



DAILY SOY COMPLEX COMMENTARY
04/05/17

Positive forces are short-term in nature; bounce from oversold

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +9.0, BEAN OIL +0.4, SOYMEAL +2.2

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 9 cents this morning. China futures were down 0.3% from the March 31st close this morning. Palm oil futures in Malaysia were up 3.1% overnight on a strong recovery from the lowest level since October. Global equity markets were generally higher overnight as a private company concluded that Euro zone growth is settling in with PMI Services readings through the 1st quarter confirming some positive progression. The Asian economic calendar was relatively quiet due in part to a Chinese holiday, while the European session brought Markit services and composite PMI readings from around Europe that were in some cases slightly better than February but some of those readings failed to meet expectations. The North American session will start with a weekly reading on mortgage applications, which will be followed by the March ADP employment survey which is forecast to have a sizable decline from February's 298,000 reading. Following the US results for the Markit services and composite PMI numbers, the March ISM non-manufacturing PMI number is expected to have a moderate downtick from February's 57.6 reading. The FOMC will release the meeting minutes from their latest monetary policy gathering during early afternoon hours.



NEAR-TERM MARKET FUNDAMENTALS: A surge in palm oil prices and a protest in Brazil which has blocked trucks moving to ports helped to support the surge higher overnight. Traders expect good exports of palm oil for the month of March (up 7% to 1.18 million tonnes) but production is also expected to be strong at 1.39 million tonnes, up 10.4%. The market may also view the short-term forecast in Argentina with another 2-4 inches of rain as a supportive short-term force. News was limited yesterday and trading volume was below normal. The July/November soybean spread traded to a new low of -1 1/2 cent carry but was able to trade back to even money. The open interest in soybeans went up 9,689 contracts, soybean meal up 5,967 contracts and soybean oil up 10,573 contracts which seems to be new shorts entering the soy complex.

The Foreign Ag Service (FAS) has Philippines soybean meal imports rising to 2.8 million tonnes in 2018 from 2.65 million in 2017. FC Stone raised their Brazilian soybean production to 111.6 million tonnes from 109.1 million previously. Celeres Consulting estimated the Brazilian production at 113.8 million tonnes and is the high water mark in private estimates. The trade will continue to monitor the rains in Argentina with some weather models turning drier but with forecasts turning wet starting April 7th. Some isolated flooding has been reported and harvest delays will continue. The US weather pattern also remains wet through mid-April with very little planting expected before mid-month. This could be seen as a negative for soybeans and a positive force for corn.

TODAY'S MARKET IDEAS:

The short-term positive forces plus the extreme oversold condition appear to be temporary forces. July soybeans closed lower for the fifth straight session yesterday and lower in nine of the last ten days. The RSI is at 8.4% which is deeply oversold, and the market could have a relief rally for no apparent reason. There is potential for the meeting between President Trump and Chinese President Xi later this week to offer fresh inputs for the market to digest. Short term support for July soybeans is at 948 1/2 and 945 3/4. Look for bounce to resistance at 968 1/4 to 974 1/2.

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) 04/05/2017: 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 market's close below the pivot swing number is a mildly negative setup. The next downside target is 932 1/2. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 940 3/4 and 944 3/4, while 1st support hits today at 934 3/4 and below there at 932 1/2.

SOYBEAN OIL (MAY) 04/05/2017: 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 pivot swing number is a mildly negative setup. The next downside target is now at 30.97. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 31.67 and 31.93, while 1st support hits today at 31.19 and below there at 30.97.

SOYMEAL (MAY) 04/05/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 305.2. 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 309.7 and 311.7, while 1st support hits today at 306.5 and below there at 305.2.

DAILY CORN COMMENTARY

04/05/17

Weather may become a more important force short-term

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CORN +1.2

OVERNIGHT DEVELOPMENTS: May corn is trading up 2 1/2 cents this morning. Outside market forces look positive with equity and energy markets higher.



NEAR-TERM MARKET FUNDAMENTALS: The short-term US weather looks supportive as fieldwork is slowed and the Brazil 2nd crop weather outlook seems to be showing a drier trend which will be watched closely. There will be limited corn planting progress in the southern Corn Belt over the next two weeks as a wave of three potential rain systems will keep producers out of the fields until a drier pattern is seen. The open interest in corn went down 5,345 contracts on Monday on short covering. Celeres Consulting estimated the Brazilian corn production at 97.7 million tonnes, unchanged from their previous estimate. FC Stone left their Brazilian corn production estimate unchanged at 93.3 million tonnes compared to the USDA March estimate of 91.5 million tonnes. They estimate corn exports at 28 million tonnes compared to the USDA export estimate of 31 million tonnes. US corn exports in March were 5.7 million tonnes which was down from the peak for the season in September at 6.4 million tonnes. US ethanol production is estimated at 1.024 million barrels per day with a range of 1.0 to 1.055 million. The stockpiles were estimated at 23.1 million barrels in a range of 22.6 to 23.5 million. The market sold off almost seven cents from high to low yesterday with a lack of fresh buying as it's all about the planting & growing season going forward.

TODAY'S MARKET IDEAS:

July corn failed to extend above the 50 day moving average at 377 1/2 yesterday. The market has also failed to close over key resistance (50% of Feb-March break) at 377 3/4. The rains over the next several days are re-charging sub-soil levels, but producers would prefer to get started with the plantings. Aggressive traders could buy December corn from 384 1/2 to 381 1/4 looking for an eventual bounce to 413 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) 04/05/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 371 1/2. The next area of resistance is around 366 1/2 and 371 1/2, while 1st support hits today at 359 1/2 and below there at 357 3/4.

DAILY WHEAT COMMENTARY

04/05/17

Positive outside forces, hints of dryness in Europe may support

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +1.4

OVERNIGHT DEVELOPMENTS: May wheat is 1 3/4 cents higher this morning. Outside market forces are positive with a bounce in energy and the stock market. MATIF futures are trading up 0.3%.



NEAR-TERM MARKET FUNDAMENTALS: The wheat market traded both sides of unchanged yesterday. Algeria is tendering for 50,000 tonnes of soft wheat, Japan is tendering for 120,500 tonnes of US/Canadian wheat while South Korea bought 65,000 tonnes of optional origin feed wheat. Indian wheat output could rise to a record 98 million tonnes versus their record output of 95.85 million tonnes in 2013-14 according to a report from the Economic Times. UkrAgroConsult pegged the 2017 wheat crop at 24.2 million tonnes from 23.5 million previous and indicated that the crop could reach 25-26 million tonnes if weather is good. The initial USDA weekly crop condition report had all winter wheat rated 51% (G/EX) versus 59% (G/EX) last year. Solid rains in the next two days will continue to benefit soil moisture in the Great Plains. Russia will hold grain talks with Turkey after Turkey holds a constitutional referendum on April 16th according to Interfax. Chicago wheat open interest went down 1,027 contracts yesterday and KC wheat open interest went up 5,432 contracts which are most likely new shorts.

TODAY'S MARKET IDEAS:

The market is in search of a catalyst and the recent drier pattern in Europe and Russia could be it. The forecast looks to remain dry for the next two weeks. An uptick in Black Sea region offers would be the first indication of concerns about the crop. Close-in support is at 437 3/4 for July wheat with resistance at 453 and 458 3/4. Consider buying the 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) 04/05/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 434 1/2. The next area of resistance is around 430 1/4 and 434 1/2, while 1st support hits today at 423 3/4 and below there at 421 1/2.

KC WHEAT (MAY) 04/05/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. 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 has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 428 1/2. The next area of resistance is around 425 1/4 and 428 1/2, while 1st support hits today at 418 1/4 and below there at 414 1/4.

MINN WHEAT (MAY) 04/05/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is now at 521 1/2. The next area of resistance is around 531 and 536 1/2, while 1st support hits today at 523 1/2 and below there at 521 1/2.

RICE (MAY) 04/05/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 10.209. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 10.129 and 10.209, while 1st support hits today at 10.010 and below there at 9.970.

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	363	50.12	47.53	33.46	46.42	363.13	359.72	361.42	370.31	370.19
CNAZ7	387 3/4	53.96	50.80	38.20	52.71	387.25	383.58	384.53	391.12	390.87
SSAK7	937 3/4	8.42	16.61	4.37	2.70	946.25	962.69	982.01	1018.46	1027.64
SSAX7	949	13.13	20.82	6.17	3.78	954.13	966.22	981.39	1003.19	1006.78
SMAK7	308.1	14.12	21.23	4.61	4.09	309.75	313.81	320.71	331.62	333.60
BOAK7	31.43	29.02	33.34	21.59	13.66	31.66	32.12	32.35	33.33	33.87
WHAK7	427	45.50	43.93	23.63	31.73	425.56	424.31	428.19	442.03	441.48
WHAN7	440	43.63	42.57	20.75	28.72	438.31	437.72	442.58	455.92	455.61
RCAK7	10.070	70.64	64.56	70.54	72.56	9.97	9.88	9.83	9.74	9.82
KWAK7	421 3/4	32.99	34.53	8.76	10.72	419.63	422.58	433.93	452.85	452.91
MWAK7	527 1/4	34.08	37.73	29.57	18.20	534.00	535.97	538.21	547.79	550.20
OTAK7	222 3/4	22.68	29.96	16.43	8.93	224.94	233.42	242.18	245.46	244.31

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

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	357 1/2	359 1/2	364 1/2	366 1/2	371 1/2
CNAZ7	Corn	382 3/4	384 1/2	389	391	395 1/4
SSAK7	Soybeans	932 1/2	934 1/2	938 3/4	941	945
SSAX7	Soybeans	944 1/4	946	950 1/4	952	956 1/4
SMAK7	Soymeal	305.1	306.4	308.4	309.7	311.7
BOAK7	Soybean Oil	30.97	31.19	31.45	31.67	31.93
WHAK7	Wheat	421 1/2	423 3/4	428	430 1/4	434 1/2
WHAN7	Wheat	434 1/2	437	440 1/2	443	446 1/2
RCAK7	Rice	9.970	10.010	10.090	10.129	10.209
KWAK7	KC Wheat	414 1/4	418	421 1/2	425 1/2	428 3/4
MWAK7	MINN Wheat	521 1/2	523 1/2	529	531	536 1/2
OTAK7	Oats	219 1/2	221	223 1/4	224 1/2	227

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