



## DAILY GRAINS COMMENTARY Thursday February 16, 2017

### DAILY SOY COMPLEX COMMENTARY 02/16/17

**Demand tone weakening in China; Brazil crop size still growing**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
SOY BEANS -4.6, BEAN OIL -0.2, SOYMEAL -1.4**

**OVERNIGHT DEVELOPMENTS:** March soybeans are trading down 2 1/2 cents this morning. China futures were down 0.2% overnight. Palm oil futures in Malaysia were down 1.3% and fell to the lowest level since November. Global equity markets were mostly weaker overnight with the Pacific Rim stocks bucking the trend with gains. The Asian session featured Australian January unemployment that declined from 5.8% to 5.7% but that news was partially offset by the fact that full-time jobs declined slightly. The European session started out with 4th quarter French unemployment which showed a downtick from the third quarter's 10.0% reading. The North American session will start out with a weekly reading on initial jobless claims that are expected to see a moderate uptick from the previous 234,000 reading. January housing starts are expected to see a modest increase from December's result while January building permits are forecast to see a minimal decline. The February Philly Fed survey is expected to see a sizable downtick from January's 23.6 reading.



**NEAR-TERM MARKET FUNDAMENTALS:** The macro re-inflate attitude continued in the Agriculture sector yesterday as core CPI inflation numbers showed January up 0.31%, the highest reading in five years. Good weather in South America, negative profit margins for poultry production in China and the outlook for higher supply in the US due to a jump in acreage are bearish factors which the market continues to set-aside. Yesterday, the market put in a bullish outside day higher close as soybeans continue to climb a wall of worry. Whether it is Brazilian production numbers that continue to move higher due to yields that are well above expectations or bird flu fears in China, the hot money continues to see value in commodities and open interest continues to grow and is up to the highest level since June. Agroconsult consultancy will revise their Brazilian soybean production estimate of 105.3 million tonnes higher after yield reports continue to surpass expectations.

With a high percentage of the crop planted with similar, high yielding seed as the US, there are more and more estimates emerging in the 107-109 mmt level as compared with last week's USDA update of 104 mmt. The NOPA crush number came in at 160.62 million bushels compared to the average estimate of 159.1 million bushels and last month's 160.1 million bushels. The soybean oil inventories were seen at 1.629 billion pounds compared to average estimate of 1.520 billion pounds and last month's 1.434 billion pounds. Egypt has cancelled a tender to purchase soybean and sunflower oil. The strength in the Brazilian Real, now trading at its highest level since June 2015, has supported prices as producers in Brazil have been reluctant sellers of recently harvested soybeans. In fact, despite the recent rally, soybeans priced in Brazilian Reals are down 10% on the year. For the weekly export sales report, traders see soybean sales near 450,000 to 850,000 tonnes.

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

The market continues to shrug off any bearish news as fresh speculative money plows into the long side. We continue to view the soybean market as overvalued versus the supply fundamentals. Chinese crush margins continue to slide due to weak meal demand. Close-in resistance for May soybeans is at 1076 with 1030 1/2 and 1012 3/4 as key support. May meal resistance is at 351.30 with 327.20 as key support.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

1) Long 6 of the July soybean 960 puts (near 11 5/8th) and short 1 July soybean 1080 put (near 56 7/8th) from a net premium paid of +12 7/8th with an objective of + 59 cents. Risk a total of 16 cents from entry. 2) Short July/Dec soybean meal spread from +\$13.30 with an objective of -\$2.50. Risk a total of \$4.00 on the spread. 3) \* Hit stop for an \$8.00 loss on long 3 310.00 put/short July soybean meal 350.00 call position.

## 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 (MAR) 02/16/2017:** A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. A positive signal was given by the outside day up. 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 objective is at 1077 1/4. The next area of resistance is around 1071 3/4 and 1077 1/4, while 1st support hits today at 1050 3/4 and below there at 1035.

**SOYBEAN OIL (MAR) 02/16/2017:** Positive momentum studies in the neutral zone will tend to reinforce higher 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 market tilt is slightly negative with the close under the pivot. The next upside objective is 34.58. The next area of resistance is around 34.20 and 34.58, while 1st support hits today at 33.68 and below there at 33.53.

**SOYMEAL (MAR) 02/16/2017:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up and close above the previous day's high is a positive signal. 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 target is 354.7. The next area of resistance is around 352.0 and 354.7, while 1st support hits today at 341.8 and below there at 334.2.

## DAILY CORN COMMENTARY

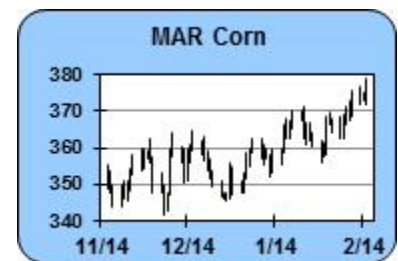
02/16/17

**Market in steep uptrend; China exports, S America production**

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

**CORN -1.0**

**OVERNIGHT DEVELOPMENTS:** March corn is trading 1 1/2 cents lower this morning. Outside market forces look positive with a drop in the US dollar.



**NEAR-TERM MARKET FUNDAMENTALS:** The market remains in a steady uptrend and is trading back up to the highest level since July. Talk that Brazil producers are seeing wet weather delays to get the 2nd crop planted has helped to support. The market has discounted news of bird flu concerns in China with up to 79 deaths this month (four times higher than last year) as chicken prices plummeted to their lowest level in ten years as fears grow from the spread of bird flu. For the week, Dalian corn prices are down 15 cents and soymeal prices are down \$12.00. The market has again found support on the inflation trade with core CPI number coming in at 0.31% for January and fund managers look at grains as being cheap. There have been rumors that China has sold up to 50,000 tonnes of corn to Japan due to logistical problems at ports in the US Pacific Northwest. The recent Chinese long term program trying to reduce years old stocks via ethanol and industrial use as well as reduced acreage is commendable, but if China starts competing in the corn export market, that would be a game changer.

Ethanol production for the week ending February 10th averaged 1.04 million barrels per day. This is down 1.42%

vs. last week and up 6.67% vs. last year. Total ethanol production for the week was 7.28 million barrels. Corn used in last week's production is estimated at 109.2 million bushels. Corn use needs to average 99 million bushels per week to meet this crop year's USDA estimate. Stocks were 22.5 million barrels the highest since March 25, 2016, and stockpiles have now risen six weeks in a row. This is up 1.9% vs. last week and down 3.1% vs. last year. The weekly export sales estimates for today are at 850,000 to 1.2 million tonnes. March corn closed with a bullish outside day higher yesterday. December corn closed at its highest level since June 28th of last year. It's safe to say that the recent surge in open interest length has allowed some patient producers to sell into a nice rally. We would think that some of the offers in December futures will get a bit thicker as we approach the 410 level.

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

The combined Brazil and Argentine corn production this year is 25 to 30 million tonnes larger than last year, which is 1.0 to 1.2 billion bushels of corn that will be hitting the export market in the next few months. Not to mention, the recent rally has some producers who were undecided about this year's planting decision back to planting corn. The next level of resistance is at 382 1/4 followed by 384 1/4 for March corn with uptrend channel support at 370 1/2.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

\* Short May Corn from 367 with an objective of 364 1/2. Also long 2 May Corn 400 calls for a net cost of 7 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 (MAR) 02/16/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up is somewhat positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 384 1/4. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 382 1/4 and 384 1/4, while 1st support hits today at 375 1/4 and below there at 370.

#### **DAILY WHEAT COMMENTARY**

02/16/17

**OI down 29,339 contracts since Jan 31st short-covering supports**

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

**WHEAT -0.2**

**OVERNIGHT DEVELOPMENTS:** March wheat is down 1 cent this morning. Outside market forces look positive with a weak US dollar. Matif futures are down slightly.



**NEAR-TERM MARKET FUNDAMENTALS:** July wheat has closed higher in 6 of the past 7 trading sessions and has pushed up to the highest level since August. Since January 31st, open interest is down 29,339 contracts. March wheat found support yesterday from a strong rally in soybeans and corn along with a stronger Russian Ruble which rallied MATIF futures to a fresh high at 173.50 Euros and the highest price level since July 25th. The re-inflate trade was back in play yesterday after the January CPI numbers showed strong inflationary readings which caught the speculative crowd's attention. India's Farm Ministry is expecting record grain production of 272 million tonnes, up from the previous record of 265 million tonnes. Good monsoon rains as well as higher acreage will put wheat and rice output at a record high with wheat production at 96.6 million tonnes (up +4.7% from last

year) and rice at 108.9 million tonnes (up +4.3% from last year). Taiwan bought 102,000 tonnes of US or optional origin wheat. For the weekly export sales report today, traders see wheat sales near 300,000 to 550,000 tonnes.

**TODAY'S MARKET IDEAS:**

The market was pulled higher by strong row crops and volume was well below the volume levels of the past few sessions. Wheat strength last week was short covering, and yesterday the market acted like the shorts are covered. Weakness going into the option expiration next week as well as potential deliveries on first notice day could cause a sideways to lower trade from these levels. Traders could buy the March 440 puts for 1 1/4 cents or the 445 puts for 2 1/2 cents looking for a break down to 430 or lower next week. Risk the cost of the option.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**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 (MAR) 02/16/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 462. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 459 1/4 and 462, while 1st support hits today at 450 1/4 and below there at 443 3/4.

KC WHEAT (MAR) 02/16/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 475 1/2. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 473 1/4 and 475 1/2, while 1st support hits today at 465 1/4 and below there at 459 1/4.

MINN WHEAT (MAR) 02/16/2017: 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's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 571 3/4. The next area of resistance is around 569 3/4 and 571 3/4, while 1st support hits today at 566 1/4 and below there at 564 1/2.

RICE (MAR) 02/16/2017: The daily stochastics have crossed over down which is a bearish indication. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 9.312. The next area of resistance is around 9.432 and 9.481, while 1st support hits today at 9.348 and below there at 9.312.

**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
<b>GRAIN COMPLEX</b>										
CNAH7	378 3/4	71.22	66.53	86.22	92.30	375.75	371.19	367.74	361.28	359.70
CNAZ7	402 3/4	70.45	65.47	89.24	94.67	400.25	397.25	394.42	389.12	387.98
SSAH7	1061 1/4	59.60	57.46	64.37	74.46	1054.88	1048.28	1045.89	1034.86	1037.09
SSAX7	1034 1/4	63.14	60.02	77.15	84.34	1028.63	1023.89	1020.88	1011.56	1013.50
SMAH7	346.9	64.84	62.10	57.85	71.30	342.93	339.07	339.20	329.20	327.53
BOAH7	33.94	37.53	39.46	44.62	44.68	34.22	34.31	34.40	35.22	35.68
WHAH7	454 3/4	70.65	66.20	84.58	90.67	451.38	440.56	433.33	422.42	420.00

WHAN7	480	70.21	66.13	84.01	91.74	477.25	465.81	459.88	448.94	446.63
RCAH7	9.390	34.62	37.79	20.99	18.76	9.47	9.48	9.60	9.68	9.76
KWAH7	469 1/4	75.06	69.57	82.29	92.87	465.44	452.31	444.93	433.31	429.36
MWAH7	568	57.92	57.01	60.90	71.18	569.88	563.83	561.13	554.19	548.60
OTAH7	250 1/2	45.35	51.49	51.17	46.49	253.44	255.53	254.38	241.50	236.26

Calculations based on previous session. Data collected 02/15/2017

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>						
CNAH7	Corn	369 3/4	375	377	382 1/2	384 1/4
CNAZ7	Corn	395 1/2	400	401 1/4	405 1/2	407
SSAH7	Soybeans	1034 3/4	1050 1/2	1056	1072	1077 1/4
SSAX7	Soybeans	1014	1026	1030 1/4	1042 1/2	1046 1/2
SMAH7	Soymeal	334.1	341.7	344.4	352.0	354.7
BOAH7	Soybean Oil	33.52	33.67	34.05	34.20	34.58
WHAH7	Wheat	443 1/2	450	452 3/4	459 1/2	462
WHAN7	Wheat	469 1/2	475 1/2	478 1/4	484 1/2	487
RCAH7	Rice	9.311	9.347	9.396	9.432	9.481
KWAH7	KC Wheat	459	465	467 1/4	473 1/2	475 1/2
MWAH7	MINN Wheat	564 1/4	566	568	570	571 3/4
OTAH7	Oats	246 1/4	248	251	253	255 3/4

Calculations based on previous session. Data collected 02/15/2017

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.