DAILY SOY COMPLEX COMMENTARY

10/12/18

Bounce on neutral report; trade clearly expected bearish report

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

OVERNIGHT DEVELOPMENTS: November soybeans are trading 5 1/2 cents higher this morning. Dalian soybean futures are up 0.8% this morning. Meal was down 1.6%. Malaysia palm oil futures were up 1% overnight. Global equity markets overnight bounced back with various Chinese market measures gaining over 1%. The Asian session saw Chinese trade balance figures with September exports jumping, a four month high in crude oil imports and another record surplus with the US. In other words Chinese trade data overnight probably sparks aggressive incendiary comments from the White House later today. From Europe the market saw German CPI which matched expectations but notched higher from the prior reading and August Euro zone industrial production came in better than expected on a month over month and year over year basis. The North American session will start out with the September import price index which is forecast to have a moderate decline from August's 3.7% year over year rate. The September export price index is expected to show a minimal downtick from August's +3.6% year-over-year rate. A private survey of October consumer sentiment is forecast to have a modest uptick from September's 100.1 reading.

NEAR-TERM MARKET FUNDAMENTALS: China imports for September were reported at just 8.01 million tonnes from 9.15 million in August and from 8.1 million last year. India planted area for soybeans for 2018 is up 6.7% from last year. The October USDA Supply/Demand report was considered slightly friendly versus trade estimates with 2018-19 soybean yield coming in at 53.1 bushels per acre versus the average estimate of 53.3 bushels per acre (51.8-55.0 range) and compared to last month's 52.8 bushels per acre. Soybean production came in at 4,690 billion bushels versus the average estimate of 4,722 billion. The USDA lowered harvested acres by 600,000 acres to 88.3 million. The rest of the balance sheet was left unchanged. The 2018/19 US ending stocks came in at 885 million bushels versus the average estimate of 845 million bushels. The 2018/19 world ending stocks came in at 110.04 million tonnes versus the average estimate of 109.9 million tonnes (105.5-113.1 million range) and compared to last month's 108.3 million tonnes.

Conab estimated Brazil's soybean production at 117.0 to 119.4 million tonnes (min-max) compared to 119.3 million last year. They see soybean exports at 75.0 million versus 76.0 million in 2017-18. There has been some speculation that the US and China may resume investment treaty talks according to a report yesterday. US Economic Council Director Larry Kudlow said it is likely President Trump and China's President Xi will meet at the G20 meeting next month in Argentina. Traders are looking for weekly export sales in soybeans to come in near 650,000 to 1.0 million tonnes with soybean meal at 175,000 to 350,000 tonnes and soybean oil at 5,000 to 20,000 tonnes.

TODAY'S MARKET IDEAS:
November soybeans found support yesterday from less than expected production. However, ending stocks are still at a record 885 million bushels, 447 million above last year and 338 million above the previous record of 574 million bushels in 2006-07. Needless to say, the market was expecting a bearish report. World stocks are also a
record high. The market may continue to see some crop concerns due to the weather since the beginning of the month. However, rallies should be tempered unless some positive news comes from the US-China trade battle. A close over 867 1/4 for November soybeans could lead to a test of 880 1/4. March soybean oil support is at 29.43, with resistance at 29.98. A close through resistance would leave 31.01 as next upside target.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
Long December Soybean 870 put from 17 cents with an objective of 39. Risk 7 cents from entry.

SOYBEAN COMPLEX TECHNICAL OUTLOOK:
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SOYBEANS (NOV) 10/12/2018: Declining momentum studies in the neutral zone will 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 daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 840. The next area of resistance is around 866 3/4 and 873 3/4, while 1st support hits today at 849 3/4 and below there at 840.

SOYBEAN OIL (DEC) 10/12/2018: 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 daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 28.51. The next area of resistance is around 29.23 and 29.35, while 1st support hits today at 28.81 and below there at 28.51.

SOYMEAL (DEC) 10/12/2018: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 310.6. The next area of resistance is around 319.9 and 322.9, while 1st support hits today at 313.7 and below there at 310.6.

DAILY CORN COMMENTARY
10/12/18

Positive supply news as of Oct 1; some weather issues since

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CORN +0.0

OVERNIGHT DEVELOPMENTS: December corn is trading near unchanged overnight. China Dalian futures are up 0.32% this morning. Outside market forces are supportive with a surge higher in equity markets.

NEAR-TERM MARKET FUNDAMENTALS: China sales of strategic reserves for this year since April 12th have reached a whopping 90 million tonnes. The China National Grains and Oils Information Center has pegged the 2018-19 corn output at 216.5 million tonnes this week. However, the USDA held their estimate steady this month at 225 million tonnes. If we reduce world ending stocks by 8.5 million tonnes to adjust for the China production estimates, world stocks will be 150.85 million tonnes with a stocks/usage of 13.6%, the lowest since the 1973/74 season. The October USDA Supply/Demand report yesterday was considered bullish with the 2018-19 corn yield coming in at 180.7 bushels per acre versus the average estimate of 181.8 bushels per acre (180.6-183.5 range) and compared to last month's 181.3 bushels. The ear weights maintained a record large estimate but ears per acre were slightly lower than the September report. Corn production came in at 14.778 billion bushels versus the
average estimate of 14.859 billion bushels and compared to 14.827 billion in September. The 2018-19 US ending stocks came in at 1.813 billion bushels versus the average estimate of 1.913 billion bushels (1.704 to 2.352 billion range) and compared with last month's estimate at 1.774 billion bushels. The USDA raised exports by 75 million bushels and reduced feed by 25 million bushels. The 2018-19 world ending stocks came in at 159.35 million tonnes versus expectations for 159.2 million tonnes (155.9-165.9 million range) and compared to the August estimate at 157.0 million tonnes.

Conab estimated the Brazilian corn production from 89.7 to 91.1 million tonnes (min-max) compared to 80.8 million last year. The USDA pegged the Brazilian corn production at 94.5 million tonnes. The USDA estimated the Argentine corn production at 41.0 million tonnes versus last year's drought riddled 32.0 million tonnes. The Argentine corn planting progress is seen at 27.0% complete according to the Buenos Aires Grains Exchange. Ethanol production for the week ending October 5th averaged 1.04 million barrels per day. This is up 2.46% vs. last week and up 7.55% vs. last year. Corn used in last week's production is estimated at 108.25 million bushels. Corn use needs to average 108.4 million bushels per week to meet this crop year's USDA estimate. Stocks were 24.021 million barrels. This is up 2.46% vs. last week and up 11.61% vs. last year. There was 140,000 tonnes of corn sold to Unknown destinations cancelled yesterday. For today's weekly export sales, traders are looking for 700,000 to 1.3 million tonnes.

**TODAY’S MARKET IDEAS:**
For the week so far, the market is up 1 cent but needs a close above 371 to spark the bull camp. Focus could shift to the poor weather since October 1st and the potential impact on yields for next month's report. Close-in support for December corn is at 365 1/2 and then 362. A resumption of the uptrend would leave 375 3/4 and 386 (50% of May to September break) as next key resistance. Aggressive traders could look to buy the December 370 calls at 7 cents looking for a test of the 200 day moving average at 388.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
Short 1 July Corn 3.90 call and 1 July Corn 370 put and also long 6 July corn 450 calls at a net cost of six cents on the entire spread. Use an objective of +68 cents on the spread. Risk a total of 12 cents from entry.

**CORN TECHNICAL OUTLOOK:**
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CORN (DEC) 10/12/2018: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day up and close above the previous day's high is a positive signal. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is 355 1/4. The next area of resistance is around 375 1/2 and 380 1/2, while 1st support hits today at 363 and below there at 355 1/4.

**DAILY WHEAT COMMENTARY**
**10/12/18**

Vietnam may re-export tainted shipments

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

**OVERNIGHT DEVELOPMENTS:** December wheat is trading 4 1/2 cents higher this morning and Kansas City December is up 4 1/2 cents. Matif December futures are up 0.12%. Outside market forces are mixed with higher crude and a
slightly higher dollar.

**NEAR-TERM MARKET FUNDAMENTALS:** Vietnam will direct wheat importers to re-export any shipments containing thistle seed starting November 1st. The Ministry of Agriculture and Rural Development may also consider a ban on exporters from unnamed countries who send cargoes tainted with seeds. Vietnam has imported 4.0 million tonnes of wheat in the first nine months of the year, an 8% increase from a year ago. Earlier this week Vietnam threatened to halt Russian wheat purchases due to Russian cargoes containing thistle. Vietnam is the third largest buyer of Russian wheat. Russia’s Federal Service for Phytosanitary Surveillance, Rosselkhoznador, will extend checks to all ports throughout all Russian ports due to continued complaints over quality. The expanding tests at ports are starting to delay loadouts and the costs for exporters are also increasing from the tests.

The wheat markets reacted positively after the release of the USDA figures yesterday, but quickly turned lower on lack of buyers. Both markets put in bearish outside day lower closes yesterday as well. The October USDA Supply/Demand report for wheat was considered slightly positive with 2018-19 US ending stocks coming in at 956 million bushels versus the average estimate of 959 million bushels (895 million-1.024 billion range) and compared with last month's estimate at 935 million bushels. The 2018-19 World ending stocks came in at 260.18 million tonnes versus the average estimate of 261.2 million tonnes (259.0-263.7 million range) and compared with the August USDA estimate at 261.3 million tonnes. The Russian wheat production came in at 70.0 million tonnes versus 71.0 million tonnes last month. Russian exports were unchanged at 35.0 million tonnes. Australian production came in at 18.50 million tonnes compared to 20.0 million in the September report. Australian exports were lowered to 13.0 million tonnes from 14.0 last month.

The Rosario Stock Exchange cut the Argentine wheat production to 19.0 million tonnes from 21.0 million due to drought conditions in the western parts of the Pampas region, especially Cordoba and Santa Fe. There was as much as 470,000 acres lost from drought, frost and hail damage in the Pampas. French soft wheat plantings were seen at 15% complete versus 10% last week and compared to 16% last year. Preliminary open interest in Chicago went up 3,076 contracts on Thursday with Kansas City up 3,945 contracts. Traders are looking for wheat export sales to come in near 300,000 to 550,000 tonnes.

**TODAY'S MARKET IDEAS:**
Yesterday's report news was constructive but the market action was destructive. Both Chicago December and Kansas City December wheat settled with outside day lower closes yesterday but may be trying to reject yesterday's lows. Chicago December wheat settled below 509 which could rekindle bear forces for a test of 490. Support for Chicago December wheat now comes in at 500 3/4 followed by 496 1/2.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
Long March wheat $5.50 call, short March $6.20 call, and short March $4.90 put for a net cost of 6 1/2 cents. Use an objective of 31 1/2 cents on the spread and risk a total of 7 cents from entry.

**WHEAT TECHNICAL OUTLOOK:**
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WHEAT (DEC) 10/12/2018: 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 outside day down is a negative signal. The market’s close below the pivot swing number is a mildly negative setup. The next downside objective is now at 496 1/2. The next area of resistance is around 515 1/4 and 525 1/4, while 1st support hits today at 500 3/4 and below there at 496 1/2.

KC WHEAT (DEC) 10/12/2018: 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 outside day down is a negative signal. It is a slightly negative indicator that the close was lower than
the pivot swing number. The next downside objective is now at 499 3/4. The next area of resistance is around 522
and 532 3/4, while 1st support hits today at 505 1/2 and below there at 499 3/4.

MINN WHEAT (DEC) 10/12/2018: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 581 1/4. The next area of resistance is
around 594 1/2 and 601 1/2, while 1st support hits today at 584 1/2 and below there at 581 1/4.

RICE (NOV) 10/12/2018: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next upside objective is 11.077. The next area of resistance is
around 10.870 and 11.077, while 1st support hits today at 10.500 and below there at 10.338.

DAILY TECHNICAL STATISTICS

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Calculations based on previous session. Data collected 10/11/2018
Data sources can & do produce bad ticks. Verify before use.

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DAILY CATTLE COMMENTARY
10/12/18

Weights push up over last year and over 5-year average; weak

While the USDA adjusted beef production expectations for 2018 and 2019 lower, there is still a hefty supply to absorb, and the jump in weights last week is a concern for the bulls. Average dressed steer weights for the week ending September 29th came in at 900 pounds, up from 896 the previous week and up from 894 a year ago. The 5-year average weekly weight for that week is 895.6. With cheap corn prices and December cattle at a stiff premium to the cash, producers have incentive to feed cattle to a higher weight. December cattle experienced a firm rally early in the session yesterday and even took out Wednesday's highs before the market closed slightly higher on the day. Volatile trade in the stock market and talk of the hefty short-term beef supply helped to spark the selling on the rally. The premium of December cattle to the cash market with beef prices trading at the lowest level of the year is also seen as a potential negative force. Cash cattle traded steady at $111.00 in Texas.

The USDA supply/demand update showed 4th quarter production is expected to be higher than the third quarter which is not normal. Fourth quarter production is expected to increase by 2.9% from last year and 1st quarter beef production is expected to be up 3.4% from this year. The USDA estimated cattle slaughter came in at 117,000 head yesterday. This brings the total for the week so far to 468,000 head, down from 478,000 last week at this time and down from 471,000 a year ago. USDA boxed beef cutout values were up 86 cents at mid-session yesterday and closed 40 cents higher at $202.51. This was down from $203.86 the prior week.

TODAY'S MARKET IDEAS:
The jump in weights to above last year and above the 5-year average is a bearish development. With cheap corn prices and a big premium of December futures to the cash market, producers have the incentive to feed cattle out to a higher weight. Resistance for December cattle is at 117.47, with support back at 115.32 and 114.30. Consider selling a bounce.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
1) Short December Cattle from 118.62 with an objective of 111.57. Risk to 118.35. 2) Short a November Cattle 120.00 call from 197 with an objective of zero. Risk to 195.

CATTLE COMPLEX TECHNICAL OUTLOOK:
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LIVE CATTLE (DEC) 10/12/2018: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. 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 close over the pivot swing is a somewhat positive setup. The next downside target is now at 116.070. The next area of resistance is around 117.120 and 117.450, while 1st support hits today at 116.450 and below there at 116.070.

FEEDER CATTLE (NOV) 10/12/2018: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 155.357. The next area of resistance is around 157.412 and 158.006, while 1st support hits today at 156.088 and below there at 155.357.
**Will be more difficult to feature pork to move product**

The market is struggling with the idea of clearing a record supply of pork just after a run-up in prices of the last six weeks. Beef prices are at a low for the year and chicken breast prices are at a record low, so moving the extra pork which is not moving on the export market is a difficult task. Keep in mind; with tariffs on US pork, August pork exports to China and Hong Kong combined came in at just 19 million pounds, the lowest monthly total since February, 2015. With more cases of African Swine Fever reported in China this week, June Hogs may continue to gain on December hogs as 4th quarter production is still expected to be a record high and exports are slow. December hogs opened slightly lower on the session yesterday and traded sharply lower on the session yesterday. The selling pushed the market down to the lowest level since September 17th and the market experienced the lowest close since September 11th.

The USDA supply/demand update showed some revisions lower in production but 4th quarter production is still up 4.9% from last year with 1st quarter production expected to increase by 3.8% from last year. The increase in production from the third quarter to the fourth quarter of 2018 is expected to come in near 805 million pounds. This would be the second highest increase on record which is bearish. The CME Lean Hog Index as of October 9th was 69.34, up 1 cent from the previous session and up from 68.84 the previous week. The USDA estimated hog slaughter came in at 473,000 head yesterday. This brings the total for the week so far to 1.862 million head, up from 1.861 million last week at this time and up from 1.845 million a year ago. USDA pork cutout values, released after the close yesterday, came in at $76.83, down 64 cents from Wednesday and down from $78.23 the previous week. This is the lowest pork value since September 19th.

**TODAY'S MARKET IDEAS:**
Talk of a turn lower in the cash market plus ideas that it will be tough to move extra pork over the near-term after the recent pork price rise has helped to pressure. Weakness in beef prices to a new low for 2018, and record low chicken breast prices may be seen as forces to pull pork values down. December hog resistance is at 55.97 and 56.17, with 51.87 as next good support if 53.77 support gives way.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
Long June/Short December hogs from +22.20 June with an objective of +29.45 June. Risk to close under +23.25.

**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 (DEC) 10/12/2018: The major trend has turned down with the cross over back below the 40-day moving average. The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 52.550. The next area of resistance is around 55.470 and 56.770, while 1st support hits today at 53.370 and below there at 52.550.

**DAILY TECHNICAL STATISTICS**
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**DAILY SWING STATISTICS**

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Calculations based on previous session. Data collected 10/11/2018
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