



## DAILY SOFTS CURRENCY COMMENTARY Tuesday April 25, 2017

### DAILY COCOA COMMENTARY 04/25/17

#### Big production continues to keep pipeline full

Cocoa prices had positive first quarter grindings results, stronger equity markets on both sides of the Atlantic and a sharp post-French election rally in the Eurocurrency all working in its favor at the start of this week. However, its lackluster market action indicates that cocoa needs to receive bullish supply news in order to sustain any longer-term recovery move. Commodity markets had less of a "risk on" reaction that was seen in financial markets, while cocoa faced additional headwinds from a sluggish British Pound that was pressured by spread unwinding versus the Eurocurrency. However, cocoa's main source of pressure continues to be indications of strong West African output this season. Ivory Coast port arrivals during the April 17th through 23rd timeframe were well above the previous season's total, which keeps this season's total well ahead of last season's pace. Although the weekly total was lower than those that were seen at the start of this year, there was a notable jump from the previous weekly total that could signal that the West African mid-crop harvest is now at full speed. The International Cocoa Organization announced their intention to coordinate production strategies, but any definitive plan is unlikely to be in effect until well after this season concludes in late September.



#### TODAY'S MARKET IDEAS:

Commercials have stepped into the buy side when cocoa has made lows during the past few months, but may be more wary this time around given the market's April selloff. Demand may be improving with lower prices, but not at a strong enough rate to overcome a bearish near-term supply outlook. Support for July Cocoa is at 1756 and 1710 with resistance at 1899 resistance.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

Long July Cocoa 2100/2300 bull call spread from 46 with an objective of 172. Risk to 9.

#### COCOA TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (JUL) 04/25/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 1901. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1852 and 1901, while 1st support hits today at 1780 and below there at 1756.

### DAILY COFFEE COMMENTARY 04/25/17

## Bear action continues, trade sees no need for weather premium

Unless there are clear signs that demand is improving, coffee prices are likely to slide further to the downside before they can find a near-term floor. July coffee closed yesterday with a moderate loss that resulted in the lowest close since May of last year. The coffee market appears to be still searching for a low following last week's 5.9% decline and after showing few signs of benefiting from stronger risk sentiment coming out of the weekend. The build-up of supplies in North America and Europe has led to commercials backing away from the market, and it may take lower prices from here before they become aggressive buyers again. ICE exchange coffee stocks rose by 1,815 bags on Monday and are up over 48,000 bags for April and up over 164,000 (13.2% higher) since the start of 2017. Good rains are forecast starting on April 26th for coffee growing areas in the Brazilian states of Parana and Sao Paulo, which should improve coffee bean development in those areas. This weather pattern will advance into the states of Minas Gerais and Espirito Santo on April 27th through April 29th which is expected to ease dryness in the latter's Robusta-growing regions. While Brazil is still widely expected to have a sizable decline from last season's crop, good weather conditions in front of harvest could help to lessen that decline.



### TODAY'S MARKET IDEAS:

Improving risk sentiment will help, but the market may need to see a trend of declining coffee stocks in North America and Europe before coffee prices are able to sustain a recovery move. July coffee near-term support is at 130.50 with the next swing objective at 128.35. Resistance is at 135.25 and 137.25.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

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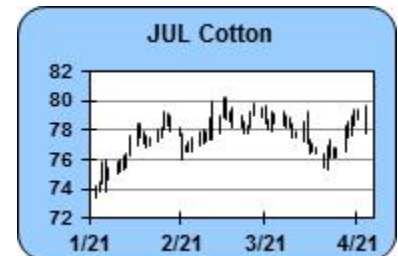
COFFEE (JUL) 04/25/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 129.75. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 133.24 and 135.14, while 1st support hits today at 130.55 and below there at 129.75.

## DAILY COTTON COMMENTARY

04/25/17

### Shift in focus to new crop may spark long liquidation

The market looks vulnerable to at least a short-term setback, and maybe even a more significant break if the focus of attention shifts over to the new crop season. July cotton experienced a sweeping outside-day down yesterday after first bouncing to the highest level since May 20th. The turn down comes from an overbought technical set-up and the COT report on Friday showed large and small specs combined held a net long position of 102,288 contracts, which is historically high and shows an overbought condition as well. A surge in the US stock market and a sharp drop in the US dollar was not enough for the market to find new buyers and the lower close yesterday could have caught new buyers off-guard. While the old crop fundamentals remain supportive with better than expected export demand for US cotton, the outlook for higher US and world ending stocks for the 2017/18 season is a bearish force. China continues to be an active seller of cotton out of their reserves. The weekly cotton planting update showed the crop is 11% planted compared to 8% last week and 10% last year. The



10 year average for this time of year is 13%. The highest percent complete was 29% in 1986, while the lowest was 9% in 2015. Texas is 12% planted as compared with 15% as the 10-year average.

**TODAY'S MARKET IDEAS:**

The sweeping reversal after testing the March highs is a bearish technical development. July cotton close-in resistance is now 79.50 with 77.49 and 76.98 as support. A move under support could attract significant long liquidation selling. Look for a setback to the key uptrend channels off of the February 2016 contract lows which comes in at 75.65 today and 75.84 on Friday.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COTTON (MAY) 04/25/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 80.77. The next area of resistance is around 80.54 and 80.77, while 1st support hits today at 79.64 and below there at 78.96.

COTTON (DEC) 04/25/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 75.48. The next area of resistance is around 75.29 and 75.48, while 1st support hits today at 74.61 and below there at 74.13.

**DAILY SUGAR COMMENTARY**

04/25/17

**Consolidation is normally continuation; big supply pressures**

With speculators (large and small combined) still holding a hefty net long position of 72,289 contracts, the lowest close since April 5th yesterday and the second lowest close in 11 months opens the door for increased long liquidation selling if support gives way. July sugar traded higher early yesterday but weakness in London white sugar futures and continued talk of surplus production this year helped to pressure. China's commerce ministry plans to impose a special duty on sugar imports over the next three years, on top of the 50% tariff on purchases above the allocated quotas. A 45% duty would be added for the first year, 40% for the second year and 35% for the third year. One of the recent supportive items for sugar has been higher imports from China. China started an investigation into imports late last year after arrivals surged hurting domestic producers. China is the world's largest sugar buyer importing 3.1 million tonnes last year, which was down 37% from 2015 levels. EU sugar production is expected to rise to 19-19.5 million tonnes versus 15.8 million last year according to French sugar producer Tereos. They also see EU consumption falling to 17.4 to 17.6 million tonnes from 18.0 last year. According to analysts at EDF Man, the sugar surplus could reach between 2.0 to 5.0 million tonnes in 2017-18 compared to a 5.0 million deficit in 2016-17 due to production increases in India and the European Union.



**TODAY'S MARKET IDEAS:**

China imported 301,709 tonnes in March which pushed imports for the 1st quarter to 893,982 tonnes, up 47.7% from last year. The market had the supportive outside forces to rally and could not. The supply/demand news continues to carry a bearish tilt for the 2017/18 season with a global production surplus expected. Near-term

resistance for July sugar is at 16.56 and 16.77, with 15.84 as the next downside target.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 04/25/2017: The daily stochastics have crossed over down which is a bearish indication. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is 15.87. The next area of resistance is around 16.57 and 16.87, while 1st support hits today at 16.07 and below there at 15.87.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAY) 04/25/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 163.40. The next area of resistance is around 159.85 and 163.40, while 1st support hits today at 154.90 and below there at 153.50.

**DAILY TECHNICAL STATISTICS**

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>SOFTS MARKETS COMPLEX</b>										
SBAN7	16.32	34.66	33.79	24.59	23.54	16.44	16.58	16.63	17.81	18.42
CTAK7	80.09	69.57	64.79	71.34	83.23	79.21	77.34	76.34	76.83	76.80
CTAZ7	74.95	64.96	59.05	72.82	88.01	74.81	74.21	73.80	74.47	74.24
CCAN7	1816	26.92	30.75	16.00	16.80	1834.50	1894.56	1985.33	2009.00	2017.52
OJAK7	157.40	37.58	40.02	45.72	45.95	161.15	161.20	161.33	168.54	168.24
KCAN7	131.90	25.55	29.90	27.45	13.01	134.94	139.23	140.15	143.37	145.28
MAK7	15.61	58.16	52.24	36.13	48.98	15.44	15.34	15.41	15.71	16.09

Calculations based on previous session. Data collected 04/24/2017

Data sources can & do produce bad ticks. Verify before use.

**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>SOFTS MARKETS COMPLEX</b>						
SBAN7	Sugar	15.87	16.07	16.37	16.57	16.87
CTAK7	Cotton	78.95	79.63	79.86	80.54	80.77
CTAZ7	Cotton	74.12	74.61	74.80	75.29	75.48
CCAN7	Cocoa	1755	1779	1828	1852	1901
OJAK7	Orange Juice	153.40	154.85	158.40	159.85	163.40
KCAN7	Coffee	129.75	130.54	132.44	133.24	135.14
MAK7	Milk	15.43	15.51	15.63	15.71	15.83

Calculations based on previous session. Data collected 04/24/2017

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