date) and 252 meal (1,008 to date). Global equity markets were all lower overnight with all the markets down less than 1%. The Asian session started out with a series of key Japanese data points which were highlighted by weaker than expected readings for January household spending. The January Japanese national CPI showed a minimal uptick to a 0.4% year-over-year rate, while their January unemployment down ticked to a 3.0% reading. The February Caixin Chinese services PMI was expected to see a modest increase from January's 53.1 reading but instead the market was presented with a dip to 52.6. The European session started out with Eurozone services and composite PMI readings that were forecasted to hold steady with their previous readings but they instead managed to reach the highest levels in 6 years! Fourth quarter Italian GDP held steady with the previous reading. January Euro zone retail sales were forecast to see a modest improvement from December's reading but instead they fell for the 3rd straight month. The North American session will be highlighted by the ISM non-manufacturing index which is expected to hold steady with January's 56.5 reading.



NEAR-TERM MARKET FUNDAMENTALS: With a clear bearish supply outlook and expectations for higher South America production ahead, the continued buying from big fund traders this week is impressive. Weak export sales and large South American production estimates have put the bear camp back in control late this week. The Brazilian Real was down close to 2.0% and at the lowest level since February 1st which led to increased farmer selling from the Brazilian producer. Informa is estimating the Brazilian soybean crop at 108.0 million tonnes compared to the February USDA estimate of 104.0 million tonnes. They also raised the World soybean production 2.0 million tonnes due to the larger Brazilian production. The Buenos Aires Grains Exchange has left their Argentine production number unchanged at 54.8 million tonnes compared to the USDA February estimate at 55.5 million tonnes. Brazil's Trade Ministry released the export data for the month of February with the soybean export figure at 3.51 million tonnes, which is up 72% from last year's 2.04 million tonnes. We noted yesterday of a potential red flag by how the July/November soybean spread did not react bullishly with the 30 cent flat price gain earlier this week. Yesterday, July/November traded to a new 3 1/2 month low at +23 1/2 cent inverse.

With South American production increases likely and Brazilian exports flowing along with a possible increase in US ending stocks in this month's Supply & Demand report, the July/November spread could be heading to a carry. Weekly export sales came in at 427,700 tonnes compared to the estimates of 350,000 to 650,000 tonnes. As of February 23rd, cumulative soybean sales stand at 94.1% of the USDA forecast for the 2016/2017 (current) marketing year versus a 5 year average of 89.4%. Meal sales came in at 139,500 tonnes for the current marketing year and 1,400 for the next marketing year for a total of 140,900 tonnes. Net oil sales came in at 28,700 tonnes. Weather looks favorable for South America crops. It has been a wild week filled with rumors and denials, so it's no surprise the market sits right in the middle of the weekly range. The COT data this afternoon could show the managed money length with a small reduction as of February 28th. A number close to 135,000 contracts of length down from 154,307 contracts is possible.

TODAY'S MARKET IDEAS:

New buying to start the month will not be in the COT update until next week, so a working number of 150,000 contract longs is viable. We still like buying the November 940/840 put spread and selling the July 1180 calls for a total cost of 8 cents as a longer term trade. Resistance for May soybeans is at 1046 3/4 followed by 1058 1/4. July meal selling resistance is at 343.20 with 329.30 as next target. A weak US dollar and the reflation mentality are factors which could support on breaks.

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) 03/03/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 1058 1/4. The next area of resistance is around 1046 3/4 and 1058 1/4, while 1st support hits today at 1027 3/4 and below there at 1020 1/2.

SOYBEAN OIL (MAY) 03/03/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 34.85. The next area of resistance is around 34.42 and 34.85, while 1st support hits today at 33.83 and below there at 33.66.

SOYMEAL (MAY) 03/03/2017: The major trend has turned down with the cross over back below the 40-day moving average. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. A negative signal was given by the outside day 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 327.0. The next area of resistance is around 338.9 and 343.5, while 1st support hits today at 330.7 and below there at 327.0.

DAILY CORN COMMENTARY

03/03/17

Fund buyers remain active on set-backs; see 40 cent risk; \$2 up

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -1.4

OVERNIGHT DEVELOPMENTS: May corn is trading 1 cent higher this morning. Outside market forces look slightly positive. There were 118 deliveries overnight to push the month-to-date to 236 contracts.



NEAR-TERM MARKET FUNDAMENTALS: May corn traded in a corrective fashion yesterday with fund buying in

retreat. Still, with the market just 6 3/4 cents from the weekly high and 7 3/4 cents from the seven and a half month high, the bull camp seems to be in control going into the March Supply/Demand and Plantings reports. Fund traders who are long the stock market see corn as cheap and see a reflation hedge as the way to go until more is known about 2017 growing conditions. The Buenos Aires Grains Exchange left their corn production unchanged at 37.0 million tonnes. They did comment that early harvested corn is showing higher than expected yields. Informa estimated the Brazilian corn production at 91 million tonnes compared to the USDA February estimate of 86.50 million. The Brazil Trade Ministry published the February export data and what a difference a year makes in the corn department. Brazil exported 487,000 tonnes of corn this February compared to 5.37 million tonnes last year. One can only think their corn export numbers should pick up in the months ahead.

The UN food agency reported the world food price index averaged 175.5 points in February, which was up 0.5% from January. Food prices on international markets were seen at the highest levels since February 2015 as the index was up 17.2% from year ago levels. Adecoagro (an Argentine operator of farmland) made their first ever sale of rice to Mexico. A 1,000 ton deal is relatively small, but larger sales could come in the future. Mexico has been 100% supplied by the US in rice, and is weighing alternative sources of supplies after the recent threat that President Trump would pull out of the NAFTA agreement. There is proposed legislation in the Mexican parliament that would block US corn in favor of Argentine or Brazilian supplies. Weekly export sales came in at 692,400 tonnes for the current marketing year and 20,700 for the next marketing year for a total of 713,100 compared to the estimates of 700,000 to 1.0 million tonnes. As of February 23rd, cumulative corn sales stand at 76.8% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 72.7%.

TODAY'S MARKET IDEAS:

Aggressive short-term traders might consider buying May corn down on breaks to 372 3/4 to 368 1/4. A retest and trade above the old highs at 387 1/4 should get the trend followers to add another unit of length. Close in resistance is seen at 382 1/4 followed by 385. December corn support is at 394 with 409 3/4 as next target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long 2 May Corn 400 calls for a net cost of 3 1/2 cents each after exiting May futures for a loss of 13 cents.

CORN TECHNICAL OUTLOOK:

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CORN (MAY) 03/03/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 385. The next area of resistance is around 382 1/4 and 385, while 1st support hits today at 376 3/4 and below there at 374.

DAILY WHEAT COMMENTARY

03/03/17

No rain in 7-day forecast for central and western plains

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -4.2

OVERNIGHT DEVELOPMENTS: May wheat is down 1 3/4 cents this morning. Outside market forces look slightly positive with a weaker tone to the US dollar. Matif futures are down 0.4%. There were 518 Chicago deliveries (2,985 month to date) and 3 KC wheat deliveries (296 month to date).



NEAR-TERM MARKET FUNDAMENTALS: Russia is considering exporting part of its 4 million tonnes of state grain reserves. May wheat traded to a weekly high of 459 1/4 early yesterday but retraced the early gains and settled lower. The market is up 4 3/4 cents on the week as of Thursday's close. The European Commission raised their soft wheat crop estimate to 143 million tonnes, up 6.5% from this past season. The Commission also forecast soft wheat exports could total 28.9 million tonnes in 2017-18 from 24.0 in 2016-17. Soft wheat stocks were seen at 10.2 million tonnes in 2017-18, little changed from this year. Informa has raised their World wheat crop by 4.1 million tonnes due to higher Argentine and Indian crops. The weekly US Drought Monitor map released yesterday continues to show abnormally dry to drought conditions that are expanding in the Southern Plains and Midwest as well as the Southeast. Weekly export sales came in at 353,200 tonnes for the current marketing year and 98,800 for the next marketing year for a total of 452,000 tonnes. As of February 23rd, cumulative wheat sales stand at 88.7% of the USDA forecast for the 2016/2017 (current) marketing year versus a 5 year average of 87.2%.

TODAY'S MARKET IDEAS:

With the forecast still not showing much moisture for the next two weeks, the short side of the market could be dangerous. The last time the managed money category held a long position was in July 2015, and that was a meager 32,000 contracts. If the trend followers want to flip and try the long side of wheat for a change, it could get interesting. Look for support near 448 to 444 for May wheat with resistance at 457 1/2 followed by 463 1/4. Consider buying July wheat near 462 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) 03/03/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 444. The next area of resistance is around 457 1/2 and 463 1/4, while 1st support hits today at 448 and below there at 444.

KC WHEAT (MAY) 03/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. 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 objective is now at 462 1/2. The next area of resistance is around 475 and 481 3/4, while 1st support hits today at 465 1/2 and below there at 462 1/2.

MINN WHEAT (MAY) 03/03/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. The daily stochastics have crossed over down which is a bearish indication. Momentum studies are declining, but have fallen to oversold levels. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 546 1/4. The next area of resistance is around 557 1/4 and 563 1/4, while 1st support hits today at 548 3/4 and below there at 546 1/4.

RICE (MAY) 03/03/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 near-term upside objective is at 9.721. The next area of resistance is around 9.662 and 9.721, while 1st support hits today at 9.578 and below there at 9.552.

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										
CNAK7	379 1/2	55.83	55.22	42.99	49.13	375.88	375.22	377.42	371.56	369.20
CNAZ7	398 1/2	56.06	55.34	46.05	53.49	395.56	394.69	396.32	391.61	389.98
SSAK7	1037 1/4	46.74	47.22	29.96	34.59	1036.69	1034.17	1047.56	1044.27	1043.97
SSAX7	1021 3/4	53.04	52.47	48.74	57.32	1019.63	1015.14	1020.31	1013.59	1013.38
SMAK7	334.8	39.72	44.62	24.21	19.81	336.53	338.03	341.24	336.55	332.68
BOAK7	34.13	53.67	49.65	34.46	50.56	33.86	33.31	33.94	34.73	35.32
WHAk7	452 3/4	52.01	52.78	39.92	36.53	448.06	450.56	453.04	442.54	436.70
WHAN7	467	52.80	53.41	42.45	38.91	462.38	464.56	466.15	456.33	450.26
RCAK7	9.620	41.95	41.67	34.04	35.05	9.62	9.65	9.68	9.85	9.93
KWAK7	470 1/4	53.82	54.94	55.47	52.70	467.00	468.06	467.54	455.11	446.89
MWAK7	553	46.47	48.04	25.81	25.74	553.25	552.89	557.99	553.71	549.41
OTAK7	238 1/4	32.40	39.82	31.07	20.24	243.00	247.72	249.65	243.03	238.70

Calculations based on previous session. Data collected 03/02/2017
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	374	376 3/4	379 1/2	382 1/4	385
CNAZ7	Corn	393 1/2	396	398 1/2	401	403 1/2
SSAK7	Soybeans	1020 1/2	1027 3/4	1039 1/2	1046 3/4	1058 1/2
SSAX7	Soybeans	1005 1/2	1013 1/4	1022 1/2	1030 1/4	1039 1/2
SMAK7	Soymeal	326.9	330.6	335.2	338.9	343.5
BOAK7	Soybean Oil	33.65	33.82	34.25	34.42	34.85
WHAk7	Wheat	444	448	453 3/4	457 1/2	463 1/2
WHAN7	Wheat	459 1/4	462 3/4	467 3/4	471 1/4	476 1/4
RCAK7	Rice	9.551	9.577	9.636	9.662	9.721
KWAK7	KC Wheat	462 1/4	465 1/2	472	475	481 3/4
MWAK7	MINN Wheat	546 1/4	548 3/4	554 3/4	557 1/4	563 1/4
OTAK7	Oats	227	231 3/4	240	244 3/4	253

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