



## DAILY GRAINS COMMENTARY Thursday March 09, 2017

### DAILY SOY COMPLEX COMMENTARY 03/09/17

#### USDA Supply/demand update; jump in Brazil crop size expected

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
SOY BEANS -4.4, BEAN OIL -0.2, SOYMEAL -1.1

**OVERNIGHT DEVELOPMENTS:** May soybeans are trading 5 1/4 cents lower this morning and down to lowest since January 12th. China futures were up 0.4% overnight and palm oil futures are down 1.3%. Global equity markets were lower overnight. The Asian economic calendar started out with a weekly reading on foreign investment in Japanese stock and bond markets with bond investment rising and investment in stocks coming in with a net liquidation of 127 billion Yen. However, the Asian session was highlighted by a fresh look at Chinese inflation which showed the strongest PPI reading in 9 years but that was countervailed by a somewhat anemic CPI result. The European session started out with readings on first quarter French non-farm payrolls which showed an as expected result of a +0.4% and the February Swiss unemployment rate which showed a slight decline from the prior month. The European session will also present the European Central Bank's latest monetary policy decision that is expected to have no changes to rates or policy. The North American session will start out with the February Challenger jobs cuts survey, followed by a weekly reading on initial jobless claims that are forecast to have a moderate increase from the previous 223,000 reading. The February export price index is expected to have a minimal uptick from January's +0.1% reading while the February import price index is forecast to have a moderate decline from January's +0.4% reading.



**NEAR-TERM MARKET FUNDAMENTALS:** May soybeans are already down 40 cents off of the late February high going into today's USDA update. Brazil officials raised their soybean production forecast to 107.6 million tonnes this morning which is up 3.6 mmt or 132 million bushels MORE than the current USDA forecast. May soybeans continued to trend lower in anticipation of larger South American production numbers for today's update. US exporters announced the sale of 122,000 tonnes of soybean meal to the Philippines yesterday. China's February soybean imports were 5.54 million tonnes which were the highest ever for the month of February. The January-February combined imports are 13.2 million tonnes, up 30% from last year's total for the two months. March imports were estimated at 6.3 million tonnes as crusher margins have improved over the past weeks.

The USDA report will be released today with the average estimate for ending stocks at 418 million bushels (range of 400-444 million). World ending stocks are estimated at 81.52 million tonnes (range of 80.44-83.00 million). Brazilian production is estimated at 106 million tonnes (range of 104-109 million) and Argentina at 55.2 million tonnes (range of 54.0-56.0 million). The takeaway point here is that Brazilian production could lean more to the high end of estimates (107-109 million tonnes) which would leave world ending stocks at 83.0 million tonnes or higher, which is above the high end of estimates. For the weekly export sales report, traders see soybean sales near 350,000 to 800,000 tonnes.

#### TODAY'S MARKET IDEAS:

The bear camp in control. The market is down 32 cents from Monday's high, so much of the bearish South American production news may already be in the market. We would suspect the 1002 level would uncover solid support. Close-in resistance is at 1026 1/4 followed by 1031 1/2. The next key support levels for May meal 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) 03/09/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 1013 1/4. The next area of resistance is around 1026 1/4 and 1031 1/2, while 1st support hits today at 1017 1/4 and below there at 1013 1/4.

SOYBEAN OIL (MAY) 03/09/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. 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 market tilt is slightly negative with the close under the pivot. The near-term upside target is at 34.20. The next area of resistance is around 33.83 and 34.20, while 1st support hits today at 33.25 and below there at 33.03.

SOYMEAL (MAY) 03/09/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 327.2. The next area of resistance is around 332.9 and 334.5, while 1st support hits today at 329.3 and below there at 327.2.

## **DAILY CORN COMMENTARY**

03/09/17

**USDA update today; specs long and Brazil crop looks huge**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
CORN -1.2

**OVERNIGHT DEVELOPMENTS:** May corn is trading 1 1/2 cents lower this morning. Outside market forces look slightly bearish with further weakness in energy. South Korea bought 66,000 tonnes of optional origin corn overnight.



**NEAR-TERM MARKET FUNDAMENTALS:** May corn is already down 12 1/2 cents off of Monday's high going into today's USDA update. Brazil officials raised their corn production forecast to 88.9 million tonnes this morning which is up 3.3 mmt or 130 million bushels MORE than the current USDA forecast. Weakness is tied to increasing South America production expectations and also tied to a sharply lower crude oil market which was down over 5.0% on the session yesterday and down another 2.4% overnight. Ethanol production for the week ending March 3rd averaged 1.022 million barrels per day. This is down 1.2% vs. last week and up 4.5% vs. last year. Total ethanol production for the week was 7.154 million barrels. Corn used in last week's production is estimated at 107.31 million bushels. Corn use needs to average 97.9 million bushels per week to meet the USDA estimate. Stocks were 22.856 million barrels. This is down 1% vs. last week and down 1.9% vs. last year.

Brazilian ethanol imports in February were the highest since December 2011 at 257.4 million liters, up 49% from January and up from just 33 million liters a year earlier. Brazil has increased imports over the last few months as producers direct more cane to produce sugar at the expense of ethanol because of high international prices. The

average estimate for today's USDA report is looking for ending stocks at 2.317 billion bushels (range of 2.385-2.245 billion). World ending stocks are estimated at 218.51 million tonnes (range of 223.1-217.0 million). The Brazilian corn production estimate is at 87.78 million tonnes (range of 86.0-91.5 million) and Argentine production at 36.5 million tonnes (range of 35.0-37.0 million). For the weekly export sales report, traders see corn sales near 600,000 to 1.0 million tonnes.

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

May corn sits right on the 50 day moving average at 371 1/2 and the 200 day moving average at 371 3/4. This week's action has seen three consecutive lower closes with stochastics starting to roll over. The bulls will want to see the market stabilize above 370, so a close below could lead to further liquidation. Close-in resistance is seen at 374 1/4 followed by 377 3/4. For December corn, 386 1/4 is uptrend channel support.

#### **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) 03/09/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 368 1/2. The next area of resistance is around 374 1/2 and 377 3/4, while 1st support hits today at 370 and below there at 368 1/2.

#### **DAILY WHEAT COMMENTARY**

03/09/17

**Rains for eastern plains but west dry and southeast US cold**

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

**WHEAT -1.4**

**OVERNIGHT DEVELOPMENTS:** May wheat is down 1 3/4 cents this morning and to a six session low. Outside market forces look slightly bearish. MATIF futures are up 0.3% this morning.



**NEAR-TERM MARKET FUNDAMENTALS:** While the eastern plains get some badly needed moisture in the 5-day forecast, cold weather in the southeast plus dryness in the western plains should keep crop conditions much lower than normal. May wheat failed against the 200 day moving average at 459 again yesterday. Selling pressure was heavy. The market is down near 17 cents from the high set on Monday. Weather forecasts for showers in parts of southwest Kansas and portions of Oklahoma led to some speculative selling. A stronger US dollar has also provided a weaker tone as well as MATIF futures trading down. Turkey is tendering for 130,000 tonnes of wheat from the EU. French wheat stockpiles were seen at 2.96 million tonnes, which is up 7.7% from the previous estimate of 2.75 million tonnes according to FranceAgriMer. The average estimate for US wheat ending stocks for today's report is 1.135 billion bushels (range of 1.164-1.050 billion). World ending stocks are estimated at 248.62 million tonnes (range of 246.0-250.0 million). No major changes are expected for the wheat balance sheet. For the weekly export sales report, traders see wheat sales near 300,000 to 600,000 tonnes. May

wheat is still above the 50 day moving average at 442 3/4 and the 100 day at 438 3/4. With the wild weather so far this year anything seems possible, do we dare say a Mother's Day freeze? The thought being with acres at 100 year lows, it feels like we can define a bottom near 420 with the market continuing to lose the carry as the nearby contract expires. Last June, nearby wheat traded 524 due to a short covering rally led by the soy complex.

**TODAY'S MARKET IDEAS:**

Pay attention to the condition reports as we enter the spring season. May wheat support is at 441 followed by 437. The next key support for July wheat is at 454 1/2 and position traders consider buying a break to this support.

**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) 03/09/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. The daily stochastics have crossed over down which is a bearish indication. 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. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 437. The next area of resistance is around 453 and 461 1/4, while 1st support hits today at 441 and below there at 437.

KC WHEAT (MAY) 03/09/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests 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 458. The next area of resistance is around 470 3/4 and 477, while 1st support hits today at 461 1/4 and below there at 458.

MINN WHEAT (MAY) 03/09/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 529 1/2. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 537 3/4 and 542 1/4, while 1st support hits today at 531 1/4 and below there at 529 1/2.

RICE (MAY) 03/09/2017: The daily stochastics gave a bullish indicator with a crossover up. 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. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 9.817. The next area of resistance is around 9.735 and 9.817, while 1st support hits today at 9.535 and below there at 9.418.

**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	372 1/4	42.35	46.34	47.92	42.75	376.88	375.75	377.67	373.29	370.02
CNAZ7	392 3/4	43.38	47.07	52.42	47.76	396.50	395.47	396.57	393.03	390.60
SSAK7	1021 3/4	37.28	41.19	28.27	21.83	1030.44	1032.53	1041.53	1044.95	1042.05

SSAX7	1010 1/4	41.97	45.41	51.16	44.88	1016.88	1017.00	1019.01	1015.51	1012.88
SMAK7	331.1	34.14	40.60	15.37	11.54	332.28	334.54	339.27	337.47	333.21
BOAK7	33.54	44.04	43.88	55.37	57.76	33.98	33.78	33.75	34.62	35.05
WHAk7	447	44.73	48.09	40.08	37.16	453.88	450.64	455.19	445.68	439.12
WHAN7	462 3/4	46.21	49.27	43.36	41.08	468.88	465.22	468.85	459.58	452.85
RCAK7	9.635	48.22	45.31	32.14	34.78	9.58	9.61	9.64	9.83	9.87
KWAK7	466	47.54	50.90	52.06	47.49	471.06	468.81	471.14	459.02	450.54
MWAK7	534 1/2	29.48	35.36	14.17	7.88	541.00	547.86	554.15	554.49	549.78
OTAK7	243 3/4	46.79	48.16	30.60	33.79	242.75	243.67	247.76	244.34	239.98

Calculations based on previous session. Data collected 03/08/2017

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	368 1/2	370	373 1/4	374 1/2	378
CNAZ7	Corn	389 1/2	390 3/4	393 1/2	394 3/4	397 1/2
SSAK7	Soybeans	1013 1/4	1017	1022 1/2	1026 1/2	1031 3/4
SSAX7	Soybeans	1003	1006 1/4	1011	1014 1/4	1019
SMAK7	Soymeal	327.1	329.2	330.8	332.9	334.5
BOAK7	Soybean Oil	33.02	33.24	33.61	33.83	34.20
WHAk7	Wheat	437	441	449 1/4	453	461 1/2
WHAN7	Wheat	453 1/2	457 1/4	464 1/2	468 1/4	475 1/2
RCAK7	Rice	9.417	9.534	9.617	9.735	9.817
KWAK7	KC Wheat	458	461 1/4	467 1/2	470 3/4	477
MWAK7	MINN Wheat	529 1/2	531 1/4	536	537 3/4	542 1/2
OTAK7	Oats	235 1/2	240 1/2	242 1/4	247	249

Calculations based on previous session. Data collected 03/08/2017

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