



## DAILY GRAINS COMMENTARY Monday March 20, 2017

### DAILY SOY COMPLEX COMMENTARY 03/20/17

**Bounce on wheat dryness and oversold but more bearish fuel**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS +6.0, BEAN OIL +0.2, SOYMEAL +1.5**

**OVERNIGHT DEVELOPMENTS:** May soybeans are trading up 4 1/2 cents this morning. China futures were up 0.4% overnight. Palm oil futures in Malaysia were down 0.82%. Global equity markets were mixed overnight with Chinese stocks higher and most of the G7 markets lower. Perhaps the markets were partially discouraged by evidence that the G20 meeting spawned a protectionism mentality with the lack of a protectionism pledge in the press release from that organization. The Asian economic calendar was relatively quiet, due in part to Japanese and Indian market holidays. The European session started out with a February reading on German PPI that showed a more modest than expected uptick from January's year-over-year rate. Fourth quarter Euro zone labor costs later today are forecast to have a modest uptick from the previous +1.5% year-over-year rate. The Chicago Fed's February national activity index is forecast to improve on January's -0.03 reading and climb into positive territory. Chicago Fed President Evans will speak during afternoon US trading hours.



**NEAR-TERM MARKET FUNDAMENTALS:** Managed money traders reduced their net long position by 29,284 contracts for the week and this, along with a drier than wanted forecast for the western plains and a weaker US dollar were factors to support the bounce overnight. However, managed money traders remain net long 98,354 contracts so the jump in South America production, signs of sluggish China demand and the outlook for higher planted area in the US are all seen as factors which could spark another round of long liquidation selling. The four-day consolidation late last week failed to do much to correct the oversold condition. Focus is shifting to the possibility of slower demand for US soybeans just ahead plus the outlook for expanding soybean acres in the US. July soybeans closed just 6 1/4 cents lower on the week last week and just 0.75% lower on the day Friday.

The Brazilian soybean production looks to still be trending higher, with a Brazilian brokerage house touting a 111 million tonne crop estimate. Since their January high, July soybeans have seen a series of lower highs and lower lows, and the trend is down. Traditional technical indicators are showing an oversold condition but open interest has moved sideways since late February, and this suggests that there is fuel for further selling. The penetration of the January 4th lows last week was a bearish development and leaves \$9.76 as the next swing target. With slow stochastics showing a low reading of 15.1, the market could see some choppy to higher trade over the near term to correct the oversold condition.

The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 119,374 contracts, a decrease of 41,571 contracts in just one week and the long liquidation selling is seen as a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 38,469 contracts, a decrease of 42,003 contracts for the week. Commodity Index traders held a net long position of 136,860 contracts, down a significant 22,216 contracts in just one week. For Soybean Oil, Non-Commercial traders were net long 9,400 contracts, a decrease of 29,607 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 15,504 contracts, down 30,740 contracts for the week. Commodity Index traders held a net long position of 79,350 contracts. This represents a decrease of 3,169 contracts in the net long position held by these traders. For Meal, Non-Commercial traders were net long 84,626 contracts, a decrease of 2,213 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 97,421 contracts, down 3,757 contracts.

### TODAY'S MARKET IDEAS:

Some technical bounce is possible over the near-term but the supply fundamentals remain bearish and this should keep the trend down. Consider selling July soybeans on a bounce to 1025 3/4 with an objective of 972. May soybean resistance is at 1013 1/2, with 968 as the next downside target. July meal resistance is at 337.60 with 322.70 as downside target.

### NEW RECOMMENDATIONS:

Buy July soybean \$9.80 put and also sell June Soybean \$10.60 call for a net premium paid of +4 cents on the spread. Use an objective of +33 cents, risk a total of 9 1/2 cents.

### 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.

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Grains</b>						
Soybeans	119,374	-41,571	-38,469	+42,003	-80,905	-432
Soymeal	84,626	-2,213	-97,421	+3,757	12,795	-1,544
Soyoil	9,400	-29,607	-15,504	+30,740	6,104	-1,133

### 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) 03/20/2017: 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 target is 989 1/2. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 1005 and 1009 3/4, while 1st support hits today at 995 and below there at 989 1/2.

SOYBEAN OIL (MAY) 03/20/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 32.01. The next area of resistance is around 32.46 and 32.66, while 1st support hits today at 32.14 and below there at 32.01.

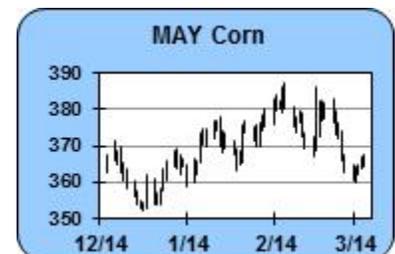
SOYMEAL (MAY) 03/20/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 331.9. The next area of resistance is around 330.6 and 331.9, while 1st support hits today at 327.2 and below there at 325.2.

### DAILY CORN COMMENTARY

03/20/17

In position to bounce and follow wheat but not much more

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CORN +2.0



**OVERNIGHT DEVELOPMENTS:** May corn is trading up 1 3/4 cents this morning. Outside market forces look slightly bearish but wheat is bouncing.

**NEAR-TERM MARKET FUNDAMENTALS:** For the week ending March 14th, Managed Money Traders reduced their net long position by a massive 103,683 contracts and are now net short 23,602 contracts. This huge shift has helped the market bounce. The focus of attention is shifting to the new crop season and with the "extra" acres which were planted last year and not this year (about 3.4 million acres), there is a threat that both corn and soybean acres for the report at the end of the month could come in higher than expected. While Mexico may have bought some US corn recently, traders are well aware that Mexican buyers are negotiating with South American to purchase corn. Weather seems a bit bearish going into April as the US and Europe seem to be in good shape. May corn closed 3 1/4 cents higher on the week last week and recovered a small part of the sharp losses of the first half March break. It is somewhat impressive that corn managed to stay positive on Friday after Safras released their latest Brazilian corn production number of 98 million tonnes, up 6.5 million tonnes from the latest USDA estimate of 91.5 million tonnes.

There is talk that some Chinese corn producers will slash planted area this year by as much as 40%, which caught the trade's attention on Friday. The large government stockpiles of corn have cut farmers profits over the last few years and the sharp drop in prices this past year has helped to discourage plantings as well. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 101,097 contracts, a decrease of 94,720 contracts in just one week. Non-Commercial and Nonreportable combined traders held a net long position of 70,542 contracts. This represents a decrease of 90,383 contracts for the week and the long liquidation selling is seen as a short-term bearish force. Commodity Index traders held a net long position of 358,314 contracts, down 18,511 contracts for the week.

**TODAY'S MARKET IDEAS:**

Massive long liquidation selling from speculators for the week ending March 14th leaves the market oversold short-term, but the selling trend is bearish and there does not appear to be any weather reason to buy so far. Key support for December corn is back at 381 1/4 with 392 3/4 and 395 1/4 as resistance. May corn resistance is at 370 and at 373.

**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.

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Grains</b>						
Corn	101,097	-94,720	-70,543	+90,382	-30,555	+4,337

**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) 03/20/2017: A bullish signal was given with an upside crossover of the daily stochastics. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 370. The next area of resistance is around 369 and 370, while 1st support hits today at 366 and below there at 363 3/4.

# DAILY WHEAT COMMENTARY

03/20/17

## Uncertain weather forecast for next 10 days western plains

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**WHEAT +3.2**

**OVERNIGHT DEVELOPMENTS:** May wheat is up 1 1/4 cents this morning and traded up as much as 6 1/2 cents. Outside market forces are slightly negative. MATIF futures are unchanged.



**NEAR-TERM MARKET FUNDAMENTALS:** The short-term models shifted to drier for western plains over the weekend which supported the early bounce but this morning's 5-day forecast shows at least 3/4 of an inch of rain for most of Kansas which is a bearish development. Traders await an advance in international prices, or else more threatening weather for any of the major northern hemisphere key wheat crops to expect some type of advance. July wheat closed 4 3/4 cents lower for last week's trading, which was the second weekly loss in a row. Turkey has removed Russia from an import license renewal that could disrupt Russian shipments to its second largest export market. New import licenses issued by the Turkish government did not include Russia among accepted origins. However, Russian wheat export prices remain stable at \$192 per tonne down from \$192.50 earlier last week. Some weather watchers see a little drier forecast for the western parts of the Plains. Rains will be important after temperatures in the 90's and dry weather recently and traders will be very interested in the weather outlook for the western plains. Active spreading of buying Kansas City/selling Chicago continued on Friday and has rallied 7 cents since Tuesday's low of +9 3/4. The open interest in wheat went up 4,966 contracts on Thursday, and has increased over 62,000 contracts since February 26th.

The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net short 72,129 contracts, an increase of 33,325 contracts in just one week. Non-Commercial and Nonreportable combined traders held a net short position of 66,395 contracts, up 28,755 contracts in the net short position held by these traders. Commodity Index traders held a net long position of 129,026 contracts, down 1,880 contracts for the week. For Kansas City Wheat, Non-Commercial traders were net long 30,401 contracts, a decrease of 13,368 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 29,118 contracts, down a significant 14,561 contracts for the week. Commodity Index traders held a net long position of 49,169 contracts, down 1,447 contracts for the week.

### TODAY'S MARKET IDEAS:

For the week ending March 14th, Managed Money Traders increased their net short position by a significant 37,449 contracts in just one week and are now net short 100,629 contracts. It seems like the bulls in soybeans continue to sell wheat as a hedge. Traders will monitor western Plains rain amounts very closely but in general, crops in the US, Europe and Black Sea region look to be in decent shape going into the end of March. Western Kansas and Oklahoma crops are off to a very bad start so rains will be very important. July KC wheat support is at 452 with resistance at 469 3/4. Outside of this range should spark a more significant move. July Chicago key support is at 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.

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
<b>Grains</b>							
<b>KC Wheat</b>	30,401	-13,368	-29,119	+14,561	-1,283	-1,193	
<b>Wheat</b>	-72,129	-33,325	66,395	+28,754	5,734	+4,570	

## 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) 03/20/2017: 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. The daily closing price reversal up is a positive indicator that could support higher prices. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 431 1/4. The next area of resistance is around 438 1/2 and 440 1/2, while 1st support hits today at 434 and below there at 431 1/4.

KC WHEAT (MAY) 03/20/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. The daily stochastics have crossed over up which is a bullish indication. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 458. The next area of resistance is around 456 1/4 and 458, while 1st support hits today at 450 3/4 and below there at 447.

MINN WHEAT (MAY) 03/20/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 553. The next area of resistance is around 551 1/2 and 553, while 1st support hits today at 546 1/2 and below there at 543.

RICE (MAY) 03/20/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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 near-term upside objective is at 10.068. The next area of resistance is around 10.007 and 10.068, while 1st support hits today at 9.823 and below there at 9.699.

## 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	367 1/2	44.87	45.36	19.01	20.39	364.81	366.64	371.33	373.20	369.94
CNAZ7	389 3/4	47.89	47.37	22.17	25.03	386.63	388.17	391.83	393.05	390.45
SSAK7	1000	29.62	34.90	13.00	12.21	999.69	1007.69	1020.61	1043.02	1036.78
SSAX7	993 1/2	32.71	37.89	19.87	15.52	994.13	1000.75	1008.56	1016.18	1010.42
SMAK7	328.9	38.58	41.13	15.25	16.38	328.25	329.28	332.59	339.14	333.97
BOAK7	32.29	33.53	35.91	24.22	19.72	32.27	32.70	33.14	34.12	34.49
WHAK7	436 1/4	39.86	43.25	20.58	20.09	434.69	439.69	445.50	446.20	440.48
WHAN7	451 1/2	40.25	43.61	22.31	21.24	449.75	455.08	460.29	460.36	454.56
RCAK7	9.915	65.44	59.67	71.90	83.13	9.79	9.73	9.68	9.81	9.82
KWAK7	453 1/2	44.23	45.83	24.23	25.81	448.31	454.72	462.00	460.26	453.34
MWAK7	549	55.82	51.74	28.02	43.19	542.50	539.17	545.26	553.51	549.91
OTAK7	250	53.48	53.22	62.20	67.67	252.56	247.42	246.75	247.15	242.29

Calculations based on previous session. Data collected 03/17/2017

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	363 1/2	366	366 3/4	369	370
CNAZ7	Corn	385 1/2	388	389	391 1/2	392 1/2

SSAK7	Soybeans	989 1/2	995	999 3/4	1005	1010
SSAX7	Soybeans	984	989	993 1/4	998	1002 1/2
SMAK7	Soymeal	325.1	327.2	328.5	330.6	331.9
BOAK7	Soybean Oil	32.00	32.13	32.33	32.46	32.66
WHAK7	Wheat	431	434	435 3/4	438 1/2	440 1/2
WHAN7	Wheat	446 1/4	449	451	454	455 3/4
RCAK7	Rice	9.698	9.822	9.883	10.007	10.068
KWAK7	KC Wheat	447	450 3/4	452 1/2	456 1/4	458
MWAK7	MINN Wheat	543	546 1/2	548	551 1/2	553
OTAK7	Oats	244 1/2	247 1/4	250	252 3/4	255 1/2

**Calculations based on previous session. Data collected 03/17/2017**

**Data sources can & do produce bad ticks. Verify before use.**

*\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.*