



## DAILY SOFTS CURRENCY COMMENTARY Thursday April 27, 2017

### DAILY COCOA COMMENTARY 04/27/17

#### Depressed prices may encourage better demand from end users

While the near-term supply situation remains bearish, cocoa may be finding fresh support from expectations of longer-term demand improvement. Last week's low of 1756 was the lowest price level for cocoa in over 6 1/2 years while the market has slumped more than 40% during the past year. While recent quarterly grindings totals from Europe and North America have been lukewarm, multi-year low price levels may encourage commercials to pick up "cheap" cocoa in anticipation of stronger future demand. The combined total for Ivory cocoa bean exports and cocoa product exports during the first half of the 2016/17 season (October-March) was down 1.4% from last year's total. While supply bottlenecks and political unrest during last October and November had an impact, this also indicates that the export-grade output from West Africa may not match up with this season's lofty production forecasts. In a report from Rabobank, lower farm prices in the Ivory Coast are forecast to curb output for the 2017-18 season while a stronger Euro could promote end-users in that region to build inventories, and they also see Euro zone consumption increasing after a positive grindings result for the first quarter.



#### TODAY'S MARKET IDEAS:

While the cocoa market has had several periods during this now 9-month/1100 point downtrend when a "low" appeared to be in, prices may finally now be "low enough" that commercials will become more aggressive with acquiring fresh supplies. Near-term support for July Cocoa is at 1837 with resistance at 1920 and 1971.

#### 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) 04/27/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 1934. The next area of resistance is around 1906 and 1934, while 1st support hits today at 1844 and below there at 1809.

### DAILY COFFEE COMMENTARY 04/27/17

#### No sign of low yet as exchange stocks stay high; 128.40 next

Coffee prices may have lower upcoming production in Brazil working in their



favor, but the market has been unable to shake the pressure from ample near-term supply. Even with a decline of 2,357 bags on Wednesday, ICE exchange coffee stocks are at 1.408 million bags and are more than 13% higher since the end of 2016. This would only be the third time in the past 12 years that the April month-end total would come in higher than the previous December's month-end total, which indicates that the market may be fairly well supplied over the near-term. Vietnam's January through April coffee exports were seen at 592,000 tonnes (9.87 million bags) compared to 663,000 tonnes (11.05 million bags) during the same period last year, according to their Ministry of Agriculture and Rural Development in its monthly report. This reflects both their sharply lower crop from last season as well as producers holding off on selling their coffee in anticipation of higher prices. March Vietnamese coffee exports were 168,000 tonnes (2.8 million bags) versus the previous estimate of 162,000 tonnes (2.7 million bags), however, which indicates that producers may be getting more aggressive with marketing their supplies.

#### **TODAY'S MARKET IDEAS:**

Brazil's harvest may not reach full speed until early June, so stronger risk sentiment as well as clear signs that coffee stocks are declining in North America and Europe may be needed before the market is able to sustain a recovery move. July coffee near-term support is at 128.40 with resistance found at 133.60.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COFFEE 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.

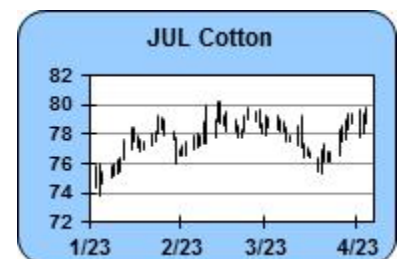
COFFEE (JUL) 04/27/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 127.80. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 132.45 and 134.80, while 1st support hits today at 128.95 and below there at 127.80.

#### **DAILY COTTON COMMENTARY**

04/27/17

#### **In position to see higher supply ahead with big acreage**

The clash of bullish old crop demand news and the outlook for a surge in production for the new crop season continues. Traders await today's weekly export sales report for any clues on short-term demand for US cotton which has been very strong. July cotton inched higher in quiet trade yesterday and managed to push up to the highest level since March 16th as traders expect higher exports and lower 2016/17 ending stocks for the May 10th supply/demand update. However, the May report will also show the first look at the 2017/18 season and traders suspect increasing ending stocks for the US and world numbers for the report. Soil conditions for the key West Texas crop areas looks to be nearly ideal to get the crop planted over the near-term. If this crop gets off to a good start, the market will likely assume at least normal yield which could drive stocks higher next year.



#### **TODAY'S MARKET IDEAS:**

The short-term technical indicators are a bit overbought. Traders will monitor the weekly sales report this morning which could be a short-term force. A focus shift to new crop could be considered bearish. July cotton resistance is at 79.50 and 80.27. Support is back at 77.49 and 76.98.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

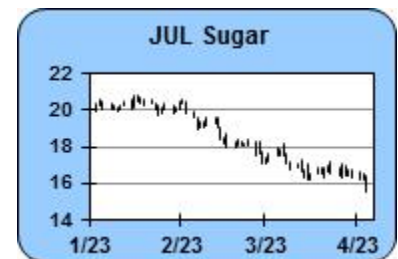
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COTTON (MAY) 04/27/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 81.35. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 80.96 and 81.35, while 1st support hits today at 80.42 and below there at 80.26.

COTTON (DEC) 04/27/2017: 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 next upside objective is 75.41. The next area of resistance is around 75.22 and 75.41, while 1st support hits today at 74.78 and below there at 74.52.

**DAILY SUGAR COMMENTARY****04/27/17****Hit downside targets and oversold but not at extreme**

The market collapsed 4.4% yesterday as traders continue to see ample supply ahead and a continued weak trend for sugar demand. Active long liquidation selling helped to drive the market down to the lowest level since April 20th, 2016. A weekly close below 16.51 would make it twelve consecutive weekly lower closes. A Chinese investigation into sugar imports continues with the Commerce Ministry giving no timeframe as to when a decision will be made. Last week, China introduced the possibility of adding special import duties on top of the current 50% tariff. China is the world's largest importer and bought 3 million tonnes last year, down 37% from 2015 and the lowest since 2011. Brazil's 2017-18 Center-South sugar output is expected to fall to 35.2 million tonnes from 35.6 million last year according to Unica. Sugar cane crushing was seen falling to 585 million tonnes versus 607.1 million last year. Ethanol output is expected to drop to 24.7 billion liters from 25.65 billion last year with millers diverting 46.9% of the cane juice to produce sugar versus 46.3% in 2016-17. The percent of cane used for ethanol is 53.01% compared to 53.7% last year. There seems to be less and less chance that India will need to import sugar this summer.

**TODAY'S MARKET IDEAS:**

The trend remains down and traditional technical readings are not at an extreme yet. In addition, large and small specs combined still held a net long position of 79,289 contracts in the last COT update. Near-term resistance for July sugar is at 15.84 and 16.17, with 15.21 as next good support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR 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.

may appear elsewhere in this report.

SUGAR (JUL) 04/27/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 14.87. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 16.02 and 16.68, while 1st support hits today at 15.12 and below there at 14.87.

### OJ 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.

ORANGE JUICE (MAY) 04/27/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next downside target is 157.05. The next area of resistance is around 162.25 and 163.15, while 1st support hits today at 159.25 and below there at 157.05.

### 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	15.57	21.55	25.02	19.66	12.86	16.17	16.39	16.50	17.62	18.28
CTAK7	80.69	71.71	66.58	81.81	90.81	80.12	78.63	76.84	77.06	76.98
CTAZ7	75.00	65.67	59.54	83.49	92.47	74.98	74.59	73.92	74.51	74.35
CCAN7	1875	40.19	39.47	19.65	24.32	1848.25	1869.22	1959.61	2002.62	2009.48
OJAK7	160.75	46.13	45.09	43.05	41.28	159.05	160.74	160.75	168.05	167.82
KCAN7	130.69	24.90	29.10	18.04	9.14	131.98	137.02	139.02	142.42	144.45
MAK7	15.32	47.07	45.88	42.03	46.28	15.47	15.33	15.36	15.64	16.02

Calculations based on previous session. Data collected 04/26/2017

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	14.86	15.11	15.77	16.02	16.68
CTAK7	Cotton	80.25	80.41	80.80	80.96	81.35
CTAZ7	Cotton	74.51	74.77	74.96	75.22	75.41
CCAN7	Cocoa	1808	1843	1871	1906	1934
OJAK7	Orange Juice	157.00	159.15	160.05	162.25	163.15
KCAN7	Coffee	127.80	128.95	131.30	132.45	134.80
MAK7	Milk	15.19	15.26	15.31	15.38	15.43

Calculations based on previous session. Data collected 04/26/2017

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.