



DAILY GRAINS COMMENTARY Friday March 10, 2017

DAILY SOY COMPLEX COMMENTARY 03/10/17

Bearish supply/demand update and big crops get bigger

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -5.6, BEAN OIL -0.2, SOYMEAL -1.9

OVERNIGHT DEVELOPMENTS: May soybeans are trading 5 1/2 cents lower this morning and down to lowest since January 9th. China futures were down 2.3% overnight and fell to the lowest level since November 22nd. Palm oil futures in Malaysia are down 2.4%. Global equity markets were mostly higher overnight with the Shanghai Composite and Hang Seng posting declines. The Asian economic calendar was relatively quiet, while the European session started out with import readings from Germany for January showing a huge jump and their current account surplus shrinking. January UK factory orders reached the strongest level in 7 years while manufacturing output fell by more than was expected. Some economists suggested that the weak Pound appears to be giving the UK economy a lift. The North American session will start out with the highlight for global markets, the February employment situation report. February non-farm payrolls are forecast to come in around the 190,000 to 200,000 area, although some analysts have raised their estimates after the huge ADP number earlier this week. The February unemployment rate is expected to downtick from January's 4.8% reading, while February average hourly earnings are forecast to uptick from January's +0.1% reading. Canadian employment figures for February will be released at the same time, with the unemployment rate expected to hold steady at 6.8%.



NEAR-TERM MARKET FUNDAMENTALS: With China and Malaysia markets down sharply, the US market is holding up well this morning but penetration of the January lows for May soybeans will leave a technical objective down at 968 1/2. The USDA updates were bearish and given the time of the year, South America crops could get bigger yet which would push old crop ending stocks even higher. In addition, the increase in South America production opens the door for possible cancellations of China soybean purchases from the US as demand shifts south. US ending stocks come in at 435 million bushels compared to the average estimate of 418 million bushels and February's USDA estimate of 420 million bushels. The crush was revised up 10 million bushels, and exports were revised down by 25 million bushels as the jump in Brazilian production is expected to slow export interest in US soybeans. In fact, Brazil's exports were raised 1.5 million tonnes (55 million bushels) to 61.0 million. World ending stocks came in at a record high 82.82 million tonnes versus the average estimate of 81.52 million and the USDA February number of 80.38 million tonnes. The Brazilian soybean production was 108 million tonnes compared to the average estimate of 106.0. Argentine was 55.5 million tonnes versus the average estimate of 55.2 million. Chinese imports were revised up by 1 million tonnes to 87 million.

Last year on this date, May soybeans traded 885 with a US ending stocks number at 465 million bushels. The managed money traders were short 42,000 contracts after covering 40,000 the prior week due to heavy rains that were starting to get the attention of the market. Fast forward to yesterday with US ending stocks at 435 million bushels while the South American crop is at a record high and getting larger, and the managed money trader is long an estimated 110,000 contracts. Not to mention, the US producer who is going to increase soybean plantings by 5 million or more acres. Do we dare even think about unshipped sales and possible cancellations? Net weekly export sales for soybeans came in at 485,500 tonnes for the current marketing year and 29,600 for the next marketing year for a total of 515,100 tonnes. Meal sales came in at a very strong 301,900 tonnes while oil sales came in at 8,400 tonnes.

TODAY'S MARKET IDEAS:

May soybeans have been down for four days in a row with the speculative crowd exiting not only grains, but

energies and metals as well. The next downside targets for May soybeans are at 1002 3/4 and below that at 996 1/4. Consider selling bounces with 969 as downside target. Keep 320.70 as next support for May meal. The July/Nov soybean spread pushed down to the lowest level since April with + 1 1/2 cents as downside target and +24 resistance.

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 +\$6.80.

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) 03/10/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 996 1/4. The next area of resistance is around 1019 1/4 and 1029 1/4, while 1st support hits today at 1002 3/4 and below there at 996 1/4.

SOYBEAN OIL (MAY) 03/10/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 32.59. The next area of resistance is around 33.43 and 33.87, while 1st support hits today at 32.79 and below there at 32.59.

SOYMEAL (MAY) 03/10/2017: 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. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 323.1. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 331.2 and 334.0, while 1st support hits today at 325.8 and below there at 323.1.

DAILY CORN COMMENTARY

03/10/17

Record world ending stocks and S America has extra 1.3 bil bu

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -1.4

OVERNIGHT DEVELOPMENTS: May corn is trading 1 3/4 cents lower this morning. Outside market forces look quiet ahead of the jobs report. South Korea bought 60,000 tonnes of optional origin corn overnight for the second purchase in as many days.



NEAR-TERM MARKET FUNDAMENTALS: The supply news remains very bearish and the long liquidation selling seen in grains, metals and energy markets leaves corn vulnerable to increased selling ahead. Key uptrend channel support coming off of the September low for May corn is at 364 1/4 today and a close below this level would be seen as a bearish technical development. The USDA Supply/Demand report had corn ending stocks

unchanged at 2.32 billion bushels. US feed use was lowered by 50 million bushels which was offset by an increase in ethanol usage of 50 million bushels. Exports were left unchanged. World corn ending stocks came in at a record high 220.7 million tonnes compared to February's 217.56 million and 210.9 million last year. Brazilian corn production was estimated at 91.5 million tonnes versus February's USDA estimate of 86.5 million and 67 million tonnes last year. This means Brazil has an extra 965 million bushels this year vs. last year and this is a bearish force for US corn exports ahead.

Argentine corn production was estimated at 37.5 million tonnes compared to February's USDA estimate of 36.5 million. The combined Brazil and Argentina production is 129.0 million tonnes, 33 million tonnes larger than last year. In bushels, that would equate to almost 1.3 billion bushels "more" than last year so needless to say, the US export pace will slow. Net weekly export sales for corn came in at 741,100 tonnes for the current marketing year and 93,000 for the next marketing year for a total of 834,100 tonnes versus the estimates for 550,000 to 1.0 million tonnes.

TODAY'S MARKET IDEAS:

The market closed below the 100 day moving average at 367 1/2 for May corn. The managed money category is long 82,135 contracts as of February 28th with open interest up 12,296 contracts over the last five days! Trendline support from last August comes in at 364 1/2, and this feels like this is the "throw the towel in" level for the bull camp. Close-in resistance is seen at 371 with 359 3/4 and 353 1/4 as key support. December corn key support is back at 381 1/4 and 375 3/4.

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) 03/10/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. 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 360 1/2. The next area of resistance is around 371 and 376 1/2, while 1st support hits today at 363 and below there at 360 1/2.

DAILY WHEAT COMMENTARY

03/10/17

Wheat getting pulled lower by other grains; downside limited

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. MATIF futures are down 2.4% this morning. Tunisia bought 75,000 tonnes of optional origin milling wheat



NEAR-TERM MARKET FUNDAMENTALS: The USDA Supply/Demand report yesterday was slightly negative with ending stocks at 1.129 billion bushels compared to the average estimate of 1.135 billion bushels and last month's 1.139 billion bushels. This was down 10 million bushels with imports revised down by 10 million. World

wheat ending stocks were estimated at a record high for the third year in a row at 249.94 million tonnes versus the average estimate of 248.62 million. Argentine production was revised up by 1.0 million tonnes to 16.0 million and Australia up by 2.0 million tonnes to 35.0 million. On paper, the wheat report was neutral and the Australian production increase was no surprise. The macro deflation trade in the grains and energies has seen massive liquidation this week. However, wheat has not seen the same kind of buying over the last few months and so the decline was muted. The class breakdown in the US supply & demand saw spring wheat stocks decline by 8 million, soft red by 5 million, hard red by 1 million and durum up by 3 million. With spring wheat ending stocks at 189 million bushels and continued interest in expanding soybean acres in the Dakotas, Minneapolis wheat was the only grain market to close higher yesterday. Look for continued spreading of long Minneapolis and short either Kansas City or Chicago wheat. Weekly export sales came in at 391,600 tonnes for the current marketing year and 40,000 for the next marketing year for a total of 431,600 tonnes compared to trade estimates for 300,000 to 600,000.

TODAY'S MARKET IDEAS:

The 100 day moving average for May wheat is at 438 1/2 and should provide support. There have been some private forecasts calling for moisture in the Plains in the 10-15 day period which is greatly needed. The Drought Monitor expanded the areas in moderate drought levels in Oklahoma, Missouri, southeast Nebraska, eastern Kansas and southern Illinois. The Minneapolis wheat market could be a signal for the wheat trade. July wheat key support is at 454 1/2 and 446 1/4. Consider buying into 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) 03/10/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 436 3/4. The next area of resistance is around 448 1/4 and 453 3/4, while 1st support hits today at 439 3/4 and below there at 436 3/4.

KC WHEAT (MAY) 03/10/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 objective is now at 456. The next area of resistance is around 466 1/4 and 470 3/4, while 1st support hits today at 458 3/4 and below there at 456.

MINN WHEAT (MAY) 03/10/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 532 1/4. The next area of resistance is around 542 and 545 1/2, while 1st support hits today at 535 1/2 and below there at 532 1/4.

RICE (MAY) 03/10/2017: 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 near-term upside target is at 9.835. The next area of resistance is around 9.780 and 9.835, while 1st support hits today at 9.620 and below there at 9.515.

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	367	35.23	41.14	41.95	30.02	373.44	375.33	376.83	373.42	370.03
CNAZ7	388 1/4	36.02	41.76	45.96	33.03	393.75	395.17	395.96	393.14	390.60
SSAK7	1011	31.79	37.41	24.82	17.93	1023.81	1031.06	1038.25	1045.12	1041.30
SSAX7	1004 1/2	37.24	42.20	45.92	35.45	1012.50	1016.72	1017.60	1015.98	1012.54
SMAK7	328.5	29.71	37.57	14.15	11.69	331.15	333.74	338.27	337.77	333.26
BOAK7	33.11	38.51	40.17	53.25	49.01	33.66	33.83	33.65	34.57	34.98
WHAk7	444	41.96	46.19	38.10	34.15	451.50	450.19	454.14	446.26	439.41
WHAN7	459 3/4	43.16	47.19	41.61	38.13	466.75	464.97	468.01	460.21	453.20
RCAK7	9.700	54.79	49.66	37.62	48.59	9.61	9.61	9.64	9.83	9.86
KWAK7	462 1/2	43.81	48.38	48.93	42.68	468.75	468.31	470.54	459.84	451.16
MWAK7	538 3/4	36.64	39.77	13.01	10.70	538.75	546.19	552.40	554.59	549.78
OTAK7	240 1/2	41.86	44.69	31.00	31.82	242.31	242.61	246.97	244.46	240.19

Calculations based on previous session. Data collected 03/09/2017

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	360 1/2	363	368 1/2	371	376 1/2
CNAZ7	Corn	383	385	389 1/2	391 1/2	396
SSAK7	Soybeans	996 1/4	1002 3/4	1012 3/4	1019 1/4	1029 1/4
SSAX7	Soybeans	991 3/4	998	1004 3/4	1011	1017 3/4
SMAK7	Soymeal	323.0	325.7	328.5	331.2	334.0
BOAK7	Soybean Oil	32.59	32.79	33.23	33.43	33.87
WHAk7	Wheat	436 3/4	439 3/4	445 1/4	448 1/4	453 3/4
WHAN7	Wheat	452 1/2	455 1/2	461	464	469 1/2
RCAK7	Rice	9.515	9.620	9.675	9.780	9.835
KWAK7	KC Wheat	456	458 3/4	463 1/2	466 1/4	471
MWAK7	MINN Wheat	532 1/4	535 1/2	539	542	545 3/4
OTAK7	Oats	236	238	241	243	246

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