A/C Trading

Commodity Futures

Daily Grain / Hogs Marketing Outlook
Written by: Jim Gerlach
1/6/2015

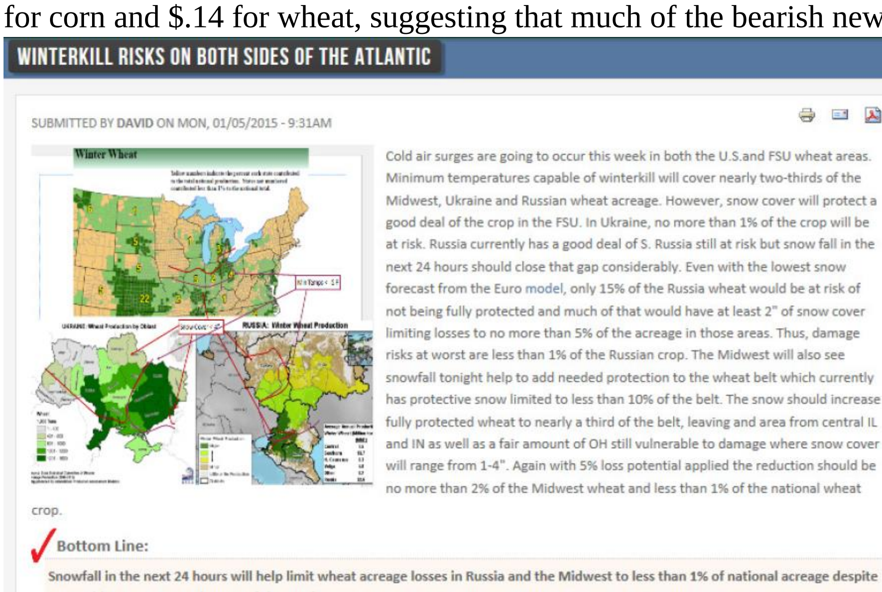
Early Call 8:45am EST: Corn up 1-2, soybeans up 6-7, wheat up 6-7. Wheat contracts were posting solid gains again early Tuesday morning, helping to rally the other grains. Corn had moved higher while soybeans trimmed their loss to mere fractions after trading lower overnight. The U.S. dollar index continues to rally, adding weight to the already sinking energy complex. Gold continues to hold support, posting a modest rally.

Grains: Soybean futures surged Monday thanks to fund buying, weather concerns and robust demand for U.S. supplies of the oilseeds. Corn and wheat prices also rose. Soybean prices jumped after falling sharply in the previous week, in part due to dryness in Brazil, which could threaten that country's crop. Weather in South America has been largely favorable this growing season, boosting expectations for record crops there, but forecasts for insufficient rain in parts of Brazil over the next ten days would be disadvantageous. Robust demand for U.S. soybean meal and soybean oil also lifted prices somewhat. Forecasts for continued heavy rain in Malaysia, which has disrupted production of rival palm oil there, could buoy demand for U.S. soybean oil, while cold weather in the U.S. Midwest is spurring greater demand for the meal. Despite the day's rally, it's still hard to make a bullish case for soybeans given that global soybean output is likely to reach a record during this crop year. Soybean prices for January advanced $.37 ¼ to $10.39 ¾. Prices fell to a nearly one-month low in the previous session. Further support for soybean prices came from a report by the USDA on Monday showing continued strong overseas demand despite expectations that exports will slow as foreign buyers turn to South America for supplies. The rally in agricultural markets also was due to buying by traders seeking to take advantage of sharply lower prices notched last week in thin, holiday trade. Once back from vacation, fund managers were prompted to resume buying contracts amid cheaper commodity prices. Short covering by investors ahead of a monthly supply-and-demand report due out next week also lifted prices. Some expect the USDA to raise estimates for U.S. soybean exports and lower forecasts for domestic stockpiles. Meanwhile, corn and wheat prices also were buoyed by cold weather that is descending on the central U.S. A blast of freezing temperatures forecast for this week is friendly for corn prices, since it is likely to increase demand for animal feed and could harm wheat crops that lack a protective layer of snow. March corn rose $.10 ¼ to $4.06. CBOT March wheat added $.07 ¾ to $5.89. Funds bought 10,000 soybean contracts, 8,000 corn, 2,000 wheat, 3,000 meal and 3,000 soybean oil contracts.

The most popular excuse for yesterday’s soybean rally was worry over dry weather in northern Brazil, mostly Bahia and Minas Gerais, which account for just 4-5% of the total Brazilian bean area. However, some also suggested the dryness would bleed into the major states of Mato Grosso and

Goias the next two weeks as beans are filling pods. However, merchants in Mato Grosso were surprised the market would worry about the bean crop in the center west as harvest was already underway there this weekend and the 1% of the beans harvested saw yields some 10-15% higher than last year. In any case, I spent the better part of the holiday season telling customers to not make too much out of holiday trade as thin volume and end of month/quarter/year position squaring can taint price direction. Right on cue, yesterday's price action got back about 75% of last week's losses and again, I wouldn't make too much of it, especially going into Monday's high risk crop reports. Yesterday's RJO's director of research Rich Feltes said *we are prudently cautious on forging a strong directional conviction ahead of Monday's crop report given heightened uncertainty over planted acreage, likely "tweaks" in final 2014 corn/soybean yields and uncertainty over 1st quarter corn feed use, which has varied by over 600mb over the last 3 years alone. The trade is pre-disposed to larger than normal Nov to final declines in U.S. corn/soybean area (1 million acres+ for each), although we remain skeptical given the nature of the 2014 farm program sign-up and relatively limited history on FSA late year row crop area updates. The absence of a sizeable decline in 2014 U.S. corn/soy area, along with Dec 1 corn stocks clocking in near expectations (11.250 billion bushels to 11.350 billion bushels) could trigger a retest of the March corn mid-Nov low in the $3.62 area. Given large 12/1/14 U.S. soybean stocks, a potentially record 2015 South American soy crop and the likelihood of a 2-3 million acre gain in 2015 U.S. soybean area, the absence of a bullish soybean report next Monday suggests a likely retest of the early Dec March soybean $9.84 low. We do not see fundamental justification (as long as favorable South American weather continues) for higher prices to either ration demand or attract additional acres globally given abundant supplies and prospects for further gains in 2015/16 U.S. stocks of wheat and soybeans.*

After the report, trade focus will shift quickly towards South American weather conditions. The window is closing to inflict a large dent in 2015 South American soybean production and I'm already hearing some reports of record yields on early harvested Brazilian beans. Brazil's official crop forecasting agency CONAB will update their 2015 grain production on Friday from prior forecast of over 95mmt (USDA 94mmt). With the trade looking for Dec 1st U.S. soy stocks in the 2.570 billion bushel area, up over 400mb more than Dec 1st, 2014, and U.S. planted acreage likely to rise 3-4 million acres this spring, soybeans appear to have plenty of headwinds against them. The only supportive element at the moment for soybeans is that last Friday's close was $2.55 below a year ago vs. just $.23 for corn and $.14 for wheat, suggesting that much of the bearish news may already be factored into the soybean market, at least until new crop issues in the U.S. and South America are resolved.


WINTERKILL RISKS ON BOTH SIDES OF THE ATLANTIC

SUBMITTED BY DAVID ON MON, 01/05/2015 - 9:31AM

Cold air surges are going to occur this week in both the U.S.and FSU wheat areas. Minimum temperatures capable of winterkill will cover nearly two-thirds of the Midwest, Ukraine and Russian wheat acreage. However, snow cover will protect a good deal of the crop in the FSU. In Ukraine, no more than 1% of the crop will be at risk. Russia currently has a good deal of S. Russia still at risk but snow fall in the next 24 hours should close that gap considerably. Even with the lowest snow forecast from the Euro model, only 15% of the Russia wheat would be at risk of not being fully protected and much of that would have at least 2" of snow cover limiting losses to no more than 5% of the acreage in those areas. Thus, damage risks at worst are less than 1% of the Russian crop. The Midwest will also see snowfall tonight help to add needed protection to the wheat belt which currently has protective snow limited to less than 10% of the belt. The snow should increase fully protected wheat to nearly a third of the belt, leaving and area from central IL and IN as well as a fair amount of OH still vulnerable to damage where snow cover will range from 1-4". Again with 5% loss potential applied the reduction should be no more than 2% of the Midwest wheat and less than 1% of the national wheat crop.

Bottom Line:

Snowfall in the next 24 hours will help limit wheat acreage losses in Russia and the Midwest to less than 1% of national acreage despite very cold temperatures the rest of the week.

An arctic blast hitting the U.S. Midwest this week will put a third of the dormant soft red winter wheat crop at risk of damage, agricultural meteorologists said on Monday. "It looks like extensive sub-zero temperatures on Wednesday night in the soft wheat belt will leave one-third of the belt at risk for damage," said Joel Widenor, senior forecaster with Commodity Weather Group. "The cold temperatures will cover even more of the belt, but snow will fall tonight and provide some partial protection to limit the extent of damage a little bit," Widenor added. A look at the attached graphic from CWG suggests that overall risk to the U.S. wheat crop is very low.

Several indicators have moved away from El Nino thresholds over the past fortnight and sea surface temperature anomalies have notably cooled by around 0.4°C in the key regions of the central to eastern tropical Pacific Ocean, Australia's Bureau of Meteorology says in statement on website. Even with the general step back from El Nino levels, trade winds look likely to weaken once again in coming weeks, which in turn may bring some renewed warming of sea surface temperatures. Temperatures remain above average along much of the equator and the bureau's ENSO tracker maintains its El Nino alert status. El Nino, where the equatorial Pacific Ocean off the South American coast has consistently above-normal temperatures, is expected to decline to a neutral phase by late spring or early summer. If that scenario pans out, there may be favorable growing conditions in many primary U.S. crop areas. It's a promising one if you like big crops. For example, the July analog-year comparison for a weak El Nino easing into a neutral phase by summer features mostly normal to below-normal temperatures in the Midwest and below normal in the Northern Plains, very similar to this past summer. The precipitation outlook is also crop-friendly in the Midwest, expecting mostly above-normal amounts, with that same type of trend forecast for the Northern Plains. The pattern is less favorable in the southern Plains, Delta and Southeast. These areas have above-normal temperatures and below-normal precipitation. In other words, a very warm and mostly dry pattern during the heart of the growing season. However, it's also the sector of the country where precipitation is likely to focus this winter with some El Nino influence, and thus has potential to receive some important soil moisture ahead of planting. That prospect, along with the traditional Corn Belt sporting the summer analog combination that it does, makes it hard to come up with a problematic scene for crops this coming summer.

On the demand front, premiums in the front of the soybean barge market were bid $.71 over March, Feb bids were firmer to $.70 over March, and Apr-Jul was bid $.57 on $.63 over offered. October was bid $.76 over and November had a bid of $.78 over, with sellers in both positions looking for $.84 over. Bids for both positions were down $.02 from last week. Processors in the east are now bidding versus the March futures contract. Claypool, IN was publishing a bid of $.04 over the March and Morristown, IN and Decatur, IL were at option price. Others in the east were bidding $.03-$.07 under. Some in the west were still bidding versus the January. The best bid was $.20 under the March at Cedar Rapids, IA, while Emmetsburg and Council Bluffs were bidding $.22 under the Jan. There continues to be a general lack of interest in the corn barge market, but have firmed over the past few days. Feb was bid $.55 over, March $.57 over and Apr-Jul was bid $.54 on $.58 offered. With cold weather, barge freight was up 30% on the nearby Illinois River. Cash meal markets had a weaker tone out west, but with a Minnesota crush plant down since Saturday, it provided a bit of support. Iowa and Minnesota soymeal nearby was valued at $10 over Jan, but seen at option the March for February and expected to roll to the March this week and most doubt the basis can hold the $15 inverse. The Illinois market was down $10 from Friday to $40 over Jan and valued at $40 over March for February.

In export-related news, China bought 243,000mt of 2015/16 new crop U.S. soybeans this morning via the daily reporting system. This week China's government will offer 2mmt of wheat, 4mmt of short grain rice and 4mmt of long grain rice, as well as 5mmt of corn from state reserves, the State Grain Administration said. China has bought about 120,000mt of hard wheat in past days, European traders said on Monday. The purchase involved two consignments of about 60,000mt for nearby shipment and the origin was unclear, but may include some Australian and U.S. wheat. "Wheat import demand from China seems stronger than previously expected and I think people will soon start raising their import estimates for the country," one European trader said. U.S. corn remains the most competitively priced corn in the world market, with U.S. corn from the Gulf currently a $5 discount to Ukraine origin after having been at even money prior to the holidays. Algeria has purchased 500,000mt of wheat from various origins that have not been specified yet. Brazil's vegetable oil association Abiove said 2014 soybean exports rose to 45.7mmt in 2014, while soybean meal exports rose to 13.7mmt.

Crude oil's latest leg down, putting Nymex futures below $50/barrel, further clouds the fortunes of ethanol makers. Green Plains, a top producer of the corn-based fuel additive, is down 10% today in partly reversing its pre-Christmas rebound as investors gauge how much further cheap gasoline prices will cut into ethanol makers' margins. Pacific Ethanol, which last week moved to double capacity by agreeing to acquire Aventine, is down 8% today while ADM, the biggest ethanol producer by capacity, slides 3.5%. One has to question how much upside the corn market will have in 2015 as long as ethanol producer margins come under presssure.

Yesterday's weekly U.S. grain export inspections were 21.2mb, well below market expectations of 26.6-31.5mb and down from last week's 24.0mb. Last week's exports were again well below the average weekly exports needed of roughly 34.7mb/week in order for 2014/15 annual exports to reach the USDA's current export projection of 1.750 billion bushels. Cumulative exports of 478mb are up 1% from last year, while the USDA's annual projection reflects a 9% decline in exports from last year. The fact that each of the last 12 weeks' exports have all fallen below the average weekly needed pace raises some concerns about the USDA's projection possibly being too high, but the pace of new export sales has consistently run stronger than needed and it's not uncommon for the pace of exports to pick up as the marketing year progresses. In fact, last year's exports from this point forward averaged 40.3mb/week after averaging just 26.4mb/week during Sept-Dec. U.S. soybean exports were solid at 51.7mb and while down a bit from last week's 55.2mb, they continue to run sharply above the roughly 17.3mb/week needed pace based on the USDA's 1.760 billion bushel export projection. Cumulative exports of 1.132 billion bushels are now 22% above year ago levels at this time, while the USDA's annual projection reflects a 7% year-over-year increase in exports. Additionally, given the very strong export pace so far, the average needed exports of roughly 17.3mb/week would actually reflect a 12% reduction in exports from this point forward last year, which averaged 19.7mb/week through August. U.S. wheat exports were 13.0mb and were in line with last year's corresponding week's 13.6mb. The overall continued weak export pace is of growing concern as there are now only five months left in the 2014/15 marketing year. Cumulative exports of 510mb are down 31% from last year, while exports will need to run nearly unchanged from last year's 19.3mb/week pace through the end of the marketing year to reach the USDA's 925mb projection.

12/23/2014 - 12/30/14

	Producer/Merchant		Swap Dealers		Managed Money		Other Reportables			
	Net Position	Weekly Change	Net Position	Weekly Change	Net Position	Weekly Change	Net Position	Weekly Change	Open Interest	Weekly Change
GRAINS										
Corn	-440,250	16,381	261,820	-1,867	239,704	-4,718	79,764	-6,309	1,584,175	-53,240
Wheat	-122,300	5,090	107,005	-2,594	20,481	-1,812	2,567	-2,086	472,346	-36,877
Soybeans	-52,776	2,459	87,643	-926	39,446	738	12,981	1,313	787,117	-116,668
KC Wheat	-43,997	2,080	29,203	-1,114	24,999	-643	-4,414	-374	146,827	-3,129
MN Wheat	-13,497	51	4,919	384	7,971	131	-1,843	123	69,490	-894
Soybean Oil	-120,705	-13,439	57,650	-3,532	35,047	14,356	21,839	-1,268	384,384	-3,694
Soybean Meal	-131,497	-5,820	39,479	10	54,132	3,784	20,443	2,869	400,585	-26,447
LIVESTOCK										
Live Cattle	-142,107	-3,638	72,341	-816	80,102	3,325	9,420	-1,578	363,021	-2,654
Lean Hogs	-100,334	3,126	59,359	58	37,193	-4,442	15,904	798	278,219	4,498

The surprise in yesterday afternoon's commitments data was in the soymeal, with managed length 8,500 contracts longer than expected. Meal open interest was down 26,500 at 400,600 contracts and the smallest since last August. Soybean open interest for the week was down 800 contracts and the smallest since late June 2014. The estimated soyoil managed money long was seen at 35,000 contracts, up 14,400 from last week and the largest since September of 2012. The commercial short position in soyoil increased 13,400 to 120,700 contracts and was the largest short since November.

Hogs: Cash hogs are called mostly steady, as between lackluster packer spending and bitter cold temperatures, pork producers were not very motivated to move live inventory. Buyers should find it necessary this morning to support great price stability in order to fund midweek slaughter plans. Though reported cash hog sales were lower on Monday, negotiated trade volume was extremely light. Peoria is called steady after closing steady at $50.00 on Monday. The IA/MN bid lost $1.08 to close at $74.67 while the ECB bid lost $1.05 to close at $71.69. Supplies of market-ready animals have steadily grown, as producers have taken advantage of historically lofty livestock prices and the cheapest feed in years. However, dealers have noted concerns about transportation this week, as heavy snowfall and frigid temperatures across the Midwest may impact road conditions, potentially delaying some deliveries. Cutout values lost $.02 to close at $83.30 on average movement of 341 loads. Sources in the wholesale pork trade are beginning to feel more confident that carcass value should slowly start to firm over the next few months. Loins and butts should begin to gain momentum as retailers look to restock their meat cases. Estimated packer margins were $12.43/head for non-integrators and $28.28/head for integrators vs. $10.06 and $27.89 the previous day. February lean hogs plunged on Monday, as momentum shifts to the downside. Since Dec. 18th, lean hogs have been consolidating in a tight range between $82.90 and $80.12. Monday's action took the contract below that narrow sideways range. The $80.12 level, the Dec. 22nd daily low, now becomes resistance for the market. As long as $80.12 holds on the upside, the bears will remain in control. On the downside, major support and a bearish target is seen at $78.67, the Dec. 17th daily low. Overall, the recent trend pattern off the mid November peak is bearish.

Hog futures ended lower Monday, pressured by larger herds following a pinch due to disease last year. Producers have taken advantage of historically lofty livestock prices and the cheapest feed in years to grow hog herds significantly this winter. In a research report Monday, Purdue University professor Chris Hurt forecast pork production to pick up 1% in the first quarter compared to the year-earlier period, due in part to the expanded hog breeding herds. By the second quarter, Dr. Hurt forecast a 5% increase in pork compared to the same period in 2014. February hog futures slid 1.375 cents to 79.925 cents a pound. 14 new cases of PEDv were reported the week before Christmas and temps have fallen again, which is what the virus likes. This is when PEDv infections took off a year ago, but the trajectory is not as steep this year. It should be hard for bears to really press deferred contracts lower until the extent of PEDv losses imposed on the breeding herd this winter is further known. Cattle futures advanced into the end of the session Monday, underpinned by strong gains in the cash markets late last week and concerns that a cold snap in the central U.S. could slow the rate at which animals put on weight. February cattle futures picked up 0.55 cent to $1.66225, while April live cattle gained 0.875 cent to $1.6545. January feeder cattle futures advanced 1.725 cents to $2.25675 a pound, the highest closing price since Dec. 11th, 2014. Cattle prices have returned to near-record highs, as processors continue to aggressively bid for available animals. Frigid, snowy conditions in the Dakotas through Illinois and western Indiana and freezing temperatures through the southern Plains States this week are expected to slow weight gains for cattle grazing or feeding outdoors. The cattle market last month slid sharply amid worries that retailers would be unwilling to pay even higher prices for already record-expensive burgers and steaks. The worries about margin pressure on the cattle feeding sector coincided with a rally in grain futures, which further pinched potential profits. Now, modest gains in live cattle and wholesale beef prices have emboldened investors to bid up the value of light weight animals.

The University of Illinois believes that hog prices for 2015 are expected to average about $60 per live hundredweight, a sharp drop from the $76 record of last year. But total costs of production are expected to be about $53, providing a strong $22 of profit per head produced. Hog prices are expected to average around $60 per live hundredweight in the first quarter of 2015, move to the mid-$60s in the second and third quarters, and finish the year in the low-to-mid $50s. The theme for pork producers in 2015 will be to strive to gain control over PED death losses and to continue to expand the breeding herd. It is likely the breeding herd will continue to expand another 2-4% over the course of 2015. Producers may express some disappointment that the extraordinary profits of 2014 will not continue, but they also realize that 2014 was the aberration year that may only happen once in a lifetime. Most will be happy to accept 2014 and 2015 as the best two consecutive profit years in modern hog production.

A cow tested positive for foot and mouth disease at a farm near Seoul, according to the agriculture ministry. This is the 1st cattle to be infected since the outbreak among hogs reported on Dec 3rd. As of Jan. 5th, authorities culled 26,155 animals at 32 farms across 4 provinces, 10 cities and counties. Officials in Washington State are investigating a confirmed outbreak of avian influenza in a second area where almost 50 birds died at a backyard flock in Benton City, Wash. The discovery of the highly pathogenic H5 flu strain in the backyard firms comes nearly a month after the discovery of bird flu in pintail ducks and a wild duck in Oregon and Washington State. U.S. authorities stress that the avian flu has not affected commercial poultry flocks, despite the discovery of the virus among a domestic flock in Washington State for the first time. Meanwhile, India is blaming the potential spread of bird flu from U.S. poultry imports for launching a ban on U.S. chicken products, especially drumsticks, according to the The Economic Times. The Indian government is also appealing an order from the World Health Organization to lift some of the curbs as per-capita consumption of chicken in India continues to rise. Finally, 13,000 chickens were culled at a poultry market in southern China after chickens exported to Hong Kong in recent weeks tested positive for the H7N9 strain of avian influenza, according to Customs Today.

Weather: The U.S. and European models are in fair to good agreement early in the outlook period, fair to poor agreement towards the end of the period. Today's European model looks more likely to verify as it concerns the end of the outlook period. The U.S. model appears to have too much trough over the southwest U.S. at the end of the period. The models are in better agreement as it concerns the higher latitudes at the end of the outlook period. The mean maps covering the 8-10 day period show a strong trough near the western end of the Aleutian islands in the north Pacific, a moderate to somewhat strong ridge over western Canada and the northwest U.S. and a strong trough over northeast Canada that extends southward over eastern Canada and into the northeast U.S. Today's European model also features ridging over the southwest U.S. and a trough over the southeast U.S. within the southern branch of the jet stream. The U.S. model shows a trough over the southwest U.S., a weak ridge over the Delta and a weak trough off the southeast coast of the U.S. within the southern branch of the jet stream.

Global Weather Highlights: The mean ridge position continues to be over central and east-central Brazil during the 7 day period. However, the hotter weather has been occurring just to the north of a relatively strong jet stream that is located in southern Argentina at times. This hot weather appears to be enhanced by relatively drier top soils in La Pampa and southwest Buenos Aires due to below or well below normal rainfall since the early part of November. Heavy rains back in October in the area likely means subsoils are better, but the top soils in the area have been drier recently. A tendency for above normal temperatures in northeastern Brazil will increase the need for periodic scattered thundershowers to maintain favorable conditions for coffee trees and sugarcane. Soil moisture due to prior rains and the chance for future showers will favor crops in RGDS during this week. Conditions are mostly favorable in Parana and MGDS as well, but there may be a tendency for net drying in these locations. Periodic scattered rains and less hot weather in Argentina favors corn and soybeans crops. Episodes of heat and dryness may be impacting wheat in the southwest, as well as some sunflower in the area. A developing moderate upper level ridge in South Africa may tend to limit the potential for significant shower activity during the next 5 to 7 days and to promote above normal temperatures. Conditions at this time are still mostly favorable, but this could be changing. The FSU winter wheat region has moderated during the weekend period, which will favor dormant winter grains. Seasonally cold weather occurs at times during this week, but nothing that looks very cold. Showers have developed through the Yangtze River valley in China early this week, favoring overwintering wheat and rapeseed in this area. Seasonally drier weather continues to cover key wheat areas of the North China Plains, with no significant threats of cold weather at this time. Showers have recently occurred in key winter wheat area of north India, which will favor developing wheat at this time. The region looks to be somewhat warmer and drier during this week.

U.S. Crop Impact: A turn to much colder weather in the eastern Midwest and Delta SRW wheat areas during this middle of this week will follow last nights snowfall. Snow cover should protect the northern portion of the crop from the coldest of the temperatures, but southern crop areas are more exposed and could suffer some damage if temperatures come in any colder than currently indicated. A clear up of yesterday's snow in the western Midwest may mean some delay to transport early today, but conditions should improve with time. The coldest of the next couple of cold events appears heading more towards the Midwest and less towards the Plains wheat belt. However, the strong nature of these cold highs means that they will bear watching, but there is no significant risk of snow in the feed lots of the southwest Plains.

Macros: The macro markets were modestly weak as of 9:00am EST, with Dow futures unchanged, the U.S. dollar index was up 0.2%, crude oil was down 2.1% and gold was up 0.5%. The S&P 500 index on Monday dropped to a 2-week low and closed sharply lower. The S&P 500 lost 1.83%, the DJIA lost 1.86% and the Nasdaq lost 1.64%. Bearish factors included carry-over weakness from a slide in European stocks on Greek sovereign debt concerns after Greek Prime Minster Samaras said that Greece may be forced to leave the Eurozone if the anti-austerity Syriza party, which currently leads in the polls, wins election on Jan 25th, and a slide in energy producers after the price of crude oil tumbled to a 5 ½ year low. The market is expecting today’s Nov factory orders report to show a decline of 0.5%, adding to the 0.7% decline seen in October. Expectations for a decline in today’s factory orders report are based in part on the already reported news that Nov durable goods orders fell 0.7% overall and -0.4% ex-transportation. Durable goods orders account for more than half of the factory orders series. The market is expecting today’s Dec ISM non-manufacturing index to show a 1.3 point decline to 58.0, reversing part of November’s 2.2 point increase to 59.3. The index in November was only 0.3 points below the 9 1/3rd high of 59.6 posted in Aug 2014, indicating that business confidence in November was nearly the strongest since 2005. In a negative leading indicator for today’s report, however, the preliminary-Dec Markit services PMI fell 2.6 points in December to 53.6. The Markit services PMI today is expected to be revised higher by 0.1 points to 53.9, but that would still leave the index down by 2.5 points from November.

Overnight, Bloomberg News reported that *European stocks were little changed after a two-day decline as energy producers rebounded. The Stoxx Europe 600 Index climbed less than 0.1 percent to 334.1 at 12 p.m. in London, with oil-and-gas companies up 0.2 percent. The broad equity measure fell as much as 0.9 percent after data showed a gauge of euro-area services and manufacturing fell short of a preliminary reading. The Stoxx 600 lost 2.2 percent yesterday, closing down 4.8 percent from an almost seven-year high last month, amid a slump in energy shares and growing concern over Greece as Prime Minister Antonis Samaras said this month's election could lead to the nation exiting the euro area. The Euro Stoxx 50 Index of the biggest companies in the region sank 3.7 percent, the most since November 2011. It rebounded 0.5 percent today. The plunge in oil-and-gas companies, as well as Samaras's failure to get enough backing for his presidential candidate, leading to early elections on Jan. 25, triggered the first December decline for the Stoxx 600 since 2008. That pared the index's annual gain to 4.4 percent, the smallest since 1992. Greece's ASE Index lost 5.6 percent yesterday, dropping to its lowest level since November 2012. A Purchasing Managers' Index for euro-area services and manufacturing signaled economic growth slowed in the final quarter of 2014. The gauge rose to 51.4 in December from 51.1 in November, Markit Economics said today. While that's above the 50 mark that divides expansion from contraction, the reading falls short of a preliminary reading of 51.7 published on Dec. 16. The data suggest the euro-area economy expanded 0.1 percent in the fourth quarter, London-based Markit said.*

The easy money made in 2014 from wagering on the dollar's appreciation against the euro and yen is over, compelling traders to dig deeper for bargains as the greenback's advance moderates. After soaring 13 percent last year, the U.S. Dollar Index will only rise another 3.5 percent in 2015, according to more than a dozen strategists surveyed by Bloomberg. Bank of America Corp.'s top pick for this year in terms of risk-reward payoff is buying the U.S. currency against its Australian namesake, while Goldman Sachs Group Inc. says the dollar will gain versus a basket of South Africa's rand and Hungary's forint, as well as against the euro. Forecasters see the dollar climbing another 2 percent versus the euro and almost 5 percent against the yen by Dec. 31, compared with a 14 percent advance against each last year. The euro hit an almost nine-year low of $1.1864 on Monday, before trading at $1.1893 as of 7:34 a.m. in New York, while the yen tumbled to a 7 1/2-year low of 121.85 per dollar last month, and was at 119.16 today. Emerging-market stocks headed for the lowest level in almost three weeks as oil's drop below $50 a barrel spurred the longest slump on record in a gauge of energy companies. Russia's ruble fell to a two-week low. The MSCI Emerging Markets Index fell 1.1 percent to 930.35 at 12 p.m. in London, extending its four-day loss to 2.7 percent. The energy-industry subgroup on the gauge tumbled for an 11th day as West Texas Intermediate crude traded 1.8 percent lower at $49.15 a barrel, its lowest price since April 2009.

Summary: Grain markets turned higher yesterday on oversold ideas after last week's year-end fund liquidation. Additionally, shorts are reluctant to maintain positions ahead of high risk January crop report next Monday. However, with the U.S. dollar continuing to rally and crude oil to tank, the staying power of any rally is questionable at best. Another concern in the world market is that Greece may end their austerity program, which could harm their chances of a bailout and lead to problems in the EU. Informa plans to publish their updated numbers today at 11:30am EST ahead of next Monday's USDA grain updates. The corn market traded higher on talk of dryness in parts of Brazil and cold weather conditions across the Midwest this week. Ideas are that farmers will be reluctant to move grain in the frigid temperatures and that the animals will need more feedstuffs to stay warm in the cold weather. There is talk of Chinese interest in purchasing DDG's, which provided underlying support to the market. Resistance in March corn is near the $4.08 ¼-$4.10 area, with downside support around the $3.84 level. There is an unfilled gap in the March from $4.26-$4.23 ¼ from back in July. Basis levels were mostly steady in the country and Gulf premiums were a bit easier. The soy complex traded higher on fund buying after weakness last week, cold weather conditions and demand for U.S. soybeans. Farmer sales are pretty light for the start of a new tax year and we could see increased feed needs for livestock in the frigid temperatures this week. South American weather is mostly favorable, with some concern emerging over dryness in some parts of Brazil. Argentina weather conditions are mostly favorable for the row crops, although there are some dry areas in parts of Brazil. The USDA announced the sale of 233,000mt of U.S. soybeans to China for the 2014/15 marketing year. The wheat market saw strength on fund buying after last week's demise. The KC and Chicago markets settled nearly a dime off their day's highs, while MGE was off $.07 from its day's high. The wheat market lost 30-50 cents over the Christmas/New Year's holiday, so we have some ground to cover before the markets get back to pre-holiday levels. Talk of China purchasing a couple of optional origin spring wheat cargos (thought to be from U.S. or Australia) pushed prices higher early in the session. Egypt looks to have their needs satisfied through April. Seriously cold weather sweeping across the Midwest this week, raised concern for the winter wheat crop, especially those areas that have little or no snow cover. The index rebalance period gets underway on Thursday and those familiar with the rebalance suggest there is little change for the soy complex, but that they will sell at least 20,000 contracts of corn and 15,000 of mostly Chicago wheat.

March soybeans reversed recent declines and rocketed sharply higher on Monday. Technically, Monday's rally pierced initial 10-day moving average resistance, which is a short-term bullish signal. March soybean futures have largely been trading sideways since early November between major support at $9.91 and major resistance at $10.89 ¾. Monday's rally reflects a rebound from near the lower end of that range, which is an encouraging signal for the bulls. For now, the recent trend since early November remains neutral within that large range. If soybeans hold above the 10-day moving average that will be a short-term positive signal. Next resistance lies at $10.68 ¼, the Dec. 29th high. The Jan. 2nd low at $10.05 ½ is strong support. March corn surged Monday, posting solid gains at the final bell. Technically, the action defines the Jan. 2nd low as important swing low support at $3.91 ½. A bullish morning star formation emerged on the daily candlestick chart over the past three sessions, which suggests corn may have found a minor bottom to the recent corrective pullback phase at the Jan. 2nd low. The near-term trend outlook remains weak, however. The burden is on the bulls to scale initial 10-day moving average resistance at $4.07 ½. Sustained strength back above the 10-day moving average would improve the near-term trend outlook.