

MID-DAY COMMENTS

May 18, 2017

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HIGHLIGHTS: MACRO: Pundits say the Trump premium in the market has been removed with fundamentals becoming the major driver. Upheaval in Brazil over JBS scandal and the president's secret taping of illicit money discussion trashes Brazilian Real, boosting effective commodity prices—estimates on producer bean selling there vary widely. **Wall Street—slightly higher:** DOW, +16; NAS, +19; S&P, +3; **Europe: lower:** DAX, -0.33%; FTSE, -0.89%; CAC, -0.53%. **EXTERNALS: June Gold,** -\$3.50 @ \$1,255; **\$ Index,** -0.002 @ 97.280; **June crude,** +\$0.34 @ \$49.41; **Brazil Real,** -8.3%. **T-Storm Weather**®: A strong system will bring heavy amounts to most areas through Sunday. Temperatures turn sharply cooler through Sunday, followed by re-enforcing cool fronts the week of May 22-26. Showers accompany each front with light totals across the northwest half of the central U.S. and seasonable totals across the southeast half. A milder period most likely closes out May with some t-storms central and south, but considerable uncertainty persists in the forecast. **Highlights:** (1) 1.00" to 3.00" of rain affects most of the central U.S. through Sat.-Sun; (2) rain begins in earnest across the Delta and northeast half of the Corn Belt Fri.-Sat; (3) much of the northern and southwestern Plains stay dry, including most of the spring wheat belt; (4) 0.20" - 0.40" of rain affects the northwest half of the central U.S. over May 22-26; 0.40" - 0.80" southeast half; (5) a sharply cooler period begins through Sunday, and turns even cooler for most over May 22-26 and (6) a milder period gradually unfolds from west to east over May 27-31 with best rain chances central and south. **EUROPE:** UK July Feed wheat, down \$.02 @ \$4.93; French June Corn, 2 lower at @ \$4.76 ¼; French Sep Milling Wheat, 3 lower at @ \$5.01 ¼

Corn

- **Plunge in soybean futures drags corn lower:** CN: **-\$0.0550**; CU: **-\$0.0550**; CZ: **-\$0.05**
- **Spreads—CN17/CU17:** -7 ¾; unch **CN17/CZ17:** -17 ¾, down ½; **CU17/CZ17:** -10 ¼, down ½; **CZ17/CH18:** -9 ¾, ¼ weaker; **CZ17/CK18:** -16, down ½; **CZ17/CN18:** -21, ¼ lower
- **CIF: MAY:** 34/36, unch; **JUNE:** 33/35, up 1. **Brazil: AUG:** 10/25 CU, unch. **Ethanol:** Cedar Rapids, -10 CN, 3 higher; Blair, -22 CN, 1 lower; Decatur, +7 CN, unch; Fort Dodge, -28 CN, unch; IN, +2 CN to +10 CN, up 3. **Hereford: MAY,** +60, unch; **June:** 62, unch. **TX Gulf FOB Milo:** 85 CN, unch. **CIF Milo,** 45 CN, unch
- **Week 5/14 Barge Freight:** IL River, 255/265, 5 lower; Upper Miss: 310/320, asked 5 lower; Mid Miss: 260/270, unch; STL, 180/190, up 5; Ohio River, 200/210, up 5; unch; Memphis-Cairo, 160/170, 5 lower. Mid-IL Oct: 400/410, unch
- **Weekly Corn Export Sales—**solid at 27.8; trade was expecting 20-30 mbu with 9.2/week now needed. Japan, Mexico, Spain, Taiwan and Peru all bought a minimum of 3 mbu
- **Weekly Milo Export Sales—**A little light a 2.2 mbu (3.4 per week needed); China was in for 4.1 but partially offset by Unknown's 2.0 mbu cancellation
- **Note that unshipped corn sales have now fallen BEHIND last year** . . .524 mbu versus 533 in 2016
- **Broiler-Eggs set and chick placements** for the week ending May13th were up 3% and 2%, versus a year ago
- **German coop group** lowers 2017 grain harvest estimate 2.7% to 45.5 MMT, largely due to a 17% reduction in the corn crop to 3.7 MMT
- A speaker at the Nampo corn conference in **South Africa** says this year's corn surplus could reach 3.6 MMT
- **Brazil corn export line-up** remains at 7 and versus 7 LW and 0 LY. None are loading
- **Mexico-Brazil discussions** "may" lead to the former sourcing up to 5 MMT of corn from Brazil in the "medium to long term
- **September Dalian corn** was little changed overnight, up ¼ of a cent to \$6.03 ¾ (1 Yuan = .14519 \$U.S.). State owned corn auctions of 5 MMT are expected next week

Soybeans

- **Sharply weaker Real pulls soybean futures down:** SN: **-\$0.3075**; SX: **-\$0.2325**; SMN: **-\$0.740**; SMQ: **-\$0.710**; BON: **-\$0.0081**; BOQ: **-\$0.0081**
- **Spreads: SN/SQ:** -1 ¾, down 2 ½; **SN17/SU17:** +1/2, down 4 ¾; **SU17/SX17:** +1/2, down 2 ¼; **SX17/SF18:** -7 ¼, ¼ firmer; **SX17/SH18:** -11 ½, down ¾; **SX17/SK18:** -16, down ¾; **SX17/SN18:** -22 ¼, down 1 ¼; **SMN/SMQ:** -\$0.90, - \$0.10; **BON/BOQ:** -.11, -0.01
- **CIF: MAY:** 35/38, 3-6 lower; **JUNE:** 35/42, 2-3 lower. **BRAZIL: JUNE:** 52/59, bid 7 lower, asked down 1; **JULY:** 64/68, bid down 18/asked 2 lower. **BOARD CRUSH: (N/N),** \$.87 ¾, up 5 ¼. **CASH CRUSH:** Central: \$.84, -2; East: \$1.09, -2; West: \$0.97, -1

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- **Soybean Export Sales**—near the top end of the range: 13.1 against 7-15 expected and -3.6/week needed. China added 4.6 mbu to its total with Germany and Bangladesh each booking 2.1 mbu
- **Product Export Sales**—SBM routine at 114 K MT (trade: 50-150 with 82.2/wk needed). SBO sales were more towards the upper end of the trade range (14.9 versus 0-20 expected).
- **Brazil voters/congress** demanding impeachment of president as he supposedly made secretly tapes of hush-money discussions with executives of meat packer JBS. SN down 2%; Real down 7% & effectively lifting local prices as much as 5% at one point in the day. Huge sales have been reported with some estimates being as high as 70-75 mbu of cash sales. Other say more like 19-20 million
- **Brazil export line-up** rises 8 mbu to 184 mbu (182 LW and 183 LY); 16 vessels loading versus 20 LW and 16 LY
- **August Palm Oil on the Bursa Malaysia Derivatives** was off as much as .8% overnight to 2,621 ringgit/MT in Kuala Lumpur trading, reflecting losses in U.S. soy and Dalian palm oil markets
- **Dalian futures:** Sep soybeans eased 2 ¾ cents to \$14.94 ¾; Sep SBM lost \$2.06 down to \$365.91; Sep SBO was 2 points higher at .3963/lb. Crush margins: Brazil, \$.53; Gulf, \$.39; PNW, \$.76

Wheat

- **Soybean weakness tugs on wheat futures:** WN: **-\$0.0350**; KWN: **-\$0.0350**; MWN: **unch**
- **Spreads:** WN/WU: -13 ½, ¼ lower; KWN/KWU: -17, ¼ firmer; MWN/MWU: -6 ½, up ¼
- **CIF: SRW: MAY:** 42/50 N, unch; **JUNE:** 42/50 N, unch; **HRW -12% Pro: MAY:** 123 N/--, up 3; **JUNE:** 115 N/--, unch
- **Wheat Export Sales**—Old crop quite strong at 9.1 (0-7 expected) and new crop at 14.4 just short of the top end of the trade's 7-15 mbu range
- **Export Sales by Class**—Old crop: HRW, 4.5 TW (-0.3 LW); HRS, 2.6 (1.1); SRW, .2 (0.3); White, 1.0 (.2); Durum, 0.8 (0.0); New crop: HRW, 3.8 (1.9); HRS, 6.9 (3.2) SRW, 1.4 (1.5); White 2.2 (2.8); Durum, 0.1 (0.8)
- U.S. said to capture 115 K MT of yesterday's **235 K Egyptian wheat business** with the 60 K each of Romanian and Russian purchased as well
- Egypt's purchases from local producers had been running nearly 30% behind last year.
- **France's largest export port, Rouen**, shipped 89% more grain this week including soft wheat amounts of 15 K to Portugal; 28 to Mauritania; 6 K to each of Ireland and the UK as 13 K to Spain
- **Strategie Grains cuts EU soft wheat estimate** .8% to 142.7 MMT but this still represents close to a 7 MMT increase over last year. Blame laid to cold, dry weather in recent months