



DAILY GRAINS COMMENTARY Thursday March 23, 2017

DAILY SOY COMPLEX COMMENTARY 03/23/17

Oversold and probing for seasonal low but more down short-term

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -4.2, BEAN OIL -0.2, SOYMEAL -0.7**

OVERNIGHT DEVELOPMENTS: May soybeans are trading down 4 3/4 cents this morning. China futures were mixed overnight. Palm oil futures in Malaysia were down 2%. Global equity markets were mixed overnight with the Asian markets generally stronger and the European markets weaker. The Asian session was relatively quiet while the European session started out with the April Gfk survey of German consumer confidence that declined to 9 from March's reading of 10. February UK retail sales were forecast to see a notable uptick from January's +1.5% year-over-year rate. The North American session will start out with a weekly reading on initial jobless claims that are expected to see a slight downtick from the previous 241,000 reading. February new home sales are forecast to see a modest uptick from January's 555,000 annualized rate. The March KC Fed manufacturing index is expected to hold steady with February's 11 reading.



NEAR-TERM MARKET FUNDAMENTALS: While oversold technically and near a seasonal low point in time, the market fundamentals appear bearish enough for one more break before the growing season. Fund traders are long and the market is trading near the low end of the recent 8-session consolidation and very close to the lowest price level since October. New lows could spark increased long liquidation selling. China imported 5.54 million tonnes of soybeans in February which pushed year-to-date total to 13.19 million tonnes which is up 29.8% from last year's pace. Yesterday was the seventh trading day in a row that the market has settled between 998 and 1001 1/2. May soybeans have closed lower in 11 of the last 13 trading days and are down 36 cents so far this month. US exporters announced the sale of 120,000 tonnes of new crop soybeans to China. FC Stone estimated the 2017-18 US soybean acreage at 87.3 million acres, down slightly from the USDA Outlook Board's 88.0 million acre estimate in February.

The November soybean/December corn ratio settled at 2.614%, which is the highest close in the month of March. The Brazilian soybean basis levels have moved lower this week with aggressive offers being reported. The larger production numbers with active harvest have pressed cash values. Mato Grosso do Sul (Brazil's largest producing state) is reported to be 91% harvested. The open interest went up 11,623 contracts on Tuesday which could indicate new shorts entering the market. The soybean oil/meal ratio gained 0.70% and is right on the monthly high of 34.1%. The average estimate for today's weekly export sales are 350,000 to 700,000 tonnes.

TODAY'S MARKET IDEAS:

The bull camp is trying to hold on until next week's USDA report but are running out of new buyers. Aggressive traders could sell May soybean at 1013 1/2 to 1019 1/4 looking for a break to at least 985 3/4. July meal resistance is at 329.30 with 322.70 as next target. Look for July soybeans to trade at a premium of just 1 1/2 cents to the November with selling resistance at +18 cents.

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) 03/23/2017: 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 near-term upside objective is at 1008 1/4. The next area of resistance is around 1004 1/4 and 1008 1/4, while 1st support hits today at 995 1/4 and below there at 990.

SOYBEAN OIL (MAY) 03/23/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 34.18. The next area of resistance is around 33.94 and 34.18, while 1st support hits today at 33.10 and below there at 32.51.

SOYMEAL (MAY) 03/23/2017: Daily stochastics are trending lower but have declined into oversold territory. 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 321.4. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 324.8 and 326.5, while 1st support hits today at 322.2 and below there at 321.4.

DAILY CORN COMMENTARY

03/23/17

Rising open interest suggests funds building net short position

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.6

OVERNIGHT DEVELOPMENTS: May corn is trading down 3/4 of a cent this morning and down to the lowest level since December 30th. Outside market forces look slightly negative.



NEAR-TERM MARKET FUNDAMENTALS: The market is probing for a short-term seasonal low but the cash fundamentals remain weak. Dalian corn futures market is quiet this morning but settled up over 1.0% yesterday and has been higher for three consecutive days. The lower corn planted area in China continues to support their futures market. The Argentine corn basis levels have been in retreat this week, and this could be an indication that yields are rising. With seven trading days left in the 1st quarter, May corn is 3/4 cents from the low of the quarter at 357 1/2 which was made on January 3rd. FC Stone estimated the corn acreage at 91.6 million compared to the USDA Outlook Board's 90 million acre estimate from late February.

Ethanol production for the week ending March 17th averaged 1.044 million barrels per day. This is down 0.10% vs. last week and up 4.92% vs. last year. Total ethanol production for the week was 7.308 million barrels. Corn used in last week's production is estimated at 109.62 million bushels. Corn use needs to average 99.1 million bushels per week to meet this crop year's USDA estimate. Stocks were 22.595 million barrels, down 0.75% vs. last week and up 0.34% vs. last year. The average estimate for today's weekly export sales are 750,000 to 1.3 million tonnes.

TODAY'S MARKET IDEAS:

The trade is anticipating a March 1st stocks number that could be north of 8.500 billion bushels versus last year's 7.822 billion bushels. On top of that, the corn acreage number seems to be creeping higher than the 90.0 million

acres that the USDA World Outlook Board estimated. There are still 3.6 million acres of corn, wheat and soybeans planted last year and left out of the 273.3 million acre total that the USDA Outlook Board estimated in February. Some of these acres will come into play. 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 353 1/4 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) 03/23/2017: 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is 356. The next area of resistance is around 360 1/2 and 362 3/4, while 1st support hits today at 357 and below there at 356.

DAILY WHEAT COMMENTARY

03/23/17

Surging open interest; funds building massive short

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +0.2

OVERNIGHT DEVELOPMENTS: May wheat is up 1/2 of a cent this morning. Outside market forces are slightly bearish. MATIF futures are unchanged.



NEAR-TERM MARKET FUNDAMENTALS: Surging open interest during the March break suggest that funds are building a huge net short position. May wheat is just 5 cents from the yearly low at 416 1/4 made on January 4th. The weakness in the market continues to be from weather models that show two separate storms that should bring relieve to most of the winter wheat belt. As much as 85% of an area from Texas to Nebraska could see up to 2 inches of rain. US exporters announced the sale of 120,000 tonnes of hard red winter wheat to Saudi Arabia. News that Egypt has rejected up to 10 cargoes of optional origin wheat due to insect and grass levels has the trade wondering if future offers to Egypt will be priced accordingly. The continued rise in open interest has been impressive, with Tuesday's open interest up 7,739 contracts and since March 1st open interest is up over 80,000 contracts. The average estimates for today's weekly export sales are 300,000 to 650,000 tonnes.

TODAY'S MARKET IDEAS:

The contract low at 406 is not too far away either. As of March 14th, the managed money category is short 100,629 contracts and since March 15th open interest is up 33,291 contracts. The COT report on Friday should show the managed money traders have increased their short by an estimated 20,000 contracts. This will put them closer to their record short position of 151,000 contracts from October 2016. Big rains and a bearish March 1st stocks report seems to have been priced in already, although the bear camp has the 406 level on their radar. The first level of support is at 419 1/4 followed by 417 1/4. It will take a move back over 451 1/2 for July wheat to penetrate the steep downtrend.

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) 03/23/2017: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 417 1/4. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 425 1/4 and 429 1/4, while 1st support hits today at 419 1/4 and below there at 417 1/4.

KC WHEAT (MAY) 03/23/2017: 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 close below the 1st swing support could weigh on the market. The next downside objective is now at 426. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 436 1/2 and 441 3/4, while 1st support hits today at 428 1/2 and below there at 426.

MINN WHEAT (MAY) 03/23/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 near-term upside objective is at 545 1/4. The next area of resistance is around 541 1/4 and 545 1/4, while 1st support hits today at 534 1/4 and below there at 531 1/4.

RICE (MAY) 03/23/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. 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 objective is now at 9.703. The next area of resistance is around 9.815 and 9.842, while 1st support hits today at 9.745 and below there at 9.703.

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	358 3/4	31.07	36.30	15.48	10.91	362.75	363.11	369.22	372.77	370.25
CNAZ7	382	32.99	37.71	20.17	15.45	385.63	385.47	390.32	392.78	390.70
SSAK7	999 3/4	31.22	35.49	13.20	13.58	1000.19	1001.33	1016.19	1038.98	1035.72
SSAX7	998 3/4	42.35	42.96	18.94	20.69	996.00	996.56	1006.64	1014.75	1010.56
SMAK7	323.5	27.08	33.88	12.88	9.99	326.20	327.61	330.68	338.24	334.42
BOAK7	33.52	58.62	51.85	32.09	42.28	32.93	32.59	33.21	33.93	34.34
WHAK7	422 1/4	26.95	34.48	14.16	8.97	428.81	432.08	441.14	445.13	441.16
WHAN7	437 1/2	26.92	34.47	15.34	9.84	444.19	447.44	456.21	459.33	455.30
RCAK7	9.780	53.04	51.86	73.64	70.80	9.83	9.79	9.70	9.78	9.82
KWAK7	432 1/2	27.61	34.05	17.85	11.27	442.38	445.28	456.79	458.81	454.19
MWAK7	537 3/4	41.24	42.67	38.88	41.28	543.31	540.44	543.32	552.15	550.20
OTAK7	251 1/2	54.53	54.11	68.30	71.22	251.50	250.94	246.78	248.16	243.78

Calculations based on previous session. Data collected 03/22/2017

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	357	359 1/2	360 1/2	363
CNAZ7	Corn	379	380	382 3/4	384	386 1/2
SSAK7	Soybeans	990	995	999 1/4	1004 1/2	1008 1/2
SSAX7	Soybeans	989 1/2	994 1/2	998	1003	1006 1/2
SMAK7	Soymeal	321.3	322.2	323.9	324.8	326.5
BOAK7	Soybean Oil	32.50	33.09	33.34	33.94	34.18
WHAk7	Wheat	417 1/4	419 1/4	423 1/4	425 1/4	429 1/4
WHAN7	Wheat	432	434 1/4	438 1/2	440 3/4	445
RCAK7	Rice	9.702	9.745	9.772	9.815	9.842
KWAK7	KC Wheat	426	428 1/2	434	436 1/2	442
MWAK7	MINN Wheat	531 1/4	534 1/4	538 1/4	541 1/4	545 1/4
OTAK7	Oats	248	249 1/2	251 3/4	253 1/2	255 1/2

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