



DAILY GRAINS COMMENTARY Tuesday March 07, 2017

DAILY SOY COMPLEX COMMENTARY 03/07/17

Big Brazil crop is focus of Thursday USDA update

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -2.6, BEAN OIL -0.4, SOYMEAL +0.6

OVERNIGHT DEVELOPMENTS: May soybeans are trading 2 1/2 cents lower this morning. China futures were down 0.5% overnight. Palm oil futures are down 1.2%. There were 193 deliveries for soybeans this morning to push total for the month to 2,883 contracts. There were 297 oil (3,727 to date) and 234 meal (1,495 to date). Global equity markets were mixed overnight with Pacific Rim stocks and the XETRA DAX managing to gain modestly and the rest of the world under minor pressure. The Asian economic calendar started off with a February reading for Chinese foreign exchange reserves which surprised with an increase back above the \$3 trillion mark. The European session started out with January German factory orders which fell by 7.4% for the biggest monthly decline since 2009. Euro zone GDP was expected to hold steady with the previous +1.7% year-over-year rate and was in fact unchanged from the prior release. The North American session will start out with trade balance data from both the US and Canada. The US January international trade balance is forecast to show an increase in the monthly deficit. Later in the day, US January consumer credit is expected to show a moderate increase from December's reading.



NEAR-TERM MARKET FUNDAMENTALS: Some drier weather in Brazil is helping to boost truck traffic to the ports. FC Stone pegged Brazil production at 109 million tonnes this morning which is 5 million above the USDA and an adjustment to this level in Thursday's report, if it occurs, could trigger a round of long liquidation selling from speculators. This would be up 12.5 mmt from last year and could significantly slow US exports ahead. Trend-following fund traders were holding a net long position of 107,370 contracts as of February 28th. India exported 263,509 tonnes of meal in February, up from 122,527 million last year. Early strength yesterday was tied to strong Dalian soybean meal futures as crush margins are improving due to possible soy crushing plant shutdowns in March and April. However, selling emerged to spark the sell-off into the close. Malaysian palm oil was also strong and closed higher in five consecutive days until the 1.2% sell-off overnight. Agrural raised their Brazilian soybean production to 107 million tonnes from 105.4 million last month. Celeres also raised their Brazilian soybean production to 109.65 million tonnes from 105.02 million last month. They have raised yields to a record 3.24 tonnes per hectare from 3.1 tonnes per hectare. Safras & Mercado has estimated the Brazilian soybean production at 107.1 million tonnes and sees soybean sales at 42% versus 56% last year and the five year average of 51%.

US ending stocks are estimated at 418 million bushels in a range of 400 to 444 million bushels. We look for ending stocks to come in at 430 million bushels. As of February 28th, the managed money category in the COT report was long 131,756 contracts, down 22,731 contracts from the previous week and the long liquidation selling trend is a bearish short-term force. The same category decreased their net length in soybean oil by 17,852 contracts to 27,046 contracts. Weekly export inspections for soybeans came in at 921,779 tonnes versus estimates of 550,000 to 750,000 tonnes. As of March 2nd, cumulative soybean export inspections for the 2016-17 marketing year have reached 79.4% of the USDA forecast versus a 5 year average of 81.0%. The trade has not seen a "flash" announcement since early February and with the size of the Brazilian crop, the bull camp should be more worried about cancellations.

TODAY'S MARKET IDEAS:

Like the US soybean crop last summer, big crops get bigger. A Brazilian production number of 108 million tonnes or higher seems likely and with soybean sales running behind the five year average, the market could be capped

at the 1052 1/2 level until the government numbers on Thursday. Close-in resistance is at 1041 1/4. Aggressive traders could look to buy one May 1030 put and sell two May 980 puts (1x2 spread) for 8 1/2 cents. Look for a re-test of the 1002 level. May meal resistance is at 339.70, with 327.20 and 320.70 as next 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 close over +\$9.70.

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) 03/07/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 1052 1/4. The next area of resistance is around 1043 1/2 and 1052 1/4, while 1st support hits today at 1031 and below there at 1027.

SOYBEAN OIL (MAY) 03/07/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 34.85. The next area of resistance is around 34.55 and 34.85, while 1st support hits today at 33.99 and below there at 33.74.

SOYMEAL (MAY) 03/07/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 328.1. The next area of resistance is around 337.0 and 341.4, while 1st support hits today at 330.4 and below there at 328.1.

DAILY CORN COMMENTARY

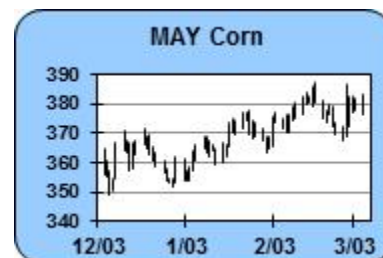
03/07/17

Big supply to absorb for old and new crop if big Brazil crop

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -1.2

OVERNIGHT DEVELOPMENTS: May corn is trading 2 cents lower this morning. Outside market forces look mixed to bearish. There were 5 deliveries overnight to push the month-to-date to 460 contracts. South Korea bought about 60,000 tonnes of US corn overnight.



NEAR-TERM MARKET FUNDAMENTALS: The market experienced some strength early yesterday but discounted strong export inspections as well as a strong Dalian corn futures market (traded to a new contract high) to close lower with an outside-day-down. The Chinese Reform Commission said it will continue to reduce government reserves of corn and wheat in a steady and orderly manner. Weakness could be tied to a strain of H7

bird flu virus that was confirmed in a US chicken farm in Tennessee that is affiliated with Tyson Foods. Over 70,000 birds have been culled, yet South Korea has already banned all imports of US poultry due to the outbreak. Celeres has estimated the Brazilian corn production at 97.7 million tonnes compared to the USDA February estimate of 86.5 million tonnes.

Agrural estimated Brazil's corn production at 90.8 million tonnes. Both see the winter corn production more than 30% larger than last year's drought plagued crop. Safras & Mercado estimates the winter corn crop at 78% planted versus 86.3% last year. Weekly export inspections for corn came in at 1,444,972 tonnes compared to estimates of 1.0 to 1.3 million tonnes. As of March 2nd, cumulative corn export inspections for the 2016-17 marketing year have reached 48.4% of the USDA forecast versus a 5 year average of 44.2%. The managed money category reduced their net length by 10,081 contracts since February 28th, leaving them long 82,135 contracts. The open interest is up 38,589 over the last four days, so we estimate their length at 95,000 contracts.

TODAY'S MARKET IDEAS:

Fears of a huge Brazil crop, increased US selling ahead and ideas that the extra 1 billion bushels in South America competition for world corn exports will drive US corn exports lower for the next year are bearish forces. Going into the planting/growing season the trend followers will be more interested to add on new highs than get chopped up on a 10 to 15 cent break. Close-in resistance for December corn is at 399 1/4 and position traders might wait for a significant set-back to buy. Key support is back at 386 1/2 and 381 1/4. If minor support at 394 can hold, we cannot rule out another jump to 409 1/2.

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. Exit one of the calls at 9 1/2 cents.

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) 03/07/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 385 1/2. The next area of resistance is around 381 3/4 and 385 1/2, while 1st support hits today at 375 1/4 and below there at 372 3/4.

DAILY WHEAT COMMENTARY

03/07/17

Some rains creeping into eastern Kansas forecast

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -1.0

OVERNIGHT DEVELOPMENTS: May wheat is down 2 3/4 cents this morning. Outside market forces look mixed to slightly negative. Matif futures are down 0.3%. There were 332 Chicago deliveries (3,712 month to date) and 0 KC wheat deliveries (296 month to date).



NEAR-TERM MARKET FUNDAMENTALS: The lack of weather issues for the Black Sea and ideas that the large crops in India and Australia could cap gains are factors which contributed to the sell-off overnight. Weakness in corn and soybeans pulled the market down from the early highs yesterday. Continued dryness in the Southern

Plains with forecasts through March 19th showing below normal precipitation supported the market. State condition reports were released after the close yesterday with Kansas good/excellent rating at 43%, unchanged from last week. Oklahoma's ratings were unchanged from last week at 43% good/excellent and Texas was also unchanged from last week at 34 % good/excellent. The USDA did comment that temperatures averaged 6 to 10 degrees above normal for the previous week and cautioned that wildfire risk is rising with high winds expected.

ABARES has estimated 2017-18 Australian production at 24 million tonnes, well below this year's record 35.1 million. Their export number was estimated at 20.9 million tonnes compared to 22.8 million this year. The bureau's production forecast assumes average seasonal conditions with yields retuning to trend. Australia's weather bureau issued an "El Nino" alert last month, and that weather pattern is associated with below normal winter and spring rainfall in Australia. Weekly export inspections for wheat came in at 535,920 tonnes compared to estimates of 375,000 to 575,000 tonnes. As of March 2nd, cumulative wheat export inspections for the 2016-17 marketing year have reached 69.8% of the USDA forecast versus a 5 year average of 73.0%. The managed money category increased their short position by 28,081 contracts as of February 28th. Still, with the Kansas City managed money length at 37,357 contracts, this should offset any possible short covering phenomenon.

TODAY'S MARKET IDEAS:

The possible weather issues have the market comfortable being long KC and short Chicago. May wheat was above the 200 day moving average early yesterday but could not hold. A close above 459 3/4 should lead to a test of 467. July wheat support is at 466 1/2 with 478 3/4 and then 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) 03/07/2017: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The gap upmove on the day session chart is a bullish indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 465. The next area of resistance is around 461 1/2 and 465, while 1st support hits today at 455 1/2 and below there at 452 3/4.

KC WHEAT (MAY) 03/07/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 468 1/4. The next area of resistance is around 477 1/4 and 481 1/2, while 1st support hits today at 470 3/4 and below there at 468 1/4.

MINN WHEAT (MAY) 03/07/2017: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 535. The next area of resistance is around 547 and 554 1/4, while 1st support hits today at 537 1/2 and below there at 535.

RICE (MAY) 03/07/2017: 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 tilt is slightly negative with the close under the pivot. The next downside target is 9.542. The next area of resistance is around 9.597 and 9.631, while 1st support hits today at 9.553 and below there at 9.542.

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	378 1/2	53.23	53.61	49.94	55.62	380.19	376.03	378.08	372.52	369.63
CNAZ7	398	54.43	54.34	53.70	60.27	399.25	395.50	396.82	392.38	390.29
SSAK7	1037 1/4	46.74	47.22	32.97	35.47	1040.94	1033.53	1046.18	1044.66	1043.14
SSAX7	1021 3/4	52.98	52.45	54.96	60.36	1024.44	1016.36	1020.71	1014.59	1013.24
SMAK7	333.7	38.75	43.66	19.55	15.39	335.20	335.91	340.69	336.99	332.95
BOAK7	34.27	54.96	50.89	50.16	65.05	34.38	33.59	33.90	34.68	35.20
WHAk7	458 1/2	57.42	56.25	40.25	42.48	455.44	451.31	454.93	444.23	437.91
WHAN7	473	58.61	57.16	42.95	45.42	469.75	465.50	468.22	458.07	451.53
RCAK7	9.575	38.04	39.34	33.21	31.86	9.61	9.64	9.66	9.84	9.89
KWAK7	474	57.22	57.14	54.40	54.34	473.31	469.28	470.01	457.21	448.70
MWAK7	542 1/4	35.77	40.22	20.04	12.87	551.13	551.36	556.92	554.31	549.65
OTAK7	245	47.16	48.95	29.09	30.47	243.00	246.08	248.83	243.72	239.48

Calculations based on previous session. Data collected 03/06/2017

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	372 1/2	375 1/4	379	381 3/4	385 1/2
CNAZ7	Corn	393	395 1/2	398 1/4	400 1/2	403 1/2
SSAK7	Soybeans	1027	1031	1039 3/4	1043 1/2	1052 1/2
SSAX7	Soybeans	1014 1/4	1017	1023 1/2	1026 1/2	1032 3/4
SMAK7	Soymeal	328.0	330.3	334.7	337.0	341.4
BOAK7	Soybean Oil	33.73	33.99	34.29	34.55	34.85
WHAk7	Wheat	452 3/4	455 1/2	459	461 1/2	465 1/4
WHAN7	Wheat	467	470	473 1/4	476	479 1/2
RCAK7	Rice	9.541	9.552	9.586	9.597	9.631
KWAK7	KC Wheat	468 1/4	470 1/2	475	477 1/2	481 3/4
MWAK7	MINN Wheat	534 3/4	537 1/2	544 1/2	547	554 1/4
OTAK7	Oats	239 3/4	242 1/2	244 1/2	247 1/2	249 1/4

Calculations based on previous session. Data collected 03/06/2017

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