Daily Grain / Hogs Marketing Outlook
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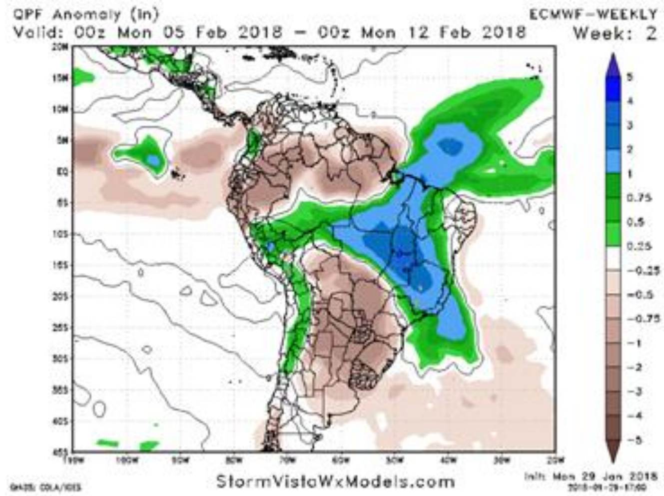
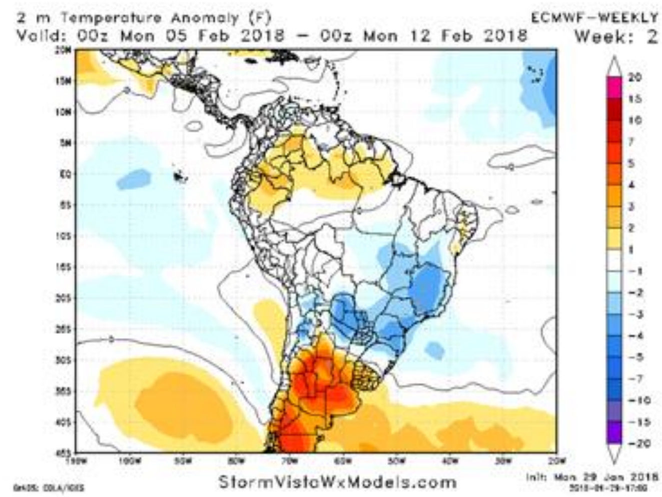
1/30/2018

Early Call 8:45am EST: Corn up $.01, soybeans up $.01, wheat up $.04. Kansas City wheat posted a strong double-digit gain overnight, far outdistancing gains seen over the rest of the grain and oilseed complex. Most other commodities were lower early Tuesday morning despite a slightly weaker U.S. dollar. DJIA futures were showing a triple-digit loss following the sharp sell-off by the Big Board Monday. While this may appear bearish at first glance, some analysts believe money is waiting to leave the equity market on signs of weakness looking for value in cheap commodities.

Grains: Grain futures rose to multi-month highs Monday as concerns about weather across the Americas prompted hedge funds to pull out of bets that prices would fall. Soybean contracts also rose. Weather forecasts for Argentina turned drier over the weekend, with little rainfall expected over the next two weeks. That would lead to stress for around half of the country's corn and soybean belt, Commodity Weather Group said, with the chance of crop loss increasing over that period. Some parts of Brazil were suffering from too much rain, which was delaying fieldwork, while large swathes of the U.S. Plains were hit by a drought. All this amounted to an increasingly risky outlook for this year's grain and soybean crops. That prompted hedge fund managers, who have mostly bet heavily on lower prices in recent months, to scale back those positions--contributing to a bounce on Monday. The Commodity Futures Trading Commission said on Friday that, as of early last week, fund managers had actually extended their net short in the Chicago wheat market by 2% to 145,408 futures and options contracts from a week earlier. Funds also held short positions in corn and soybean markets, though they had trimmed those. Wheat futures led gains on Monday, with March-dated contracts rising 1.9% to $4.49 1/4 a bushel at the Chicago Board of Trade. That was the highest close since late September. March soybean contracts rose 0.6% to $9.91 1/2 a bushel while March corn climbed 0.6% to $3.58 3/4 a bushel, hitting a five-month high. There were some new signs of global appetite for U.S. crops. The USDA said Monday morning that private exporters sold 115,000mt of corn to Egypt for 2017-18, adding to buying interest in the futures market.

Scattered showers will fall in far western Argentina and far southwestern areas early next week (both very minor production areas), with things otherwise unfavorably dry the next 10 days. Heat mainly in the 90Fs with occasional 100F temps build in much of Argentina from the weekend through the 11-15 day period. 11-15 day showers have expanded slightly, with some EU model guidance even wetter, but is still mostly limited in the eastern ½ of Argentina. The EU forecast for Feb 5-12 (see graphic) clearly shows the ridge, which will keep Argentina hot/dry and push excessive moisture into northern Brazil. Showers scattered across Center-South and Center-West, Brazil the past day, with rains favoring the northern ½ the next 10 days. Rains will hinder soybean harvest and safrinha seeding in Center-West areas, but wetness concerns will finally ease in second-leading state Parana. Relief is beginning to expand into northeast Brazil (20% corn/soy production), ending recent yield declines this week. In the U.S., light snow in the Plains leaves wheat vulnerable to cold, with winterkill risk elevated in the 11-15 day period but with low confidence. Midwest snow potential is still light enough to leave SRW wheat at risk if the colder 11-15 day period verifies. A weak La Nina weather pattern that formed in the Pacific Ocean may have peaked in recent weeks and could end in the southern autumn, Australia's weather bureau said. Sea surface temperatures in the central, tropical Pacific have warmed slightly since late December, the Bureau of Meteorology said.





U.S. monthly state wheat crop condition data shows just 14% of the KS winter wheat crop rated good/excellent vs. 44% last year and 37% at the end of December. Ratings in OK were just 4% good/excellent. Ratings in CO and NE also fell, however, ratings improved in the Dakotas. A large share of the ratings fell into the poor to very poor category which has traders slicing yield potential and raising abandonment rates. This could certainly change when the crop comes out of dormancy, though not much moisture is forecast for the southern Plains. Brazil's farmers could be in the midst of

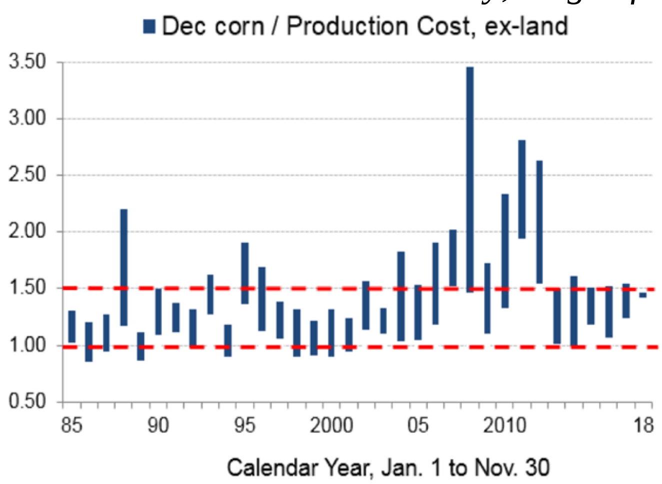
US winter wheat ratings by state			
State	End-January 2018	Change on month	Change on year
Colorado	37%	-9 points	-29 points
Illinois	38%	-18 points	-24 points
Kansas	14%	-23 points	-37 points
Montana	66%	+26 points	-4 points
Nebraska	48%	-16 points	+1 point
North Dakota	37%	+10 points	-45 points
Oklahoma	4%	-11 points	-29 points
South Dakota	24%	+ 4 points	-38 points
Data show % of crop rated good or excellent			

harvesting the country's biggest-ever soybean crop. As analysts, agronomists and industry members, trekked across the fields of Parana and Mato Grosso do Sul last week as part of researcher Agroconsult's crop tour, participants found bright green plants that had been aided by ample rains and increased investment in seeds, fertilizer and other crop chemicals. Noted crop scout Dr. Cordonnier says Brazil's 2017-18 soybean production will total 112mmt, up 1mmt from his previous estimate and the USDA at 110.0mmt. His 2017-18 Argentina soybean crop estimate was lowered 1mmt to 51mmt vs. the USDA at 56mmt. The Argentine BOLSA Exchange reduced their 2018 soybean crop estimate to 52mmt amid the deepening drought. The Argentine corn crop is seen at 36-37mmt, down from 42mmt from the USDA. A farther fall in production is feared if the parched weather forecasts come to fruition. Favorable weather in recent weeks has allowed Ukraine's winter crops to improve, according to analysts at UkrAgroConsult, with 49% of winter crops now in good condition, better than last year's 39% at that time, with 37% of the crop is rated satisfactory vs. 44% last year. They estimate 14% of the winter crops in poor condition vs. 17% two weeks ago. Palm oil production in Indonesia will probably climb to a record this year as wet weather boosts yields in the world's top grower. Output will increase 10% in 2018, according to the secretary-general of the Indonesian Palm Oil Association, without providing a specific forecast. Production climbed about 18% last year to a record 38.2mmt, he said.

One of Brazil's largest coops based out of the second-leading safrinha corn state of Parana said planted area could fall as much as 40% in Parana due to delayed plantings and poor economics, with producers said to be considering planting wheat instead. If Parana reduces acreage 40%, production could fall 8.4mmt alone. If other areas of leading state Mato Grosso and other, lesser states have difficulties as well, Brazil's corn crop could fall 10-15mmt below last year's record 97.8mmt. Private estimates for Argentina corn production are also declining, with some as low as 36mmt vs. 42mmt from the USDA. The combination could lead to a surge in U.S. corn export sales ahead, with the market already showing some signs of life over the last couple of weeks. The USDA already sees global stocks declining 22.2mmt this year, but if weather issues persist in South America, this could easily become a 37.2mmt drawdown, which would be the largest annual decline since 1988! While I'm certainly not a corn bull (not until probably 2019 when China likely starts buying ethanol in increasing amounts), neither am I a bear. As noted on numerous occasions, outside of the fundamentals, the grains markets have plenty of bullish fuel. Managed money traders are already holding a huge short and outside market forces like the weak dollar, strength in the Brazilian real, higher gold prices, higher interest rates, the surging global economy and expanding emerging markets could spark significant short-covering in the weeks ahead. I continue to believe that spot corn will trade near $3.75 prior to planting season (Dec 18 near/over $4.00) and producers should be aggressively locking in their bottom line with either cash sales/long calls (old crop), and some small (25%) new crop cash/futures sales accompanied with August short-dated calls near $4.40 major resistance and 50% coverage of August short-dated puts (total of 75% covered).

Wheat once again led the ags overnight, having risen about 5% over the past week. The recent gains reflect in part, of course, the weakening dollar, which in boosting the affordability of dollar-denominated exports such as many commodities. Paris (euro-denominated) and London (sterling-denominated) wheat contracts have not fared nearly as well. Some investors believe macro factors are at work in the retreat in equity markets, with some idea around of money ready to inject into commodity markets, but only when the stock market looks like it's running out of steam. Goldman Sachs warned that for global stocks "a correction is becoming increasingly likely. While there remain good reasons to be bullish on equities, share markets may experience a sharp correction short term," the bank said. If money is flowing into ags, that would come at a time when hedge funds have built up a record net short position in the complex as of last Tuesday, leaving prices vulnerable to boosting from a short-covering wave. The temptation to cover shorts was only increased overnight by the release of USDA data showing a further deterioration in the condition of U.S. winter wheat seedlings. Relief from dryness does not look forthcoming. The gains in wheat helped fellow grain corn maintain upward progress too, setting a five-month high on a spot contract basis. Prices are now trading above their 20 and 100 day moving averages for the first time in over six months. U.S. corn is globally competitive, which has been reflected in this week's export inspections number and almost daily sales announcements over the past week. The fact Egypt bought U.S. corn yesterday was a good omen as they would normally buy Black Sea wheat due to freight advantages. Finally, there are the South America weather worries to factor in, concerns over too much rain in parts of Brazil, slowing the soybean harvest, and too little in Argentine, setting back soybean and corn crops. Argentine crop stress is expected to worsen with dry and hot weather returning to most corn growing regions over the next 10 days. More importantly, forecasters expect very high temperatures in many of Argentina's soybean regions.

DTN analyst Todd Hultman runs a model every year that has proven quite useful in forecasting corn/soybean price potential. He noted today that *the valuation model is based on a historical relationship of December corn futures prices and USDA's cost of production estimates for corn, excluding land expense. In 2017, for example, USDA estimated $632.65 an acre of production costs, which included $159.67 an acre of land expense. After we deduct land expense, corn's variable production cost is $472.98 an acre, divided by the 2017 yield of 176.6bpa, to come up with a net cost of $2.68 a bushel. Looking back at the history of December corn futures prices, we see that in normal years when markets were not afflicted by unusual events, such as drought, prices typically traded between the previous year's cost of production and a 50% premium to that cost.* ***Based on 2017 costs explained above, December corn futures in 2018 are expected to trade between $2.68 and $4.02 a bushel.*** *For a simple method that can be calculated in January, long before we even know how many acres will be planted or anything useful about how the year will go, the model has been remarkably helpful, especially the past few years while corn supplies have stayed in surplus. In 2015, the model anticipated a high of $4.47, which was reached in early July. In 2016, the model's estimated high of $4.44 was just $.05 below the actual top. In 2017, the model's anticipated high of $4.24 was $.07 too optimistic as December corn reached a high of $4.17. The model's price estimates on the lower end of the range have been out of reach the past three years. I credit that to a good demand environment for corn as livestock production has increased and ethanol production has been running high. This year's low estimate of $2.68 a bushel may also be out of reach, but bearish concerns in 2018 include uncertainty about NAFTA and corn's remarkable yield achievement in 2017.*



This valuation model of December corn prices, based on USDA's production costs minus land expenses, has been a helpful early guide of what to expect for prices in the year ahead. Source: DTN Analyst Todd Hultman; USDA's Commodity Costs and Returns data. (DTN chart)

Soybean prices have been the most difficult market situation to predict, but the model has done a decent job of providing high estimates in four out of the past five years. In 2016, the model anticipated a high in January soybeans of $11.68, just $.14 below the actual high of $11.82 on June 13. Last year, January soybean prices only reached a high of $10.54 1/4, $.21 short of the model's estimated high of $10.75 as the market anticipated record soybean acres early in the year and late-summer rains with milder temperatures helped out when crops needed it most. The model's low estimate for

January soybean prices came close in 2015, but has not been reached since 2004 as world soybean demand has continued to grow at an aggressive pace. That may be true again in 2018, but we can't overlook the bearish risk of increasing trade tensions with China. ***Based on a 20% and 80% premium to USDA's landless production costs for soybeans, the model projects a 2018 low of $7.49 per bushel in January soybeans and a high of $11.23.*** *As of Monday, January soybeans were $10.13 3/4, just inside the upper one-third of the expected range. Of course, there are no guarantees that something extraordinary won't happen in 2018 and, if it does, these historical range estimates can quickly become obsolete. On the other hand, if 2018 turns out to be another uneventful year of good or good enough weather and outside events don't disrupt our grain prices, the estimates above are apt to be good guidelines of what to expect.*

On the demand front, the USDA announced a 132,000mt sale of 2017/18 corn to Spain this morning, continuing a run of almost daily announcements for U.S. corn. Malaysian palm oil futures lost 1.2% Tuesday, amid worries over weaker export demand. Investors will make fresh trading moves based on palm oil estimates for Jan. 1-31 to be released Wednesday by cargo surveyors Intertek Agri Services and SGS (Malaysia) Bhd. A stronger ringgit added pressure on prices. Basis bids around the Midwest were mostly steady yesterday for both corn and soybeans. U.S. corn export commitments are now 19.6% lower than this time last year, gaining 0.8% over the last week. They are 62% of the full year USDA forecast, just slightly below the 64% average for this date. The big worry remains for soybeans as export commitments are now lagging last year by 12.3%, slipping a bit from last week. They are 74% of the full year USDA forecast, with the average typically at 88% by this date. Overseas corn prices are more than 300 yuan/mt cheaper than domestic Chinese corn in consuming regions in the country's south, making the gap biggest since Dec. 2016, according to government think-tank China National Grain and Oils Information Center. U.S. corn is currently about 1,530 yuan/mt, while Ukrainian corn is at about 1,610 yuan/mt with import tariffs. That compares with 1,890-1,910 yuan/mt for domestic corn quoted at ports in Guangdong. The gap will continue to encourage corn imports. Brazil exported a record 29.2mmt of corn in 2017, up 34% from the 21.8mmt exported the year prior. 62.5% of that corn came from Mato Grosso. Russian wheat export prices continue to rise, with Friday's close the highest since July 28, 2017 as strength in the ruble and weakness in the dollar is making U.S. wheat more competitive. The Russian Ag Ministry estimates wheat exports will reach 45-47mmt this year. The USDA's most recent estimate for exports was 43.5mmt.

Yesterday's weekly U.S. corn exports for the week ended 1/25/18 were respectable at 39.1mb and were up solidly from the previous week's 28.5mb and were the best so far of the first 21 weeks of the 2017/18 marketing year. A solid improvement in U.S. corn exports during the February-August period, relative to September-January, has been common in recent years so we clearly expect corn shipments to begin picking up from what has been the case so far this year. However, what is a bit concerning, though, is the degree of the necessary increase in exports this year, as corn shipments will need to average a massive 64% increase from average weekly exports so far this year of 25.7mb/week, while last year's Feb-Aug average weekly exports of 45.7mb reflected an 18% increase from Sept-Jan average exports of 38.8mb/week. Huge increases in Feb-Aug corn exports are not unprecedented as 2015/16 saw exports during the period jump to 44.2mb/week from just 21.5mb/week during Sept-Jan, but that was the result of a significant reduction in annual Brazilian corn exports to just 15.0mmt from 35.0mmt the year prior due to a sharp decline in production. If Brazil's safrinha corn crop ends up anywhere near current expectations, realizing a 64% jump in exports during Feb-Aug, as needed, could prove to be a very difficult goal to achieve. U.S. soybean exports last week of 40.6mb were down solidly from the previous week's 52.2mb and significantly below last year's same-week exports of 60.3mb. Cumulative exports of 1.227 billion bushels are now down 14% from last year's 1.427 billion bushels, which continues to put an increasingly concerning focus on the fact that soybean exports will need to run roughly 28% stronger than last year's exports (28.9mb/week vs. 22.6mb/week last year) through the end of August if the USDA's 2.160 billion bushel export projection is to be met. While exports may be able to gain some marginal additional business on harvest delays out of Brazil, the increasing likelihood of another record Brazilian crop this year should keep U.S. exports from running 28% stronger than last year's, as needed, even if Argentine production declines modestly from current estimates.

Hogs: Cash hogs are called steady/firm. Monday's country run was quite small, a reality that could force packers to show a little more money in the country. The national bid gained $.09 yesterday to $69.23, while the IA/MN bid gained $.59 to $69.48. The CME Lean Hog Index was unchanged on January 25 at $73.77. The USDA pork carcass cutout value was $.03 higher at $82.81 on average movement of 268 loads. The butt and belly were the only cuts reported higher, as the latter was up $4.64. Estimated packer margins were $20.88/head for non-integrators and $45.57/head for integrators vs. $22.51 and $45.96 the previous day. Monday’s kill was up 5.91% vs. a year ago. Monday's hog kill of 466,000 head was the most aggressive start to a slaughter week seen so far in 2018. This reflects decent processing margins and a need to preserve current marketings. The new pork plant startups are all not at capacity yet. Economist Steve Meyer was reported as saying that the small plant in Pleasant Hope, MO was killing 1,000 head/day on their way to 2,500, the Triumph/Seaboard plant in Sioux City, Iowa was at 6,000 head on their way to 12,000, the Clemens Foods Coldwater, MI plant was at 7,300 head on their way to 12,000 and the Prime Pork plant in Windom, MN had reached their 5,100 head capacity. The other plants may have advanced their capacity utilization further since the time of the statement. Both the Triumph/Seaboard and Clemens Foods plants plan on adding a second shift. The Prestage Farms Northern IA plant intends to ramp up late this year. In other words, there is a lot of kill capacity that has yet to come on line yet, which should support demand for hogs.

Lean hog futures should open on a mixed basis thanks to a combination of long liquidation and short-covering. Hog futures were mixed Monday. Cash prices for physical hogs fell on Thursday and Friday last week and were expected steady to lower again on Monday. Wholesale pork prices were mixed, falling $.66 to $82.15 as of midday. CME February lean hog futures rose 0.2% to 72.4 cents a pound. The seasonal index for February lean hog futures does have a tendency of moving higher into expiration and with cash at a premium that potential does exist this year. April lean hogs finished the session down $.50 at $73.30, trading in a range of $.90. Supply side fundamentals continue to lend hand to keeping a lid on a significant rally. Technical resistance from $76.22-$76.40 held last week and will continue to be the significant pocket to keep an eye on. On the support side, the market is making a run towards the 100-day moving average, which comes in at $72.80. A break and conviction close below opens the door to accelerated selling pressure. Deferred lean hog futures have definitely lost their early-month zip, possibly reflecting more and more nerves over longer-term pork demand (e.g. the future of NAFTA). Several parties involved in the Montreal negotiations are putting a positive spin on the future of NAFTA, a stark contrast to concerns aired over the past few weeks. U.S. Trade Rep Robert Lighthizer said that talks continue to progress, but that they are moving very slowly. The next round of talks will take place February 26th to March 6th in Mexico City. Lighthizer further stated that Trump would likely request an extension to the talks in the U.S. in April or May. The U.S. ag markets will breathe easier knowing that the NAFTA negotiations will continue for another 3-4 months.

Cattle futures rose after a late surge in physical cattle prices last week. Futures traders spent much of last week trying to anticipate how much meatpackers would pay feed yards for their cattle, with the two groups in a deadlock. When the trade finally kicked off on Friday afternoon, prices came in higher than expected. That sparked a bounce when futures markets reopened on Monday. Packers mostly paid around $127 on a live basis, with dressed cattle going for $200. Those prices were $4 or $5 higher than a week earlier. Analysts said that tighter short-term supplies and steady beef demand helped move physical prices higher. Live cattle futures for February rose 0.9% to $1.257 a pound at the Chicago Mercantile Exchange, touching the highest point since early November. Some traders shrugged off a government supply report, also released late Friday. The USDA said that feed yard operators placed 1% more cattle in their lots in December than a year earlier, whereas analysts had on average expected that figure to fall. The higher-than-expected placement number suggested that supplies would grow in the months to come as the newly placed cattle reached their requisite slaughter weights. Futures for feeder cattle, younger animals which haven't been fattened yet, were mixed. CME March contracts rose 0.2% to $1.47 a pound, while later-month futures fell.

Weather: The U.S. and European models are in fair to good agreement during the outlook period. However, the U.S. model is somewhat more full latitude with the blocking ridge from Alaska to just off the west coast of the U.S. at 8-10 days. As a result, the U.S. model is also somewhat further south and a little to the east with the position of the strong polar trough centered in the vicinity of Hudson Bay, Canada but extending southward into the north-central U.S. and the upper Midwest regions. The European model also continues to nose the western ridge across the southwest U.S. and is even showing above normal heights over the southern Plains at 8-10 days. The U.S. model shows the above normal heights mostly over the west coast states and in the Pacific, except for a small area of slightly above normal heights in Texas. This is a cold to a very cold pattern for west and central Canada and likely for the north-central U.S. region as well. It may also feature fairly cold weather, at times, moving south into the Midwest region and to somewhat lesser extent into the central Plains areas. There is not a lot of moisture associated with this pattern over the central U.S. regions. It may be somewhat more active through the lower Miss river valley and in the eastern U.S. areas, especially the northeast U.S. but possibly the middle Atlantic region as well.

Dry weather dominated the Argentine growing regions yesterday. Things were also dry from Parana south to RGDS in Brazil, with totals of .20-.60” falling in around 85% of the Brazilian growing regions north of Parana. Temps were in the 80’s and 90’s in both the Argentine and Brazilian growing regions. Limited rains look to fall across the most of the Argentine growing regions in the next week to ten days. Limited rains are also seen for most of RGDS, Santa Catarina and Parana in the next 5 days, with close to average rains to fall to the north of Parana in the next 5 days. The 6-10 day sees limited rains for RGDS, Santa Catarina and southern Parana, with average rains in the rest of the Brazilian growing regions. Temps look to run average to below in most of the South American growing areas in the next 5 days and then near average in the 6-10 day period.

Dry weather dominated the majority of the Plains and Midwest yesterday and temps were average to a bit below. Highs in the southern Plains were in the 40’s in most cases, with some 50’s scattered in. Lows were in the teens and 20’s. Highs in the Midwest were in the 20’s north, with 30’s south. Lows were in the teens and 20’s in both the Midwest. Little in the way of precip is seen for the HRWW areas of the southern Plains in the next week to ten days. A couple of chances for light snows are seen for northern KS, one later this week and the other early next week, both look to bring a general 1-3” of snow to the northern 1/3rd to ½ of KS, with things mainly dry elsewhere. The majority of the Midwest will see mainly dry weather occur in the next 5 days, with some rains to fall in the OH River Valley later this week. Snows of 3-6" look to fall in most areas by later in the weekend and into early next week with a couple of clipper type systems. Temps will running average to above average across the Plains for most of the next week to ten days, with no cold air threats. Readings in the northern Midwest will run below average, with average to above temps in the southern Midwest in the next 5 days. The 6-10 day forecast sees below average temps for most of the Midwest, but no damaging cold.

Global Weather Highlights: Favorable conditions continue for developing soybeans in southern Brazil. A return to a wetter pattern in central Brazil will favor filling soybeans but will be unfavorable to maturing soybeans and the harvest. Harvest progress in the Mato Grosso is currently running behind last year's pace. Limited rainfall and near to mostly above normal temperatures in Argentina decreases soil moisture and increases stress on developing corn and soybeans, especially pollinating corn at this time. It is likely that this weather pattern is impacting yield potential for both crops at this time. The amount of impact will depend on how much longer the current weather pattern holds, especially as it concerns soybeans. South Africa will see beneficial rain and favorable temperatures for developing corn during the next 7 days.

North American Weather Highlights: The northern Plains/WCB sees no significant snow indicated during the next 7 days. Temperatures turn colder this week, with minimum readings falling 10 to 15 degrees below zero F over North Dakota and northern Minnesota from Thursday to Monday, possibly a little colder. Lows fall below zero F as far south as northern Iowa. Mostly dry weather continues in the central/southern Plains, with no significant precipitation in sight. No damaging cold weather is indicated at this time. However, the situation bears watching as we head into early February.

Macros: The macro markets were mixed as of 8:15am EST, with Dow futures down 0.8%, the U.S. dollar index is down 0.3%, crude oil is down 0.9% and gold is up 0.2%. The S&P 500 on Monday closed 0.67% lower, the DJIA lost 0.67% and the Nasdaq lost 0.49%. Bearish factors included long liquidation pressure sparked by the jump in the 10-year T-note yield to a 3-3/4 year high of 2.72%, and weakness in energy stocks after crude oil prices fell 0.88%. A bullish factor was the 0.4% increase in U.S. Dec personal income, stronger than expectations of 0.3%. The market consensus is for today's Jan Conference Board U.S. consumer confidence index to show a 0.9 point increase to 123.0, recovering some of December's sharp 6.5 point decline to 122.1. The index is just modestly below November's 17-1/4 year high of 128.6. The University of Michigan's

U.S. consumer sentiment index for early-Jan has already been reported at -1.5 points to 94.4, which did not bode well for today's Conference Board report. U.S. consumer confidence in January should see support from the tax-cut bill approved by Congress in late December, which will put more cash in consumers' pockets. The market consensus is for today's Nov S&P CoreLogic composite-20 home price index to show another strong increase of 0.6%, adding to the sharp overall 1.7% increase seen in the previous two months (Sep +1.0%, Oct +0.7%). On a year-on-year basis, the index in November rose to a 3-1/4 year high of 6.4%. The index has now soared by 48% from the housing-bust low posted in Jan 2012. There is room for U.S. home prices to continue rising in coming months due to both strong demand and tight supplies, although the rise may not be as strong as that seen in the Sep-Oct period.

Overnight, Bloomberg News reported that *European equities followed Asian peers lower and U.S. stock futures retreated as caution crept into the market after one of the best starts to a year in recent history. The selloff in Treasuries paused and the dollar weakened, while oil dropped for a second session. The Stoxx Europe 600 Index fell, tracking gauges in Japan, Hong Kong and Australia after the S&P 500 Index declined from a record on Monday. The benchmark Treasury yield rose above 2.7 percent before slipping back, while European government bonds edged higher as traders digested growth data from the region. The euro advanced alongside the yen, and the pound erased a drop. A wariness is emerging in equity markets as surging rates on government bonds test appetite for stocks at elevated valuations. Investors are weighing whether stronger corporate earnings, a pick-up in economic growth and optimism over U.S. tax cuts can continue driving up prices in markets that recently touched their highest on record; Goldman Sachs Group Inc. predicts a correction is on the horizon, but says any such pullback would be a buying opportunity. Elsewhere, many metals pared Monday's gain, though gold reversed a decline to trade higher. Bitcoin fluctuated around $11,000 and emerging-market stocks slumped.*

The Stoxx Europe 600 Index decreased 0.5 percent as of 10:54 a.m. London time, the lowest in more than two weeks. Futures on the S&P 500 Index fell 0.4 percent. The MSCI Asia Pacific Index dipped 1 percent on the largest decrease in almost eight weeks. The U.K.'s FTSE 100 Index dipped 0.5 percent. The MSCI Emerging Market Index dipped 1.1 percent on the largest decrease in almost eight weeks. The Bloomberg Dollar Spot Index dipped 0.2 percent. The euro rose 0.3 percent to $1.2418. The British pound climbed 0.1 percent to $1.4088. The Japanese yen jumped 0.3 percent to 108.59 per dollar. South Africa's rand jumped 0.6 percent to 11.8753 per dollar. The MSCI Emerging Markets Currency Index rose 0.1 percent. The yield on 10-year Treasuries decreased one basis point to 2.68 percent. Germany's 10-year yield declined two basis points to 0.67 percent, the first retreat in a week. Britain's 10-year yield declined one *basis point to 1.439 percent and the biggest fall in two weeks. West Texas Intermediate crude fell 0.7 percent to $65.11 a barrel. Gold advanced 0.4 percent to $1,345.36 an ounce.*

Summary: The corn market was supported by strong wheat and soybean markets yesterday. Export inspections for corn were reported at 993,506mt, in line with expectations and compared to last week's 668,946mt. The March corn contract sees resistance at $3.60 and $3.63 ½, with support at $3.57 ¼ -$3.54 ½. U.S. exporters sold 115,000mt of corn to Egypt for the 2017-2018 marketing year. Informa estimates 2018-2019 crop year corn acres at 89.1 million, with 174.5bpa and production at 14.281 billion bushels. These values would put carryout at 2.061 billion bushels. While drought in Argentina is supportive to corn, it is much more impactful on soybean products. To highlight the relative size of Argentine corn production, Iowa produces more corn that the entire country of Argentina. Soybeans traded higher from strength in the soymeal market as traders continue to worry about dry weather in Argentina. Soybean export inspections this week were reported at 1,104,978mt, within expectations and compared to last week's 1,419,430mt. March soybean contract support is seen at $9.80, with resistance at $10.01 ½. South and western parts of Argentina received more rain than expected over the weekend, easing dryness there. However, in the next 2 weeks dry weather dominates in the eastern half of Argentina. Informa estimates us 2018-2019 bean acres at 91.2 million, with 49.5bpa and production at 4.481 billion bushels. This would put the carryout at 538mb. The wheat markets saw technical buying, short covering and were supported by dry conditions in the southern Plains wheat belt. Export inspections this week were reported at 579,875mt, above of expectations and compared to last week's 337,000mt. Chicago wheat sees resistance at $4.50 and $4.61, with support at $4.28 ¾ and $4.20. Informa expects all wheat acres for the 2018-2019 crop year to be at 46.1 million acres, with production at 1.901 billion bushels and carryout at 839mb. Continued concerns for dryness in the southern Plains continues to dwell in traders' minds. Very little moisture is forecasted for hard red winter wheat country in the next 6-10 days, with a couple exceptions for a few snows of 1"-3" of snow for the northern 1/3 -1/2 of Kansas late this week and early next week.

(technical analysis is unavailable this morning) indicated by simulated historical tests of strategies, is not indicative of future results. Trading advice is based on information taken from trades and statistical services and other sources that A/C Trading Co. believes are reliable. We do not guarantee that such information is accurate or complete and it should not be relied upon as such. Trading advice reflects our good faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice we give will result in profitable trades.