DAILY SOY COMPLEX COMMENTARY
11/16/18

Export window will close quickly and market faces record stocks

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

OVERNIGHT DEVELOPMENTS: January soybeans are trading 1 1/2 cents lower this morning. Dalian soybean futures were up 1.1% overnight and meal jumped 3.4%. Malaysia palm oil futures were down 3.8% overnight. Asian stocks continued to see mixed results, as Chinese and Hong Kong shares were boosted by positive US/Chinese trade vibes while Japanese stocks were weakened by a rising Yen. The German wholesale price index came in slightly higher than forecasts while Euro zone CPI and core CPI were in-line with market expectations. European shares were finding mild early support, led by gains in the German DAX and Italian MIB indices. The North American session will feature October industrial production, which is forecast to have a minimal downtick from September's 0.3% reading. October capacity utilization is expected to have a minimal uptick from September's 78.1% reading. The Kansas City Fed's November manufacturing activity index will come out during morning US trading hours, while the latest Treasury International Capital (TIC) report will be released during the afternoon. Chicago Fed President Evans will speak during morning US trading hours. Earnings announcements will include Viacom before the Wall Street opening.

NEAR-TERM MARKET FUNDAMENTALS: Ideas that the upcoming meetings between the US and China will only establish an agreement to a framework for further talks came as a disappointment to the bulls who were hoping for a lot more. While progress is progress, the US is still pushing ahead on plans to raise tariffs in January. This helped to pull soybean futures off of the highs yesterday and sparked a surge higher in China meal prices overnight as there seems to be little hope of a quick resolution. US soybean meal turned lower after the NOPA crush report showed a record crush in October. The trade realizes a long road lies ahead in negotiations and the window for US exports is rapidly closing. One supportive factor for the soybean market continues to be the US crush pace with the October NOPA crush coming in at a record 172.35 million bushels versus the average estimate of 170.0 million bushels and compared to last year's 164.2 million bushels. This also compares to the September crush at 160.8 million bushels. The October 2018 crush rate surpassed the previous record monthly crush set in March 2018 at 171.85 million bushels.

Oil stockpiles came in at 1.503 billion pounds versus the average estimate at 1.489 billion pounds and compared to last year's 1.224 billion pounds. The September oil reserves were at 1.531 billion pounds. This is the sixth consecutive monthly drop in soyoil stocks as demand remains strong. Soymeal exports in October increased to 967,174 tons from 785,267 tons in September and compared to 643,199 tons in October 2017. The Buenos Aires Grains Exchange reported soybean planting progress at 21.7% compared to 9.4% last week and compared to 23.8% last year. Heavy rains last week caused flooding in the Pampas which could result in losses, but re-planting of crops is likely with the warmer and drier forecast. Traders are expecting weekly soybean export sales to come in near 450,000 to 850,000 tonnes with soybean meal at 150,000 to 300,000 tonnes and soybean oil at 10,000 to 30,000 tonnes.

TODAY’S MARKET IDEAS:
January soybeans traded up to a nine session high at 897 1/2 yesterday with the market up 2 cents on the week.
While the market continues to hear positive rhetoric on the US-China trade front, the eventual agreement will take months to hammer out. The framework could be accepted by both parties only to be tweaked over and over. The point here is that we have lost soybean export market share to China and it may be very difficult to get it back. Since 2016, the US exports to China have been on the decline while Brazil's have increased each year since 2011. Brazil's new crop supplies will be ready to go by mid-January and the soybean crop this year is in better shape than last year. Aggressive short-term traders can sell January soybeans at 892 with support at 879 1/2 and then 866 3/4 as next target.

NEW RECOMMENDATIONS:
* Buy the March 860 soybean put and sell the March 960 call for a 1 cent credit to the call. Hold until March soybeans hit 857 and risk a total of 14 cents from entry.

PREVIOUS RECOMMENDATIONS:
None.

SOYBEAN COMPLEX TECHNICAL OUTLOOK:
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SOYBEANS (JAN) 11/16/2018: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 903 1/4. The next area of resistance is around 895 1/2 and 903 1/4, while 1st support hits today at 882 and below there at 876.

SOYBEAN OIL (DEC) 11/16/2018: A bullish signal was given with an upside crossover of the daily stochastics. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 27.88. The next area of resistance is around 27.79 and 27.88, while 1st support hits today at 27.59 and below there at 27.48.

SOYMEAL (DEC) 11/16/2018: Momentum studies are declining, but have fallen to oversold levels. 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 market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 300.7. The next area of resistance is around 308.0 and 311.2, while 1st support hits today at 302.8 and below there at 300.7.

DAILY CORN COMMENTARY 11/16/18

Focus shifting to planted acreage for 2019; soybean dependent

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

OVERNIGHT DEVELOPMENTS: December corn is trading 1/4 of a cent lower this morning. Dalian futures were up 0.4%. Outside market forces are mixed.

NEAR-TERM MARKET FUNDAMENTALS: The market ran into significant resistance at 370 3/4 for December corn yesterday and we see choppy to lower trade and a test of key support at 360 1/4 soon. The early bounce on China/US trade hopes failed. December corn is down 2 1/4 cents on the week so far with weekly settlements the last six weeks stuck in a 6 3/4 cent range from 373 3/4 to 367. A weekly close this week in this price range would make it seven in a row. While most feel a trade agreement with China is more relevant to the soybean market,
actually it probably is more market bearing to corn. The longer the trade spat lingers, the larger the acreage shift from soybeans to corn and other commodities will be. If the producer feels as if China will return to the US market quickly and the reduction in soy acres lessens, the corn market could have some real fuel for next year. The Buenos Aires Grains Exchange reported corn planting progress at 36.2% as of November 15th. This is barely up from last week's 35.9% as heavy rains kept producers out of the field. The open interest in corn went up 3,099 contracts on Wednesday. Traders are looking for today's weekly export sales to come in near 600,000 to 1.0 million tonnes. Ethanol production for the week ending November 9th averaged 1.067 million barrels per day. This is down 0.09% vs. last week and up 1.23% vs. last year. Total ethanol production for the week was 7.469 million barrels. Corn used in last week's production is estimated at 111.1 million bushels. Corn use needs to average 108.5 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.5 million barrels. This is up 1.6% vs. last week and up 9.4% vs. last year. Iowa ethanol margins remain negative and have been for eleven weeks in a row. Nearby ethanol futures looked like they may have bottomed Thursday with a key reversal from 1.221 but did not close well as it failed at the 20 day moving average and settled on the lows at 1.259.

**TODAY'S MARKET IDEAS:**
If corn acres only expand to 91.5 million, up 2.4 million from this year, and using a 177 yield with slightly higher ethanol usage and exports, ending stocks would fall to 1.375 billion bushels and a 9.0% stocks to usage. Only a close back above 373 3/4 will spark the bull camp's return. Close-in support is seen at 365 1/2 and then 360 1/4 for December corn.

**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) 11/16/2018: Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 objective is now at 363 1/4. The next area of resistance is around 370 and 373 1/2, while 1st support hits today at 365 and below there at 363 1/4.

**DAILY WHEAT COMMENTARY**
11/16/18

**KC/CHGO intra market spread getting stretched**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**
WHEAT -0.25

**OVERNIGHT DEVELOPMENTS:** Chicago December wheat is trading 2 1/2 cents lower this morning and Kansas City December is down 1 cent. Matif December futures are down 0.37%. Outside market forces are mixed. Saudi Arabia is tendering for 475,000 tonnes of hard milling wheat today.

**NEAR-TERM MARKET FUNDAMENTALS:** Russia’s 2018-19 wheat crop next year may rise on expanded plantings according to Moscow consultant SovEcon. They estimate total winter wheat plantings at 18.2 to 18.4 million hectares versus 17.8 million this last year. China has cut the state minimum wheat purchase price for the second consecutive year in 2019 as part of its efforts to reduce stockpiles with the government. The floor price for wheat purchases was set at 2,240 yuan per ton for 2019 versus 2,300 yuan per ton in 2018. The government
stockpiles wheat from farmers when market prices fall below the minimum purchase price. Prices were set based on production cost, market supply and demand as well as global grain prices. French soft wheat plantings were seen at 92% complete as of November 11th versus 85% last week.

For the week so far, Chicago December wheat is up 1 cent and Kansas City December is down 8 1/2 cents. The intra market Chicago/Kansas City December spread settled at -25 3/4 cents premium Chicago yesterday after trading to a new low at -27 1/4. The Kansas City managed money length was at 11,143 contracts as of the November 6th COT report, but these traders should have liquidated their length and we would not be surprised if they have flipped over to a small net short position. The Buenos Aires Grains Exchange reported the Argentine wheat harvest at 16% versus 11.3% last week with comments that losses to the wheat crop in the central regions are possible. However, rains last week did help grain fill for wheat in the southern province of Buenos Aires. Preliminary open interest in Chicago went down 1,165 contracts on Thursday with Kansas City down 3,802 contracts. Traders are expecting today's export sales to come in near 350,000 to 650,000 tonnes.

**TODAY'S MARKET IDEAS:**
Chicago December wheat is slightly higher on the week and above key support at 499. A close below 499 could spark a test of the recent low at 490. Kansas City December traded down to a new low for the move at 478 3/4 yesterday and is down 8 1/2 cents on the week. Kansas City markets continue to liquidate stale length with the spread to Chicago getting interesting. If acreage expansion in the hard red winter wheat areas is lower than originally thought due to wet weather, this spread should correct. Traders could look to buy Kansas City March wheat and sell Chicago March wheat at -13 to -15. Look for a move back up to +10 to +15 cents premium Kansas City.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
None.

**WHEAT TECHNICAL OUTLOOK:**
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**WHEAT (DEC) 11/16/2018:** 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 has a slightly positive tilt with the close over the swing pivot. The next downside target is 499 3/4. The next area of resistance is around 508 1/2 and 511 3/4, while 1st support hits today at 502 1/2 and below there at 499 3/4.

**KC WHEAT (DEC) 11/16/2018:** 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 target is now at 474 1/2. The next area of resistance is around 483 1/4 and 487 1/2, while 1st support hits today at 476 3/4 and below there at 474 1/2.

**MINN WHEAT (DEC) 11/16/2018:** Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 570 3/4. The next area of resistance is around 577 1/4 and 581, while 1st support hits today at 572 1/4 and below there at 570 3/4.

**RICE (JAN) 11/16/2018:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 2nd swing support number puts the market on the defensive. The next upside target is 11.073. The next area of resistance is around 10.897 and 11.073, while 1st support hits
today at 10.583 and below there at 10.444.

**DAILY TECHNICAL STATISTICS**

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Calculations based on previous session. Data collected 11/15/2018
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**DAILY SWING STATISTICS**

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**DAILY CATTLE COMMENTARY**

11/16/18

Solid demand outlook clashes with hefty supply, more up

The action in the cattle market is supportive, and a move towards some type of deal with China could boost the price outlook for 2019. For now, the US’ share of the China beef market is around 0.5%, but with China now being the second largest importer of beef in the world, the US should be in a position to see a significant gain in exports next year. Chinese consumers may demand more beef if African Swine Fever continues to spread. USDA boxed beef cutout values were up 21 cents at mid-session yesterday and closed 39 cents higher at $213.55. This was still down from $216.07 the previous week. As long as beef prices can avoid a sharp break during this weak demand period, packer demand for live inventory should hold strong into early December. Given the strong economy, restaurant business should be robust in December, as companies spend more on corporate events. Average dressed steer weights for the week ending November 3rd came in at 899 pounds, up from 895

![DEC Live Cattle Chart](chart.png)
the previous week but down 0.33% from a year ago. The 5-year average weekly weight for that week is 903.6 pounds. The bounce in weights is somewhat negative.

February cattle closed strong yesterday and experienced their highest close since November 8th, showing signs of follow-through buying from Tuesday’s reversal. The market had experienced choppy and two-sided trade early in the day, as dry weather in the plains and a weaker beef market had brought some selling pressure. However, a firm hog market and talk of progress on a China/US trade agreement helped pull the market higher. Japan is considering scrapping import restrictions on imports of US beef that had to do with how old the animal can be. This could help increase US beef exports a bit. The USDA estimated cattle slaughter came in at 119,000 head yesterday. This brings the total for the week so far to 467,000 head, down from 473,000 last week at this time and down from 479,000 a year ago. Cash live cattle are bid at $113-$114, with offers at $116 and higher. Most of last week's trade was near $114.

**TODAY’S MARKET IDEAS:**
February cattle support is at 117.90, with 120.17 and 121.00 as resistance. The reversal action suggests that a short-term low is in place. The outlook into 2019 has a risk of tightening supply of all meats if China becomes a more active buyer in the world market. April support is at 120.10, with 121.42 as resistance.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
None.

**CATTLE COMPLEX TECHNICAL OUTLOOK:**
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**LIVE CATTLE (DEC) 11/16/2018:** 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 daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 113.700. The next area of resistance is around 115.800 and 116.270, while 1st support hits today at 114.520 and below there at 113.700.

**FEEDER CATTLE (JAN) 11/16/2018:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 149.312. The next area of resistance is around 148.749 and 149.312, while 1st support hits today at 146.950 and below there at 145.713.

**DAILY HOGS COMMENTARY**

**11/16/18**

**ASF moves into China's largest producing region**

The province of Sichuan, China reported its first outbreak of African Swine Fever overnight. This is China's largest pig producing region, and is the 18th province in China to be affected by the disease. This should support the 2019 lean hog futures. Record production continues to clash with expectations for surging exports next year. Even with a weaker tone for the cash market and a sharp drop in product prices, February hogs closed sharply higher on the session yesterday and not much off of the highs of the day. Traders expect stronger demand from China next year, and news that there some progress has been made towards a framework for an agreement in preparation of a meeting ahead of the G-20 conference helped to support the market as well.
The buying pushed February hogs to their highest level since November 6th. The market also closed above 63.40, a 50% retracement of the October 31st to November 9th break.

The CME Lean Hog Index as of November 13th came in at 60.47, down 73 cents from the previous session and down from 63.72 the previous week. The USDA estimated hog slaughter came in at 476,000 head yesterday. This brings the total for the week so far to 1.873 million head, down from 1.898 million last week at this time but up from 1.865 million a year ago. Actual US pork production for the week ending November 3 came in at 549.7 million pounds, up from 541.8 million the previous week and up 6.2% from a year ago. This was the second highest weekly pork production on record, just behind the 550.2 million posted in December 2017. USDA pork cutout values, released after the close yesterday, came in at $67.36, down 26 cents from Wednesday and down from $69.91 the previous week. This is the lowest the cutout had been since September 10th.

**TODAY’S MARKET IDEAS:**
African swine fever has spread to China's largest hog producing region, and this raises the likelihood that the disease could have a major impact on supply. Keep in mind that if the disease destroys 16% of China's herd, all pork exporters in the world would need to double their exports to make up the difference. If the US doubles its exports in 2019, per capita supply would drop to a record low. Close-in support for February hogs is at 63.40, with 64.37 as resistance. June hog buying support comes in at 82.10, with 84.10 and then 85.55 as the next upside targets.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
Long June Hog 96.00 call from 180 with an objective of 980. Risk a total of 90 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 (DEC) 11/16/2018: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is positive on the close above 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 now at 56.120. The next area of resistance is around 57.620 and 58.300, while 1st support hits today at 56.550 and below there at 56.120.

**DAILY TECHNICAL STATISTICS**

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Calculation based on previous session. Data collected 11/15/2018

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

**DAILY SWING STATISTICS**

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Data sources can & do produce bad ticks. Verify before use.
LHZ8  Lean Hogs  56.100  56.520  57.200  57.620  58.300
Calculations based on previous session. Data collected 11/15/2018
Data sources can & do produce bad ticks. Verify before use.

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