



DAILY GRAINS COMMENTARY Tuesday April 18, 2017

DAILY SOY COMPLEX COMMENTARY 04/18/17

Another leg down now or will the market wait for weather

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS -4.0, BEAN OIL -0.2, SOYMEAL -0.7

OVERNIGHT DEVELOPMENTS: May soybeans are trading down 5 cents this morning. China futures are down 2.3% this morning and Palm oil futures in Malaysia were down 1% overnight to a new 8-month low. Global equity markets were weaker overnight off ongoing Korean concerns, fears of political issues in the UK (a snap election) and France (upcoming National Election). The US trading session will present new residential construction in the form of housing starts and building permits. Building permits are expected to edge higher by 2.5% and housing starts are expected to have declined by nearly 4%. The market will also see Canadian investment in nonresidential construction and Canadian international transactions in securities. The main event of the trading session is likely to be US industrial production and capacity utilization both of which are expected to have ticked higher.



NEAR-TERM MARKET FUNDAMENTALS: The market looks vulnerable to another leg down now, not later. With beginning stocks at a burdensome 445 million bushels and record planted area, a trend yield of 48 bushels per acre this summer could result in 2017/18 ending stocks coming in at a record-high 667 million bushels. This is a huge increase from 197 million in 2015/16. July soybeans traded to a monthly high early yesterday but could not hold onto the gains. The market was pulled lower by weak corn and wheat markets also. Weakness was also tied to the March NOPA crush number that came in at 153.06 million bushels versus trade estimates of 158.8 million bushels and last year's 156.69 million bushels. Soybean oil inventories were seen at 1.815 billion pounds versus trade estimates of 1.812 billion. Oilshare rebounded gaining 2.18% to 33.6% on recent unwinds of long soybean meal/short soybean oil positions. The open interest in soybeans went up 14,831 contracts on Thursday and was up 33,983 contracts total last week. This increase was most likely new shorts as the COT data showed managed money trend followers had sold 30,455 contracts as of April 11th and now are short 29,733 contracts.

Since February 14th, the managed money trader has gone from long 171,000 contracts to short 29,733 contracts. A drier Argentine forecast is also a negative feature, as harvesting should pick up, and Agrural has estimated Brazil's harvest at 87% complete compared to 85% five year average. Stats Canada will update planting intentions on Friday and average estimates for canola acres are 21.3 million acres. This is up 4.6% from last year and the largest planted area since 2012. Weekly export inspections came in at 430,879 metric tonnes compared to last week's 890,000 tonnes.

TODAY'S MARKET IDEAS:

The market needs a catalyst for a more significant run to the upside, with only weather as a factor that could excite the trade. Crop fears from too much rain in Argentina have faded. July soybean selling resistance is at 970 with 929 1/2 as next downside target. Consider selling a bounce to 970. Keep 882 as eventual objective.

NEW RECOMMENDATIONS:

* Sell the July/November soybean spread at +5 1/2 cents with an objective of -14 cents. Risk a total of 7 cents from entry.

PREVIOUS RECOMMENDATIONS:

Long June Soybean 950 put from 10 1/2 cents with an objective of 34. Risk a total of 6 cents from entry.

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) 04/18/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next upside target is 965 1/2. The next area of resistance is around 958 1/2 and 965 1/2, while 1st support hits today at 948 and below there at 944 1/2.

SOYBEAN OIL (MAY) 04/18/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. 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 near-term upside target is at 32.45. The next area of resistance is around 32.18 and 32.45, while 1st support hits today at 31.42 and below there at 30.94.

SOYMEAL (MAY) 04/18/2017: 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 daily closing price reversal down puts the market on the defensive. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 321.6. The next area of resistance is around 316.9 and 321.6, while 1st support hits today at 309.9 and below there at 307.7.

DAILY CORN COMMENTARY

04/18/17

Heavy old crop supply begins to pressure; funds oversold

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +0.4

OVERNIGHT DEVELOPMENTS: July corn is trading 1 cent lower this morning. Outside market forces look mixed.



NEAR-TERM MARKET FUNDAMENTALS: Renewed fears that producer sellers will be active on any minor bounce due to excessive old crop supply helped to turn the market lower yesterday. July corn closed down 1.3% on the session yesterday. Selling pressure was tied to a drier mid-day GFS weather forecast for the eastern half of the US over the next five days. The US corn crop plantings were 6% complete as of Sunday compared to 3% last week and 12% last year. The 10 year average for this time of year is 8%. The highest percent complete was 19% in 2012 while the lowest was 2% in 1993. While Illinois is 5% and Iowa is 9% behind year ago plantings, the two states that stick out are Kansas and Missouri. Kansas is 23% behind year ago planting levels and Missouri is 36% behind. Texas is the exception with 60% planted versus 49% last year. There still are some longer term forecasts that hold on to colder and wetter scenario into the first week of May.

Planting conditions may not be ideal, but producers have proven to be able to accelerate seeding's in a timely matter. The open interest in corn went up 18,705 contracts on Thursday which could have been fresh longs after last week's 3.0% rise in price. Friday's COT data has the managed money trader category adding 8,130 contracts to their net short position, for a total of 158,417 contracts as of April 11th. Since February 14th the managed money category has gone from long 85,000 contracts to short 158,417 contracts. Weekly export inspections for corn came in at 1,328,134 metric tonnes compared to 1,213,000 metric tonnes last week. As of April 13, cumulative corn export inspections for the 2016-17 marketing year have reached 63.5% of the USDA forecast versus a 5 year average of 57.1%. A longer-term demand factor is news that China has lifted curbs on corn

refinery expansion which went into effect in 2015. This could boost usage for 2017/18 to 72 million tonnes from 63 million for the 2016/17 season.

TODAY'S MARKET IDEAS:

July corn gave back half of last week's gain yesterday. The slow stochastics are still positive but look as if momentum is waning. Still, with option volatility down significantly from pre-report levels and trend followers leaning heavy on the short side, the trade could be leaning a little too much to one side. Speculative funds have been heavy shorts in the spring the last two years, only to be run in by weather scares. Traders might consider buying December corn near 387 with an objective of 422 3/4. Risk a close below 378.

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) 04/18/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. 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 setup is somewhat negative with the close under the 1st swing support. The near-term upside target is at 374. The next area of resistance is around 369 3/4 and 374, while 1st support hits today at 363 1/4 and below there at 361 1/4.

DAILY WHEAT COMMENTARY

04/18/17

Crop conditions improving and current stocks high

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +1.4

OVERNIGHT DEVELOPMENTS: July wheat is trading up 1/2 of a cent this morning. Outside market forces are mixed with the dollar down but also gold and energy. MATIF futures are down 0.6% today. Monsoon rains are seen as normal for India.



NEAR-TERM MARKET FUNDAMENTALS: Ideas that the US crop will continue to improve plus a good rain event moving to the Black Sea region were factors to attract aggressive selling yesterday. July wheat was under pressure yesterday trading to the lowest level since April 7th. The Kansas City wheat market was the weakest of the three wheat varieties, trading as much as 2.5% lower yesterday. The winter wheat ratings went up 1.0% in the good to excellent (G/EX) category to 54%. This compares to last year's 57% (G/EX) rating and well within trade estimates. The 10 year average for this time of year is 48%. The highest percent rated good/excellent was 77% in 1998 while the lowest was 28% in 1996. Oklahoma and Colorado continue show stress with (G/EX) ratings of 43% and 41% respectively. The spring wheat plantings were 13% complete versus 25% last year. The 10 year average for this time of year is 16%.

Statistics Canada will release their planting intentions on Friday April 21st, and the all wheat plantings (spring, durum, winter wheat) are estimated at 22.4 million acres, down 3.5% from last year and the lowest in six years. The managed money traders reduced their net short position last week by 4,375 contracts to 134,459 contracts

as of April 11th. Weekly export inspections for wheat came in at 671,868 metric tonnes compared to 659,000 metric tonnes last week.

TODAY'S MARKET IDEAS:

July wheat gave last week's gains back in one day. The market failed to take out the 100 day moving average at 448 1/4 three consecutive days last week. Short term buyers from last week liquidated, with Kansas City (KC) wheat leading the way down. The slow stochastics in both Chicago and KC wheat crossed and gave a sell signal. With the market already heavily short an extension lower does not seem likely from these levels. Look for a consolidating sideways trade with support in July wheat at 430 followed by 426 1/2.

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) 04/18/2017: A crossover down in the daily stochastics is a bearish signal. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 411 3/4. The next area of resistance is around 426 3/4 and 434 3/4, while 1st support hits today at 415 1/4 and below there at 411 3/4.

KC WHEAT (MAY) 04/18/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 2nd swing support number puts the market on the defensive. The near-term upside target is at 431 1/4. The next area of resistance is around 422 1/4 and 431 1/4, while 1st support hits today at 410 1/4 and below there at 407.

MINN WHEAT (MAY) 04/18/2017: 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 market tilt is slightly negative with the close under the pivot. The near-term upside target is at 534. The next area of resistance is around 531 1/4 and 534, while 1st support hits today at 526 1/4 and below there at 524 1/4.

RICE (MAY) 04/18/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 9.989. The next area of resistance is around 10.172 and 10.278, while 1st support hits today at 10.028 and below there at 9.989.

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	366 1/2	53.21	51.53	64.59	70.94	368.25	365.33	362.29	368.79	369.86
CNAZ7	390 1/4	53.63	52.51	68.82	74.53	391.94	389.58	386.26	390.37	391.01
SSAK7	953 1/4	43.14	36.85	20.73	32.22	948.94	944.78	957.18	1000.00	1013.69
SSAX7	962 1/4	47.99	40.92	20.94	33.90	957.00	953.44	962.60	992.08	998.90
SMAK7	313.4	47.38	42.48	28.86	44.04	313.23	310.67	313.09	326.58	330.50

BOAK7	31.80	50.28	45.71	17.38	24.43	31.33	31.43	31.89	32.76	33.27
WHAK7	421	37.82	40.43	55.22	52.17	429.31	427.78	425.78	439.29	439.79
WHAN7	435 3/4	39.70	41.35	55.74	55.12	443.06	440.97	439.21	453.21	453.69
RCAK7	10.100	54.97	57.73	84.52	79.73	10.18	10.18	10.02	9.82	9.84
KWAK7	416 1/4	33.15	35.32	38.04	39.36	425.81	424.14	423.96	447.76	448.78
MWAK7	528 3/4	46.55	44.42	26.10	33.74	528.88	525.17	531.15	542.23	545.69
OTAK7	219 1/4	34.15	35.08	16.39	20.80	222.25	220.67	228.64	240.51	242.27

Calculations based on previous session. Data collected 04/17/2017

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	361	363 1/4	367 1/2	369 3/4	374
CNAZ7	Corn	385	387	391 1/4	393 1/2	397 1/2
SSAK7	Soybeans	944 1/2	948	955	958 1/2	965 1/2
SSAX7	Soybeans	955 1/4	958 1/4	963 1/4	966 1/4	971 1/4
SMAK7	Soymeal	307.6	309.9	314.6	316.9	321.6
BOAK7	Soybean Oil	30.93	31.42	31.69	32.18	32.45
WHAK7	Wheat	411 3/4	415 1/4	423 1/4	426 3/4	434 3/4
WHAN7	Wheat	426 1/2	430 1/4	437 1/2	441 1/4	448 1/2
RCAK7	Rice	9.988	10.027	10.133	10.172	10.278
KWAK7	KC Wheat	406 3/4	410	419	422 1/2	431 1/4
MWAK7	MINN Wheat	524	526 1/4	529	531 1/4	534
OTAK7	Oats	209 1/4	213	221 3/4	225 1/2	234 1/4

Calculations based on previous session. Data collected 04/17/2017

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