DAILY SOY COMPLEX COMMENTARY
01/17/20

Prices have reached tech support but bull news remains thin

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
SOY BEANS +0.0, BEAN OIL +0.0, SOYMEAL +0.1

OVERNIGHT DEVELOPMENTS: March soybeans are down 2 cents this morning. Chinese Dalian soybeans were down 0.46%, Soymeal up 0.19% and soyoil down 1.4%. Malaysian Palm was down 0.75%. Soybean open interest yesterday was up 14,011 contracts, soymeal up 4,463 contracts, and soybean oil up 4,757. Outside markets, global equity markets overnight were higher with the exception the Hang Seng which closed minimally lower. In addition to continued optimism from the US/China trade deal signing, the markets appear to be lifted as a result of overnight Chinese economic data flows. While Chinese GDP only matched the prior month at 6% Chinese, industrial production in December rose much more than expected while retail sales for December gained 8% on year ago levels! Unfortunately for the UK, retail sales for December gained only 0.9% off expectations for a 2.6% gain.

NEAR-TERM MARKET FUNDAMENTALS: With soybean prices entering the last trading session of the week right on the previous spike low, the charts favor further downside work especially with funds turning net sellers and ongoing doubt on the Chinese capacity to buy agreed to amounts of US Ag products. In fact the bull camp has to be severely wounded and the bear camp has to be emboldened by the reaction to the trade headlines. Another negative spilling over into soybean market action today is a very significant washout in palm oil which posted the biggest weekly decline in 11 years. In yet another negative, the Ukraine has apparently reinstated VAT refunds to soybean and rapeseed exporters. As part of the Phase 1 trade deal, China has agreed to purchase an additional $32 billion in US agricultural products over the next two years. This would include an additional including $12.5 billion above the 2017 level of $24 billion in 2020 and $19.5 billion above that level in 2021. This would push China's purchases of US agricultural products to at least $80 billion over the next two years. Traders are skeptical that these levels will be reached, especially with the Chinese Vice-Premier stating that Chinese firms will buy American products "based on market conditions." Total US soybean exports dropped from 2.134 billion bushels in 2017/18 to 1.748 billion for 2018/19. Chinese purchases of US soybeans fell from 1.328 million bushels in 2016/17 to 1.017 million in 2017/18 and to 491,000 in 2018/19. The USDA world ending stocks are currently projected at 96.6 million tonnes, down sharply from 109.6 million tonnes last year. As a result, the world stocks to usage ratio came in at 27.6, a four year low. The soy complex remained the defensive as soybeans and soybean oil reached new lows for the move before finishing Thursday's trading with moderate losses. However, meal prices were able to rebound from a 1-week low to finish the day in positive territory.

Significant rainfall is expected over central Brazilian growing areas from the middle of next week through early February, and that could disrupt harvesting in those areas. Sluggish Malaysian palm oil prices continue to be a source of pressure for soybean oil prices. However, news that The Philippines bought 180,000 tonnes of US soybean meal provided a boost to meal prices that helped to lift them above their early lows. Keep in mind; the spat between India and Malaysia may lead to less demand for palm but higher demand for soybean oil. In fact, the weekly export sales for soybean oil came in at 36,200 tonnes which was well above the range of estimates. Cumulative oil sales have reached 60.3% of the USDA forecast versus a 5 year average of 48.2% sold. Soybean sales came in at 711,500 tonnes from trade expectations for 400,000-800,000 tonnes. Cumulative soybean sales have reached 63.1% of the USDA forecast versus a 5 year average of 77.0%. Net meal sales came in at 375,200
TODAY'S MARKET IDEAS:
With the completion of the China/US trade deal, and improved trade with Mexico and Canada, the market seems to have some positive demand fundamentals present but bearish momentum is difficult to arrest quickly in this market. Fortunately for the bull camp March Soybeans have shown respect at a past pivot zone of $9.20. Spending $40-$50 billion per year on US agricultural products could be a difficult task for China, but traders seem to think they will not even try? Consider buying May Soybeans near key support at 935 3/4 with an objective of 1002. Buyers would need to risk to a close under 924. May Soybean Oil key support is at 33.24 and 32.73, with resistance at 33.95. It will take a close over 306.50 to turn the March Meal charts bullish.

NEW RECOMMENDATIONS:
Option traders might consider buy May Soybean 940 call and also sell the May 1020 call and the May 920 put.

PREVIOUS RECOMMENDATIONS:
None.

SOYBEAN COMPLEX TECHNICAL OUTLOOK:
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SOYBEANS (MAR) 01/17/2020: The close below the 40-day moving average is an indication the longer-term trend has turned down. Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 917. The next area of resistance is around 928 and 933 1/4, while 1st support hits today at 920 and below there at 917.

SOYBEAN OIL (MAR) 01/17/2020: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside objective is 32.54. The next area of resistance is around 33.31 and 33.66, while 1st support hits today at 32.75 and below there at 32.54.

SOYMEAL (MAR) 01/17/2020: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 298.3. The next area of resistance is around 301.6 and 302.4, while 1st support hits today at 299.6 and below there at 298.3.

DAILY CORN COMMENTARY
01/17/20
Temporarily oversold but the bulls need Chinese demand evidence

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CORN +0.4

OVERNIGHT DEVELOPMENTS: March corn is trading 3 1/4 cents higher this morning. Outside markets are positive. Corn open interest yesterday was up 20,848 contracts. Chinese Dalian Corn was up 0.62%.

NEAR-TERM MARKET FUNDAMENTALS: While the corn market has not shown that much direct impact from the ebb and flow of big picture developments prices should be supported as a result of the definitive risk on vibe in equities, favorable Chinese economic data and from news of a South Korean KFA purchase of 66,000 tons of corn. There could also be some support from an Indian tender to buy 175,000 tons of GMO free corn. While the
China/US trade agreement calls for China to purchase at least $40 billion of agricultural products over the next two years, compared with a 2017 base of near $24 billion, traders remain very skeptical that China will fulfill this commitment. It will take very aggressive purchases of soybeans and other grains to come close to the commitment. At this early stage, there is no reason to believe that China will not reach these commitments, but the uncertainty was enough to trigger aggressive speculative selling across many agricultural markets, including corn. Corn prices extended their Wednesday pullback into a nosedive as they reached a new 5-week low before finishing Thursday with very heavy losses. The Buenos Aires Grain Exchange said that their nation’s corn planting is 91% complete versus 88.2% last week. The weekly export sales report showed that for the week ending January 9, net corn sales came in at 784,800 tonnes for the current marketing year and 207,000 for the next marketing year for a total of 991,800. Cumulative sales have reached 41.1% of the USDA forecast for the 2019/2020 (current) marketing year versus a 5 year average of 56.6%. Sales need to average 821,000 tonnes per week to reach the USDA forecast. Brazil meat giant JBS bought 70,000 tonnes of corn from Argentina. JBS is still assessing the possibility of making additional purchases of Argentina’s corn, extending imports to as much as 200,000 tonnes. Brazil is facing tight corn supplies after record exports in the past year and the prospect of a smaller summer-corn crop, which usually supplies local chicken and pork companies. Brazil wholesale interior corn prices have increased from near 37.00 Reals per 60 kg bag in September to 51.70 recently. Brazil may have been too aggressive in corn exports early in the season and may need to import corn for the next few months.

**TODAY'S MARKET IDEAS:**
While there are increasing doubts that China will be able to fulfill their Agriculture purchases from the Phase One trade agreement short-term bearish supply news seems to have reached its peak. In fact demand news looks to be improving in the weeks just ahead and short term technical signals should have reached moderately oversold readings yesterday. In fact if there is any minor weather issue with South America crops, buyers could turn very active. News that the Senate approved US-Mexico-Canada trade agreement did fail to provide much support but between the two trade agreements, demand for US corn could see major improvements ahead. Short-term support for March corn comes in at 371 and 368. Resistance is at 383 3/4 and 385 3/4 and it will take a close through resistance to excite the bulls.

**NEW RECOMMENDATIONS:**
Sell May Corn $3.80 puts for 10.

**PREVIOUS RECOMMENDATIONS:**
Long May Corn from 391. Hit Risk to 383.

**CORN TECHNICAL OUTLOOK:**
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CORN (MAR) 01/17/2020: The close under the 60-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market back below the 18-day moving average suggests 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 target is 366. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 381 3/4 and 391, while 1st support hits today at 369 1/4 and below there at 366.

CORN (MAY) 01/17/2020: The close under the 60-day moving average indicates the longer-term trend could be turning down. A crossover down in the daily stochastics is a bearish signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 373 1/2. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 388 1/2 and 397 1/4, while 1st support hits today at 376 1/2 and below there at 373 1/2.

**DAILY WHEAT COMMENTARY**
01/17/20
Australian production losses and oversold should support

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
WHEAT  +0.35

OVERNIGHT DEVELOPMENTS: Chicago wheat (MAR 20) prices overnight were at one time up 3 1/4; Kansas City (MAR 20) up 3/4; and Minneapolis (MAR 20) up 2 3/4. Chicago wheat open interest as of January 16 was down 524 contracts and Minneapolis wheat was up 1,195 contracts.

NEAR-TERM MARKET FUNDAMENTALS: While the wheat market might derive some support from reports of a 10% decline in French wheat plantings (a 19 year low) the market still looks vulnerable to a technical correction from the overbought condition. However the wheat market might also draft support from a private prediction that Australian wheat production will decline more than expected due to the drought. In fact the private estimate is below the Australian Bureau of agricultural and resource economics and Sciences December estimate of an 8% decline. In short, until open interest turns down, the trend is likely to remain up. Open interest is already up 75,627 contracts this year which is the highest open interest since May. The surge in open interest suggests trend following and commodity index funds are likely active buyers. Even with the strong rally, exports are turning more active. However, strong global wheat demand continues to provide underlying support to the market as Russia has said that they are considering a limit on their export this season. Strategie Grains reduced their 2020/21 EU soft wheat production forecasts' by 700,000 tonnes to 139.8 million.

The Buenos Aires Grain Exchange said that their nation's wheat harvest is approaching 100% completion. The weekly export sales report showed that for the week ending January 9, net wheat sales came in at 650,600 tonnes for the current marketing year and 59,700 for the next marketing year for a total of 710,300. Traders expected sales near 200,000-500,000 tonnes. Cumulative sales have reached 73.8% of the USDA forecast for the 2019/2020 (current) marketing year versus a 5 year average of 77.1%. A wet pattern for the 6-14 day weather models for the central and southern plains is a bearish development.

TODAY’S MARKET IDEAS:
A 12 year low in US soft red winter wheat ending stocks continues to provide underlying support and the overbought short-term condition into the recent high should be largely corrected with the washout yesterday. March KC wheat resistance is at 496 3/4 with initial key support at 473 1/2. March wheat resistance is at 573 1/2, with support at 554 3/4 and 549 1/2.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

WHEAT TECHNICAL OUTLOOK:
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WHEAT (MAR) 01/17/2020: The daily stochastics gave a bearish indicator with a crossover down. 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 above the 9-day moving average suggests the short-term trend remains positive. The close below the 1st swing support could weigh on the market. The next downside objective is now at 552 1/2. The next area of resistance is around 572 and 579 1/2, while 1st support hits today at 558 1/2 and below there at 552 1/2.

KC WHEAT (MAR) 01/17/2020: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the
2nd swing support number puts the market on the defensive. The next downside target is 472 3/4. The next area of resistance is around 492 and 501 1/2, while 1st support hits today at 477 1/2 and below there at 472 3/4.

MINN WHEAT (MAR) 01/17/2020: Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 now at 541 1/2. The next area of resistance is around 555 3/4 and 563 1/4, while 1st support hits today at 544 3/4 and below there at 541 1/2.

RICE (MAR) 01/17/2020: 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 daily closing price reversal down puts the market on the defensive. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 13.493. The next area of resistance is around 13.412 and 13.493, while 1st support hits today at 13.258 and below there at 13.184.

DAILY TECHNICAL STATISTICS

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Calculations based on previous session. Data collected 01/16/2020
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

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DAILY CATTLE COMMENTARY

01/17/20
Disappointment over lack evidence of Chinese buying.

Traders may be a bit disappointed with the cash cattle market, which is mostly unchanged from last week, and they may be growing tired of waiting for evidence that China has interest in purchasing US beef. US beef export sales to China remain very low. Still, Australian beef producers have expressed concern over the potential loss of business as a result of the Phase 1 trade agreement between the US and China. Under the deal, China will remove age restrictions on imports of US beef and beef products that had been put in place after mad cow disease was detected in a single US animal in 2003. China will also ease restrictions on importing beef that had been reared on hormone growth stimulants.

US beef export sales for the week ending January 9 came in at 17,800 tonnes, up from 8,096 the previous week and the highest weekly total since November 14. Cumulative sales for 2020 have reached 166,600 tonnes, up from 125,733 last year at this time and above the 5-year average of 115,422. In fact, cumulative sales are the highest they have been at this point in the year going back to at least 2002, which is as far as the data goes. This was prior to when the discovery of mad cow disease in the US curtailed US beef exports to China. The largest buyers this week were South Korea at 6,067 tonnes, Japan at 5,778 and Mexico at 4,454. Together they represented 91% of the all sales for the week. The countries with the largest commitments so far for 2020 are Japan at 40,892 tonnes, Hong Kong at 39,188, South Korea at 38,929, Mexico at 15,973 and Taiwan at 12,477. China bought 406 tonnes.

Cash live cattle traded in decent volume on Thursday at mostly steady from last week and earlier this week. In Kansas, 17,566 head traded at 123-124, with an average price of 123.92, similar to last week's range. In Nebraska 10,414 head traded at 124 yesterday versus an average price of 124.04 last Friday. In Texas/Oklahoma, 5,499 traded at 124, steady with last week. This keeps the futures trading at a premium to the cash market, which could put additional pressure on the nearby contract. The USDA boxed beef cutout was up 4 cents at mid-session yesterday and closed 37 cents higher at $212.90. This was up from $209.96 the previous week and was the highest the cutout had been since December 16. Cattle weights have remained stubbornly high, with average dressed steer weights for the week ending January 4 at 912 pounds, up from 905 the previous week and 892 a year ago. This matched the average weight from November 16, which itself was the highest since December 2016. The 5-year average weight for that week is 899.6 pounds. Beef production for the same week came in at 455.4 million pounds, up from 440.2 million for the same week a year ago.

The USDA estimated cattle slaughter came in at 122,000 head yesterday. This brings the total for the week so far to 488,000 head, unchanged from last week at this time but up from 484,000 a year ago. Increasing open interest over the past week suggests that fund traders are increasing their net long positioning. The buying trend is a short-term positive force.

**TODAY’S MARKET IDEAS:**
The market may be disappointed that cash cattle traded steady this week despite stronger beef prices. The selloff yesterday took April cattle to their lowest level since December 11, and it could be foreshadowing a break below the consolidation pattern. April cattle support is at 124.525 and 123.525, with 128.55 and 129.725 as resistance.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
Short February Cattle 127.00 call from 282 with an objective of zero. Risk to 202.

**CATTLE COMPLEX TECHNICAL OUTLOOK:**
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LIVE CATTLE (FEB) 01/17/2020: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The
Market back below the 18-day moving average suggests the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 123.850. The next area of resistance is around 127.170 and 128.120, while 1st support hits today at 125.070 and below there at 123.850.

FEEDER CATTLE (MAR) 01/17/2020: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 141.769. The next area of resistance is around 146.162 and 147.118, while 1st support hits today at 143.488 and below there at 141.769.

DAILY HOGS COMMENTARY
01/17/20

Pork cutout strength may give hogs a boost to start

April hogs closed sharply lower on Thursday, as traders remained skeptical that China would be able to meet their commitment to purchase $40 billion or more worth of US agricultural goods this year and next, but China's need for pork is hard to deny. The market's ability to close well off its lows yesterday coupled with stronger pork values may bring in buyers today. China's National Bureau of Statistics (NBS) data released overnight showed that nation's pork output declined by 21% in 2019 to 42.55 million tonnes, the lowest output since 2003. The pig herd declined 27.5% from the previous year to 310.41 million head by the end of December, but this was up from the 306.75 million head that it had reported in September. In the end, China clearly has the need to import significantly more pork, and the US clearly has the supply with the record levels of production in recent weeks.

US pork export sales for the week ending January 9 came in at 38,671 tonnes, up from 26,793 the previous week and the highest weekly sales number since November 14th. Total commitments for 2020 have reached 509,141 tonnes, up from 212,672 last year at this time and above the five-year average of 164,512. The biggest buyers were Mexico at 19,213 tonnes, Japan at 4,552, South Korea at 2,402, and China at 1,886. China has committed to buy 299,252 tonnes for 2020, which represents 55% of the total US sales. The next largest buyer is Mexico at 88,425, followed by South Korea at 49,148, and Japan at 48,337. Other major buyers include Australia at 19,660 and Canada at 16,758. Together, these six countries represent 74% of US committed sales for 2020.

The USDA pork cutout, released after the close yesterday, came in at $74.61, up $1.27 from $73.34 on Wednesday and up from $71.85 the previous week. This was the highest the cutout had been since January 6. Actual US pork production for the week ending January 4 came in at 494.7 million pounds, up from 436.4 million the previous week and up 2% from a year ago. The CME lean hog index as of January 14th came in at 59.53, up from 59.00 the previous session and up from 59.34 a week prior. The USDA estimated hog slaughter came in at 497,000 head yesterday. This brings the total for the week so far to 1.990 million head, up from 1.987 million last week at this time and up from 1.890 million a year ago.

TODAY'S MARKET IDEAS:
The minor trend is down, and US pork production remains high, but the longer term outlook is bullish given China's need to import large amounts of pork. US export sales are already off to a strong start. The strength in the pork cutout yesterday may give a boost to prices today. April hog support is at 72.72, with 75.30 and 76.25 as resistance. Watch for a turn higher with 81.15 as an initial target.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
1) Short Feb Hog 60 put, long Feb Hog 68.00 call and short the Feb Hog 73.00 call for a net premium received of 37 points. Look for the spread to trade up to +370 point premium and risk a total of 120 points from entry. 2) Long a Feb Hog 72.00 call, short a Feb Hog 80.00 call, and short Feb Hog 59.00 put at even money. We are using an objective of +590 on the spread and risking a total of 165 points from entry.
PORK COMPLEX TECHNICAL OUTLOOK:
Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

LEAN HOGS (FEB) 01/17/2020: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 65.220. The next area of resistance is around 67.770 and 68.900, while 1st support hits today at 65.970 and below there at 65.220.

DAILY TECHNICAL STATISTICS

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<th>MEAT COMPLEX</th>
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<th>9 DAY RSI</th>
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<th>14 DAY SLOW STOCH D</th>
<th>14 DAY SLOW STOCH K</th>
<th>45 DAY M AVG</th>
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<tr>
<td>LCG20</td>
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<td>FCH20</td>
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Calculations based on previous session. Data collected 01/16/2020
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

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<td>LHG20</td>
<td>Lean Hogs</td>
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<td>67.050</td>
<td>67.770</td>
<td>68.900</td>
</tr>
</tbody>
</table>

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