



DAILY SOY COMPLEX COMMENTARY
03/01/17

Short-term focus on fund buying and bio-diesel demand

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
SOY BEANS +8.6, BEAN OIL +0.4, SOYMEAL +2.0

OVERNIGHT DEVELOPMENTS: May soybeans are trading up 9 1/4 cents this morning. China futures were slightly lower overnight. Palm oil futures closed up 2.2%. There were 565 deliveries for second notice day for soybeans, 844 oil and 253 meal. Global equity markets were higher across the board overnight.

The Asian session featured the two highlights for global markets, starting with the release of both the "official" (NBS) and private (Caixin) February Chinese manufacturing surveys, both of which saw modest upticks from their January readings. President Trump's State of the Union speech is still being scrutinized by many traders and analysts but the reaction from most financial markets is for an improvement in growth prospects. The European session started out with Markit manufacturing PMI numbers that came in just below expectations but still solidly in the growth zone. UK February manufacturing PMI came in below expectations and weaker than the prior month's result. February German unemployment was expected to hold steady and almost all of the February readings within the report mirrored the prior month. The Bank of England released data on UK mortgage approvals and consumer credit which showed a slight increase over the prior month. The North American session will start out with January personal income which is expected to hold steady with December's +0.3% reading. The February ISM manufacturing index is forecast to see a modest downtick from January's 56.0 reading. January construction spending is expected to see a moderate increase from December's -0.2% reading and climb into positive territory.



NEAR-TERM MARKET FUNDAMENTALS: The market raced higher yesterday on the biofuel rumors along with some inflammatory long term weather studies out Monday night. Yesterday's trade was a day for the algo traders with headline reading programs having to pivot a few times. The proposed changes to biofuel are positive and make sense. US biofuel imports in December were 112 million gallons with 79 million coming from Argentina. The Trump Administration was considering a plan that would curb imports of biodiesel from Argentina by ensuring domestic producers qualify for the currently expired tax credits. Also providing support were ideas from some meteorologists that the weather outlook could be drier and warmer in the US this summer. However, the Australia Bureau of Meteorology indicated that there has been significant warming over the equatorial Pacific over the last two weeks and are raising the chances for El Nino to fully develop in July or August. An El Nino event would greatly increase the chances of above normal rains and normal type temperatures for the majority of the US production areas.

With the market closing 13 3/4 cents higher on the day, the May soybean contract closed the month with a meager 1 1/2 cent gain. The open interest in soybeans went down 22,075 contracts on Monday and is down 106,000 contracts over the last eight trading days. NASS will release their January crush estimate today with the average analyst's estimates at 169.24 million bushels compared to 160.46 last year. Soybean oil stocks are estimated at 2.016 billion pounds versus last year's 2.111 billion pounds. The February spring price insurance calculation has come to an end with November soybeans at 1019 compared to 885 last year, and the new crop soybean/corn ratio is at 2.58% versus 2.29% last year. This should encourage more acres to soybeans than the USDA preliminary estimate last week. The market seems to have had the supply news to drive futures lower this week but clearly, traders believe that the new bio-fuel program will eventually spark increased usage of US soyoil.

TODAY'S MARKET IDEAS:

May soybeans and May soybean meal closed well off the highs yesterday, with the trade still focusing on South American production gains and the slowing Chinese demand. May oil is back up near yesterday's highs this

morning. May soybean resistance is at 1052 1/4 followed by 1061 with support at 1024 1/2 and 1019 1/4. The improved technical action could attract more fund buying short-term.

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 to + \$11.40.

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) 03/01/2017: 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. The market's close above the 2nd swing resistance number is a bullish indication. The next downside objective is 1004 3/4. The next area of resistance is around 1052 1/4 and 1070 3/4, while 1st support hits today at 1019 1/4 and below there at 1004 3/4.

SOYBEAN OIL (MAY) 03/01/2017: The daily stochastics have crossed over up which is a bullish indication. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 35.97. The next area of resistance is around 35.02 and 35.97, while 1st support hits today at 32.84 and below there at 31.60.

SOYMEAL (MAY) 03/01/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 329.6. The next area of resistance is around 340.5 and 346.1, while 1st support hits today at 332.3 and below there at 329.6.

DAILY CORN COMMENTARY

03/01/17

A bit oversold and fund buyers may emerge early March

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CORN +2.4

OVERNIGHT DEVELOPMENTS: May corn is trading 2 1/4 cents higher this morning. Outside market forces look mixed as the stock market is sharply higher but so is the US dollar. There were no deliveries overnight and none for the first two days of the delivery period.



NEAR-TERM MARKET FUNDAMENTALS: If the market priced-in a 2.2 billion bushel ending stocks total at last week's lows, a potential shift in demand and weather outlooks which suggest the need for some weather premium are potential supportive forces. May corn surged to an early high of 386 1/4 yesterday (up 4.8%) on rumors that the Trump administration would sign an executive order that would move the point of obligation from refiners to fuel blenders in return for a waiver allowing gasoline blends containing 15% ethanol to be sold year-round in the

US. If enacted, it could dramatically increase demand for corn. As of now, the ethanol share of finished gasoline is running 10.1% so a 1.0% increase to 11.1% would equate to 530 million bushels. The RIN market sold off sharply on the rumor and speculation was that Icahn Enterprises (who owns 82% of oil refiner CVR Energy Inc.) would benefit greatly as it spent over \$200 million on RINs last year alone.

After the market spiked higher, news that the White House denied the rumor on the ethanol mandate change caused a sharp selloff in the market. Also providing support was an early outlook on summer weather from one analyst calling for a drier and warmer bias in the US. The one caveat was if an El Nino develops, the chances would be greatly reduced. Earlier yesterday, the Australia Bureau of Meteorology indicated that there has been significant warming over the equatorial Pacific over the last two weeks and is raising the chances for El Nino to fully develop in July or August. Open interest in corn went down 65,886 contracts Monday and is down 178,000 contracts in the last eight trading days. The average estimate from analysts on ethanol production for today's EIA report has production at 1.029 million barrels per day with a range of 1.200 to 1.039. The stockpiles are estimated at 22.72 million barrels with a range of 22.0 to 23.05 million. The February spring insurance price is at 396 compared to 386 last year. December corn made a new high for the move at 404, the highest since June 28th 2016.

TODAY'S MARKET IDEAS:

The slow stochastics look to be ready to turn up with lots of uncertainty concerning the ethanol mandates. It will not happen overnight, but a 1.0% increase in the ethanol share of gasoline consumption would be 530 million bushels! The short side of the market is a bit scary after yesterday's trade. December corn support is at 394 and 391 1/2. Consider buying into support with 409 3/4 as next upside target. May corn support is at 368 3/4 and 365 3/4 with resistance at 382 1/2 followed by 393 1/4.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Short May Corn from 367 with an objective of 369. Risk to 380. Also long 2 May Corn 400 calls for a net cost of 3 1/2 cents each.

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) 03/01/2017: The major trend could be turning up with the close back above the 40-day moving average. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 358. The next area of resistance is around 382 1/2 and 393 1/4, while 1st support hits today at 365 and below there at 358.

DAILY WHEAT COMMENTARY

03/01/17

Dry central and Southern plains forecast may support up

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

WHEAT +6.4

OVERNIGHT DEVELOPMENTS: May wheat is up 8 1/4 cents this morning. Outside market forces look mixed as the strong US dollar is offset by a surge in equity values. Matif futures are up 1%. Egypt officials indicate that strategic wheat reserves are enough to last for four months.



NEAR-TERM MARKET FUNDAMENTALS: The market closed out the month up 10 1/4 cents (+2.36%). Surging soybean and corn markets helped support the market as well as a drier outlook for the Plains states over the next two weeks. There is no rain in the 5 day forecast for the central and southern plains and the 6-10 and 8-14 day forecast models call for below normal precipitation and above normal temperatures. In addition, Egypt bought 535,000 tonnes of wheat from Russia, Romania, Ukraine and France at an average price of \$210.94 per tonne including freight. This was the largest purchase since 2014 and Egypt has now purchased 1.255 million tonnes of world wheat since February 17th. The fact that French wheat was included in this tender underlines how fast Russian offers have risen in two weeks. There were 958 Chicago wheat deliveries against the March contract with no commercial stoppers and 145 Kansas City deliveries for first notice day. Overnight, there were 719 Chicago wheat deliveries and 142 Kansas City deliveries. The open interest in Chicago wheat went down 6,384 contracts and Kansas City open interest was down 9,478 contracts. The Australia Bureau of Meteorology indicated that there has been significant warming over the equatorial Pacific over the last two weeks and is raising the chances for El Nino to fully develop in July or August. While El Nino years have reduced chance of dire Midwest heat or dryness, the Southern hemisphere weather could be impacted.

TODAY'S MARKET IDEAS:

May wheat has held the 50 day moving average and the 100 day at 437 1/2 for two days straight. The short interest in Chicago wheat has diminished and after yesterday, buying pullbacks could be prudent until the trade has a better handle on the weather in the Southern Plains. With the reduced acreage for winter wheat this year, a sub-par yield around 43 bushels per acre could see ending stocks fall below 800 million bushels. Consider buying July wheat near 458 with 475, 488 3/4 and maybe 502 1/2 as upside targets.

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 (MAY) 03/01/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 429 3/4. The next area of resistance is around 451 1/2 and 460 3/4, while 1st support hits today at 436 and below there at 429 3/4.

KC WHEAT (MAY) 03/01/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 447 1/2. The next area of resistance is around 472 and 481 3/4, while 1st support hits today at 455 and below there at 447 1/2.

MINN WHEAT (MAY) 03/01/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 540 1/4. The next area of resistance is around 556 and 563 1/2, while 1st support hits today at 544 1/2 and below there at 540 1/4.

RICE (MAY) 03/01/2017: The daily stochastics have crossed over down which is a bearish indication. 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 market's close below the 1st

swing support number suggests a moderately negative setup for today. The next downside target is 9.448. The next area of resistance is around 9.640 and 9.747, while 1st support hits today at 9.490 and below there at 9.448.

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 | 373 3/4 | 47.87 | 49.81 | 38.41 | 27.19 | 371.31 | 375.83 | 376.65 | 370.33 | 368.25 |
| CNAZ7 | 393 3/4 | 49.05 | 50.44 | 39.86 | 28.94 | 391.31 | 394.92 | 395.63 | 390.59 | 389.20 |
| SSAK7 | 1035 3/4 | 45.41 | 46.27 | 24.34 | 20.42 | 1026.13 | 1038.33 | 1047.31 | 1042.73 | 1043.98 |
| SSAX7 | 1018 1/4 | 52.37 | 51.53 | 39.32 | 35.31 | 1009.00 | 1015.61 | 1018.88 | 1011.69 | 1012.95 |
| SMAK7 | 336.4 | 41.05 | 46.16 | 28.23 | 19.05 | 335.73 | 340.61 | 341.17 | 335.58 | 332.04 |
| BOAK7 | 33.93 | 53.43 | 47.78 | 17.22 | 24.91 | 32.96 | 33.22 | 33.94 | 34.76 | 35.45 |
| WHAK7 | 443 3/4 | 43.51 | 47.46 | 44.45 | 30.09 | 446.00 | 452.75 | 451.94 | 440.48 | 435.30 |
| WHAN7 | 458 1/2 | 44.51 | 48.19 | 47.03 | 33.63 | 460.19 | 466.33 | 465.00 | 454.26 | 448.88 |
| RCAK7 | 9.565 | 33.52 | 36.72 | 32.38 | 31.70 | 9.65 | 9.64 | 9.70 | 9.85 | 9.94 |
| KWAK7 | 463 1/2 | 48.86 | 51.90 | 57.76 | 47.29 | 464.75 | 468.67 | 465.43 | 452.65 | 445.02 |
| MWAK7 | 550 1/4 | 40.75 | 44.91 | 24.74 | 14.99 | 551.38 | 554.17 | 558.00 | 552.52 | 548.85 |
| OTAK7 | 244 1/4 | 39.61 | 46.24 | 41.72 | 26.85 | 247.50 | 249.42 | 250.31 | 242.03 | 237.91 |

Calculations based on previous session. Data collected 02/28/2017

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 3/4 | 365 | 375 1/2 | 382 1/2 | 393 1/4 |
| CNAZ7 | Corn | 379 3/4 | 386 | 395 | 401 1/2 | 410 1/4 |
| SSAK7 | Soybeans | 1004 3/4 | 1019 1/4 | 1037 3/4 | 1052 1/4 | 1070 3/4 |
| SSAX7 | Soybeans | 992 1/2 | 1005 | 1019 1/4 | 1031 1/2 | 1046 |
| SMAK7 | Soymeal | 329.5 | 332.2 | 337.8 | 340.5 | 346.1 |
| BOAK7 | Soybean Oil | 31.59 | 32.83 | 33.78 | 35.02 | 35.97 |
| WHAK7 | Wheat | 429 3/4 | 436 | 445 1/4 | 451 1/2 | 460 3/4 |
| WHAN7 | Wheat | 445 1/2 | 451 1/2 | 459 3/4 | 465 1/2 | 474 |
| RCAK7 | Rice | 9.447 | 9.490 | 9.597 | 9.640 | 9.747 |
| KWAK7 | KC Wheat | 447 1/4 | 455 | 464 1/2 | 472 | 481 3/4 |
| MWAK7 | MINN Wheat | 540 | 544 1/2 | 551 3/4 | 556 | 563 1/2 |
| OTAK7 | Oats | 239 1/2 | 241 1/2 | 245 | 247 | 250 1/2 |

Calculations based on previous session. Data collected 02/28/2017

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