



DAILY GRAINS COMMENTARY Wednesday March 22, 2017

DAILY SOY COMPLEX COMMENTARY

03/22/17

Oversold tech indicators but funds long, fundamentals weaker

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

SOY BEANS -2.0, BEAN OIL +0.0, SOYMEAL -1.0

OVERNIGHT DEVELOPMENTS: May soybeans are trading down 2 cents this morning. China futures were up 1.5% overnight. Palm oil futures in Malaysia were up 0.7%. Global equity markets were all off moderately overnight in what was probably a catch-up to the US action on Tuesday. The Asian session featured the February Japanese trade balance which showed an increase in both imports and exports and that might point to minimally positive traction in that economy. In fact Japanese exports rose to the highest level in two years in the release today. The European session was fairly quiet with a January reading on the Euro zone current account that showed a slight narrowing. The North American session will start with a weekly private survey of mortgage applications and the January FHFA housing price index which is forecast to be in-line with December's 0.4% reading. February existing home sales are expected to see a moderate downtick from January's 5.69 million annualized rate.



NEAR-TERM MARKET FUNDAMENTALS: With short-term technical indicators oversold, finding new aggressive sellers at this time of the year is difficult. However, the supply/demand fundamentals are shifting to a more bearish set-up and managed money traders are thought to be net long near 100,000 contracts. May soybeans settled at 1001 1/2 and has settled within the 998 to 1001 1/2 level for six consecutive trading days. The bear camp continues to point to the fact that South American production will be as much as 12 to 15 million tonnes above last year's total. The March 1st stocks number has been estimated as high as 1.680 billion bushels, 139 million bushels higher than last year's March 1st stocks report and due to a slowing pace of Chinese soybean purchases due to flat to negative crush margins. Still, the market continues to find support under the 1000 level from seasonal tendencies for upward moves in late March into May. The Foreign Ag Service has estimated the Chinese 2017-18 soybean imports to 89.0 million tonnes and continues to see the 2016-17 soybean imports at 86.0 million tonnes.

The USDA's March estimate for 2016-17 Chinese soybean imports are at 87.0 million tonnes. The Renewable Fuels Standards (RFS) rules, which were delayed 60 days on January 20th in order for the new administration to review the regulations, were implemented today. There still remains talk that US fuel-makers are urging the Trump administration to adhere to his "America First" policy by revising the \$1 a gallon tax credit for US biodiesel producers only. Imports of soy based additives from Argentina have more than tripled in three years to \$1.2 billion in 2016 and accounts for 28% of all biodiesel used in the US. Soybean oil has rallied 2.6% the past two days and the oilshare was up 0.97% on the day.

TODAY'S MARKET IDEAS:

We see ample March 1st stocks and planted acreage near 89.3 million acres. Even if we assume a 6.9% drop in yield from the record 52.1 bu/acre last year, ending stocks come in at a record high of 680 million bushels from 435 million this year and 197 million last year. Look for July soybeans to trade at a premium of just 1 1/2 cents to the November with selling resistance at +18 cents. May soybean resistance is at 1008 with 985 3/4 as the next level of support.

NEW RECOMMENDATIONS:

Buy July soybean \$9.80 put and also sell June Soybean \$10.60 call for a net premium paid of +5 1/2 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.

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) 03/22/2017: The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up is a positive indicator that could support higher prices. The market tilt is slightly negative with the close under the pivot. The next upside target is 1014 1/2. The next area of resistance is around 1008 and 1014 1/2, while 1st support hits today at 995 and below there at 988 1/2.

SOYBEAN OIL (MAY) 03/22/2017: Momentum studies are rising from mid-range, which could accelerate 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. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 33.75. The next area of resistance is around 33.49 and 33.75, while 1st support hits today at 32.79 and below there at 32.34.

SOYMEAL (MAY) 03/22/2017: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is 321.2. The next area of resistance is around 328.1 and 330.5, while 1st support hits today at 323.5 and below there at 321.2.

DAILY CORN COMMENTARY

03/22/17

Funds building net short position into planting season

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.2

OVERNIGHT DEVELOPMENTS: May corn is trading down 1 cent this morning. Outside market forces look slightly bearish.



NEAR-TERM MARKET FUNDAMENTALS: With the possibility that South America corn production increases near 36.5 million tonnes above last year for the upcoming harvest, the upside looks very limited until US weather is a factor. This is an "extra" 1.44 billion bushels above last year and should have a major impact on US export pace. May corn traded to the lowest level since January 11th yesterday. Increasing South American supplies as well as forecasts of beneficial moisture falling throughout the central Corn Belt prior to the planting season led to the negative tone. Brazil's Ag Consultancy pegged the corn production at 98 million tonnes compared to the USDA's 91.5 million tonnes. The Foreign Ag Service (FAS) has lowered Chinese corn production for 2016/17 to 219.55 million tonnes from 224.6 million previously. This is in line with the latest USDA estimate also at 219.55 million tonnes. The ethanol RIN prices gained again yesterday to a high of 61 cents, and are up over 50% in two days. The Trump Administration will keep 2017 biofuel quotas unchanged, as the review period ended yesterday with no revisions.

Texas corn plantings were estimated at 31% done versus 27% average and Louisiana corn plantings were 35% done versus 23% average. The open interest in corn went up 5,460 contracts on Monday and is up 44,278 contracts over the last five trading days, which could indicate an increasing short position from the trend following trader. The average estimates for the ethanol production report today have production at 1.032 million barrels in a range of 1.023-1.039 million barrels. The stockpiles are estimated at 22.83 million barrels in a range of 22.6 to 23.14 million barrels.

TODAY'S MARKET IDEAS:

The trend following trader seems to be building their net short position given the recent increase in open interest. Even with all the bearish inputs it's not the time of year to be selling twenty cent breaks. Longer term position traders might look to buy call strategies or futures if December corn drifts down to 375 3/4 prior to the kickoff of the weather season in April. May corn support is at 355 3/4 with 365 1/4 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.

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) 03/22/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 356 3/4. The next area of resistance is around 363 1/2 and 366, while 1st support hits today at 359 and below there at 356 3/4.

DAILY WHEAT COMMENTARY

03/22/17

Improving crops US next 10 days and good crops Europe/Black Sea

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -2.0

OVERNIGHT DEVELOPMENTS: May wheat is down 2 3/4 cents this morning. Outside market forces are slightly bearish. MATIF futures are down 0.6%.



NEAR-TERM MARKET FUNDAMENTALS: Weather models show frequent rains over the next two weeks for winter wheat areas and this has kept the short-term trend down. May wheat traded down to the lowest price level since January 4th yesterday. The market continues to struggle with follow-through weakness due to Monday's shift in the weather models boosting moisture across the Great Plains. As much as 2 1/2 inches of rain could fall from Texas to Nebraska over the next ten days starting March 25th. This rain event (if verified) is coming just in time as crop ratings fell by 2% in Kansas and 3% in Oklahoma for the week ending Sunday. The Foreign Ag Service (FAS) has estimated Chinese wheat output at 128.9 million tonnes for 2016-17. This is unchanged from the March USDA estimate. The FAS has estimated Egypt's 2017-18 wheat imports at 11.5 million tonnes compared to 2016-17 at 11.0 million. China sold 474,000 tonnes out of 2.62 million tonnes offered at their state reserve auction at an average price of \$363 per tonne. The open interest went up 8,630 contracts on Monday and is up 72,984 contracts since March 1st.

TODAY'S MARKET IDEAS:

Weak action in the face of a weak US dollar is a bearish force as US, Black Sea and Europe crops look to be in

good shape by early April. On a percentage basis, the Kansas City and Minneapolis markets were much weaker than Chicago yesterday which was most likely spread unwinds. The rain event feels like it is pretty well priced in, and if the rains are disappointing, things could get interesting. The next level of support in May wheat is at 422 3/4 followed by 419 1/4. Position traders might consider bullish strategies if July wheat moves into the 436-427 zone.

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) 03/22/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 pivot swing number is a mildly negative setup. The next downside target is now at 419 1/4. The next area of resistance is around 430 1/4 and 434, while 1st support hits today at 422 3/4 and below there at 419 1/4.

KC WHEAT (MAY) 03/22/2017: Momentum studies are declining, but have fallen to oversold levels. 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 lower than the pivot swing number. The next downside target is now at 429 1/4. The next area of resistance is around 443 1/4 and 449 1/2, while 1st support hits today at 433 1/4 and below there at 429 1/4.

MINN WHEAT (MAY) 03/22/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates 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 next upside objective is 551 1/2. The next area of resistance is around 543 3/4 and 551 1/2, while 1st support hits today at 532 3/4 and below there at 529 1/2.

RICE (MAY) 03/22/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 9.658. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 9.834 and 9.917, while 1st support hits today at 9.705 and below there at 9.658.

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	361 1/4	34.54	38.70	17.76	15.42	364.56	364.03	369.89	373.08	370.17
CNAZ7	384 1/2	37.24	40.61	22.53	21.62	387.00	386.17	390.82	393.02	390.63
SSAK7	1001 1/2	32.71	36.32	13.02	13.52	1000.63	1002.58	1017.56	1040.72	1035.95
SSAX7	998 1/4	41.46	42.48	18.06	17.87	995.19	997.19	1007.10	1015.22	1010.38
SMAK7	325.8	31.56	36.85	14.33	13.60	327.65	328.17	331.36	338.83	334.30
BOAK7	33.14	52.30	47.46	27.00	32.38	32.61	32.54	33.16	33.98	34.37
WHAK7	426 1/2	30.34	36.95	16.75	12.77	432.25	434.50	442.57	445.71	440.95
WHAN7	442 1/4	30.84	37.34	18.09	13.78	447.56	449.92	457.57	459.91	455.07
RCAK7	9.770	52.28	51.35	75.06	74.63	9.84	9.78	9.69	9.79	9.82

KWAK7	438 1/4	31.26	36.86	21.15	16.40	446.75	448.61	458.71	459.50	453.98
MWAK7	538 1/4	41.79	43.04	37.67	43.08	545.88	540.56	544.21	552.62	550.12
OTAK7	253 3/4	58.98	56.88	66.85	72.39	250.94	249.72	246.69	247.88	243.25

Calculations based on previous session. Data collected 03/21/2017

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	356 3/4	359	361 1/2	363 1/2	366 1/4
CNAZ7	Corn	380 1/4	382 1/4	384 3/4	386 3/4	389 1/4
SSAK7	Soybeans	988 1/2	995	1001 1/2	1008	1014 1/2
SSAX7	Soybeans	985 1/4	992	997 1/2	1004 1/2	1009 3/4
SMAK7	Soymeal	321.1	323.4	325.8	328.1	330.5
BOAK7	Soybean Oil	32.33	32.78	33.04	33.49	33.75
WHAK7	Wheat	419	422 3/4	426 1/2	430 1/4	434
WHAN7	Wheat	435	438 3/4	442	445 3/4	449
RCAK7	Rice	9.657	9.704	9.787	9.834	9.917
KWAK7	KC Wheat	429 1/4	433	439 1/2	443 1/2	449 3/4
MWAK7	MINN Wheat	529 1/2	532 3/4	540 1/2	543 3/4	551 1/2
OTAK7	Oats	246 1/2	250 3/4	252 1/2	256 3/4	258 1/2

Calculations based on previous session. Data collected 03/21/2017

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