



# DAILY SOFTS CURRENCY COMMENTARY

Wednesday May 03, 2017

## DAILY COCOA COMMENTARY

05/03/17

### Record crops in West Africa keep trend down

Cocoa is staying above its mid-April contract low for now, but has not seen the rebound in risk appetites needed to offset a bearish near-term supply outlook. Commercial buying has been lukewarm at best early this week. The latest weekly reading on Ivory Coast cocoa port arrivals came in well above the comparable period last year and was just below the main crop totals seen at the start of this year. This season's arrivals total remains far ahead of last season's pace one month after the start of the mid-crop harvest, which for now supports forecasts for a sizable 2016/17 global production surplus. However, recent size and quality issues could reduce the flow of export-grade cocoa beans to Ivory Coast ports over the near future. Last week's quarterly earnings report from Hershey reflected a recent pattern seen from European and North American chocolate makers, in that better than expected earnings were combined with lower than expected revenue. Asian demand growth is expected to remain fairly strong going forward, but a sluggish demand outlook for Europe and North America needs to improve for cocoa to lift decisively clear of multi-year low levels.



### TODAY'S MARKET IDEAS:

While there are signs that last April's contract low could prove to be a longer-term low, the market still needs help with sustaining upside momentum. It may take well into the West African mid-crop harvest to see any shift in cocoa's supply outlook. Close-in resistance for July cocoa is at 1826 with 1701 as next downside target.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

\* Hit stop for a loss of 37 points on the long July Cocoa 2100/2300 bull call spread.

### 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) 05/03/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 1864. The next area of resistance is around 1831 and 1864, while 1st support hits today at 1779 and below there at 1759.

## DAILY COFFEE COMMENTARY

05/03/17

### Showing some signs of better demand ahead of smaller harvest

Coffee has a bullish Brazilian production outlook to provide underlying support, but it may have been Asian supply/demand news that helped the market finish



yesterday with a third positive close in a row. Commercials may not be aggressive in acquiring coffee with North America and Europe appearing to be well-supplied for the near term. However, Japan will start checking all coffee imported from Colombia after discovering beans tainted with pesticide exceeding a government-set limit according to their Health Minister. A sample of imported Colombian green coffee beans contained 0.20 ppm of chlorpyrifos, which exceeds the official limit of 0.05 ppm. Japan bought 67,197 tonnes of green coffee from Colombia last year, which is over 15% of that nation's total coffee imports. Growth in China's middle class and continued urbanization has Starbucks planning to add 500 stores per year in that nation, reaching 5,000 in 200 cities by 2021. Starbucks already has a 73% market share of the \$2.4 billion in specialty coffee shop sales in China. Honduran coffee exports jumped 15.5% to 821,318 bags in April compared to 713,122 bags last year according to the Honduran Coffee Institute, which gives further evidence of stronger Central American production this season.

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

Keep in mind that Japan is the world's third largest coffee importer while China is the seventh largest, so recent events could help to offset lukewarm demand signs that the market has been dealing with since the start of this year. Near-term support for July coffee is at 134.15 with resistance at 139.65. Look for continued bounce to 141.80.

#### **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) 05/03/2017: 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 close over the pivot swing is a somewhat positive setup. The next upside objective is 139.00. The next area of resistance is around 137.94 and 139.00, while 1st support hits today at 134.55 and below there at 132.20.

#### **DAILY COTTON COMMENTARY**

05/03/17

#### **Still finding support from strong US exports but big new crop**

The cotton market remains in a consolidation phase, but the three-day rally leaves July futures up near the high end of the two-month range. Ideas that there is much uncertainty ahead for the northern hemisphere crops plus continued strong demand for US cotton has helped to support the rally. While import demand for US cotton has been strong this year from places like Indonesia and even India, the outlook for larger planted area from key producers for the coming year could cause demand to slow. Indonesian officials want to reduce imports by about 30% to keep local producers competitive after active imports over the past two seasons. ICE exchange deliverable stocks increased to 321,742 bales from



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

Exports are likely to be revised higher and ending stocks lower for the old crop season in the next USDA supply/demand outlook. However, for the 2017/18 season, India planted area is expanding by 7% with 3% in China and 21% in the US might indicate sharply higher production; especially if weather is normal. There are no signs of a top yet, with close-in support for July cotton at 77.81 and resistance at 80.03.

#### **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) 05/03/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 80.83. The next area of resistance is around 80.83 and 80.83, while 1st support hits today at 80.83 and below there at 80.83.

COTTON (DEC) 05/03/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 75.33. The next area of resistance is around 75.18 and 75.33, while 1st support hits today at 74.68 and below there at 74.33.

**DAILY SUGAR COMMENTARY**

05/03/17

**Specs still long and trend down; Brazil ethanol exports back up**

The technical action is weak and the market remains in a steady downtrend. The lack of a weather issue in Brazil and the outlook for much larger production in Europe and India for the coming year are seen as bearish forces. July sugar traded to a 5-session high yesterday before a selloff to trade moderately lower on the session and an outside-day down. The large raw sugar delivery by Cofco saw the emergence of five quality receivers, and could point to a renewed sense of improved demand. Also, in a note from JP Morgan they see a constructive price outlook for sugar with a deceleration of negative price momentum from speculative fund selling. Cane areas in Brazil's Sao Paulo region could see beneficial rains this week boosting yields for crops to be harvested by year end but could slow harvest.



Green Plains CEO, Todd Becker stated that there is a 50% chance of a Brazilian ethanol tariff on a conference call with investors. Brazil's 2017-18 Center South sugar output was estimated at 35.5 million tonnes compared to 35.6 million in 2016-17 according to a Brazil firm. They also see 2017-18 sugar cane crushing falling to 585 million tonnes from 607 million last year. Brazil exports of sugar for April reached 1.125 million tonnes from 1.144 million in March and 1.232 million in April of last year. Brazil exports of ethanol reached 127.5 million liters from 53.9 million in March and 71.8 million in April of last year.

**TODAY'S MARKET IDEAS:**

The trend remains down and the short-term technical action is bearish as the outside-day down yesterday is seen as a negative pattern. A close below 15.79 for July sugar would suggest a resumption of the downtrend, with 14.92 as next downside target. Resistance is at the 16.05 to 16.19 zone.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/03/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The close below the 1st swing support could weigh on the market. The near-term upside target is at 16.70. The next area of resistance is around 16.22 and 16.70, while 1st support hits today at 15.54 and below there at 15.33.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 05/03/2017: 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 gap down on the day session chart is bearish with more selling pressure possible today. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 161.45. The next area of resistance is around 160.85 and 161.45, while 1st support hits today at 158.45 and below there at 156.60.

## 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	15.88	38.75	37.02	25.38	30.78	15.91	16.08	16.36	17.28	17.98
CTAK7	80.83	66.90	63.94	86.56	89.40	80.21	80.15	77.85	77.43	77.21
CTAZ7	74.93	60.00	57.01	84.57	85.65	74.66	74.82	74.18	74.58	74.46
CCAN7	1805	30.63	33.21	26.08	26.33	1831.50	1835.33	1898.06	1986.93	1990.93
OJAK7	159.65	46.57	45.45	36.84	37.37	158.80	159.16	161.21	167.54	167.34
KCAN7	136.25	49.48	45.72	21.82	30.31	133.75	133.02	137.54	141.03	143.18
MAK7	15.33	47.41	46.46	46.71	45.16	15.38	15.41	15.30	15.54	15.89

Calculations based on previous session. Data collected 05/02/2017

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	15.32	15.53	16.01	16.22	16.70
CTAK7	Cotton	80.83	80.83	80.83	80.83	80.83
CTAZ7	Cotton	74.33	74.68	74.83	75.18	75.33
CCAN7	Cocoa	1758	1778	1811	1831	1864
OJAK7	Orange Juice	156.55	158.40	159.00	160.85	161.45
KCAN7	Coffee	132.19	134.54	135.60	137.94	139.00
MAK7	Milk	15.20	15.25	15.35	15.40	15.50

Calculations based on previous session. Data collected 05/02/2017

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