



DAILY SOFTS CURRENCY COMMENTARY

Tuesday May 02, 2017

DAILY COCOA COMMENTARY

05/02/17

Big production clashing with big net short from spec

Short-term bearish supply issues continue to limit an advance. Cocoa prices fell 12% during the month of April as they were weighed down by this season's ample West African supplies. In a speech, Ivory Coast President Ouattara suggested that his nation's farmers raised the production of cocoa beans. This season's early supply bottlenecks and political unrest were a key factor with the quality problems seen with this season's crop. Keep in mind, however, that the International Cocoa Organization as well as many analysts are already projecting Ivory Coast production this season at 1.9 million to 2.0 million tonnes which is well into record-high territory. While the mid-crop harvest in West Africa has been underway since the start of April, many areas in the region could see ample rains this week which could slow the gathering of cocoa beans. However, some analysts feel that this precipitation will boost flowering of trees for the 2017/18 main harvest that starts during the fourth quarter.



TODAY'S MARKET IDEAS:

Europe comes back on line after yesterday's holiday which could lead to some "bargain" commercial buying. Unless (or until) a bearish near-term West African supply situation can change, cocoa will need stronger risk sentiment and additional help from the demand side of the market to sustain a recovery move. Near-term support for July Cocoa is at 1787 with resistance at 1860 and 1899.

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) 05/02/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 1849. The next area of resistance is around 1828 and 1849, while 1st support hits today at 1796 and below there at 1784.

DAILY COFFEE COMMENTARY

05/02/17

May have already priced-in big stocks US and Europe

A 2-session and more than 6 cent rebound has lifted coffee prices more than halfway back from last week's lows for the move to the April high. July coffee



traded up to 137.40 (up 3.0%) before finishing Monday's trading session with a second sizable gain in a row. Holidays for many nations led to thin trading conditions and choppy price action, but coffee spent all of yesterday's trading in positive territory. While coffee's net spec long was nearly balanced in the latest COT report, the managed money category flipped their net position from long to short last week by selling 13,847 contracts which made them net short 8,769 contracts. This may explain a sizable portion of the short-covering seen on Friday and Monday, while month-end profit-taking on short coffee positions also played a role. Commercials may not be aggressive in acquiring coffee with North America and Europe appearing to be well-supplied for the near term, but there may be a change on the horizon. Many analysts have forecast a global supply deficit for the upcoming season, even taking into account current lukewarm demand. ICE exchange coffee stocks rose by 1,975 bags on Monday to continue this year's uptrend. With these stocks housed at warehouses in North America and Europe, they are widely seen as a demand gauge for both regions.

TODAY'S MARKET IDEAS:

The Brazilian harvest will start later this month and should confirm a sharp drop-off in production. If stronger risk sentiment can improved the demand outlook as well, coffee prices may have further upside to go before this recovery move runs out of steam. Near-term support for July coffee is at 134.10 with resistance at 139.65. Consider buying July Coffee 130.00/135.00 bull call spread for a net cost of 1.50 or better with an objective of 4.70.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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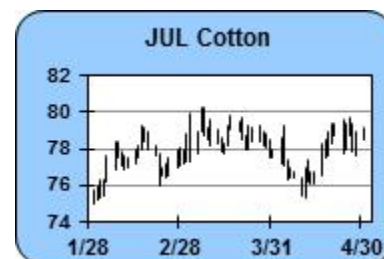
COFFEE (JUL) 05/02/2017: The daily stochastics gave a bullish indicator with a crossover up. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 139.46. The next area of resistance is around 137.72 and 139.46, while 1st support hits today at 133.98 and below there at 131.97.

DAILY COTTON COMMENTARY

05/02/17

Consolidating with firm old crop demand vs. big 2017 production

The market remains in a choppy, consolidation phase just under the May highs. Continued strong old crop demand and hopes that US cotton will see weak yields on the jump of 21% in planted area helped to support the market in recent weeks. The market closed slightly higher in quiet trade on Monday. The International Cotton Advisory Committee raised their world production estimate for the 2017/18 season to 23.58 million tonnes from 23.12 million in April and 22.76 million last year. Ending stocks, however, are pegged at 16.41 million tonnes from 16.55 million last month and 17.37 million last year. ICE exchange deliverable stocks increased to 303,994 bales from 302,037 bales the previous session with 1,872 bales pending review. The weekly Cotton Planting report showed that 14% of the crop is planted compared to 11% last week and 15% last year. The 10 year average for this time of year is 19%. The highest percent complete was 40% in 1994, while the lowest was this week at 14% complete which tied with 2015 which was also 14%. Texas is 13% complete vs. the 10-year average of 18%.



TODAY'S MARKET IDEAS:

Technical indicators are turning down from overbought readings, and the market looks vulnerable to long liquidation selling ahead. The COT report also shows a historically high spec net long position. Selling resistance for July cotton is at 79.43 and 80.38 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.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 05/02/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. The close over the pivot swing is a somewhat positive setup. The next upside target is 80.45. The next area of resistance is around 80.45 and 80.45, while 1st support hits today at 80.45 and below there at 80.45.

COTTON (DEC) 05/02/2017: The crossover up in the daily stochastics is a bullish signal. Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 75.17. The next area of resistance is around 75.03 and 75.17, while 1st support hits today at 74.56 and below there at 74.22.

DAILY SUGAR COMMENTARY

05/02/17

In position for bounce but not much more; Brazil weather good

Factors which supported the market off of the lows last week included a big delivery against the May futures, a possible tariff on ethanol imports by Brazil (which could funnel more cane to ethanol) and talk of the potential for lower yields from Brazil this year due to old cane plants. July sugar closed slightly higher on the session yesterday after choppy and two sided trade. The managed money category from the COT update reduced their net long positions by 17,719 contracts to 13,656 contracts as of April 25th. ICE Futures Europe reported money managers increased their net longs by 810 contracts to 12,228 contracts. Raw sugar deliveries for the May contract totaled 1.52 million tonnes of which Cofco International delivered 1.49 million tonnes, or the equivalent of 29,404 contracts. The total delivered was larger than expected and the second largest ever for a delivery of the May ICE sugar contract. There was a diverse group of companies interested in taking the sugar including EDF Man, Dreyfus, Wilmar and Copersucar.



TODAY'S MARKET IDEAS:

Factors which could limit the recovery bounce include a massive European Union beet crop this season and talk that India will shift from a production deficit to a production surplus for the 2017/18 season. Brazil weather shows a bearish tilt with a dry forecast through Thursday. Stiff resistance for July sugar comes in at 16.73 and 17.06. Support is at the 15.90 to 15.79 zone. After 12 weeks in a row of lower closes, the market could bounce.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/02/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 16.65. The next area of resistance is around 16.42 and 16.65, while 1st support hits today at 15.94 and below there at 15.70.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 05/02/2017: The daily stochastics gave a bullish indicator with a crossover up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 163.10. The next area of resistance is around 162.25 and 163.10, while 1st support hits today at 160.30 and below there at 159.15.

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
SOFTS MARKETS COMPLEX										
SBAN7	16.18	44.79	40.84	22.68	31.33	15.83	16.15	16.38	17.35	18.06
CTAK7	80.45	64.93	62.57	85.14	87.12	80.17	79.80	77.52	77.32	77.15
CTAZ7	74.80	57.72	55.58	84.03	84.10	74.68	74.77	74.10	74.56	74.45
CCAN7	1812	31.52	33.81	25.95	28.04	1849.00	1842.89	1915.17	1991.11	1995.80
OJAK7	161.25	49.89	47.40	36.57	36.61	159.08	159.88	161.28	167.49	167.41
KCAN7	135.85	48.22	44.80	17.57	23.69	132.36	133.51	137.73	141.19	143.43
MAK7	15.32	46.94	46.19	47.48	47.72	15.37	15.40	15.30	15.56	15.92

Calculations based on previous session. Data collected 05/01/2017

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
SOFTS MARKETS COMPLEX						
SBAN7	Sugar	15.69	15.94	16.17	16.42	16.65
CTAK7	Cotton	80.45	80.45	80.45	80.45	80.45
CTAZ7	Cotton	74.21	74.55	74.69	75.03	75.17
CCAN7	Cocoa	1783	1795	1816	1828	1849
OJAK7	Orange Juice	159.10	160.25	161.10	162.25	163.10
KCAN7	Coffee	131.96	133.97	135.71	137.72	139.46
MAK7	Milk	15.22	15.27	15.31	15.36	15.40

Calculations based on previous session. Data collected 05/01/2017

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