



DAILY GRAINS COMMENTARY Tuesday April 11, 2017

DAILY SOY COMPLEX COMMENTARY

04/11/17

USDA to set tone today; focus is on Brazil crop size

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +2.2, BEAN OIL +0.2, SOYMEAL +0.0**

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 1 cent this morning. China futures were up 0.7% and Palm oil futures in Malaysia were up 0.7% overnight after first trading down to the lowest level since October. Global equity markets were mixed overnight with Asian stocks generally showing positive action with European and US markets under minor pressure. The European session started out with UK inflation with the March CPI holding steady at a 2.3% year-over-year rate. The March ZEW survey of German economic expectations was forecast to have a moderate uptick from February's 12.8 reading but it had a very significant uptick to 19.5! March Euro zone industrial production was expected to have a sizable uptick from February's +0.6% year-over-year rate but instead it posted a noted dip of -0.3%. The North American session will be fairly quiet data-wise and will be highlighted by the February job openings and labor turnover (JOLTS) survey that is forecast to see a modest increase from January's 5.626 million reading.



NEAR-TERM MARKET FUNDAMENTALS: A bounce off of the USDA report today could be a selling opportunity. With a 6-day consolidation, the market is beginning to see some of the oversold technical readings inch higher and become a little "less" oversold. Traders are bracing for bearish news for the supply/demand update today with more and more talk of huge yields in Brazil. For the USDA Supply/Demand update today, traders see US ending stocks near 447 million bushels (range of 402-480 million) as compared with 435 million last month. World ending stocks are expected to jump to a record high 84.4 million tonnes (range of 81.5-87.3 million) as compared with 82.8 million last month and 76.6 million last year. Brazil is expected to see production jump to 110 million from 108 million last month and 96.5 million last year and Argentina at 56 million tonnes vs 55.5 million last month. The market failed to follow the other grains higher yesterday as traders expect bearish news for the report. On top of the USDA, Brazilian official production estimates will be released from Conab. July soybeans managed to push over 960 for the first time since March 31st but failed to find new buying interest and closed near unchanged. Argentine flooding rains over the weekend helped to support early, but forecasts for mostly dry weather over the next two weeks helped to ease production-loss fears.

Weekly export inspections came in at 832,957 tonnes from trade expectations for 450,000 to 650,000 tonnes. As of April 6th, cumulative soybean export inspections for the 2016-17 marketing year have reached 86.7% of the USDA forecast versus a 5 year average of 87.3%. Too much rain in the Midwest forecast may have helped to support corn but if corn plantings are delayed too long, more soybeans will be planted than expected. The market has already absorbed massive selling recently as funds exited long positions but if funds want to build a net short position, there is more selling fuel ahead. Trend-following fund traders moved from a net long position of 146,200 contracts on February 14th to a net short of 26,568 as of April 4th. On March 1st last year, this group was net short 135,044 contracts.

TODAY'S MARKET IDEAS:

Rallies still look like selling opportunities. On supportive news, July soybean resistance is at 968 3/4 and 975 1/4. On bearish news, 944 and 940 1/4 are next downside targets.

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) 04/11/2017: 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. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 952 1/2. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 946 1/2 and 952 1/2, while 1st support hits today at 937 and below there at 933 1/4.

SOYBEAN OIL (MAY) 04/11/2017: 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 daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 30.80. The next area of resistance is around 31.66 and 32.04, while 1st support hits today at 31.04 and below there at 30.80.

SOYMEAL (MAY) 04/11/2017: The crossover up in the daily stochastics is a bullish signal. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 near-term upside target is at 313.0. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 310.9 and 313.0, while 1st support hits today at 307.3 and below there at 305.8.

DAILY CORN COMMENTARY

04/11/17

USDA report to highlight burdensome world and US stocks

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN -0.4

OVERNIGHT DEVELOPMENTS: July corn is trading down 3/4 of a cent this morning. Outside market forces look slightly positive with a weaker dollar and firm gold values. Taiwan is tendering to buy 65,000 tonnes of corn. China futures were down 1.3% on talk of lower offering prices ahead for reserve corn as China officials want reserve offers to compete with import pricing.



NEAR-TERM MARKET FUNDAMENTALS: Focus on old crop burdensome supply today could spark some selling pressures but a shift in focus to the new crop outlook might spark the need for some weather premium. Crop progress is not as far along as expected and the 7-day forecast models shows lots of areas of Missouri, Iowa, Illinois and northern Indiana with 1-3 1/2 inches of rain. The results of the USDA update might spark some short-term movement but the market focus may shift to the new crop situation. For the USDA Supply/Demand update for release during the session today, traders see US ending stocks near 2.342 billion bushels (range of 2.270-2.484 billion) as compared with 2.320 billion last month. Improving demand for ethanol production could partially offset the weaker feeding demand. World ending stocks are expected to jump to a record high 222.2 million tonnes (range of 219.5-225.7 million) as compared with 220.7 million last month and 210.9 million last year.

December corn closed sharply higher on the session yesterday and experienced the highest close since April 3rd

as a rainy forecast in the US may have helped to spark some short-covering ahead of the USDA report. Exporters reported a sale of 101,600 tonnes of US corn to unknown destination which might have helped to boost some short-covering as well. Traders expected to see planted area for the first crop progress report to show 6-7% of the crop is planted as compared with 4% normal. However, the report showed just 3% complete. The highest percent complete was 8% in 2012 while the lowest was 2% in 2001. Illinois was only 1% complete from 5% average and Missouri just 5% from 12% average. Tennessee was 7% done from 16% average. Seasonal influences for the market to move higher at this time of the year added to the positive tone yesterday. Weekly export inspections for corn came in at 1.170 million tonnes which was below trade expectations for 1.3-1.6 million tonnes. As of April 6th, cumulative corn export inspections for the 2016-17 marketing year have reached 61.1% of the USDA forecast versus a 5 year average of 54.7%.

TODAY'S MARKET IDEAS:

Trend-following fund traders were still net short 138,510 contracts as of April 4th. It will not take much in the way of a weather threat to spark a bounce. In addition, on neutral news for the report, fund traders might also choose to move to the sidelines. Close in buying support for December corn is at 385. Resistance is at 394 and a move through resistance leaves 404 and 413 1/2 as next upside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Long December Corn from 385 with an objective of 413 1/2. Risk the trade to a close under 378. 2) Long September Corn 420 call from 11 cents with an objective of 29 cents. Risk to 5 cents. 3) 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) 04/11/2017: A bullish signal was given with an upside crossover of the daily stochastics. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-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 near-term upside target is at 373. The next area of resistance is around 371 and 373, while 1st support hits today at 363 and below there at 357.

DAILY WHEAT COMMENTARY

04/11/17

Good moisture forecast for southern and central plains negative

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT -1.2

OVERNIGHT DEVELOPMENTS: July wheat is trading 1/2 of a cent lower this morning. Outside market forces are slightly supportive. MATIF futures are trading up 0.46%. China sold 607,500 tonnes of reserve wheat at auction.



NEAR-TERM MARKET FUNDAMENTALS: With much of Kansas and Oklahoma expected to see 1 1/2 to 2 1/2 inches of rain in the next week, improving crop conditions are likely in the weeks ahead. The market is still operating under the positive influence of the March 31st reversal. The results of the USDA supply demand update may impact the market today, but the bearish old crop fundamentals may be already priced-in. If the focus of attention shifts to the possibility of smaller US and maybe smaller world stocks for the 2017/18 season, the market may be in a position to see at least a short-covering rally. For the USDA's supply/demand update for

release during the session today, traders are looking for 2016/17 ending stocks to come in around 1.147 billion bushels (with estimates ranging from 1.1 to 1.2 billion). This is down from the USDA's March estimate of 1.129 billion. If the crop sees a trend yield for the upcoming crop, then 2017/18 ending stocks could fall to around 916 million bushels, a drop of 213 million bushels (5.8 million tonnes). World ending stocks for the 2016/17 season are expected to jump to a record-high 250.4 million tonnes (with estimates ranging from 249 to 253 million). This is up from 249.9 million tonnes estimated in the March USDA report and up from 240.3 million for 2015/16. July wheat closed moderately higher on the session yesterday finding support from strong gains in corn and ideas that much of the bearish old crop fundamentals are already priced.

Short-covering ahead of the report added to the positive tone. Weekly export inspections came in at 641,365 tonnes from trade expectations for 400,000 to 600,000 tonnes which added to the positive tone. As of April 6th, cumulative wheat export inspections for the 2016-17 marketing year have reached 80.6% of the USDA forecast versus a 5 year average of 82.8%. News that Chinese firm COFCO imported 500,000 tonnes of wheat from Russia was also seen as a positive. The weekly winter wheat conditions report showed that 53% was rated good/excellent compared to 51% last week and 56% last year. The 10 year average for this time of year is 48%. Traders expected 52% in good to excellent condition. The weekly spring wheat planting report showed 5% complete compared to 12% last year. Ukraine and China wheat crops have received spring rains recently to help improve crop conditions as well.

TODAY'S MARKET IDEAS:

With "managed money" traders holding a net short position of 138,834 contracts in the last COT update (the record short is 151,000) a neutral USDA report might spark higher trade. The market seems to have priced in a good start to key world northern hemisphere crops so any future issues might spark buying as well. Consider buying July Wheat near 434 1/4. Close-in support is at 436 1/4 with resistance at 447 1/2.

NEW RECOMMENDATIONS:

Buy July Wheat at 434 1/4 with an objective of 459. Risk a total of 8 cents from entry.

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) 04/11/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 433 3/4. The next area of resistance is around 432 and 433 3/4, while 1st support hits today at 425 1/2 and below there at 420 3/4.

KC WHEAT (MAY) 04/11/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 432. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 429 1/2 and 432, while 1st support hits today at 421 1/2 and below there at 415 3/4.

MINN WHEAT (MAY) 04/11/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 515 1/4. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 521 1/4 and 523 1/4, while 1st support hits today at 517 1/4 and below there at 515 1/4.

RICE (MAY) 04/11/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt

with the close over the swing pivot. The next upside target is 10.345. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 10.315 and 10.345, while 1st support hits today at 10.215 and below there at 10.145.

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	57.80	53.37	44.77	51.53	363.00	362.56	361.47	369.46	370.04
CNAZ7	391	59.15	55.10	50.93	57.45	387.69	386.86	385.17	390.67	390.95
SSAK7	941 3/4	19.29	22.59	6.11	7.01	942.38	947.06	968.67	1009.66	1022.03
SSAX7	949 3/4	21.38	25.15	6.19	6.35	951.00	954.28	971.08	997.92	1003.37
SMAK7	309.1	28.56	28.85	6.46	7.77	308.75	309.98	316.30	329.06	332.78
BOAK7	31.35	35.46	36.73	15.82	13.86	31.54	31.67	32.18	33.08	33.57
WHAk7	428 3/4	50.91	47.46	36.49	45.20	426.44	425.94	426.43	440.61	440.72
WHAN7	441 3/4	50.19	46.66	34.01	43.60	439.13	438.69	440.21	454.42	454.73
RCAK7	10.265	79.41	71.61	83.29	90.57	10.21	10.07	9.94	9.78	9.84
KWAK7	425 1/2	44.32	41.12	16.20	22.34	423.06	421.58	428.61	450.34	451.11
MWAK7	519 1/4	28.48	33.33	12.82	7.25	520.94	529.22	534.93	544.84	547.98
OTAK7	216 1/2	17.77	25.84	7.86	5.47	218.56	222.81	235.01	243.08	243.63

Calculations based on previous session. Data collected 04/10/2017

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	363	365	371	373
CNAZ7	Corn	381 1/2	387 1/4	389	394 3/4	396 1/2
SSAK7	Soybeans	933 1/4	937	943	946 1/2	952 3/4
SSAX7	Soybeans	943	946	950 1/2	953 1/2	958
SMAK7	Soymeal	305.8	307.3	309.4	310.9	313.0
BOAK7	Soybean Oil	30.80	31.04	31.42	31.66	32.04
WHAk7	Wheat	420 3/4	425 1/2	427 1/4	432	433 3/4
WHAN7	Wheat	433	438 1/4	440	445 1/4	447
RCAK7	Rice	10.145	10.215	10.245	10.315	10.345
KWAK7	KC Wheat	415 3/4	421 1/2	424	429 1/2	432 1/4
MWAK7	MINN Wheat	515 1/4	517 1/4	519 1/4	521 1/4	523 1/4
OTAK7	Oats	212	214 1/2	216 1/4	218 1/2	220 1/2

Calculations based on previous session. Data collected 04/10/2017

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