

### DAILY SOY COMPLEX COMMENTARY

01/04/16

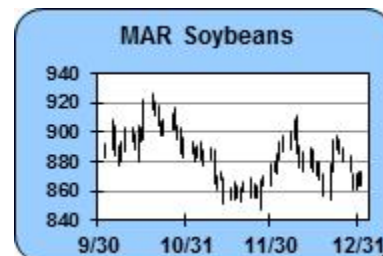
#### Nice widespread rains for central/northern Brazil plus selling?

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

SOY BEANS -4.4, BEAN OIL -0.4, SOYMEAL -0.4

**OVERNIGHT DEVELOPMENTS:** March soybeans were down 4 1/2 cents near 7:15 cst. Palm futures in Malaysia were down 2.1% overnight. China soybean futures overnight were down slightly. Global equity markets fell sharply in the wake of dismal Chinese factory activity and a flare up in Middle East tensions.

The biggest loser was the CSI 300 Index which lost over 7%. Surprisingly generally favorable European Manufacturing PMI results failed to cushion stocks to start the new trading year. The US economic calendar today begins with a private industry look at December manufacturing PMI. The next data window offers December ISM manufacturing PMI that is anticipated to have improved from the 48.6 reading last month. November US construction spending is also expected to have ticked down from the 1% month over month rate seen last month.



**NEAR-TERM MARKET FUNDAMENTALS:** The weather still looks negative with good rain over the weekend in Brazil and widespread and hefty rain totals expected this week. Chinese economic news over the weekend was somewhat positive but the collapse in equity markets could be partially offset by higher gold and a weaker US dollar. We continue to believe that the trade is underestimating the potential aggressive selling from Argentina with producers sitting on 2-3 years of stocks. Keep in mind that beginning stocks in Argentina are sitting at a record high, and they may want to sell soybeans "before" the Brazilian harvest season begins. For all of 2015, March soybeans were down \$1.49, or down 14.8%. November soybeans were down \$1.09 1/4, or 11% lower. March meal was down 19.6% in 2015 and March oil was down 5.3%. There were no deliveries for soybeans and meal and 372 new oil deliveries to push the month-to-date total to 1,059 contracts.

Sluggish export sales news plus a bearish weather forecast for Brazil into this week helped to pressure the soybean complex Thursday. Weekly export sales for soybeans came in at just 478,800 tonnes for the current marketing year and 100,600 for the next marketing year for a total of 579,400 tonnes. Traders expected sales of near 1.0-1.4 million. On the daily wire, exporters reported a sale of 119,000 tonnes of US soybeans to China. As of December 24th, cumulative soybean sales stand at 80.4% of the USDA forecast for the 2015/2016 (current) marketing year versus a 5-year average of 82.6%. Meal sales came in well below expectations at 78,900 tonnes for the current marketing year and 200 for the next marketing year for a total of 79,100 tonnes. Cumulative meal sales stand at 56.5% of the USDA forecast versus a 5-year average of 56.5%. Net oil sales came in at -5,700 tonnes (cancellations) which pushed cumulative soybean oil sales to 61.1% of the USDA forecast versus a 5-year average of 49.7%.

#### TODAY'S MARKET IDEAS:

Brazil's central and northern areas need good rains in the next 10 days, and that appears to be in the forecast. March soybean selling resistance is at 871 1/2 and 879 1/4. Keep 837 3/4 and 822 1/2 as downside targets. New contract lows for March meal leaves 262.10 as next downside target.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

1) Short July/Dec2016 meal spread from +4.20 with an objective of -8.90. \* Risk to a close over -4.40. 2) Long July 280.00 soybean meal put from 11.35 and short July meal 270.00 put from 10.15 and also long 1 July soybean oil 30.50 calls from 117. Exit short July meal 270.00 meal put at 7.60. Exited two oil calls for a gain of 279 points. 3) Long 10 July oil 36.50 calls at 0.25 each (\$1,500) and short 1 July soybean oil futures at 29.33. We

will look to lift the futures position on a break, and hold 8 calls for a run up to 39.50 for July oil but look to exit 2 of the calls at 85.

## 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) 01/04/2016:** Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 856 1/4. The next area of resistance is around 869 1/4 and 876, while 1st support hits today at 859 1/4 and below there at 856 1/4.

**SOYBEAN OIL (MAR) 01/04/2016:** A crossover down in the daily stochastics is a bearish signal. 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 downside closing price reversal on the daily chart is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 30.22. The next area of resistance is around 31.04 and 31.37, while 1st support hits today at 30.46 and below there at 30.22.

**SOYMEAL (MAR) 01/04/2016:** The market made a new contract low on the break. 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 262.9. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 267.1 and 269.2, while 1st support hits today at 263.9 and below there at 262.9.

## DAILY CORN COMMENTARY

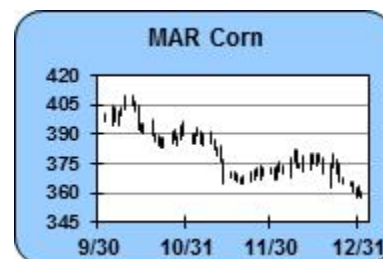
01/04/16

**Some supply issues with India, South Africa as importers**

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

**CORN** -0.6

**OVERNIGHT DEVELOPMENTS:** March corn was down 1/2 of a cent near 7:15 cst. Outside market forces look mixed but it will be difficult to overcome the sharp losses in equities early today.



**NEAR-TERM MARKET FUNDAMENTALS:** The market remains in a short-term downtrend and if Argentine and US producer selling intensifies over the near-term, there could be further weakness. The market has reached many downside targets including 357 1/2 for the March contract, but there is still no technical sign of a low. Other downside targets include 355 and 352 3/4. For all of 2015, March corn was down \$0.70 1/2, or down 16.4%. December corn was down \$0.37 3/4, or 8.9% lower. The market continues to fail to find much support with a bearish tilt to outside markets and continued concerns that Argentina will more aggressively move grain onto the world market. Argentine corn is the cheapest on the world market. Weekly export sales came in at 705,200 tonnes as compared with trade expectations for 600,000 to 800,000 tonnes.

As of December 24th, cumulative corn sales stand at just 45.4% of the USDA forecast for the 2015/2016 (current) marketing year versus a 5-year average of 60.7%. Sales of 674,000 tonnes are needed each week to reach the USDA forecast. This leaves the door open for a significant adjustment lower in exports (higher in stocks) for the upcoming supply/demand report. There are a few bright spots. Ethanol demand worldwide seems to be stronger than traders have believed and "if" energy markets move higher, this may be a solid demand fundamental. South

African crops are poor and Indian feedgrain supply is very tight as traders expect India to import near 500,000 tonnes, their first imports in 16 years. El Nino is threatening to cause more damage to the South Africa crop and without rains soon, the Ag Minister indicates corn imports by May or June.

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

March corn is still operating under the positive influence of the December 29th key reversal. However, there has been no follow-through buying and May corn posted a new contract low on Thursday. March corn support is at 357 and 353. Resistance is at 366 1/2.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

1) Long 3 of the July corn 430 calls for 11 1/2 cents each. Exited short 1 July corn for a gain of 20 1/4 cents. 2) Long 3 May Corn \$5.50 calls from 15 3/4 cents each. Took gain of 30 cents on previous short futures position. Hold calls for now. 3) Long 2 May corn \$4.60 calls from 13 3/4 cents each. Exited the short May corn futures for a 7 3/4 cent gain and another short May corn position for a 1/2 cent gain. Also exited 1 May corn call for a 1 3/4 cent gain.

#### **CORN TECHNICAL OUTLOOK:**

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CORN (MAR) 01/04/2016: 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 objective is 356 1/4. The next area of resistance is around 360 and 361 1/2, while 1st support hits today at 357 1/2 and below there at 356 1/4.

### **DAILY WHEAT COMMENTARY**

01/04/16

**In position to forge low soon if major exporter has any issues**

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

**WHEAT -1.4**

**OVERNIGHT DEVELOPMENTS:** March wheat was down 1 cent near 7:15 cst. Outside market forces look mixed as the US dollar is down and gold and energy prices higher but a sharp break in equity markets overnight is an issue.



**NEAR-TERM MARKET FUNDAMENTALS:** March Euro wheat starts the year with weakness and a move to a 4-month low. March wheat has consolidated near the early December lows and continues to probe for a low enough price to attract better demand. For all of 2015, March wheat was down \$1.49, or 24% lower. July wheat was down \$1.13 3/4, or 19% lower. The market saw choppy and two-sided trade Thursday as futures consolidated near contract lows. A jump in the US dollar helped to provide some pressure. Weekly export sales came in at 363,500 tonnes for the current marketing year and 18,900 for the next marketing year for a total of 382,400 tonnes. Traders were looking for 250,000 to 450,000 tonnes. As of December 24th, cumulative wheat sales stand at 72.2% of the USDA forecast for the 2015/2016 (current) marketing year versus a 5-year average of 73.3%. Sales of 268,000 tonnes are needed each week to reach the USDA forecast.

Talk of some spotty damage possible for the weekend cold in Russia helped to support. Cold weather in Russia for another few days may cause some light winterkill issues but light snow accumulations may protect. Jordan is seeking to buy 100,000 tonnes of wheat. The Egyptian Agriculture minister indicates that the country will aim to produce 80% of wheat consumption by the year of 2018. SovEcon analysts point to areas of Europe and Russian

grain growing areas that have thinning snow pack cover and could be exposed to frigid forecast temperatures. High temperatures are still an issue for parts of India. The third largest producing state (Madhya Pradesh) has seen record-high temperatures for December which could significantly lower yield potential.

**TODAY'S MARKET IDEAS:**

Expanding open interest during price decline in the wheat market is a negative forecast and points to new shorts coming into the market. However, funds already hold a near-record net short position, and a push back above downtrend line resistance at 478 3/4 could spark short-covering. Swing high resistance is at 479 1/2. Contract low support comes in at 465 1/2 and a minor swing objective is at 460 3/4.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Long July wheat/short July corn from +109 1/2 with an objective of +128. Risk to close under 107.

**WHEAT TECHNICAL OUTLOOK:**

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WHEAT (MAR) 01/04/2016: Daily stochastics are trending lower but have declined into oversold territory. 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 slightly negative indicator that the close was under the swing pivot. The next downside target is now at 466 3/4. The next area of resistance is around 471 3/4 and 474, while 1st support hits today at 468 1/4 and below there at 466 3/4.

KC WHEAT (MAR) 01/04/2016: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 462 1/4. The next area of resistance is around 471 1/4 and 473 1/4, while 1st support hits today at 465 3/4 and below there at 462 1/4.

MINN WHEAT (MAR) 01/04/2016: Daily stochastics are trending lower but have declined into oversold territory. 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 slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 489 3/4. The next area of resistance is around 495 and 496 3/4, while 1st support hits today at 491 1/2 and below there at 489 3/4.

RICE (JAN) 01/04/2016: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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. The market tilt is slightly negative with the close under the pivot. The next upside target is 11.621. The next area of resistance is around 11.602 and 11.621, while 1st support hits today at 11.528 and below there at 11.472.

**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>										
CNAH6	358 3/4	30.16	35.33	20.26	12.92	360.31	364.89	369.94	373.38	377.94
CNAK6	364 1/2	29.59	34.95	20.35	12.07	366.63	371.11	375.76	379.23	383.87
SSAH6	864 1/4	40.26	43.02	36.14	31.35	865.38	876.11	876.11	875.35	882.02
SSAK6	869 1/2	40.12	42.90	35.37	30.81	870.81	881.22	881.65	880.96	887.25
SMAH6	265.5	27.13	30.19	18.14	10.07	268.05	273.24	274.83	284.64	290.04

BOAH6	30.75	50.06	52.63	38.21	37.83	30.76	30.82	31.04	29.72	29.54
WHAH6	470	39.24	40.42	20.92	15.27	470.50	472.94	480.65	491.06	495.69
WHA6	476 1/2	38.69	40.22	20.15	14.28	477.06	479.78	487.17	496.32	500.80
RCAF6	11.565	62.99	55.55	51.70	69.42	11.46	11.16	11.08	11.61	11.86
KWAH6	468 1/2	43.03	43.77	18.04	12.40	468.31	470.69	476.54	480.99	487.17
MWAH6	493 1/4	36.38	38.20	10.45	9.52	493.69	496.94	503.18	510.47	516.15
OTAH6	217 1/4	32.07	36.61	18.92	14.01	219.94	221.94	227.47	228.79	228.92

Calculations based on previous session. Data collected 12/31/2015

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>						
CNAH6	Corn	356	357 1/2	358 3/4	360	361 1/2
CNAK6	Corn	362	363 1/4	364 1/2	365 3/4	367
SSAH6	Soybeans	856	859 1/4	866	869 1/4	876
SSAK6	Soybeans	861 1/4	864 1/2	871 1/2	874 1/2	881 3/4
SMAH6	Soymeal	262.8	263.9	266.0	267.1	269.2
BOAH6	Soybean Oil	30.21	30.46	30.79	31.04	31.37
WHAH6	Wheat	466 1/2	468	470 1/4	472	474
WHA6	Wheat	473 1/2	474 3/4	477	478 1/4	480 1/2
RCAF6	Rice	11.471	11.527	11.546	11.602	11.621
KWAH6	KC Wheat	462 1/4	465 3/4	467 3/4	471 1/4	473 1/4
MWAH6	MINN Wheat	489 3/4	491 1/2	493 1/4	495	496 3/4
OTAH6	Oats	214 3/4	215 1/2	218	219	221 1/4

Calculations based on previous session. Data collected 12/31/2015

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