Daily Grain / Hogs Marketing Outlook
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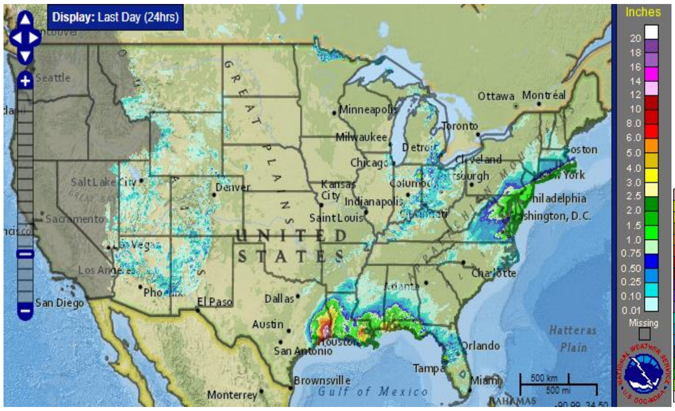
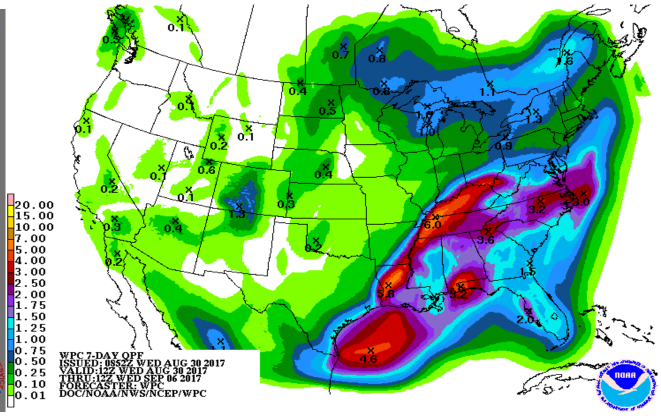
Early Call 8:45am EDT: Corn steady, soybeans steady, wheat up $.03. The grain and oilseed complex was as quiet as could be Wednesday morning. Traders continue to focus more on outside markets, with crude oil under pressure once again, this time taking gold with it. As for the latter, some of the pressure came from light buying that reemerged in the U.S. dollar. Cotton posted a small rally, though commercial buying wasn't evident overnight.

Grains: Corn and soybean futures slid as government data showed better-than-average crop ratings. The USDA said the share of the corn crop in good-or-excellent condition as of Sunday was steady from a week earlier at 62%, while good-or-excellent soybeans rose to 61% from 60% a week earlier. Analysts said those ratings were above average for this time of year. Though many are skeptical about their efficacy in predicting final crop yields, the ratings further buttressed the belief that crops have recovered from weather troubles earlier this growing season and are on track for a large bounty this year. That was compounded when organizers of a Midwestern crop tour last week forecast record U.S. soybean production along with a bumper corn harvest. Fund managers are going to be apprehensive building long positions in the grains during this time of anxiety when they lack fundamental support to do so. Export demand for U.S. crops limited losses, however. The USDA said Tuesday that private exporters reported sales of 198,000 metric tons of soybeans to China for 2017-18 and 226,000 metric tons of corn to Mexico for 2017-18. September corn futures fell 0.7% to $3.33 1/2 a bushel at the Chicago Board of Trade, while September soybean contracts slid 0.5% to $9.30 3/4 a bushel. Wheat futures were mixed. CBOT September Chicago soft-red wheat contracts closed 0.7% higher at $4.02 3/4 a bushel after falling at the opening. A preliminary Farm Futures survey estimates 92.8 million acres of U.S. corn will be planted in 2018, 2.1% more than in 2017. Farm Futures is showing early producer intentions for 86.1 million acres of soybeans next spring, 3.9% lower than in 2017. Farm Futures sees 2017 all wheat acres at 48.1 million acres in 2017, according to their survey of producers, 5.4% larger than this year. Large spec funds continue to add to their short corn position, which is now estimated at a net short of 108,800 contracts.





Scattered showers favored far northeastern IN, southeast MI, western OH and the Gulf Coast (see map left). Remnants of Harvey will track through the Delta the next 3 days, with mostly 2-4” totals and localized flooding of 5-9” favoring far northeastern AR, western TN and western KY (see 7-day NOAA forecast map right). A return of drier weather to the northern Delta the rest of the 15-day period should also wet areas to dry as early harvest resumes. Models shows risk of additional heavy rain near the Gulf Coast from a weak, tropical disturbance at the middle of next week. Rains reach the southern OH Valley late week, but leave at least 20% of the corn belt dry as rains are limited the rest of the 15-day period. Eastern ND, northeast IA, southwest WI, northern and southeast IL, west-central and far northern IN, central and far northwest OH, southern MI and central KS remain at most risk for crop stress. Strong cooling late in the 6-10 day period (upper 30s/low 40s) occurs in the northern Midwest, but frost risks remain limited on even the coldest model runs.

South Africa hiked its forecast for a 2017 record corn crop as improved rains boost yields, enabling farmers in Africa's top producer of the grain to recover from a historic drought, says the state-run Corp Estimates Committee. Output will likely rise 3% to 16.4mmt from last month's forecast, which is more than double the 7.8mmt produced last year. South Africa imported corn for the first time in 8 years last year but is now poised to resume exports, after above average rains enhanced corn fields. We are hearing reports of heavy rains in Argentina’s wheat growing areas that has seen 5.5 million hectares of crop land flooded. Ukraine has completed its early grain harvest which produced 36.6mmt of wheat. Ukraine’s weather center is reporting that dry conditions in August may have reduced their corn crop 10% to 15%. The current USDA estimate is 28.5mmt vs. 28mmt in 2016/17. StatsCan will release its update on Canadian crop production on Thursday. Reuters’ average trade guesses estimate all-wheat at 26.2mmt vs. the USDA estimate of 26.5mmt. The Australian weather forecast offers limited rain for wheat crops over the next 2 weeks with producers reporting damage from the weekend freeze. September is the key month for needed rain to form for the

Aussie wheat crop. Although the Indian monsoon has recovered over the past 5 days, the upcoming rainfall totals will not come close to making up the losses for the past 30 days. Most sources are now expecting 15-20% yield losses for the Indian soy crop. The loss of oilseed production will likely cause India to be a more regular/substantial importer of vegoils during the 2017/18 crop year.

How close is corn to a bottom? Well, if history is any guide, this week would be a good guess as my friends at the Powerline Group (www.powerlinegroup.net) noted yesterday. *Corn futures continue to test new contract lows. December corn futures new technical support nearby comes in around $3.40 to $3.45. If those short-term supports are taken out this week, then the door is open for longer-term supports to be tested. The bears believe that it would not be surprising to see the Dec 17 futures test last year's lows in Dec 16 contracts around $3.15, but before it gets that low it will need to get below $3.35, which is close to where the Dec 16 futures expired and was the middle of the trading range last fall. A retest of last year's low seems to be a little bit a stretch at the moment, especially since there's still weather risk out in the fields for many areas. We have to give the bears some credit, the momentum has certainly picked up with the downside price movements and there aren't many bullish headlines. Demand isn't really receiving any fresh new headlines as both basis and barge bids show little signs of life. On the supply side of the equation, the U.S. crop appears stable to perhaps slightly improved on mild-August weather. In the latest weekly USDA crop-condition report, the crop was essentially left unchanged at 62% Good-to-Excellent. A few things that might help support prices going forward are if the deteriorating conditions in Illinois, Iowa, Indiana and Ohio eventually have an impact on the national yield being a bit lower than forecast. The crop is also behind our traditional pace with just 44% dented vs. the 5-year average of 51%. The bears believe that a small decline in yields won't materially affect ending stocks, but a drop in national yield down to 165 to 167 is certain to have an impact when compared to the USDA's current projection of 169.5. We are nearing the end of the month and a holiday weekend. At this time last year, Dec 16 futures looked similar to this year, they had lost 20-cents/bushel during the month of August before they eventually found a bottom on August 30^{th} (red dashed line on chart above). A year ago, the corn market rallied off of the August 30^{th} low. The trend is* *certainly lower, but with corn and wheat futures in a very technically oversold condition, one should start to prepare for a potential short covering bounce, which could occur at any time.*

	Corn	Soybean	Wheat	Copper	Crude	Gold	DJIA	Tbonds	US dollar
Corn	1.000	0.919	0.887	0.805	0.796	0.855	0.347	0.555	-0.673
Soybean		1.000	0.891	0.803	0.822	0.874	0.454	0.630	-0.724
Wheat			1.000	0.842	0.845	0.768	0.347	0.493	-0.759
Copper				1.000	0.913	0.844	0.503	0.559	-0.798
Crude					1.000	0.766	0.380	0.456	-0.818
Gold						1.000	0.631	0.832	-0.623
DJIA							1.000	0.799	-0.153
Tbonds								1.000	-0.322
US dollar									1.000

Earlier this week, I brought up the fact that both copper (3-year high), gold (2-year high) and palladium (16-year high) are putting in multi-year highs and that the U.S. dollar index hit a two-year low. This keeps me firmly in the camp that feels commodities per se may do better moving forward, but unless "something" or several "somethings" can close higher for the day, there may be more red ink in the days ahead for the grains. Longer term, this should be a warning sign to market bears as copper/gold have a strong, positive correlation to grain prices and grain prices have a strong negative correlation to the U.S. dollar index. A report today from DTN's Todd Hultman explained why following other markets is critical in understanding where grain markets may trade in the weeks and months ahead. *I don't mean any disrespect to these analytical efforts -- I participate in them myself -- but I find it important to remind our customers that all production estimates at this stage of the game still have wide margins of error. Even USDA's September WASDE estimate of U.S. corn production has a 90% confidence interval of plus or minus 1 billion bushels (+/-7.7%). Margins of error aside, a bigger concern for anyone wanting to understand the corn market is that we get so wrapped up counting kernels we forget that corn prices are influenced by many factors, only some of which have to do with the size of this year's crop. I recently put together a comparison of corn's monthly spot futures prices with the prices of other commodity futures that ranged from January 1997 to the present (see chart). The list included soybeans, wheat, copper, crude oil, gold, the Dow Jones Industrial Average, T-bond futures, and the U.S. dollar index. The results were interesting enough that I decided to create a grid of correlation coefficients, which showed how closely each of the assets tracked with each other. A correlation coefficient is a statistical tool that measures similarities between two or more different sets of price data. Coefficient values fall between +1.0 and -1.0 and a reading of +0.7 or higher means that there is a strong positive correlation between the two. A reading between +0.3 and -0.3 generally means the two variables have little in common.*

With explanations noted, here are the high points of what I found. First, it was no surprise that corn prices showed high correlations to soybeans (+0.92) and wheat (+0.89). Except for their specific differences, corn and soybeans in particular, share the same seasons, the same geography, and mostly, the same weather. The surprise of the day came from the three non-grain assets. Versus corn, copper and crude oil both had correlation coefficients of +0.80 and gold came in at +0.85. For assets that have nothing to do with food, are produced year-round, and are not weather sensitive, those coefficients were remarkably high. To put those results in perspective, I also tested the correlation of DTN's national index of cash corn prices to USDA's monthly estimates of U.S. ending corn stocks-to-use ratios -- the golden calf of traditional analysis for corn prices. The result was a correlation coefficient of -.67. The negative value simply means that corn prices go down as ending stocks-to-use ratios go up, but ***the fact that corn prices showed a weaker correlation to their own stocks-to-use ratios than they did to three non-grain assets with which they seem to have little in common should come as a surprise to many.*** *I even wondered if adjusting corn prices for inflation over the 20-year period would make a difference and there was a small improvement. Inflation-adjusted corn prices compared to USDA's monthly estimates of U.S. ending stocks-to-use ratios showed a correlation coefficient of -.70, but was still not as strong as corn's relationship to the three physical commodities mentioned above.*

On the demand front, the USDA announced a 131,000mt sale of 2017/18 soybeans to China via their daily reporting system. Asian crude palm oil futures reversed early price gains to end slightly lower Wednesday amid persistent concerns about higher production and weaker demand. Further, traders booked profits ahead of a long weekend in Malaysia. The Bursa Malaysia Derivatives Exchange market will be closed on Thursday and Friday for public holidays. The heavy rains brought to Texas and potentially to Louisiana and Arkansas by Hurricane Harvey will likely see several days of loading delays. ADM says the grain conglomerate's Galveston and Corpus Christi facilities remain operational after Hurricane Harvey swept ashore near Galveston and released dozens of inches of rain on the area. Farmers and agribusinesses will have to push to get transport and export operations back online in time for what's anticipated to be another big North American crop, during the seasonal window for U.S. exports before the next South American harvests hit the market next year. Egypt bought 295,000mt of wheat in its latest tender. The purchase includes four shipments of Russian grain and one shipment from Ukraine. Tunisia is seeking 100,000mt of wheat for Nov-Dec shipment. Oil refinery shutdowns along the Gulf Coast have sent gasoline prices soaring, boosting values of ethanol and offering some hope to corn bulls too. The U.S. Gulf Coast houses nearly half the U.S. refining capacity, where Harvey has shut down several plants totaling more than 2 million barrels a day of refining capacity, and more closures possible. Spot RBOB gasoline futures are up nearly 14% in the past week, meaning that for ethanol producers, "apparently there is money to be made, board crush would indicate $0.80, best in four months", said Benson Quinn Commodities.

Hogs: Cash hogs are called steady to $2 lower. Between Tuesday's large run of negotiated hog sales and sharp break in the carcass value, it's a good bet that hog buyers will stay focused in terms of lower cash bids. Pork processors clearly like their work, just look at Tuesday's monster kill of 450,000 head (a new daily record if it holds up under revision). Yet why should they raise bids if they don't need to? Preliminary ideas point to a Saturday kill around 108,000 head. The national bid lost $.79 to close at $64.49 yesterday, with the IA/MN bid losing $.49 to close at $64.56. Cutout values lost $1.23 to close at $84.87 on very good movement of 414 loads. The pork carcass was once again pounded by imploding belly demand (i.e., the belly primal lost another $9.27). Estimated packer margins were $37.54/head for non-integrators and $51.87/head for integrators vs. $36.92 and $53.98 the previous day. Weekly IA/S. MN hog weights came in at 277.9 lbs., up from 276.6 lbs. last week and 276.0 lbs. a year ago. Weekly kill is up 3.93% vs. a year ago, now closely tracking the last H&P report after weeks of lower than expected kills.

Lean futures seem staged to open moderately lower, checked by spillover selling and sour fundamentals. Hog futures fell sharply Tuesday as pork belly prices tumbled. Bellies fell over 9 cents to $1.2812 a pound as of midday Tuesday, extending losses from Monday. Futures traders are concerned that falling bellies could spark a chain reaction through the hog market. CME October lean hog futures slid 2.3% to 60.225 cents a pound. In closing lower and lower, day after day, lean hog futures are beginning to look bottomless. While no market goes down forever, the severe market tone is understandable discouraging would be spec buyers. However, crashing cash hog prices through the second half of August is often caused by oversold finishing floor, which can result in a decent post-Labor Day rally. Lean hog futures look extremely oversold and due for a bounce. Given such extreme discounts, this bear market could be close to simply running out of sellers.

Cattle futures turned lower on Tuesday, erasing an early-week rally as traders refocused on large supplies. A U.S. Department of Agriculture report on Friday showed a slowdown in the rate of cattle placed in feedlots for fattening in July, suggesting that current large supplies of slaughter-ready cattle will ease later this year. After starting the week higher, futures fell on Tuesday as traders bet that prices across the cattle-and-beef market would continue in a slump while the industry works through existing supplies. Most-active October-dated live cattle futures fell 2.1% to $1.061 a pound at the Chicago Mercantile Exchange. The market has traded in an established price range for much of August, and fell back into it on Tuesday. Traders were looking to Wednesday morning's online Fed Cattle Exchange auction, at which around 1,800 head are listed, for cash-market direction. The auction often kicks off cash trade for the week, though no cattle traded at the previous two sessions as meatpackers and feed yards faced off over prices. Cash prices have fallen in recent weeks, and analysts say any sign of a bottom could help lift the futures market.

Hog futures have taken a slide recently, but will it last? After an impressive $7 rally in two weeks, the October contract fell over $10 in half the time. The freshly expired August contract finished at a new contract high but since the August went off the board, the October has struggled to hold its own. The October contract still has six weeks until expiration and many variables will have an impact on its price. There are currently some knowns and some unknowns in the hog market that can keep prices retreating or spring a recovery. One thing we know is that demand for pork is strong and doesn't look like it will slow down anytime soon. The strongest demand has been for the pork belly. Years ago, bacon and pork bellies had a seasonality to prices. During the summer when BLTs are popular the prices would surge with demand, but in the winter the demand would weaken and so would the price. In today's age, bacon demand is consistent and retailers are featuring it in many places. Bacon demand had helped pork belly prices surge in the last month before recently faltering quickly. The pork cutout gained with the surge in belly prices as it comprised about 30% of the value at one point and was the main catalyst for the pork cutout value soaring. However, last week alone saw the value of the pork belly drop sharply. If the belly prices start to find a bottom and start a recovery as quick as the decline, the cutout value will gain and help cash hog prices recover. The pork belly supply was drawn down again this month as evident in the latest USDA Cold Storage Report that was issued last week. The report showed pork belly stocks down 21% from last month and 65% from last year. Seasonally it is common for the pork belly supply to decrease at this time before gaining into the fall. However, this year we could see less of a recovery in the build of belly stocks as demand is so strong.

One unknown currently hanging over the market is the North American Free Trade Agreement situation. The uncertainty regarding whether or not the U.S. will pull out of the agreement is a key factor to watch. Mexico has been a vital importer of our pork, especially hams. They have been a consistent player in the weekly export totals as China remains disinterested. If President Trump decides to leave the agreement or tries to alter it in any way, it could spell trouble for hog exports. Last week net sales and exports were strong. Net sales of hogs at 20,100 metric tons were a 9% increase over the four-week average, and the exports of 18,100 metric tons were up 3%. The primary destination of the exports continued to be Mexico as they were shown to receive 7,900 metric tons. With the dollar continuing to slowly grind lower, it is a promising sign for the export market and should keep the demand for U.S. pork firm. The supply has been well-documented and record large production has been ongoing for the past two years. The kills have been large and there is currently no shortage of hogs. It will be interesting to see when the two new plants are established what that will do to cash prices. One would think that added competition would help prices in the face of strong demand. We think that even with record production, the strong demand will be able to absorb it and the two new additions will only help going forward. They can only kill the hogs that are available as they will not be manufacturing hogs.

Weather: Today's U.S. and European models are in good agreement during the first 2-3 days of the outlook period, poor agreement during the last couple of days of the period. A compromise is favored between the models as it concerns the end of the period, with a slight bias towards the European model. The models both show a cool high-pressure system moving over the eastern Canadian Prairies region before dropping southward over the Midwest during the first few days of the outlook period, taking us through next Wednesday. This high is not overly concerning at this time. Today's U.S. model shows a second high developing over northwest Canada next Thursday and drops this high into the northeast Plains region and the upper Midwest next Friday. If real, this second high would likely drop temperatures into the upper 30s and low 40s in the Midwest region at the end of next week or next weekend, with a few middle 30s in the normal cold spots. However, this is not supported by today's European model, which makes it somewhat uncertain. A weaker high-pressure system is favored at this time, with some cool weather possible, but most are unwilling to commit to anything more significant than that at this time. The worse-case scenario, which is the U.S. operational run, implies some risk of frost but not a damaging event. The 11 to 16 day portion of the model shows a warm up following the event.

Rains of generally less than .50” fell across eastern IN and western OH, with things dry in the rest of the region. Temps were average to a bit below, with highs in the 70’s in the north and east and 80’s elsewhere. Some soaking rains will fall across the OH River Valley Friday, otherwise rains look to be fairly limited across the region in the next 10 days. Temps will be running average to below through most of this week and then look to warm to above average briefly for late in the weekend. A push of cold air the first half of next week could bring some frosty conditions to the Northwoods of the Midwest, but no threatening temps are seen for the crop areas of the Midwest. Things were dry across the northern Plains yesterday. Temps were in the 90’s in most cases, with some 80’s in the far east. Limited rains look to fall across this area for the next 5 days, with some spotty hit and miss showers bringing generally less than .50” to eastern ND. The forecast for next week also sees fairly limited rains to fall, with some hit and miss activity to bring generally less than .25” to the eastern Dakotas. Temps will run above average and in the 80’s and 90’s through most of this week and then cool into the 60’s and 70’s in most areas for early next week. There is a small chance that some frost could develop in the eastern Dakotas late next week, but a hard freeze does not look to be in the offing. Things were mainly dry across the Delta yesterday. Temps were in the 80’s for highs. Rains of 2-4” will fall across most of this region with the remnants of Harvey later tonight and into tomorrow. This is another increase in the amounts from previous ideas and some localized flooding is still a possibility, as is issues with the cotton crop. Some hit and miss rains look to bring totals of .25-.75” the first half of next week. The 11-16 day forecast now has the models indicating a fairly west to east flow to occur across the central U.S. in this time frame. This would bring limited rains to the Plains and the Midwest, with no cold air threats.

North American Weather Highlights: On the forecast track, the center of Harvey will move across the Lower Mississippi Valley and Tennessee Valley through Thursday. Harvey is expected to produce additional rainfall accumulations of 3 to 6 inches from southwestern Louisiana and the adjacent border of eastern Texas northeastward into western Kentucky through Friday with isolated amounts up to 10 inches. Heavy rains associated post tropical storm Harvey are expected to shift northward into the main growing areas of the Delta today and Thursday. The axis of the heaviest rainfall appears to have shifted a little to the east from yesterday's ideas. This puts key growing areas of northeast Louisiana, southeast Arkansas, northwest Mississippi and western Tennessee more at risk of 3-6 inches and locally to 10 inches and northeast Arkansas somewhat less at risk. Heavy rains will be highly unfavorable for maturing crops in the region and especially to open boll cotton. Quality issues will become of increasing concern. Harvest losses may also occur. Winds of around 25 mph and possibly higher may also be of some concern for open boll cotton. The northern Plains will see mostly favorable conditions for the harvest of a drought reduced spring wheat crop at this time. Above normal temperatures for at least another 6 days will help advance crop development ahead of any potentially colder weather after that. The Canadian Prairie will see mostly favorable conditions for the harvest of a drought reduced wheat crop at this time and mostly favorable conditions for maturing canola and harvesting at this time. Late filling canola will benefit from continued warm temperatures this week and this weekend. Colder weather next week will bear watching, especially for eastern areas and for Ontario. The Midwest will see mostly favorable conditions for filling and maturing corn and soybeans, with no significant freeze threats during the next 7 days. Colder temperatures during the 8 to 10 day period may lead to some frost under the right conditions, but is not expected to cause a freeze. Rain may disrupt seasonal field work through southeast and east areas for a time.

Global Weather Highlights: Ukraine/Russia will see above to well above normal temperatures with little rainfall through much of the region during the mid-August period, but especially through south and east Ukraine and in south Russia. This likely increased stress to filling spring grains and oilseeds and may impact yield prospects. Prior weather during the reproductive growth stages was much more favorable in nature. The region has turned somewhat cooler more recently with some rain as well, which should help ease stress to crops. Conditions mostly favor filling corn and soybeans in northeast China due to prior generous rainfall. However, key soybean growing areas of the north could use more rain. The area has been cooler and much cooler early this week, slowing development of this part of the crop, but it should turn warmer again at the end of the week. Southern growing areas have already received moderate to heavy rainfall during the past week and should not be as cool. Key growing areas for cotton, groundnuts and soybeans in west Madhya Pradesh to Gujarat and northern Maharashtra, India had beneficial rains last week and key growing areas of West Madhya Pradesh had more rain during the weekend. Overall, the Indian monsoon remains active outside of northwest India and Pakistan at this time.

Macros: The macro markets were modestly weak as of 8:40am EDT, with Dow futures steady, the U.S. dollar index is up 0.6%, crude oil is down 1.0% and gold is down 0.6%. The S&P 500 on Tuesday recovered from a 1-week low and closed 0.08% higher. The DJIA gained 0.26% and the Nasdaq gained 0.41%. Bullish factors included the slide in the dollar index to a 2-1/2 year low, which should benefit U.S. exporters, and the 2.9 point rise in the U.S. Aug consumer confidence index to a 5-month high of 122.9, stronger than expectations of -0.4 to 120.7. The main bearish factor was geopolitical concerns after North Korea fired a missile over Japan late Monday. The market consensus is for today's Aug ADP report to show an increase of 185,000, which would be mildly below the 12-month trend average of 204,000. ADP jobs fell to 178,000 in July but that followed relatively strong months of 191,000 in June and 234,000 in May. On the labor front, the market is mainly looking ahead to Friday's Aug unemployment report. The consensus is for Aug payrolls to show an increase of 180,000, which by no coincidence would exactly match the 12-month trend average. Payroll growth recently showed some weakness in March (+50,000) and May (+145,000), but otherwise payrolls have shown increases of more than 200,000 in every other month this year. The market consensus is for today's Q2 GDP to be revised slightly higher by 0.1 point to +2.7% from +2.6%. The upward revision is expected to stem in part from an anticipated upward revision in Q2 personal consumption to +3.0% from +2.8%. Consumers were by far the largest contributors to Q2 GDP growth. The market consensus for today's weekly EIA report is for a 2.0 million barrel drop in U.S. crude oil inventories, a 1.5 million drop in gasoline inventories, a 400,000 barrel decline in distillate inventories, and a 0.8 point drop in the refinery utilization rate to 94.6%. However, today's report is for the week ended Aug 25 and will therefore show some distortion from Hurricane Harvey, which made landfall on the last day of the reporting week of Friday, Aug 25. The weekly EIA report will be of little use over the near-term due to Harvey.

Overnight, Bloomberg News reported that *European stocks followed most Asian equities higher as tensions surrounding North Korea eased. The yen dropped as demand for safe-haven assets began to fade, although gold and the Swiss franc held Tuesday's gains. Almost every sector of the Stoxx Europe 600 Index advanced after President Donald Trump's measured response to North Korea's missile launch and comments from Kim Jong Un suggested the situation won't escalate. Equity indexes in Japan, Hong Kong and South Korea rose, while U.S. stock futures were also green. Most bonds fell as the risk-off mood ebbed. The euro weakened and the dollar edged higher as Goldman Sachs Asset Management called the greenback "very, very attractive." Kim said Wednesday the missile was fired in protest at annual military exercises between the U.S. and South Korea. Coupled with Trump's tempered remarks -- the president said the U.S. will consider "all options" in its response to the provocation -- investors judged the standoff is unlikely to intensify, helping to underpin risk assets.*

The Stoxx Europe 600 Index advanced 0.6 percent as of 7 a.m. in New York, the largest gain in a week. The U.K.'s FTSE 100 Index advanced 0.4 percent, the biggest gain in a week. Germany's DAX Index advanced 0.5 percent, the largest gain in a week. Futures on the S&P 500 Index climbed 0.1 percent to the highest in a week. The Bloomberg Dollar Spot Index increased 0.1 percent. The euro declined 0.2 percent to $1.1948. The British pound climbed less than 0.05 percent to $1.2924. The yield on 10-year Treasuries climbed less than one basis point to 2.13 percent. Germany's 10-year yield increased one basis point to 0.35 percent. Britain's 10-year yield gained one basis point to 1.015 percent, the biggest gain in a week. Gold climbed 0.2 percent to $1,311.57 an ounce, the strongest in about 11 months. West Texas Intermediate crude dipped 0.5 percent to $46.19 a barrel, the lowest in more than five weeks. Gasoline for September delivery rose 2.6 percent to $1.83 a gallon. The Topix index rose 0.6 percent at the close in Tokyo and the Kospi index added 0.3 percent. Australia's S&P/ASX 200 Index was flat. The Hang Seng Index in Hong Kong climbed 1.2 percent, while the Shanghai Composite Index fluctuated before edging lower. The MSCI Asia Pacific Index rose 0.2 percent. The Japanese yen declined 0.1 percent to 109.86 per dollar.

Summary: Corn traded lower yesterday, continuing to trade near contract lows as a lack of news does little to support the market. Farmer selling remains quiet at current price levels and traders continue to search for a firm bottom. Mexico was a buyer of corn for the second day in a row as the USDA flashed a sale of 226,000mt of corn for shipment in the 2017/18 marketing year. Dr. Michael Cordonnier bumped his expected corn yield estimate up 1.0bpa to 166.0bpa after yesterday's crop progress report showed unchanged crop conditions overall. The corn crop at 44% dented (compared to 57% last year and a 51% five-year average) indicates the crop is lagging in its development. This poses a greater risk for frost damage in the month of September and will be an important issue to watch for in the coming month as temperatures drop overnight. Soybean futures were lower on improving conditions and a lack of any real weather threat in the forecast. Farmer selling has slowed at these levels and basis is improving in efforts to bring soybeans to the market. The USDA confirmed a sale of 198,000mt of soybeans to China for delivery in the 2017/18 marketing year. In the first 24 days of August, Brazil shipped 4.5mmt of soybeans vs. 2.57mmt last year. Dr. Michael Cordonnier adjusted his soybean yield, bringing bushels per acre up 0.5bpa to 48.0bpa after yesterday's crop progress report indicated a 1% increase in crop conditions. Chicago and KC wheat traded modestly higher yesterday, while MGE wheat traded slightly lower. Egypt has finished its investigation of Romanian wheat quality issues and will send back the latest shipment. Egypt has also stated that they have enough wheat in reserves to last through the middle of January, which is the equivalent of 3.6mmt. China sold 17,801mt of wheat out of its reserves out of 3.052mmt offered.

December corn futures extended lower again Tuesday, as the relentless selling pressure continues. December corn hit another new contract low, with little nearby chart support of any significance to stall the market. Daily momentum shows December corn is becoming even more oversold, as the 14-day relative strength index fell to 26% on Tuesday. That simply reveals that corn is vulnerable to a pause in the selling pressure at any time. But for now, corn continues to drop in search of demand and willing buyers. On the downside, the next chart support is seen at $3.31, the Dec. 2, 2016, daily low. The near- and intermediate term trends are bearish for corn, but the current selling wave is extended and oversold. On the upside, strong resistance lies at $3.57 and as long as that holds firm, corn bears will retain the technical edge. Trends in soybeans are mixed. Support is at $9.28, $9.25, and $9.17 in September, and resistance is at $9.44, $9.49, and $9.53.