



DAILY GRAINS COMMENTARY Friday March 24, 2017

DAILY SOY COMPLEX COMMENTARY 03/24/17

Still oversold but focus shift to new crop; bearish supply tone

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -6.2, BEAN OIL -0.4, SOYMEAL -1.2**

OVERNIGHT DEVELOPMENTS: May soybeans are trading down 6 cents this morning and down to the lowest level since mid-October. China futures were trading near unchanged overnight. Palm oil futures in Malaysia were down 0.6%. Global equity markets were mixed with Chinese, Australian and the Hang Seng higher and European stocks weaker. The Asian economic calendar featured the latest readings for the Japanese leading economic index which posted a slight decline from the prior months' result. The European session started out with first quarter French GDP that bested expectations with a +0.4% gain. German & European "flash" manufacturing PMI readings both came in above expectations with results that depict forward motion albeit slow motion. The North American session will start with February durable goods which are expected to see a moderate downtick from January's +2.0% reading. February Canadian CPI is forecast to hold steady at a 2.1% year-over-year rate. There will be a market focus on Washington again today to see if the health care reform bill will have a vote today with the President initially demanding a vote today.



NEAR-TERM MARKET FUNDAMENTALS: The massive South America crop production outlook and a wet outlook for the central and southern US in the next few weeks are factors which could provide some support for corn but would be clearly bearish for soybeans; especially with funds still holding a hefty net long position. May soybeans continued to see long liquidation yesterday as the market settled at the lowest level since October 14th. The soybean oil market did see strength tied to news that US biodiesel makers have filed a petition arguing that Argentina and Indonesia are violating trade laws by flooding the US market with subsidized biodiesel which in turn are driving down domestic prices. The Buenos Aires Grains Exchange raised their production to 56.5 million tonnes, up 1.7 million from their previous estimate of 54.8 million tonnes. Rabobank estimated the soybean acreage at 86.4 million acres compared to the USDA Outlook Board's 88 million acres. Using 86.4 million acres with a trendline 48 bushels/acre yield and using the USDA Outlook Board's demand figures, ending stocks would be 497 million bushels. This is not as large as some analysts have been computing, but still a cumbersome 12.2% stocks to usage.

Chinese import data was released yesterday with soybean imports at 5.537 million tonnes, up 22.8% from last February. The January-February import total was 13.19 million tonnes, up 29.7% versus last year's two month total. Weekly export sales came in at 738,200 tonnes for the current marketing year and 79,900 for the next marketing year for a total of 818,100 compared to 697,000 tonnes last week. As of March 16th, cumulative soybean sales stand at 98.3% of the USDA forecast for 2016/2017 marketing year. Net meal sales came in at 134,300 tonnes for the current marketing year and 26,600 for the next marketing year for a total of 160,900 versus 394,000 tonnes last week. Net oil sales came in at 15,300 tonnes.

TODAY'S MARKET IDEAS:

May soybeans finally broke away from the narrow settlement range that the market had held for the last seven trading days. The managed money trader's net length is declining, with estimates at 75,000 contracts down 25,000 from last week's COT report. If there is a short-term bounce, traders could sell May soybean at the 1005 1/4 to 1015 1/2 zone. The bull camp is trying to hold on until next week's USDA report but are running out of new buyers. Use 968 as next downside target.

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) 03/24/2017: A crossover down in the daily stochastics is a bearish signal. 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 982. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 996 3/4 and 1005 1/4, while 1st support hits today at 985 1/4 and below there at 982.

SOYBEAN OIL (MAY) 03/24/2017: 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 could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 34.18. The next area of resistance is around 33.62 and 34.18, while 1st support hits today at 32.82 and below there at 32.57.

SOYMEAL (MAY) 03/24/2017: 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. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 317.7. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 322.6 and 325.4, while 1st support hits today at 318.8 and below there at 317.7.

DAILY CORN COMMENTARY

03/24/17

Too much rain in the US delta may slow early plantings

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.4

OVERNIGHT DEVELOPMENTS: May corn is trading unchanged this morning. Outside market forces look slightly positive and China futures are unchanged.



NEAR-TERM MARKET FUNDAMENTALS: With the oversold condition of the market and a wet forecast in the US over the next several weeks, the short-term selling trend may be close to an end. The market is on track to put in a bearish outside week lower close and is down 10 3/4 cents on the week. The open interest went up 18,047 contracts on Wednesday and is up over 50,000 contracts in the last five days. The market could be in a store for another large increase in speculative shorts in today's COT report. Rabobank is estimating corn acreage at 91.5 million acres, up 1.5 million from the USDA Outlook number. Using 91.5 million acres with a 170.7 bushels/acre yield and the demand numbers from the USDA Outlook Board, this would leave a 2.200 billion bushel ending stocks number. A 5.0% decline in yield to 162.2 would leave a 1.495 billion bushel ending stocks total. The Buenos Aires Grain Exchange left their Argentine corn production unchanged at 37.0 million tonnes, but did comment that the estimate could increase as yields so far have been above average. They estimated corn

harvest at 8.1% complete.

The USDA's Drought Monitor was updated yesterday showing 12% of the corn production area is experiencing some form of drought stage. Although, extended forecasts for the Southern Corn Belt and Delta regions could be in store for an extended wet period over the next two to three weeks and could see some minor planting delays. Weekly export sales came in at 1,347,000 tonnes for the current marketing year and 127,100 for the next marketing year for a total of 1,474,100 tonnes which was well above the estimates of 700,000 to 1.2 million. As of March 16th, cumulative corn sales stand at 82.6% of the USDA forecast for the 2016/2017 (current) marketing year versus a 5 year average of 77.3%.

TODAY'S MARKET IDEAS:

The market has seen two weeks in a row of solid export figures, but selling interest has been heavy. In fact, there are rumors of Brazilian meat packers selling out long corn hedges. With the report one week away and the planting/growing season to kickoff next month, the short side of the market seems somewhat limited. Longer term position traders might look to buy call strategies or futures if December corn drifts down to 375 3/4 prior to the report. Consider buying the Dec 380/460 bull call spread and also selling the Dec 350 put for a net premium paid of near 2-3 cents.

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) 03/24/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 354. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 358 1/2 and 360 3/4, while 1st support hits today at 355 and below there at 354.

DAILY WHEAT COMMENTARY

03/24/17

May be close to pricing in good rains and burdensome supply

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +2.0

OVERNIGHT DEVELOPMENTS: May wheat is up 2 1/4 cents this morning. Outside market forces are slightly supportive. MATIF futures are down slightly.



NEAR-TERM MARKET FUNDAMENTALS: The market has built up an extreme oversold condition into the weekend and has priced in excellent moisture for the dry areas of the plains. The market has also seen a lack of any weather issues for Europe or Black Sea region. Open interest in wheat went up 9,792 contracts on Wednesday and has increased over 90,000 contracts since March 1st. Some estimates have the managed money trader net short position at 130,000 contracts. Egypt rejected as many as 7 cargoes of wheat yesterday due to insect and grass seed in the cargoes, and now risks paying higher premiums from exporters who most likely will add a premium of as much as \$2.00 per tonne in order mitigate increased costs in the event of having to fumigate cargoes on arrival. Ikar cut their Russian wheat export number to 27.5 million tonnes from 28.0 million due to the recent conflict with Turkey.

China's February wheat imports were 234,000 tonnes, up 116% versus last February and barley imports were 806,456 tonnes up 208% versus last February. The USDA's latest Drought Monitor shows 26% of winter wheat production area is experiencing some form of drought stage. Although, forecasts have the Plains states receiving 2 plus inches with excellent coverage next week. Illinois based Planalytics (who uses satellite imagery for yield forecasting) has estimated the winter wheat yield at 48.2 bushels per acre, down from last year's record 55.3 bushels per acre. Using their 48.2 bushels/acre yield with 46.0 million acres and the Outlook Board's demand numbers, the ending stocks figure would be 934 million bushels. A decrease from this year's 1.129 billion bushels but not a game-changer. Weekly export sales came in at 418,500 tonnes for the current marketing year and 149,800 for the next marketing year for a total of 568,300 compared to last week's 339,000 tonnes.

TODAY'S MARKET IDEAS:

May wheat is down 15 1/4 cents on the week and looking to put in an outside week lower close. The record short for managed money traders is 151,000 contracts, and it feels as if the trade is getting closer to that number after this week's action. Trading wheat from the short side at the 420 level has proven to be difficult. Big rains and a bearish March 1st stocks report seems to have been priced in already. Aggressive traders could look to buy 1 May wheat 420 call/sell 2 May wheat 445 calls (1x2 spread) at 3 1/2 cents. Look for a test of the 100 day moving average at 436 1/2 over the next few days to exit the position. The next level of support for May wheat is at 418 3/4, followed by 417.

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:

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WHEAT (MAY) 03/24/2017: 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 lower than the pivot swing number. The next downside objective is now at 417. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 423 1/4 and 426 1/4, while 1st support hits today at 418 3/4 and below there at 417.

KC WHEAT (MAY) 03/24/2017: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 422 3/4. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 431 1/4 and 436, while 1st support hits today at 424 3/4 and below there at 422 3/4.

MINN WHEAT (MAY) 03/24/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 545. The next area of resistance is around 543 1/4 and 545, while 1st support hits today at 538 1/4 and below there at 535 1/4.

RICE (MAY) 03/24/2017: The major trend could be turning up with the close back above the 60-day moving average. The daily stochastics have crossed over up which is a bullish indication. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 9.918. The next area of resistance is around 9.892 and 9.918, while 1st support hits today at 9.808 and below

there at 9.749.

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	356 3/4	28.49	34.45	12.89	7.72	360.06	362.28	368.58	372.42	370.32
CNAZ7	380	29.92	35.53	17.07	10.87	383.19	384.75	389.83	392.52	390.76
SSAK7	991	24.86	31.57	11.98	9.53	997.94	999.61	1014.47	1036.92	1035.46
SSAX7	991 1/4	33.72	37.87	18.24	16.84	995.44	995.61	1005.81	1013.93	1010.73
SMAK7	320.7	22.67	30.65	10.84	6.76	324.15	326.72	329.85	337.52	334.53
BOAK7	33.22	52.45	48.41	36.61	45.65	33.16	32.65	33.24	33.88	34.31
WHAK7	421	25.99	33.77	11.63	6.58	425.00	429.92	440.15	444.57	441.40
WHAN7	436	25.76	33.59	12.54	6.93	440.31	445.19	455.25	458.77	455.55
RCAK7	9.850	58.33	55.41	73.65	73.67	9.81	9.81	9.71	9.78	9.82
KWAK7	428	25.04	31.99	14.37	7.40	436.00	442.22	455.18	458.00	454.37
MWAK7	540 3/4	46.01	45.62	40.36	43.33	541.25	540.69	542.90	551.63	550.41
OTAK7	248	48.17	50.02	67.19	64.97	251.00	251.14	247.06	248.20	244.24

Calculations based on previous session. Data collected 03/23/2017

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	354	355	357 1/2	358 1/2	361
CNAZ7	Corn	377 1/4	378 1/2	380 1/2	381 1/2	383 3/4
SSAK7	Soybeans	981 3/4	985	993 1/2	997	1005 1/4
SSAX7	Soybeans	983	986	993 1/4	996 1/2	1003 1/2
SMAK7	Soymeal	317.6	318.7	321.5	322.6	325.4
BOAK7	Soybean Oil	32.56	32.81	33.37	33.62	34.18
WHAK7	Wheat	417	418 1/2	421 3/4	423 1/2	426 1/2
WHAN7	Wheat	432 1/4	433 3/4	436 3/4	438 1/4	441 1/4
RCAK7	Rice	9.748	9.807	9.833	9.892	9.918
KWAK7	KC Wheat	422 3/4	424 1/2	429 1/2	431 1/2	436 1/4
MWAK7	MINN Wheat	535	538 1/4	540	543 1/4	545
OTAK7	Oats	242 1/2	244 3/4	249	251 1/4	255 1/2

Calculations based on previous session. Data collected 03/23/2017

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