



# DAILY SOFTS CURRENCY COMMENTARY

Monday May 01, 2017

## DAILY COCOA COMMENTARY

05/01/17

### Huge net short from speculator and probe for low with high OI

Cocoa's demand outlook is showing some modest improvement, but it may rely on seeing a downtick in West African output for the market to sustain a recovery move. While July cocoa finished last week with a modest loss of 9 points (0.5% lower), that resulted in a fifth weekly loss in a row. Cocoa prices have a near-term bearish supply set-up to contend with, but there may be some longer-term help on its way. The Ivory Coast Prime Minister stated that his nation's economy is strong despite the challenges due to the slump in cocoa prices and social unrest, but their government cut this year's budget by 10% to deal with lower income from their cocoa crop. In addition, Ghana needs to borrow another \$400 million in order to complete their official cocoa purchases this season. Recent "cartel" action by commodity producing nations (such as this year's Oil Producers Agreement) may not have been particularly effective with supporting prices, but keep in mind that just 7 nations account for over 80% of global cocoa output. Cocoa's net spec short position saw a sizable uptick in the latest COT report that put it close to multi-year highs, which could fuel additional short covering if risk sentiment improves early this week. The Commitments of Traders reports as of April 25th showed Non-Commercial traders were net short 27,188 contracts, an increase of 4,162 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 17,239 contracts, up 4,213 contracts for the week.



### TODAY'S MARKET IDEAS:

Unless there is a strong "risk on" mood to start out the week, cocoa's near-term focus will remain on West African output. If Ivory Coast port arrivals pull back from last week's levels, cocoa could climb up to re-challenge last week's high. Near-term support for July Cocoa is at 1804 with resistance at 1884.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

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

Commitment of Traders - Futures and Options - 4/18/2017 - 4/25/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Softs						
Cocoa	-27,188	-4,162	17,239	+4,212	9,949	-51

### COCOA TECHNICAL OUTLOOK:

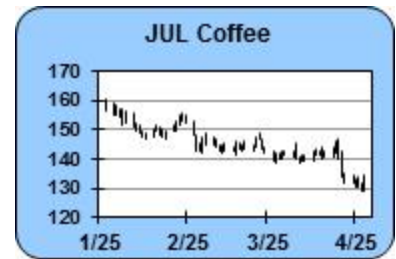
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (JUL) 05/01/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next upside target is 1919. The next area of resistance is around 1879 and 1919, while 1st support

hits today at 1803 and below there at 1767.

**DAILY COFFEE COMMENTARY**  
05/01/17

**In position to absorb increased spec buying ahead**



Coffee's abrupt change of fortune on Friday could signal a turnaround in a market that will see lower global production on the horizon. While just missing out on a daily reversal, July coffee finished last week with a gain of 0.50 cent (up 0.4%) for a weekly reversal from last Thursday's 13-month low that also broke a 4-week losing streak. Demand remains a concern, but market focus will shift towards the upcoming Brazilian coffee crop as some analysts are projecting a drop of 10% to 15% from last year's Arabica year. Keep in mind that Brazil produced 45.5 million bags of Arabica coffee last season, over 45% of the world's total production. A 10% to 15% decline in Brazilian Arabic output would be around 4.5 million to 6.8 million bags. World coffee exports for the month of March fell 2.0% versus last year to 10.72 million bags compared to 10.94 million last year while exports for October/March period were 60.08 million bags, up 4.8% from the previous year's total. ICE exchange stocks rose by only 68 bags on Friday but finished the month of April at 1.408 million as they have risen by over 162,000 bags since the start of this year. The latest COT report saw coffee's net spec long fall by nearly 20,000 contracts, which will make it much easier for the market to sustain a recovery move. The reports, as of April 25th showed Non-Commercial traders were net long 95 contracts, a decrease of 19,836 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 2,244 contracts, down 19,862 contracts for the week.

**TODAY'S MARKET IDEAS:**

With the steep drop in Brazilian production by itself is likely to put coffee in a global supply deficit, a modest uptick in risk sentiment early this week could add further strength to the market's recovery move. Near-term support for July coffee is at 131.40 with resistance at 137.55.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 4/18/2017 - 4/25/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Softs</b>						
Coffee	95	-19,836	-2,244	+19,861	2,149	-26

**COFFEE TECHNICAL OUTLOOK:**

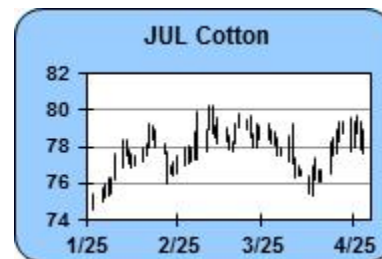
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COFFEE (JUL) 05/01/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next downside objective is 126.77. The next area of resistance is around 136.27 and 138.26, while 1st support hits today at 130.53 and below there at 126.77.

**DAILY COTTON COMMENTARY**  
05/01/17

## Overbought and shift in focus to new crop may pressure

July cotton closed 91 higher on Friday and this left the market down 46 for the week. Given the huge net long position from speculators, it will not take much in the way of bearish news to spark aggressive selling. As of April 20th, cumulative cotton sales stand at 101.7% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 96.1%. Cumulative data still suggests that exports will be revised higher and ending stocks lower in the May 10th update. However, the report will also show the first supply/demand update for the new crop season and with planted area up 21% from last year, a normal yield could result in a surge higher in stocks for the new season. The Commitments of Traders reports as of April 25th showed Non-Commercial traders were net long 108,904 contracts, an increase of 10,744 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 111,471 contracts, up 9,183 contracts for the week and the aggressive buying is a supportive short-term trend but leaves the market in an oversold condition. Commodity Index traders held a net long position of 66,205 contracts. This represents an increase of 3,586 contracts for the week.



### TODAY'S MARKET IDEAS:

The bulls may still be in control due to strong sales and expectations for tighter old crop ending stocks. Technical indicators are turning down from overbought readings and the market looks vulnerable to long liquidation selling ahead. Selling resistance for July cotton is at 79.43 and 80.53 with support at 77.54 and 77.03. If support at 77.03 cannot hold, look for a break to 73.67.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### Commitment of Traders - Futures and Options - 4/18/2017 - 4/25/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Softs</b>						
<b>Cotton</b>	108,904	+10,744	-111,471	-9,184	2,567	-1,561

### 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) 05/01/2017: 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 80.91. The next area of resistance is around 80.68 and 80.91, while 1st support hits today at 79.78 and below there at 79.10.

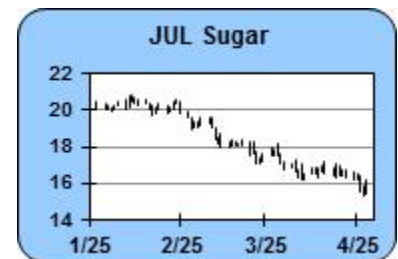
COTTON (DEC) 05/01/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. The daily stochastics have crossed over down which is a bearish indication. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next downside objective is 73.68. The next area of resistance is around 75.02 and 75.29, while 1st support hits today at 74.22 and below there at 73.68.

## DAILY SUGAR COMMENTARY

05/01/17

## Brazil tariffs on ethanol and big delivery supports bounce

Sugar's change of fortune Friday may have taken the market well clear of Thursday's 1-year low for now, but may be due to the market correcting a very oversold condition rather than a longer-term turnaround in the supply/demand outlook. July sugar surged to a high of 16.24 late in the session Friday (up 5.3%) before finishing with a huge gain. However, July sugar finished last week's trading with a loss of 38 ticks that resulted in a 12th consecutive weekly lower close. A very large delivery against the ICE May contract provided a near-term boost to the market as it shows some improvement for global demand prospects. While Brazil is still expected to have sizable 2017/18 sugar production, recent developments may result in a downward shift in expectations. Brazil's Center South sugar cane yield was seen falling 3.9% to 74 tonnes per/hectare from 77 tonnes per/hectare in 2016/17, according to officials at Canaplan who cited older sugar cane fields with an average age of 3.7 years versus 3.5 years last season.



Brazil's Agriculture Minister Blairo Maggi has thrown his support behind a tariff on US ethanol imports after first quarter imports from the US totaled a record 720 million liters. If tariffs encourage Brazilian mills to increase their ethanol production this would result in a further cut to their sugar output this season. The Commitments of Traders reports as of April 25th showed Non-Commercial traders were net long 71,137 contracts, a decrease of 16,347 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 61,806 contracts, down 17,483 contracts in just one week.

### TODAY'S MARKET IDEAS:

While there are some recent supply-side developments that supported sugar's recovery, month-end short-covering as well as the ICE May delivery provided the main source of fuel. If risk appetites do not show a positive tone early this week, sugar's rebound could run out of steam fairly quickly. Near-term resistance for July sugar is at 16.44 and 17.08, with 15.86 support.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### Commitment of Traders - Futures and Options - 4/18/2017 - 4/25/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Softs</b>						
<b>Sugar</b>	71,137	-16,347	-61,806	+17,482	-9,331	-1,136

### 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.

SUGAR (JUL) 05/01/2017: The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. 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 upside target is 16.81. The next area of resistance is around 16.54 and 16.81, while 1st support hits today at 15.71 and below there at 15.14.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 05/01/2017: Momentum studies trending lower at mid-range could accelerate a price

break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 154.20. The next area of resistance is around 159.85 and 161.15, while 1st support hits today at 156.40 and below there at 154.20.

## 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	16.13	43.48	39.88	18.35	22.56	15.85	16.22	16.39	17.42	18.13
CTAK7	80.23	63.81	61.79	84.15	86.30	80.24	79.40	77.21	77.24	77.10
CTAZ7	74.62	54.52	53.59	83.99	83.86	74.73	74.73	74.00	74.54	74.43
CCAN7	1841	35.29	36.32	24.90	29.88	1859.00	1854.44	1931.83	1995.33	2000.75
OJAK7	158.05	42.74	42.93	36.55	30.48	158.28	160.15	160.93	167.57	167.44
KCAN7	133.40	40.08	38.94	14.51	14.49	131.50	134.59	137.96	141.47	143.68
MAK7	15.35	48.09	46.86	47.36	50.97	15.37	15.38	15.31	15.58	15.96

Calculations based on previous session. Data collected 04/28/2017

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	15.13	15.70	15.97	16.54	16.81
CTAK7	Cotton	79.09	79.77	80.00	80.68	80.91
CTAZ7	Cotton	73.67	74.21	74.48	75.02	75.29
CCAN7	Cocoa	1767	1803	1843	1879	1919
OJAK7	Orange Juice	154.15	156.35	157.65	159.85	161.15
KCAN7	Coffee	126.76	130.52	132.51	136.27	138.26
MAK7	Milk	15.15	15.24	15.36	15.45	15.57

Calculations based on previous session. Data collected 04/28/2017

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