



DAILY GRAINS COMMENTARY Tuesday April 04, 2017

DAILY SOY COMPLEX COMMENTARY

04/04/17

Down \$1.44 1/4 from the January highs leaves market oversold

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +2.4, BEAN OIL +0.0, SOYMEAL +1.3**

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 2 cents this morning. China futures are closed for holiday. Palm oil futures in Malaysia were down 1.2% and down to the lowest level since October. Global equity markets were mixed overnight with several markets in Asia closed for holiday. The Asian session presented the results of the Reserve Bank of Australia's latest monetary policy meeting with the Central bank observing a mixed economy (strong housing/soft labor markets). The European session started out with March UK construction PMI that posted a minimal downtick from February's 52.5 reading. February Euro zone retail sales posted a gain of +0.7% and that was the second straight month of gains in that economic measure. The North American session will start out with the February international trade balance which is expected to show a moderate downtick with the monthly deficit. February factory orders are expected to see a modest downtick from January's +1.2% reading.



NEAR-TERM MARKET FUNDAMENTALS: Open interest is on the rise as funds build a short position. The market pushed down to the lowest level since August 4th of last year. The market is still digesting the bearish numbers from Friday's stocks and plantings report as well as bearish South American production estimates. The open interest on Friday went up 17,852 contracts which likely is new shorts entering the market. Safras raised their Brazilian soybean production to 111.5 million tonnes compared to their previous estimate of 107.1 million. On Friday, Informa estimated their Brazilian soybean production to 111.0 million tonnes compared to the February USDA estimate at 108.0 million tonnes. Their Argentine soybean estimate is 57.5 million tonnes compared to the USDA February's estimate at 55.5 million. Brazil's soybean exports rose to a record 9.7 million tonnes in March compared to 8.9 million last year. Soybean exports were 17.3 million tonnes for the January-March period, up 30% from the same period last year with the port at Santos accounting for 40% of Brazil's total soybean shipments through March. Argentine rains of up to 3.0 inches over the weekend are fueling concerns about harvest delays with more rain forecast into April 7th. Soybean harvest is seen at 2.0% complete as of March 30th versus the five year average of 4.5% complete.

With the fresh numbers released on Friday, analysts are able to plug in variables for a picture of what the 2017-18 balance sheet could look like. Using a 48 bushels/acre trendline yield and carry-in stocks of 460 million bushels, a 1.945 billion bushel crush and 2.000 billion exports, ending stocks would be 665 million bushels. A 5% increase in yield over trend at 50.4 vs. 52.1 last year would leave ending stocks at 878 million. A 5% decrease in yields, to 45.6 bushels per acre (6.5 below last year) and we still end up with a 452 million bushel carryout. Weekly export inspections for soybeans came in at 620,725 tonnes. As of March 30th, cumulative soybean export inspections for the 2016-17 marketing year have reached 85.2% of the USDA forecast versus a 5 year average of 86.4%. US soybean crush for February came in at 151.00 million bushels versus the average estimate of 152.1 million bushels and last year's 154.6 million bushels. Cumulative crush of 975.74 million bushels is 50.56% of the current USDA estimate for the year. The average crush pace for this time of year is 51.84%. US soybean oil stocks came in at 2.206 billion pounds versus the average estimate of 2.145 billion and 2.281 billion last year.

TODAY'S MARKET IDEAS:

July soybeans have made lower lows in seven of the last eight trading days while closing Monday at price levels we have not seen since early August of last year. We think it is safe to say the managed money trader has exited length, now the question is will they get short before the growing season. The market is extremely oversold, with

single digit stochastics and an RSI at 8.5%. A relief rally is possible to correct the oversold nature of the market in the short term. Aggressive very short-term traders could buy July soybeans at the 943 1/4 to 940 1/4 support zone looking for a correction to 968 1/4 to 974 1/2. July closed discount to November and could eventually trade near 15 cent discount.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 04/04/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 928 3/4. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 944 1/4 and 952 3/4, while 1st support hits today at 932 1/4 and below there at 928 3/4.

SOYBEAN OIL (MAY) 04/04/2017: 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 under the swing pivot. The next downside objective is 30.83. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 31.79 and 32.32, while 1st support hits today at 31.05 and below there at 30.83.

SOYMEAL (MAY) 04/04/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 305.4. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The next area of resistance is around 308.9 and 310.5, while 1st support hits today at 306.3 and below there at 305.4.

DAILY CORN COMMENTARY

04/04/17

May need some help from weather to bounce much more

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.2

OVERNIGHT DEVELOPMENTS: May corn is trading up 1 cent this morning. Outside market forces look negative with bonds up again and equity markets lower.



NEAR-TERM MARKET FUNDAMENTALS: July corn has already recovered more than half of the February-March break and the upside potential above 381 1/2 looks quite limited without help from late season Brazil weather or US planting issues ahead. After more rain this week, the 6-10 and 8-14 day US models are showing above normal precipitation. The market ran into to producer selling on the rally yesterday as on farm stocks of 4.908 billion bushels, mostly centered in the western Corn Belt, should provide resistance on rallies. Both old crop and new crop contracts scored bullish outside day higher closes on Friday and followed through with higher

closes yesterday. The open interest in corn went up 23,833 contracts on Friday which likely is new longs after the release of the report on Friday. The latest models show heavy rains in the eastern two thirds of the Corn Belt over the next two weeks, with the GFS model producing the heaviest amounts.

On Friday, Informa estimated the Brazilian corn production at 95 million tonnes compared to the USDA March estimate of 91.5 million tonnes and their Argentine corn production estimate is at 38.2 million tonnes versus the USDA March estimate of 37.5 million. Weekly export inspections for corn came in at 1,475,257 tonnes. As of March 30th, cumulative corn export inspections for the 2016-17 marketing year have reached 59.0% of the USDA forecast versus a 5 year average of 52.5%. After the close Monday, the USDA released some minor crop planting progress along with sub-soil and top-soil moisture levels. Top-soil moisture is at 86% adequate to surplus versus 79% last year at this time. The sub-soil moisture levels were 81% adequate to surplus versus 80% last year.

TODAY'S MARKET IDEAS:

The trend-following fund traders are carrying a short position of 155,512 contracts into the start of the growing season which could be a recipe for another whipsaw type trade. A 5% decline in trendline yield to 162.2 bushels per acre could take ending stocks below 1.500 billion bushels and a stocks to usage ratio below 10.0%. Option traders might consider buying September 400/450 call spread at 9 1/2 cents. Risk 4 1/2 cents on the spread. December corn needs a close over 394 to extend the rally. July corn resistance is at 377 3/4 and 381 1/2.

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:

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CORN (MAY) 04/04/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 next upside target is 374 1/4. The next area of resistance is around 370 3/4 and 374 1/4, while 1st support hits today at 364 3/4 and below there at 362.

DAILY WHEAT COMMENTARY

04/04/17

Some dryness concerns for Europe; small acres/more sensitive

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +1.2

OVERNIGHT DEVELOPMENTS: May wheat is 2 cents higher this morning. Outside market forces are slightly negative. MATIF futures are trading down 0.45%. Algeria is tendering to buy 50,000 tonnes of milling wheat. South Korea bought 65,000 tonnes of feedwheat.



NEAR-TERM MARKET FUNDAMENTALS: July wheat gave back the early gains yesterday but still closed higher. Some dry weather issues are developing in Europe which might provide some underlying support; especially with specs holding a huge net short position. The USDA's first crop conditions showed 51% of the winter wheat crop in good/excellent (G/EX) condition. This is down from the 58% G/EX from November 2016 prior to dormancy and down from last year's 59% G/EX at this time of year. The 10 year average for this time of year is 56%. This should give the wheat market support on breaks, especially with the trend following funds carrying

almost a record short position. Open interest went up 6,219 contracts on Friday, and the COT data on Friday showed managed money traders were short 136,150 contracts as of March 28th. The record short for the managed money category is 151,417 contracts. Weekly export inspections for wheat came in at 559,646 tonnes. As of March 30th, cumulative wheat export inspections for the 2016-17 marketing year have reached 78.2% of the USDA forecast versus a 5 year average of 80.8%.

TODAY'S MARKET IDEAS:

July wheat gave back most of the early gains yesterday, but conditions were a bit below the average estimates. Close-in support is at 436 3/4 with resistance at 453 and 458 3/4. Consider buying July wheat 450/500 bull call spread near 9 1/4 cents with an objective of 22 cents.

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) 04/04/2017: 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 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 near-term upside target is at 436. The next area of resistance is around 431 1/4 and 436, while 1st support hits today at 424 1/4 and below there at 422 1/4.

KC WHEAT (MAY) 04/04/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 target is at 428 1/2. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 423 and 428 1/2, while 1st support hits today at 415 and below there at 412 1/2.

MINN WHEAT (MAY) 04/04/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's 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 objective is 526. The next area of resistance is around 534 and 538 1/4, while 1st support hits today at 528 and below there at 526.

RICE (MAY) 04/04/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. 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 objective is 10.393. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 10.237 and 10.393, while 1st support hits today at 9.903 and below there at 9.724.

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 3/4	61.67	54.13	26.97	44.68	362.00	359.25	361.64	370.36	370.22
CNAZ7	392	65.58	57.62	30.95	50.60	385.81	382.94	384.56	391.07	390.83
SSAK7	938 1/4	8.50	16.71	5.20	3.26	954.06	969.58	986.08	1020.57	1028.74
SSAX7	950 1/4	13.53	21.21	7.37	5.36	958.88	971.75	984.47	1004.42	1007.33

SMAK7	307.6	11.44	19.77	4.86	3.84	311.68	315.52	321.84	332.27	333.70
BOAK7	31.42	28.73	33.18	25.56	17.01	31.86	32.35	32.45	33.39	33.93
WHAK7	427 3/4	46.70	44.58	19.57	27.90	425.19	423.78	429.14	442.06	441.61
WHAN7	440 1/4	44.03	42.79	16.76	24.41	437.94	437.44	443.68	455.98	455.75
RCAK7	10.070	70.64	64.56	69.53	71.87	9.92	9.85	9.81	9.74	9.82
KWAK7	419	27.28	31.37	7.78	8.34	420.06	423.78	436.19	453.22	453.30
MWAK7	531	37.77	40.27	35.25	27.37	538.00	537.14	538.85	548.28	550.53
OTAK7	225 1/2	25.00	31.84	20.18	11.67	227.06	236.61	243.17	245.81	244.40

Calculations based on previous session. Data collected 04/03/2017

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	362	364 1/2	368 1/4	371	374 1/2
CNAZ7	Corn	386 1/2	389 1/4	392	394 3/4	397 1/2
SSAK7	Soybeans	928 3/4	932 1/4	940 3/4	944 1/4	952 3/4
SSAX7	Soybeans	943	945 3/4	952	954 3/4	961
SMAK7	Soymeal	305.3	306.3	307.9	308.9	310.5
BOAK7	Soybean Oil	30.82	31.04	31.57	31.79	32.32
WHAK7	Wheat	422	424 1/4	429	431 1/4	436
WHAN7	Wheat	435	437	441 1/2	443 1/2	448
RCAK7	Rice	9.723	9.902	10.058	10.237	10.393
KWAK7	KC Wheat	412 1/2	415	420 1/2	423	428 1/2
MWAK7	MINN Wheat	526	528	532 1/4	534	538 1/2
OTAK7	Oats	220 1/2	223 1/2	224 1/2	227 1/2	228 1/2

Calculations based on previous session. Data collected 04/03/2017

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