

MID-DAY COMMENTS

January 11, 2018

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HIGHLIGHTS: MACRO. Delta and KB Home post better than expected earnings; DOW moves to an all-time high, driven by sharp gains in Boeing, GE and Caterpillar. News out that S Korea could be preparing a ban in digital coin trading hammers cryptocurrency market. **WALL STREET: Up!!:** DOW, +123; NAS, +29; S&P, +10.46. **EUROPE: Mostly weaker:** DAX, -0.59%; FTSE, +0.19%; CAC, -0.29%. **EXTERNALS: Feb Gold, +\$3.30 @ \$1,323; \$ Index, -.420 @ 91.650; Feb crude, +\$1.01 @ \$64.58; Brazil Real, 3.2326, +0.27%. T-STORM Weather:** Rain alleviates drought over the next two weeks in much of Argentina, especially when t-storms break ongoing heat Sat.-Sun., then five to seven days later when t-storms form in central and northern areas. Otherwise, northern areas of Brazil turn considerably drier with time, while southern areas (and Paraguay) turn wetter. Mainly dry and seasonable to mild weather affect U.S. cattle and HRW wheat in the Plains through 10 days. **Highlights:** (1) 98% of first-crop corn production was drier than normal over the last 60 days in Argentina; 97% of soybeans; (2) No change: scattered t-storms produce 0.50" to 1.00" in southern areas of Argentina Sat.-Sun; (3) **Slightly wetter:** organized t-storms produce 1.25" to 2.50" in central and northern areas of Arg. Sat.-Sun; (4) No change: a drier period begins shortly in northern areas of Brazil, leaving at least Bahia unseasonably dry; (5) No change: a winter storm races across the Corn Belt and Delta through 24 hours as temperatures plummet; (6) Despite some rain and snow in wheat (and cattle) areas of Kansas-Colorado overnight, drought continues. **EUROPE:** UK May Feed Wheat, -1 @ \$5.24 ½; French March Maize, -4 ½ @ \$4.79n ¼; French March Milling Wheat, -4 ¾ @ \$5.19

Corn

- **Awaiting tomorrow's production and stocks estimates; slightly higher despite tepid corn sales: CH: +\$.0050; CK: +\$.0050**
- **Spreads:**

Spread	CH/CK	CH/CN	CK/CN	CN/CU	CU/CZ	CZ18/CH19
Current	-8.25	-16.25	-8.00	-7.75	-9.75	-9.25
Change	-.25	-.25	0	+.25	0	+.25

- **CIF: JAN:** 46/50, bid 1 lower; **FEB:** 45/48, bid 1 lower; **MAR:** 44/47, bid 1 lower; **JUNE:** 34/35, unch. **Brazil: JAN:** NA; **JUNE:** 50/50, steady. **Ethanol:** Cedar Rapids, -8 CH, unch; Blair, -13 CH; unch; Decatur, 3 CH, 2 weaker; Fort Dodge, -20 CH, unch; IN, 0 CH to +10 CH, unch. **Hereford: JAN:** 69 CH, unch; **FEB: 70 CH, unch; MAR: 71 CH, unch. TX Gulf FOB Milo:** 145 CH, unch. **CIF Milo,** +70 CH, unch
- **Week of 1/7 Barge Freight:** IL River, 360/400, 10 higher; Upper Miss: NA; Mid Miss: NA; STL, 280/295, 10-15 higher; OH River, 300/325, 25 higher; Mem-Cairo: 180/190, 5 higher.
- **Corn Export Sales**—On the light side at 17.2; trade was expecting 14-26 with 25 per week needed
- **Milo Export Sales**—Another solid # at 6.7. Only 2.3 per week needed. YTD sales now 50% ahead of LY at 180 mbu
- **CONAB lifts Brazil** corn crop forecast 100 K MT to 92.3 (USDA: 95.0)
- **The Rosario Grain Exchange** trimmed its corn production estimate by 1.6 MMT in its monthly website posting, due to persistent dryness across Argentina
- **Dec 1 Corn Stocks:** Trade at 12.429 bbu (12.230-12.675 range), up 27 million from 2016
- **USDA S AM Production estimates:** trade expecting a ½ MMT cut in the Argentine corn crop to 41.5 (range: 41.0-42.5 and vs USDA @ 42.0 in December); Brazil: 94.1 versus 95.0 LM with a 86.7-98.5 MMT range
- **O/S Corn Loans: 17/18: 865, +7. LY: 737**

Soybeans

- **Bigger Brazil crop apparently outweighs Rosario Exchange's estimate of a smaller Argentine crop; more favorable weather picture: SH: -\$0.0350; SK: -\$0.0325; SMH: -\$3.20; SMK: -\$2.70; BOH: -\$0.0015; BOK: -\$0.0014**
- **Spreads:**

Spread	F/H	F/K	F/N	F/Q	H/K	H/N	H/Q	K/N	K/Q
Current	-9.00	-19.00	-29.25	-31.25	-11.25	-20.50	-23.25	-9.50	-12.25
Change	-1.00	-.25	-1.00	-.50	-.25	-.25	0	-.25	0

- **CIF: JAN:** 41/44, bid up 1; **FEB:** 36/38, bid 1 higher; **MAR:** 32/37, steady; **BRAZIL: FEB:** 74/78, bid/asked down 1; **MAR:** 63/65, bid up 2/asked 1 higher. **BOARD CRUSH: (F/F),** \$1.03 ½, down 3 ¾. **CASH CRUSH:** Central: \$1.26, +2; East: \$1.40, -3; West: \$1.34, +2
- **Daily Sales Announcement**—132 K MT of 17/18 SB sold to Unknown
- **Soybean Export Sales**—22.3, also a little light with 18-31 expected. YTD sales trail LY by 14%/250 mbu

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- **Product Export Sales**—solid meal # at 209 (75-250 expected) with the year to date figure up 9%; USDA expecting only a 5% increase in shipments this year AND the Argentine crop is getting a little smaller. Oil sales were way light at a negative 1,600 MT (trade: 8-22); YTD sales are down 42%, far more than the USDA's 26% forecasted reduction
- **CONAB raises Brazil soybean estimate** 1.2 MMT to 110.4 with the USDA currently at 108.0. INTL Stone goes up 2.5 MMT to 110.1; expects exports to decline 4 MMT in the coming year to 62.5 due to increased domestic crush/biodiesel use. CONAB on the other hand, pegs exports up 1 from LM to 65 MMT MPOB S&D showed end of December inventories up 6 consecutive months to highest level since November 2015. December inventories were up 7 percent from November and are at the highest since December 2000
- **Palm oil shipment data for early January** was mixed. Cargo surveyor ITS reported shipments from Malaysia decreased 1.4% from the same period a month earlier to 359,346 tons, while SGS had palm oil shipments increasing 12.2% to 381 K MT
- **U.S. Soybean carry-out**—Trade at 479 million (442-595 range) and up from 445 LM
- **Rosario Grain Exchange cut soybean area** back 300 K HA to 18.5 million on lack of rainfall/dryness. Crop pared 2 ½ MMT to 52.0 and further cuts may be possible if the rains remain sub-par
- **O/S Loans: 17/18: 128 (0). LY: 88**
- **Dalian May futures:** SB, -4 ¼ @ \$15.33; SBM, -\$1.81 @ \$383.57/ST; SBO, -3 points @ \$.4029/lb

Wheat

- **Pre-report positioning:** WH, **-\$0.0075**; KWH: **-\$0.0025**; MWH: **-\$0.0350**
- **Spreads:**

Spread	WH/WK	KWH/KWK	MWH/MWK
Current	-13.25	-13.50	-6.50
Change	+0.25	0	-1.25

- **CIF: SRW: JAN: 56/60 WH, bid up 1; FEB 52/55, steady; HRW -12% Pro: JAN: 230/, -10; FEB: 230, 10 Lower**
- **Wheat Export Sales**—No many showed up. 2.6 versus 4.8 LW and 14.4 LY. Trade was expecting 9-17
- **Export Sales by Class**—HRW, .1 (.2); HRS, 149 (.9); SRW, 0.7 (2.8); White, 0.5 (0.9); Durum, 0 (0)
- **2018 U.S. winter wheat seedings**—trade at 31.5 with a 30.1-32.5 million range, down from 32.7 million in 2017
- **December 1 wheat stocks** estimated by the trade at 1.85 billion (range: 1.725-2.005); the average would be a 176 mbu increase from LY
- **U.S. wheat ending stocks**—Trade at 959, down 1 from LM (range: 855-987)
- **Black Sea temperatures** remain above normal in the wheat growing areas and so far there are no major concerns over winterkill--Agritel
- Some observers argue that yesterday's cut in 3rd **country French wheat exports** by FranceAgriMer is still too optimistic due to the aggressive pace of **Russian exports**. Look for an upward revision by the USDA in the latter's shipment forecast
- Rosario Grain Exchange ups **Argentine wheat production** estimate 300 K MT to 17.5 on better than expected yields
- **O/S Loans: 17/18: 33 (0). LY: 93**