



DAILY GRAINS COMMENTARY Thursday April 06, 2017

DAILY SOY COMPLEX COMMENTARY

04/06/17

China margins improve and buyers active for Brazil beans

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +1.0, BEAN OIL -0.0, SOYMEAL +0.7

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 1 cent this morning. China futures were up slightly and Palm oil futures in Malaysia were down 0.2% overnight. Global equity markets were mostly lower overnight, with the exception the Shanghai markets which were tracking higher. The Asian session was highlighted by optimism from China where the government launched a new economic zone which quickly boosted infrastructure shares in China. However, the markets were also presented with a March reading for the Caixin Chinese services PMI number which was expected to see a moderate decrease from February's 52.6 result but that reading actually dipped to 52.2. In other words the pace of growth in China in the services sector is slowing but remains positive. The European session started out with February German factory orders that improved and that news was mirrored by a 6 year high in Euro zone business activity readings. The North American session will start out a March reading for the Challenger job cuts survey, followed by a weekly reading for initial jobless claims which are forecast to have a slight downtick from the previous 258,000 reading.



NEAR-TERM MARKET FUNDAMENTALS: From an extreme oversold level, the market looks poised for at least a temporary technical correction. Yesterday's bounce was the first up day since March 28th. There were reports from cash sources yesterday that Chinese interests were back in the cash market securing as many as ten cargoes of Brazilian origin soybeans. There is talk of better crush margins in China. The trade is concerned with heavy rains in Argentina with models showing upwards of 3 inches of rain falling late this week and into the weekend. Low level flooding and potential quality concerns have the market's attention. According to the Rosario Grains Exchange, only 8% of the soybeans in the main producing region have been harvested, compared to 21% last year.

Brazil consulting firm Safras & Mercado estimated the Brazilian soybean production at 114.3 million tonnes with ending stocks rising to 10.2 million tonnes from 2.7 million last year. This is the high water mark on Brazilian production estimates and compares to the USDA March estimate of 108.0 million tonnes. The Malaysian palm oil market was up over 3.0% yesterday on possible Chinese buying interest after the recent steep decline in prices the last two weeks. Monsanto earnings beat estimates as seed sales climb above estimates. They raised their sales of the new Roundup ready 2 Xtend seed to 18 million acres up from 15 million last year. For the weekly export sales report, traders see soybean sales near 350,000 to 750,000 tonnes.

TODAY'S MARKET IDEAS:

The Argentine weather could turn into an issue, but the Brazilian production numbers will offset most of the bullish rhetoric. The high end estimates are 6 million tonnes (220 million bushels) above the current USDA estimate. If US yield were to come in the same as last year, ending stocks could reach 1.029 billion bushels as compared with the previous record high of 574 million bushels from the 2006/07 season. Ideally, a technical bounce for July soybeans to key resistance at 992 1/4 would be a selling opportunity with an eventual objective of 882. Close-in support is at 953 3/4 with 974 3/4 and 983 resistance.

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) 04/06/2017: The crossover up in the daily stochastics is a bullish signal. 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 954 3/4. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 949 3/4 and 954 3/4, while 1st support hits today at 938 3/4 and below there at 932 1/2.

SOYBEAN OIL (MAY) 04/06/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 31.12. The next area of resistance is around 32.14 and 32.39, while 1st support hits today at 31.51 and below there at 31.12.

SOYMEAL (MAY) 04/06/2017: The daily stochastics have crossed over up which is a bullish indication. 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 negative as the close remains below the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 313.0. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 311.4 and 313.0, while 1st support hits today at 308.2 and below there at 306.5.

DAILY CORN COMMENTARY

04/06/17

Time of the year to buy breaks; just in case

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.4

OVERNIGHT DEVELOPMENTS: May corn is trading 1/2 of a cent lower this morning. Outside market forces look slightly negative.



NEAR-TERM MARKET FUNDAMENTALS: Corrective breaks at this time of the year are likely buying opportunities. The trade is still cautious over heavy rainfall in Argentina over the weekend as well as a wet forecast for the Midwest over the next seven days and extended models that have heavy rains returning in the 11 to 14 day forecast. Producers will start to get concerned if they cannot get into the field by mid-April. Ukraine's corn crop is estimated at 25-26 million tonnes for 2017, almost equal to last year's 26 million tonne crop. Sinograin, who manages China's state grain reserves, will auction as much as 21,262 tonnes of corn today which is stored in the southern province of Hunan. The government may release a total of 20 million tonnes from state reserves starting this month. Ethanol exports for the month of February came in at 138 million gallons, up from 121.7 million gallons in January. This was the largest single month of exports since December 2011. The largest destinations were Brazil at 50.7 million gallons, Canada at 24.7 million and India at 24.2 million.

Ethanol production for the week ending March 31st averaged 1.019 million barrels per day. This is down 3.3% vs. last week and up 4.4% vs. last year. Total ethanol production for the week was 7.133 million barrels. Corn used in last week's production is estimated at 107 million bushels. Corn use needs to average 98.2 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.7 million barrels and the highest level ever. This is

up 1.9% vs. last week and up 6.7% vs. last year. For the weekly export sales report today, traders see corn export sales near 700,000 to 1.3 million tonnes.

TODAY'S MARKET IDEAS:

With acres already down 4.0 million from last year, the market really can't afford to lose anymore. With 90 million acres it would only take a 5% decline in yield below trend to get the ending stocks below 1.500 million bushels and below the 10.0% stocks to use threshold. The market should be well supported on breaks until plantings are well over 50%. Close-in support for December corn is at 386 3/4 and 384 3/4 with resistance at 391 1/4 and 394.

NEW RECOMMENDATIONS:

* 1) Buy December Corn at 385 with an objective of 413 1/2. Risk the trade to a close under 378. 2) Buy September Corn 420 call at 11 cents with an objective of 29 cents. Risk 6 cents from entry.

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) 04/06/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next upside target is 368 1/4. The next area of resistance is around 366 3/4 and 368 1/4, while 1st support hits today at 362 3/4 and below there at 360.

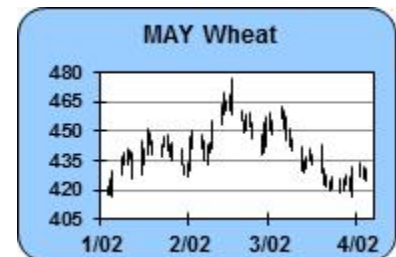
DAILY WHEAT COMMENTARY

04/06/17

In position for further short-covering bounce

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
WHEAT -0.4

OVERNIGHT DEVELOPMENTS: May wheat is trading 1/2 of a cent higher this morning. Outside market forces are slightly negative. MATIF futures are trading up slightly. Iraq is tendering for 50,000 tonnes of wheat.



NEAR-TERM MARKET FUNDAMENTALS: The market is still operating under the positive technical influence of the March 31st hook reversal. July wheat closing higher yesterday and the highest settlement price since March 20th. The Russian wheat crop estimate was cut to a range of 64 to 69 million tonnes from the previous estimate of 67 to 73 million tonnes according to IKAR. They commented that deterioration of yields is still possible in southern Russia. Ukraine's wheat production was seen at 24 to 25 million tonnes down from last year's 26.1 million tonnes according to UkrAgroConsult. Informa estimated the 2017 winter wheat production at 1.285 billion bushels, which would be over 300 million bushels below last year's total. With wheat ending stocks for 2016-17 most likely growing to 1.155 billion bushels, the potential decline in production should leave 2017-18 ending stocks at 1.000 billion bushels unless yield comes in below trend. For the weekly export sales report, traders see wheat sales near 300,000 to 700,000 tonnes.

TODAY'S MARKET IDEAS:

The market is still well below key moving averages with the 100 day at 448 3/4 for July wheat being the first hurdle. Dry weather in Russia and Europe will need to be watched closely, especially with the recent reduction in Russian production by IKAR. Close-in support for July wheat is at 439 1/2 with resistance at 453 and 458 3/4.

Consider buying the July wheat 450/500 bull call spread near 9 3/4 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) 04/06/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 434 1/4. The next area of resistance is around 432 1/2 and 434 1/4, while 1st support hits today at 427 and below there at 423 1/4.

KC WHEAT (MAY) 04/06/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 430. The next area of resistance is around 427 1/2 and 430, while 1st support hits today at 422 1/2 and below there at 419 3/4.

MINN WHEAT (MAY) 04/06/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 519. The next area of resistance is around 527 3/4 and 532 1/4, while 1st support hits today at 521 1/4 and below there at 519.

RICE (MAY) 04/06/2017: 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 10.263. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 10.227 and 10.263, while 1st support hits today at 10.123 and below there at 10.054.

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	364 3/4	53.71	49.95	39.27	50.88	364.94	360.61	361.44	370.26	370.15
CNAZ7	389 1/4	56.99	52.92	44.51	57.13	389.31	384.61	384.68	391.16	390.90
SSAK7	944 1/4	19.58	22.93	4.77	5.56	941.56	957.50	978.56	1016.46	1026.48
SSAX7	954	23.36	26.63	6.11	6.00	951.81	962.08	978.85	1002.15	1006.11
SMAK7	309.8	23.03	26.15	5.33	6.77	308.48	312.60	319.66	331.00	333.49
BOAK7	31.83	39.88	39.61	19.92	16.57	31.62	31.96	32.31	33.28	33.80
WHAk7	429 3/4	50.70	46.97	28.34	37.76	427.75	425.28	427.60	441.94	441.31
WHAN7	442 1/2	48.77	45.53	25.37	34.61	440.44	438.44	441.82	455.82	455.42
RCAK7	10.175	75.53	68.44	73.54	79.54	10.05	9.92	9.86	9.75	9.83
KWAK7	425	39.33	38.16	10.77	14.80	421.56	422.25	432.24	452.47	452.49
MWAK7	524 1/2	31.53	35.93	24.02	12.93	529.25	534.17	537.43	547.28	549.72
OTAK7	222 1/2	22.47	29.79	13.75	8.40	223.75	230.58	240.86	245.10	244.27

Calculations based on previous session. Data collected 04/05/2017

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	360	362 1/2	364 1/4	367	368 1/2
CNAZ7	Corn	385	387 1/2	388 3/4	391	392 1/2
SSAK7	Soybeans	932 1/4	938 1/2	943 1/2	950	954 3/4
SSAX7	Soybeans	944 1/4	949 1/4	953 3/4	958 3/4	963 1/4
SMAK7	Soymeal	306.4	308.1	309.7	311.4	313.0
BOAK7	Soybean Oil	31.12	31.51	31.76	32.14	32.39
WHAK7	Wheat	423 1/4	427	428 3/4	432 1/2	434 1/4
WHAN7	Wheat	437 1/4	440 1/4	441 3/4	444 3/4	446 1/4
RCAK7	Rice	10.053	10.122	10.158	10.227	10.263
KWAK7	KC Wheat	419 1/2	422 1/2	424 3/4	427 1/2	430
MWAK7	MINN Wheat	518 3/4	521	525 1/2	528	532 1/4
OTAK7	Oats	218	220 1/2	222 1/4	224 1/2	226 1/2

Calculations based on previous session. Data collected 04/05/2017

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