



DAILY GRAINS COMMENTARY Thursday April 20, 2017

DAILY SOY COMPLEX COMMENTARY 04/20/17

Short-term positive forces temporary; more down ahead

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +3.2, BEAN OIL +0.1, SOYMEAL +1.6**

OVERNIGHT DEVELOPMENTS: July soybeans are trading up 3 cents this morning. China futures are up 0.4% this morning and Palm oil futures in Malaysia were up 1.6% this morning after hitting 8-month lows yesterday. Global equity markets were mixed as they continue to deal with elevated risk concerns. The Asian session was highlighted by March Japanese trade balance data that was expected to show sizable year-on-year gains for exports and imports but the gains were instead modest. The European session featured the March German PPI which was as expected by holding steady with February's 3.1% year-over-year rate. The North American session will start out with a weekly reading on initial jobless claims that are expected to show a modest uptick from the previous 234,000 reading. The April Philly Fed manufacturing survey is forecast to have a moderate downtick from March's 32.8 reading.



NEAR-TERM MARKET FUNDAMENTALS: With burdensome old crop ending stocks of 445 million bushels (10.9% stocks usage vs. 5% last year) and the outlook for record planted area this year, it may take lower prices ahead in order to find better demand. The record South American crops should move on the world market to add pressure. Until there is a US weather issue, the short-term trend could be down. If weather is normal and yield comes in at trend, new crop ending stocks look to come in at a record high 667 million bushels with a stocks/usage ratio of 16.4%. July soybeans rebounded yesterday after a two day slide. There is speculation that Chinese soybean demand could pick up on news that China has cut the VAT tax from 13% to 11% starting July 1st on agricultural and natural gas imports. Some analysts will look to increase the Chinese import total to over 90 million tonnes for 2016-17 from the latest USDA estimate of 88 million tonnes. With Brazil production up 15 million tonnes this year, China demand looks to be saturated.

Also, Brazil's port workers plan a 24 hour strike on April 28th in a protest against labor and pension reforms. Workers in Brazil's largest grain port of Santos will join the strike. For the weekly export sales report, traders see soybean sales of 400,000 to 700,000 tonnes, 100,000 to 300,000 for soybean meal and 5,000 to 25,000 tonnes of soybean oil. Keep in mind that China accounted for 55% of last week's total soybean sales. Also, traders will keep a close eye on soybean meal sales today, as Tuesday's late surge in meal could be tied to the slow Argentine harvest pace. This week's NOPA crush had soybean meal exports at 1.06 million tonnes for the month of March versus 779,000 tonnes last year.

TODAY'S MARKET IDEAS:

The bio-diesel industry expects a favorable ruling from the US Commerce Department on the bio-fuel mandate and dumping restrictions with Argentina. The decision could come as early as May 8th and could provide some volatility. Aggressive traders could sell July soybeans at 970 looking for a short-term target of 929 1/2 and then 882 as a longer-term target.

NEW RECOMMENDATIONS:

* 1) Buy 1 November soybean 900 put and sell 2 September corn 350 puts for a cost of 4 1/2 cents. Risk 9 cents from entry. 2) 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) 04/20/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 961. The next area of resistance is around 956 and 961, while 1st support hits today at 944 1/2 and below there at 937 3/4.

SOYBEAN OIL (MAY) 04/20/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 32.18. Short-term indicators suggest buying dips today. The next area of resistance is around 31.94 and 32.18, while 1st support hits today at 31.22 and below there at 30.75.

SOYMEAL (MAY) 04/20/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. 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 near-term upside objective is at 316.1. The next area of resistance is around 313.0 and 316.1, while 1st support hits today at 308.6 and below there at 307.2.

DAILY CORN COMMENTARY

04/20/17

World ending stocks could see major drawdown from record high

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +2.2

OVERNIGHT DEVELOPMENTS: July corn is trading 1 1/2 cents higher this morning. Outside market forces look supportive with a weaker US dollar and firm energy prices.



NEAR-TERM MARKET FUNDAMENTALS: The longer-term fundamentals for the corn market seem to be turning more positive. With the lifting of the curb on expanding industrial corn usage in China, traders see capacity from refineries increasing by 15-20 million tonnes in the 2017/18 season and usage (starch, HFCS, alcohol) up 9 mmt for the new crop season. If feed usage in China expands 8 million tonnes and production declines 12.5 million tonnes, China could easily see a drawdown of 29.5 million tonnes and this assumes normal weather. If US weather is normal, stocks look to decline by 6.4 mmt and if yield comes in just 5% below trend, stocks decline by 24.3 million tonnes. Including just China and the US, world ending stocks could decline 35.9 mmt on good weather and 53.8 million tonnes if US yields are down 5% below trend. If this scenario develops, corn prices are too cheap. July corn set back from early gains yesterday to close unchanged. The Dalian corn futures closed down over 1.0% yesterday and at the lowest price level since January 18th. The market is a little higher overnight. Poor weather could disrupt Ukrainian plantings.

South Korea's MFG trade group purchased 137,000 tonnes of optional origin corn and South Korea's KFA trade group is tendering for 130,000 tonnes of optional origin corn today. The open interest in corn went up 12,174

contracts on Tuesday which is most likely new shorts. The weather looks favorable for planting progress in the eastern half of the Corn Belt, but the longer-term maps have colder and wetter weather as we enter the month of May. Ethanol's share of gasoline exceeded the 10% threshold for the first time ever, with 2016 average content of ethanol in gasoline at 10.04%. Ethanol production for the week ending April 14th averaged 993,000 barrels per day, up 0.7% vs. last week and up 5.7% vs. last year. Total ethanol production for the week was 6.951 million barrels. Corn used in last week's production is estimated at 104.27 million bushels. Corn use needs to average 100.1 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.034 million barrels, up 0.57% vs. last week and up 4.5% vs. last year. For the weekly export sales report, traders see 700,000 to 1.2 million tonnes.

TODAY'S MARKET IDEAS:

With the market already down 2.6% on the week and the open planting weather already priced in, pressing the market at these levels could be a trap. Traders could look to buy July corn against close-in support at 367 followed by 364 1/4. Traders might consider buying December corn near 384 3/4. Resistance is at 391 and 394.

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) 04/20/2017: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is now at 357 3/4. The next area of resistance is around 364 and 367, while 1st support hits today at 359 1/2 and below there at 357 3/4.

DAILY WHEAT COMMENTARY

04/20/17

Trade sees mostly good weather for northern hemisphere

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +1.6

OVERNIGHT DEVELOPMENTS: July wheat is trading 1 1/2 cents higher this morning. Outside market forces are supportive. MATIF futures are up 0.5% today.



NEAR-TERM MARKET FUNDAMENTALS: All three wheat classes saw early gains yesterday only to reverse and close lower on the day. A negative feature was the Buenos Aires Grains Exchange estimating 2017/18 Argentine wheat production at 17.5 million tonnes, up from last year's 16.3 million tonnes. The increase was attributed to planted area at 5.5 million hectares versus 5.1 last year. UkrAgroConsult raised their 2017 grain harvest to 61.4 million tonnes from 60.9 million and also raised their exports to 39.5 million tonnes from 38.8 million. The chances for rain in the UK, France and Spain over the next ten days remains limited and traders are becoming concerned as the risk of crop damage is possible. The estimates for today's export sales for wheat are 300,000 to 600,000 tonnes.

TODAY'S MARKET IDEAS:

Minneapolis July contract traded to the highest level since March 31st. The forecast for the first week of May is cold and wet for the spring wheat areas. We think the spring wheat story still has legs and could provide residual support for the Chicago contract, especially with the managed money traders approaching the 150,000 contract short level. The first level of support for July Chicago wheat is at 430 3/4 with resistance at 438 1/4 followed by 443 1/4.

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) 04/20/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside objective is now at 428. The next area of resistance is around 438 1/4 and 443 1/4, while 1st support hits today at 430 3/4 and below there at 428.

KC WHEAT (JUL) 04/20/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 423. The next area of resistance is around 433 1/2 and 439 1/4, while 1st support hits today at 425 1/2 and below there at 423.

MINN WHEAT (JUL) 04/20/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 close over the pivot swing is a somewhat positive setup. The near-term upside target is at 557 1/2. The next area of resistance is around 550 3/4 and 557 1/2, while 1st support hits today at 539 3/4 and below there at 535 3/4.

RICE (JUL) 04/20/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 10.233. The next area of resistance is around 10.364 and 10.432, while 1st support hits today at 10.265 and below there at 10.233.

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	361 3/4	44.31	45.75	59.44	52.34	365.25	364.86	362.74	367.87	369.37
CNAZ7	386 1/2	45.89	47.40	64.27	58.12	389.38	389.11	386.86	389.79	390.70
SSAK7	950 1/4	42.33	37.13	29.23	37.99	951.25	946.36	951.93	994.68	1009.58
SSAX7	958 1/4	43.23	38.76	31.78	42.89	959.75	954.78	958.43	988.92	996.58
SMAK7	310.8	41.17	38.80	37.25	43.06	313.48	311.23	311.92	325.00	329.25
BOAK7	31.58	47.85	44.83	22.28	29.05	31.43	31.37	31.67	32.62	33.13
WHAN7	434 1/2	38.64	40.64	49.47	41.24	437.50	439.75	439.10	451.38	452.88

WHAU7	448 1/2	38.26	40.12	44.42	35.90	451.13	453.36	453.31	465.93	467.32
RCAN7	10.315	49.74	54.66	76.21	66.83	10.36	10.43	10.30	10.09	10.09
KWAN7	429 1/2	35.88	36.96	32.77	27.13	432.44	435.53	435.40	457.34	459.59
MWAN7	545 1/4	59.20	53.70	41.48	54.68	542.19	536.00	538.64	547.44	550.39
OTAN7	217	34.33	35.50	25.51	27.40	219.38	218.89	221.56	234.07	236.85

Calculations based on previous session. Data collected 04/19/2017

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 1/2	359 1/2	362 1/4	364	367
CNAZ7	Corn	382 1/4	384	387	389	391 3/4
SSAK7	Soybeans	937 3/4	944 1/2	949 1/2	956	961 1/4
SSAX7	Soybeans	948 1/2	953 1/2	958 1/4	963	968
SMAK7	Soymeal	307.1	308.5	311.6	313.0	316.1
BOAK7	Soybean Oil	30.74	31.22	31.46	31.94	32.18
WHAN7	Wheat	427 3/4	430 1/2	435 1/2	438 1/2	443 1/4
WHAU7	Wheat	442 1/4	445	449 1/2	452	456 3/4
RCAN7	Rice	10.232	10.264	10.332	10.364	10.432
KWAN7	KC Wheat	423	425 1/2	431 1/4	433 1/2	439 1/2
MWAN7	MINN Wheat	535 1/2	539 3/4	546 1/2	550 3/4	557 1/2
OTAN7	Oats	214 1/2	215 1/2	217 1/4	218 1/2	220

Calculations based on previous session. Data collected 04/19/2017

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