



**DAILY SOY COMPLEX COMMENTARY**  
03/08/17

**US sales good for now but new demand goes to Brazil; weak**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**SOY BEANS -4.2, BEAN OIL +0.1, SOYMEAL -2.0**

**OVERNIGHT DEVELOPMENTS:** May soybeans are trading 4 1/4 cents lower this morning and down to lowest since February 27th. China futures were down slightly overnight and pushed down to the lowest level since November 30th. Palm oil futures are up 0.5%. Global equity markets were mixed overnight with Asian shares weaker, and the rest of the world trading higher. The Asian economic calendar started out with a reading on fourth quarter Japanese GDP that came in at a +1.2% annualized rate that was well below trade forecasts. A highlight for global markets was a February reading on the Chinese trade balance that showed its first deficit in 3 years. A February reading on the Japanese Eco Watchers survey showed an unexpected decline. The European session was presented February German industrial production which jumped by 2.8%. The North American session will start out with the February ADP employment survey which is expected to show a sizable decline from January's 246,000 reading. Fourth quarter readings on unit labor costs and non-farm productivity is forecast to come in roughly in-line with their third quarter results. January wholesale inventories are expected to hold steady with December's -0.1% reading.



**NEAR-TERM MARKET FUNDAMENTALS:** With more and more very high production estimates for Brazil emerging, the market looks vulnerable to more long liquidation selling over the near-term. China imports of soybeans in February were 5.54 million tonnes which is up 23% from last year. Jan-Feb imports reached 13.19 million tonnes, up 30% from last year. If the strong pace continues, it appears Brazil will have plenty of excess beans for export. Private estimates on South American production continue to show Brazil's crop size expanding and Argentina's holding steady. FC Stone estimated Brazilian soybean production at 109.1 million tonnes, up 5 million tonnes from their February estimate. FC Stone estimated Brazil 2016-17 exports at 59 million tonnes up from 57 million tonnes last month and compared to 51.6 million in 2015-16. Celeres consultancy estimated Brazil's crop at 109.65 million tonnes up from their February estimate of 105 million tonnes.

There have been whisper numbers for Brazil's production at 110 million and higher. Almost half of the Brazilian crop was seeded with high yielding seeds similar to what the majority of the US crop was planted with last year. With excellent growing conditions, we witnessed the kind of yields that can be achieved. A 110 million tonne crop would be roughly 15% above last year, and certainly possible given the moisture and lack of heat in Brazil this year. With the average estimate for Thursday's report at 106 million tonnes, this estimate is a bit skewed to the downside going into the report.

**TODAY'S MARKET IDEAS:**

May soybeans are back to critical trendline support at 1020 while the 200 day moving average is at 1020 1/2. A trade below could accelerate down to longer term support at 1002. The slow stochastics are right on a sell signal and could cross over and confirm soon. Aggressive traders could look to buy one May 1030 put and sell two May 980 puts (1x2 spread) for 8 1/2 cents. May meal is at the lowest level since January 13th. The next key support levels and targets are 327.20 and 320.70.

**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) 03/08/2017: The daily stochastics have crossed over down which is a bearish indication. 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 close below the 2nd swing support number puts the market on the defensive. The next downside objective is 1009 1/4. The next area of resistance is around 1035 and 1048, while 1st support hits today at 1015 1/2 and below there at 1009 1/4.

SOYBEAN OIL (MAY) 03/08/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside target is at 34.70. The next area of resistance is around 34.18 and 34.70, while 1st support hits today at 33.28 and below there at 32.89.

SOYMEAL (MAY) 03/08/2017: The major trend has turned down with the cross over back below the 60-day moving average. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 325.3. The next area of resistance is around 334.6 and 338.6, while 1st support hits today at 328.0 and below there at 325.3.

## DAILY CORN COMMENTARY

03/08/17

**Tough to push the market up until spring weather a factor**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
CORN -2.2

**OVERNIGHT DEVELOPMENTS:** May corn is trading 1 1/2 cents lower this morning. Outside market forces look bearish with a firm dollar and weakness in gold and energy.



**NEAR-TERM MARKET FUNDAMENTALS:** With massive production estimates emerging out of Brazil and US farmers still sitting on lots of old crop supply, the short-term supply/demand fundamentals look bearish. There could be significant uncertainty over US weather and acreage this season, but it may be too early to trade weather. Pressure yesterday was tied to Brazilian production estimates that are increasing. FC Stone estimated Brazilian corn production at 93.3 million tonnes, up from last month's 91.5 million tonnes and up from 86.5 million from the USDA. Celeres consultancy estimated Brazil's production at 97.7 million tonnes and Agrural estimated production at 90.8 million tonnes. The average estimate for Brazilian corn production for the USDA report is 87.78 million tonnes.

If there is a surprise for the report, it could be bearish Brazil production estimates for corn and soybeans. US exporters announced the sale of 120,000 tonnes of corn to unknown destination. With the news of an outbreak of avian flu in a chicken farm in Tennessee, South Korea, Japan, Taiwan and Hong Kong have limited imports of US poultry. The Purdue/Ag Economy Barometer dropped in February to a reading of 134, down from 153 in January and the first drop in three months. The index tracks optimism about current conditions and future expectations

from producers. Also, included in the report had two-thirds of respondents expect soybeans to be more profitable than corn this crop year.

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

May corn continues to flag within last week's extension up range. The market remains above all three longer term moving averages. The 50 day and 200 day moving averages are at 371 1/4 and 371 1/2, respectively. The 100 day moving average is just below at 367 1/4. Longer term trend followers will be patient as long as the market remains above these levels. Uptrend channel support for May corn is back at 363 3/4 today. For December corn, 386 1/4 is uptrend channel support with 397 3/4 resistance.

#### **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:**

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CORN (MAY) 03/08/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend has turned down with the cross over back below the 18-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 382 3/4. The next area of resistance is around 379 1/4 and 382 3/4, while 1st support hits today at 372 3/4 and below there at 369 3/4.

#### **DAILY WHEAT COMMENTARY**

03/08/17

#### **Some rains creeping into southeastern Kansas forecast**

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

WHEAT -3.6

**OVERNIGHT DEVELOPMENTS:** May wheat is down 2 3/4 cents this morning. Outside market forces look bearish with a strong US dollar and weaker trade for gold and energy markets.



**NEAR-TERM MARKET FUNDAMENTALS:** There were reports that Egypt rejected 3 cargoes of wheat, two from Russia and one from Argentina due to quality concerns and this may have help support the bounce off of the early lows yesterday. The rejections are the first since Egypt adopted a new inspection system earlier this year. The cargoes, totaling 180,000 tonnes, were expected to be replaced by the exporting companies. The European Union soft wheat output was seen climbing 5.6% to 142.4 million tonnes in 2017-18 according to Copa & Cogeca. Ukraine's grain exports are estimated at 29.9 million tonnes, up 8.7% for the season that started July 1st. Wheat exports were seen at 13.7 million tonnes, up 14% from last year and barley exports were 4.7 million tonnes up 18% from last year.

Hundreds of Egyptians protested on Tuesday after a change to the way bread rations are managed raised fears the government was cutting food subsidies. Bread subsidies are an explosive issue in Egypt where 70 million receive state rations. Inflation is up over 30% since Egypt floated its currency in November in order to secure a \$12 billion loan from the IMF. Protests drew small crowds but offered the first major evidence of public anger over rising living costs. The USDA Foreign Ag services reported that Egypt's wheat production at 95 million tonnes for 2017-18 on record planted area of 31.8 million hectares. Last year's wheat production dropped to 87 million

tonnes. The USDA report should not have any surprises, with the average estimate for ending stocks at 1.135 billion bushels versus 1.139 billion last month.

**TODAY'S MARKET IDEAS:**

With some rain in eastern Oklahoma and the southeastern quadrant of Kansas in the 7-day outlook, the plains dryness concerns has diminished some. A close above the 200 day moving average at 459 3/4 for May wheat could cause new shorts from last week to cover. Buying breaks seems prudent until the weather forecast offers better rain prospects. July wheat close-in support is at 466 1/2 with better support at 462 1/2. Keep 502 1/2 as upside target.

**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) 03/08/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 465 3/4. The next area of resistance is around 461 1/4 and 465 3/4, while 1st support hits today at 451 3/4 and below there at 446 1/2.

KC WHEAT (MAY) 03/08/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 460 1/2. The next area of resistance is around 478 1/4 and 483 1/4, while 1st support hits today at 466 3/4 and below there at 460 1/2.

MINN WHEAT (MAY) 03/08/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 531 1/2. The next area of resistance is around 543 3/4 and 548 1/4, while 1st support hits today at 535 1/4 and below there at 531 1/2.

RICE (MAY) 03/08/2017: The market made a new contract low on the break. 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. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 9.429. The next area of resistance is around 9.577 and 9.638, while 1st support hits today at 9.473 and below there at 9.429.

**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	376	48.59	50.58	50.51	51.65	378.69	375.78	377.94	372.97	369.82
CNAZ7	396	49.93	51.45	54.75	56.83	397.94	395.36	396.74	392.75	390.44
SSAK7	1025 1/4	39.25	42.48	31.49	28.53	1034.31	1032.61	1043.74	1044.74	1042.45
SSAX7	1013 1/2	44.83	47.30	54.30	52.98	1019.75	1016.36	1019.89	1015.04	1012.93
SMAK7	331.3	34.49	40.84	17.29	12.76	333.20	335.00	339.91	337.20	333.02
BOAK7	33.73	46.66	45.60	54.18	62.21	34.13	33.67	33.83	34.65	35.12
WHAk7	456 1/2	54.96	54.73	41.54	44.11	455.31	451.36	455.65	445.09	438.65

WHAN7	471 1/2	56.61	55.93	44.50	47.60	469.94	465.69	469.08	458.95	452.31
RCAK7	9.525	33.75	36.73	30.82	26.06	9.58	9.62	9.65	9.83	9.88
KWAK7	472 1/2	55.30	55.93	54.34	54.22	472.13	469.42	471.00	458.22	449.71
MWAK7	539 1/2	33.43	38.43	17.31	11.85	545.63	549.94	555.93	554.48	549.77
OTAK7	240	39.47	43.46	29.00	28.81	241.38	244.67	248.28	244.00	239.70

Calculations based on previous session. Data collected 03/07/2017

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 3/4	372 3/4	376 1/4	379 1/4	382 3/4
CNAZ7	Corn	390 1/2	393 1/4	396	398 3/4	401 1/2
SSAK7	Soybeans	1009	1015 1/2	1028 1/2	1035	1048
SSAX7	Soybeans	999	1005	1015 3/4	1022	1032 1/2
SMAK7	Soymeal	325.2	327.9	331.9	334.6	338.6
BOAK7	Soybean Oil	32.88	33.27	33.79	34.18	34.70
WHAK7	Wheat	446 1/4	451 1/2	456	461 1/2	465 3/4
WHAN7	Wheat	461 1/4	466 3/4	470 3/4	476 1/4	480 1/4
RCAK7	Rice	9.428	9.472	9.533	9.577	9.638
KWAK7	KC Wheat	460 1/2	466 3/4	472	478 1/4	483 1/2
MWAK7	MINN Wheat	531 1/2	535 1/4	540	543 3/4	548 1/2
OTAK7	Oats	233	236	241	244	249

Calculations based on previous session. Data collected 03/07/2017

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