



DAILY GRAINS COMMENTARY Wednesday April 12, 2017

DAILY SOY COMPLEX COMMENTARY

04/12/17

May need a technical correction after 65 1/2 cent break in 15 days

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
SOY BEANS +6.2, BEAN OIL +0.0, SOYMEAL +2.8**

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 6 cents this morning. China futures were down slightly and Palm oil futures in Malaysia were down 1% overnight and pushed down to the lowest level since October. Global equity markets were mostly mixed but the positive markets might have outnumbered the weak markets. The overnight action was dominated by Russian President's assertions that the US strike in Syria was unjustified because of intelligence that the chemical weapons use was a ploy to inspire US retaliation against the Syrian government. The Asian economic calendar started out with February Japanese machinery orders that were expected to see a sizable increase and they did with a positive gain of 1.5%. March Japanese PPI did post an expected uptick from February's +1.0% year-over-year rate and those figures reached the highest level since late 2015. The highlight for the Asian session was the March Chinese CPI result which edged down but that was counter vailed by gains in the year over year CPI measure. The European session started out with a March reading on German wholesale prices that were down slightly from last month and that was followed by a reading on UK unemployment that held steady at 4.7%. The North American session will start out with the March import price index and March export price index, both of which are expected to see modest downticks from their February readings.



NEAR-TERM MARKET FUNDAMENTALS: The market may be in position to see a recovery bounce after somewhat positive reaction to bearish news yesterday. July soybeans traded down to the lowest level since August 2nd before rebounding 9 1/2 cents into the close. The USDA Supply/Demand report for soybeans was considered bearish against trade estimates as world supply was well above expectations. World ending stocks came in at a record 87.4 million tonnes versus the average estimate of 84.4 million and 10.3 million tonnes above last year. The range of estimates was 81.5 to 87.3 million tonnes. The higher world ending stocks is due to a 5.4 million tonne increase in world production primarily from Brazil, Argentina, Paraguay and Uruguay.

The Brazilian soybean production was 111 million tonnes compared to the average estimate of 110 million. The Argentine soybean production was 56 million. US ending stocks came in at 445 million bushels compared to the average estimate of 447 million bushels. The world ending stocks number should continue to weigh on prices, although many private estimates were looking for big production numbers out of South America, so much of the bearish sticker shock was already priced in. With beginning stocks at burdensome 445 million bushels, and record high planted area, a trend yield of 48 bu/acre will result in new crop ending stocks at a record high 667 million bushels compared with just 197 million last year.

TODAY'S MARKET IDEAS:

Rallies still look like selling opportunities unless a major weather problem develops. Too much rain in the US forecast could be seen as a bearish force if producers shift to more soybean and less corn acres. While a close under the August low of 940 1/4 could open the door for a run to 882 in July soybeans, with a short week and the report behind us, a corrective recovery is possible. Traders should look to sell July soybeans on a recovery bounce to 971 1/4 to 978 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) 04/12/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close 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 upside objective is 953 1/2. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 946 3/4 and 953 1/2, while 1st support hits today at 931 3/4 and below there at 923 1/4.

SOYBEAN OIL (MAY) 04/12/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 30.37. The next area of resistance is around 31.47 and 31.96, while 1st support hits today at 30.67 and below there at 30.37.

SOYMEAL (MAY) 04/12/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up is a positive indicator that could support higher prices. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 313.9. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 311.9 and 313.9, while 1st support hits today at 306.7 and below there at 303.5.

DAILY CORN COMMENTARY

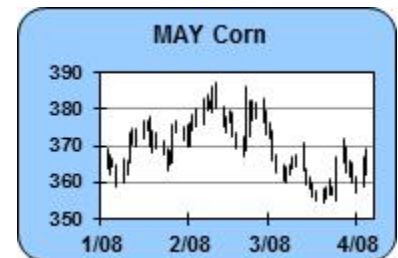
04/12/17

Normally there is 34% of the crop planted by May 1st

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

CORN +0.4

OVERNIGHT DEVELOPMENTS: July corn is trading 1/4 of a cent lower this morning. Outside market forces look mixed. Taiwan bought 65,000 tonnes of US corn overnight.



NEAR-TERM MARKET FUNDAMENTALS: While soybeans pushed to a new low for the move, December corn closed up 3.2% from the March lows. July corn stabilize against the 200 day moving average at 369 3/4 and rallied. The USDA Supply/Demand report was considered bearish off of South American production that was higher than expected. Brazilian production was estimated at 93.5 million tonnes versus the average estimate of 92.6 million tonnes and the Argentine corn production was estimated at 38.5 million tonnes compared to the average estimate of 37.8 mmt. Brazilian and Argentine corn production is up a combined 3.0 million tonnes from the March report and up a combined 36.0 mmt from last year. This is the equivalent of 1.4 billion bushels of additional corn than both countries produced last year. Already the Foreign Ag Service has posted a report on their website stating that Brazil's low corn prices and rising corn inventories "could encourage government intervention" and they see output next season dropping to 85 million tonnes. World corn ending stocks came in at a record high 223 mmt compared to the average estimate of 222.2 million. April US ending stocks came in at 2.320 billion bushels, unchanged from last month. The average trade expectation was 2.342 billion bushels. Feed usage was cut by 50 million bushels, but that was offset by a 50 million-bushel increase in ethanol usage.

The potential wet pattern could continue to give December corn support. The forecast continues to show storms every three to five days in the Corn Belt until the tail end of April. The 7-day forecast shows 1-3 inches for Eastern Kansas, northern Missouri, all of Iowa and the northern half of Illinois and much of Wisconsin. The 10-year average planting pace for May 1st is at 34% complete. Also, the rains in northern Buenos Aires province continue to hamper harvest activity with more than 5 inches of rain in the last week. The average estimates for today's ethanol report have production at 1.016 million barrels per day in a range of 1.005 to 1.032 million per day. The ethanol stockpiles at 23.4 million barrels in a range of 22.8 to 23.96 million barrels. The market is giving the potential slow start to the planting season some respect, and rightly so. With 90 million acres, the corn balance sheet needs trendline yields (170.7 bushels/acre) to keep the ending stocks from dipping below 2.000 billion bushels. In fact, a 5% decline from trend would take ending stocks down to 1.363 billion bushels and a 9.4% stocks to usage. There have only been six years since 1960 that corn stocks to usage has been below 10.0%.

TODAY'S MARKET IDEAS:

The managed money traders are short 150,287 contracts as of April 4th and a continued wet pattern could get their attention. Close in buying support for December corn is at 385 and then 381 1/2. Resistance is at 394 and a move through resistance leaves 404 and 413 1/2 as next upside targets. Intra-market spread traders could look to buy 1 November soybean 880 put/sell 2 September corn 350 puts paying 2 cents for the spread.

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:

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CORN (MAY) 04/12/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 372 3/4. The next area of resistance is around 369 3/4 and 372 3/4, while 1st support hits today at 363 1/4 and below there at 359 1/2.

DAILY WHEAT COMMENTARY

04/12/17

May consolidate with good rain in forecast Kansas/Oklahoma

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):

WHEAT +0.2

OVERNIGHT DEVELOPMENTS: July wheat is trading 1/2 of a cent lower this morning. Outside market forces are mixed. MATIF futures are trading up 1%. German wheat production for 2017 is expected to reach 25.26 mmt, up 2.7% from last year.



NEAR-TERM MARKET FUNDAMENTALS: The market seems to have already priced in burdensome US stocks and record world ending stocks. July wheat traded lower after the USDA report, but turned higher on technical buying and short covering to close at the highest level since March 17th. The supply/demand update was considered bearish as ending stocks came in at 1.159 billion bushels, up 30 million from March. The feed/residual was down 35 million bushels which was no surprise after the increase in first quarter stocks. World wheat ending

stocks were estimated at a record high 252.26 million tonnes versus the average estimate of 250.4 million tonnes and compared to March's 249.9 million tonnes. The report was viewed as bearish but expected and market shorts looked to cover. In fact, the volume was more than double the average with key moving averages just above the market. The 100 day moving average in July wheat is 448 1/2, and a trade above that level could spark a deeper short covering run. The 50 day moving average is at 454 3/4 and with managed money traders holding a net short position of 138,834 contracts as of April 4th a breakout from the moving averages has potential.

TODAY'S MARKET IDEAS:

The market has priced in a good start to the growing season. What it has not paid attention to is the low acreage. A 5% decline from trend line yield is 44.7 bushels per acre, and up until last year would be looked at as average. If we use 44.7 bushels/acre yield with the new carry-in stocks number, 2017-18 ending stocks would be 826 million bushels. Aggressive traders could buy 1 July 465 call and sell 1 July 430 put for a cost of 2 cents. Look for a quick run up to 465 to 470 to exit the strategy.

NEW RECOMMENDATIONS:

Buy July Wheat at 441 1/2 with an objective of 466. Risk a total of 10 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) 04/12/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive 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 target is at 442 1/4. The next area of resistance is around 438 3/4 and 442 1/4, while 1st support hits today at 427 3/4 and below there at 420 1/4.

KC WHEAT (MAY) 04/12/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 437 3/4. The next area of resistance is around 434 3/4 and 437 3/4, while 1st support hits today at 424 3/4 and below there at 417 1/2.

MINN WHEAT (MAY) 04/12/2017: 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 close above the 9-day moving average is a positive short-term indicator for trend. The outside day up is somewhat positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 537 1/4. The next area of resistance is around 534 and 537 1/4, while 1st support hits today at 521 1/2 and below there at 512.

RICE (MAY) 04/12/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. 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 near-term upside target is at 10.335. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 10.310 and 10.335, while 1st support hits today at 10.220 and below there at 10.155.

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
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GRAIN COMPLEX

CNAK7	366 1/2	56.69	52.70	49.07	57.67	363.44	363.44	361.50	369.35	370.05
CNAZ7	390 1/2	57.92	54.34	54.85	62.70	388.00	387.81	385.33	390.64	391.02
SSAK7	939 1/4	18.03	21.77	7.11	9.12	941.13	943.75	965.21	1007.28	1020.09
SSAX7	948 1/2	20.53	24.58	6.89	8.28	949.63	952.11	968.47	996.40	1002.20
SMAK7	309.3	29.60	29.44	8.16	11.55	308.63	309.26	315.19	328.46	332.32
BOAK7	31.07	31.74	34.33	14.33	11.36	31.35	31.54	32.11	32.99	33.49
WHAk7	433 1/4	57.84	51.96	43.99	59.00	427.31	426.81	426.28	440.56	440.61
WHAN7	447 1/2	59.00	52.52	42.39	59.16	440.38	439.69	440.01	454.39	454.61
RCAK7	10.265	79.41	71.61	86.60	93.23	10.24	10.11	9.97	9.79	9.84
KWAK7	429 3/4	51.29	45.52	22.21	34.23	424.25	422.28	427.49	449.92	450.59
MWAK7	527 3/4	44.87	43.15	14.35	17.42	521.75	527.50	533.81	544.26	547.35
OTAK7	219 3/4	28.76	31.79	8.18	8.83	217.88	221.53	233.38	242.38	243.35

Calculations based on previous session. Data collected 04/11/2017

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	359 1/4	363	366	370	372 3/4
CNAZ7	Corn	383	387 1/4	389 1/2	393 3/4	396
SSAK7	Soybeans	923	931 1/2	938 1/4	947	953 1/2
SSAX7	Soybeans	936 1/2	942 3/4	948	954 1/4	959 1/2
SMAK7	Soymeal	303.5	306.7	308.7	311.9	313.9
BOAK7	Soybean Oil	30.36	30.67	31.16	31.47	31.96
WHAk7	Wheat	420 1/4	427 3/4	431 1/4	438 3/4	442 1/4
WHAN7	Wheat	433 1/4	441 1/2	445	453 1/2	456 3/4
RCAK7	Rice	10.155	10.220	10.245	10.310	10.335
KWAK7	KC Wheat	417 1/2	424 1/2	427 3/4	435	438
MWAK7	MINN Wheat	512	521 1/2	524 3/4	534	537 1/2
OTAK7	Oats	214 1/4	217 1/2	218 3/4	222	223 1/4

Calculations based on previous session. Data collected 04/11/2017

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