



## DAILY GRAINS COMMENTARY Wednesday April 19, 2017

### DAILY SOY COMPLEX COMMENTARY 04/19/17

**Bounce on talk of tight producer holding may not have legs**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS +4.2, BEAN OIL +0.1, SOYMEAL +1.4**

**OVERNIGHT DEVELOPMENTS:** May soybeans are trading up 4 1/2 cents this morning. China futures are up slightly this morning and Palm oil futures in Malaysia were down 0.3% overnight to a new 8-month low. Global markets were mixed overnight with Chinese markets lower and European markets higher.

Signs that the UK leader might come out stronger off the snap election and might have greater power to negotiate with the EU combined with a slight narrowing of the leads of the front runners in the French election has brought political concerns down slightly today. Physical commodity markets might also be undermined today by a bounce in the Dollar and fears of a possible plunge in Chinese auto sales ahead. The Asian economic calendar was fairly quiet, while the European session was highlighted by the March Euro zone CPI which failed to match the prior reading on its year over year measure. The North American session will start out with a weekly reading on mortgage applications, with the latest FOMC Beige Book released during early afternoon trading hours.



**NEAR-TERM MARKET FUNDAMENTALS:** Talk that Brazil producers are holding tight to the fresh harvest helped to support the bounce overnight. July soybeans traded to a low of 950 yesterday, but recouped some of the losses on strong meal buying into the end of the session. The market was down over 13 cents with weakness tied to lower Dalian futures markets. The most active contract in Dalian was down 1.5% yesterday and traded to the lowest level since November 17th. Other negative factors from China that added pressure to the market is the soybean acreage in China increasing by as much as 8.1% this year and crush margins that remain negative and at an eight month lows. Malaysian palm oil also pushed lower yesterday at fresh eight month lows. The March NOPA crush number of 153.0 million bushels compared to the estimate of 158.8 million have analysts reducing their old crop crush number by 10 to 30 million bushels. Stats Canada will release planting intentions on Friday with estimates for canola plantings at 21.3 million acres, up 4.6% from last year and the second largest ever.

South Dakota producers were enticed by much higher insurance price on soybeans than corn or spring wheat and also had pressure from lenders to spend less on fertilizers in their planting decision this year. A continued expansion of soybean acres over spring wheat in the Dakotas can be anticipated. A noted South American crop scout has lowered their Argentine soybean production by 1.0 million tonnes to 55 million tonnes due to heavy rains that brought flood damage to crops. Monsanto's GMO Intacta seed accounted for 58% of the Brazilian soybean crop this year. Intacta was planted on 19.6 million hectares this year versus 16.3 million last year according to Celeres consultancy. This may help explain the very high yields in some areas.

#### **TODAY'S MARKET IDEAS:**

The trade is starting come to grips with the fact that a trendline yield of 48 bushels per acre, with acres at 89.5 million, the ending stocks will increase to over 650 million bushels versus 445 million today. There will be weather to trade down the road, but now the market is trying to adjust to the large South American crops as well as the potential US crop. Intra-market traders could buy 1 November soybean 900 put and sell 2 September corn 350 puts for a cost of 4 1/2 cents on the 1x2 strategy. Traders will be buying 18.5% soybean volatility and selling 25% corn volatility. July soybean resistance is at 963 3/4 followed by 971 1/2 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) 04/19/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 961 3/4. The next area of resistance is around 953 1/2 and 961 3/4, while 1st support hits today at 938 1/2 and below there at 931 1/2.

SOYBEAN OIL (MAY) 04/19/2017: 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside objective is 32.07. The next area of resistance is around 31.53 and 32.07, while 1st support hits today at 30.75 and below there at 30.52.

SOYMEAL (MAY) 04/19/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 316.1. The next area of resistance is around 314.2 and 316.1, while 1st support hits today at 310.2 and below there at 308.1.

**DAILY CORN COMMENTARY**

04/19/17

**Hard to absorb increase in producer sales; build weather premium**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
CORN +0.2

**OVERNIGHT DEVELOPMENTS:** July corn is trading 1/2 of a cent higher this morning. Outside market forces look slightly bearish.



**NEAR-TERM MARKET FUNDAMENTALS:** While it is the time of the year that the market sometimes builds a weather premium, the market is struggling to absorb the short-term burdensome supply. The market was under pressure yesterday with forecasts showing a drier trend for eastern Corn Belt next week. Brazil's largest producing state of Mato Grosso is estimating their corn production at 26.5 million tonnes up from the December estimate of 25.0 million. Favorable conditions for crop development were cited and corn exports from Mato Grosso were seen rising 79.5% from last year to 15.3 million tonnes. Brazil and Argentine corn offers remain below US offers. South Korea bought 60,000 tonnes of optional origin corn for July shipment and Turkey is tendering for 118,000 tonnes of corn for April-May shipment. The market is also seeing old crop cash corn being sold as producers are confident that weather will allow plantings in the near future. The July/December traded to a new low at an -18 1/4 cent carry and September/December spread traded to a new low at -10 3/4 cents. The average estimate for today's weekly ethanol production report is 987,000 barrels per day in a range of 950,000 to 1.009. The stockpiles are estimated at 22.8 million barrels in a range of 22.5 to 23.05 million.

A longer term demand feature could be the Chinese announcement to lift curbs on corn refinery expansions that

were imposed in 2015. Corn refineries which make corn starch, alcohol and lysine are likely to use 72 million tonnes of corn in 2017-18 compared to 63 million in 2016-17. The industry is likely to add 15-20 million tonnes of capacity during the 2017/18 season. Also, Chinese farmers will plant less corn this season as the world's top grain producer seeks to reduce the huge glut of dated corn stocks and boost soybean production. Corn plantings could be down as much as 4.1% to 35.2 million hectares. The lower acreage could lower output to 207.5 million tonnes compared to 219.6 million tonnes last year. With Chinese feed use estimated to increase by at least 7.0 million tonnes to 134 million tonnes for 2017/18, Chinese ending stocks could see a reduction of 30 plus million tonnes from the USDA 102.31 million tonne estimate. The caveat is some believe that the Chinese corn ending stocks could be larger than 200 million tonnes.

#### **TODAY'S MARKET IDEAS:**

July corn traded down through the 200 day moving average yesterday after trading below the 50 and 100 day moving average on Monday. There is minor trend line support at 367 1/4, but a trade below will challenge the late March low at 361 3/4. On farm stocks are burdensome with producer's letting go now that the weather has opened up. The slow stochastics have crossed over indicating a sell signal. Close in support for July corn is at 365 followed by 361 3/4. Traders might consider buying December corn near 384 3/4.

#### **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.

#### **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) 04/19/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 356. The next area of resistance is around 365 1/4 and 370 1/4, while 1st support hits today at 358 1/4 and below there at 356.

#### **DAILY WHEAT COMMENTARY**

04/19/17

**Cold and wet weather for Dakotas could push acres to soybeans**

#### **OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**

**WHEAT** -0.4

**OVERNIGHT DEVELOPMENTS:** July wheat is trading unchanged this morning. Outside market forces are slightly weaker with the dollar higher and gold weak. MATIF futures are up 0.3% today.



**NEAR-TERM MARKET FUNDAMENTALS:** The wheat market was been pulled lower by weak soy-complex markets, but a late surge in Minneapolis wheat helped the Chicago wheat market close slightly higher yesterday. Minneapolis July wheat closed 9 3/4 cents higher yesterday and is already up more than 24 cents from the April low. A wet and cold start to the planting season up North, along with reports of South Dakota producers favoring soybeans over spring wheat due to insurance economics as well as lender pressure sparked a rally in spring wheat recently. Strength was also tied to the Stats Canada update of planting intentions on Friday with traders looking for all wheat (spring, durum, winter) to fall to 22.4 million acres, down 3.5% from last year and the lowest

in six years. The 6-10 and 8-14 day weather models show below normal temperatures and above normal precipitation which has added to the positive tone.

The winter wheat conditions improved to 54% good to excellent from 53% last week and compared to 57% last year. Japan is tendering for 95,000 tonnes of US/Canadian milling wheat and South Korea bought 55,000 tonnes of feed wheat for August shipment. China sold 567,441 tonnes of wheat from state reserves at auction out of 2.7 million tonnes that were offered. Morocco expects their cereal harvest to reach 10.2 million tonnes this year, up over 200% from last year's 3.35 million tonnes. This year's harvest includes 4.94 million tonnes of soft wheat, 2.33 million tonnes of durum and 2.89 million tonnes of barley.

**TODAY'S MARKET IDEAS:**

Open interest went up 5,688 contracts on Tuesday, indicating new trend following shorts. With the market already heavily short an extension lower does not seem likely, especially if Minneapolis July wheat is setting up for a re-test of the February highs at 575 1/4. Aggressive traders could buy July wheat at 434 1/2 looking for a test of the 100 day moving average at 448 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:**

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.

WHEAT (JUL) 04/19/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 431 1/4. The next area of resistance is around 439 1/2 and 441, while 1st support hits today at 434 1/2 and below there at 431 1/4.

KC WHEAT (JUL) 04/19/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 next downside objective is 426. The next area of resistance is around 434 1/2 and 435 3/4, while 1st support hits today at 429 1/2 and below there at 426.

MINN WHEAT (JUL) 04/19/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. 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. 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 next upside objective is 555 1/2. The next area of resistance is around 552 1/2 and 555 1/2, while 1st support hits today at 542 and below there at 534 1/4.

RICE (JUL) 04/19/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. 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 lower than the pivot swing number. The next downside target is now at 10.224. The next area of resistance is around 10.377 and 10.453, while 1st support hits today at 10.263 and below there at 10.224.

**DAILY TECHNICAL STATISTICS**

|                      | CLOSE   | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|----------------------|---------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>GRAIN COMPLEX</b> |         |              |               |                           |                           |                |                |                 |                 |                 |
| CNAK7                | 361 3/4 | 44.31        | 45.75         | 62.98                     | 59.77                     | 367.06         | 365.19         | 362.46          | 368.34          | 369.62          |
| CNAZ7                | 386 1/4 | 45.30        | 47.03         | 67.34                     | 64.38                     | 390.88         | 389.42         | 386.50          | 390.08          | 390.85          |
| SSAK7                | 946     | 36.24        | 33.25         | 24.84                     | 33.07                     | 950.63         | 945.69         | 954.19          | 997.24          | 1011.53         |
| SSAX7                | 956 3/4 | 40.51        | 37.06         | 26.23                     | 36.81                     | 959.06         | 954.31         | 960.26          | 990.46          | 997.70          |
| SMAK7                | 312.2   | 44.48        | 40.77         | 34.34                     | 45.30                     | 313.95         | 311.12         | 312.47          | 325.82          | 329.85          |
| BOAK7                | 31.14   | 39.32        | 39.13         | 18.89                     | 21.90                     | 31.34          | 31.40          | 31.76           | 32.68           | 33.20           |
| WHAN7                | 437     | 42.10        | 42.80         | 53.59                     | 49.30                     | 440.44         | 440.64         | 439.18          | 452.37          | 453.33          |
| WHAU7                | 450 3/4 | 41.41        | 42.09         | 48.68                     | 44.00                     | 453.94         | 454.28         | 453.44          | 466.87          | 467.78          |
| RCAN7                | 10.320  | 50.36        | 55.05         | 80.90                     | 72.81                     | 10.39          | 10.44          | 10.29           | 10.08           | 10.09           |
| KWAN7                | 432     | 38.71        | 38.70         | 35.59                     | 33.90                     | 435.69         | 436.47         | 436.03          | 458.69          | 460.24          |
| MWAN7                | 547 1/4 | 63.01        | 55.87         | 34.89                     | 48.73                     | 540.19         | 534.56         | 538.74          | 548.04          | 550.57          |
| OTAN7                | 217 3/4 | 35.67        | 36.32         | 24.57                     | 28.73                     | 221.06         | 219.14         | 222.71          | 234.77          | 237.34          |

Calculations based on previous session. Data collected 04/18/2017

Data sources can & do produce bad ticks. Verify before use.

### DAILY SWING STATISTICS

| Contract             |             | Support 2 | Support 1 | Pivot   | Resist 1 | Resist 2 |
|----------------------|-------------|-----------|-----------|---------|----------|----------|
| <b>GRAIN COMPLEX</b> |             |           |           |         |          |          |
| CNAK7                | Corn        | 355 3/4   | 358       | 363     | 365 1/2  | 370 1/4  |
| CNAZ7                | Corn        | 381       | 383       | 387 1/4 | 389 1/2  | 393 1/2  |
| SSAK7                | Soybeans    | 931 1/2   | 938 1/2   | 946 3/4 | 953 1/2  | 962      |
| SSAX7                | Soybeans    | 943 1/2   | 950       | 957     | 963 1/2  | 970 1/2  |
| SMAK7                | Soymeal     | 308.1     | 310.2     | 312.1   | 314.2    | 316.1    |
| BOAK7                | Soybean Oil | 30.51     | 30.75     | 31.29   | 31.53    | 32.07    |
| WHAN7                | Wheat       | 431       | 434 1/2   | 436     | 439 1/2  | 441      |
| WHAU7                | Wheat       | 445       | 448 1/2   | 449 3/4 | 453      | 454 1/2  |
| RCAN7                | Rice        | 10.223    | 10.262    | 10.338  | 10.377   | 10.453   |
| KWAN7                | KC Wheat    | 426       | 429 1/2   | 431     | 434 1/2  | 436      |
| MWAN7                | MINN Wheat  | 534       | 542       | 544 3/4 | 552 1/2  | 555 1/2  |
| OTAN7                | Oats        | 212 1/2   | 215       | 217 3/4 | 220 1/2  | 223      |

Calculations based on previous session. Data collected 04/18/2017

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