



DAILY COCOA COMMENTARY
05/05/17

Successful test of lows opens door for short-covering bounce

Failure to push below Wednesday's lows for July cocoa attracted buying support and the successful test of the April lows is a supportive technical development. A strong rally in the Eurocurrency above the 1.10 per Dollar level for the first time since mid-November helped to improve demand prospects from a region that accounts for over one-third of all global cocoa grindings. Malaysian cocoa grindings were forecast at 200,000 tonnes in 2017 compared to 203,093 tonnes last year and 187,695 tonnes in 2015, according to the Malaysian Cocoa Board.

Demand from Asia and the Middle East is expected to remain firm as Asian grindings have posted double-digit year-over-year gains for three straight quarters. Ghana is considering lowering prices for cocoa beans it sells to local grinders in a bid to boost processing volumes and create more employment. With Ghana needing to borrow an extra \$400 million to complete this season's official purchases, however, selling their beans below cost may not receive strong support. The latest COT report will be released after today's close and will reflect a 47 point decline between the April 25th and May 2nd measuring dates. This should put cocoa's net spec short position near a multi-year high.



TODAY'S MARKET IDEAS:

There is unlikely to be fresh supply-side news until next week which will keep focus on demand and possibly short-covering. A rebound in global risk sentiment would clearly help, but cocoa's main source of support may come from the Eurocurrency if it can maintain upside momentum after today's US jobs data. Near-term support for July cocoa is at 1805 and 1792 with resistance at 1899.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COCOA TECHNICAL OUTLOOK:

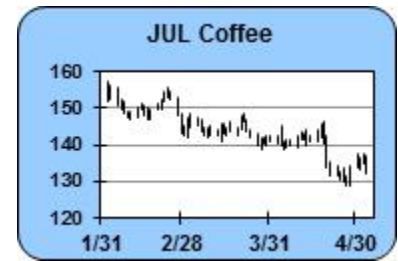
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (JUL) 05/05/2017: The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 1895. The next area of resistance is around 1875 and 1895, while 1st support hits today at 1803 and below there at 1752.

DAILY COFFEE COMMENTARY
05/05/17

May have supply fundamentals to see more than technical bounce

Just as focus appeared to be shifting towards an upcoming bullish supply outlook, coffee's demand issues have come back to haunt the market. While a commodity liquidation selloff produced heavy losses in gold and crude oil, this "risk off" mood was particularly damaging for coffee prices as it emphasizes lukewarm demand levels in North America and Europe since the start of this year. ICE exchange coffee stocks (with warehouses in both regions) fell by 557 bags on Thursday, but have risen for 4 months in a row and are up more than 166,000 bags (13.3%) higher since the end of December. Guatemala's April coffee exports rose to 409,560 bags compared to 405,891 bags last year and 343,880 bags last month according to their National Coffee Association. Both Guatemala and Honduras (Central America's top 2 coffee producers) are showing evidence that production in the region remains fairly strong this season. While coffee's net spec position was nearly balanced in the last COT report, a 3.85 cent price increase (2.9% higher) between measuring dates could lead to a moderate increase in the net long position.



TODAY'S MARKET IDEAS:

Brazil remains on-course for a sizable decline in production which will keep coffee on-course for a global supply deficit. If demand can show some tangible signs of improvement, coffee prices may be heading back towards a retest of the mid-April highs. Near-term support for July coffee is at 131.55 with resistance at 137.00.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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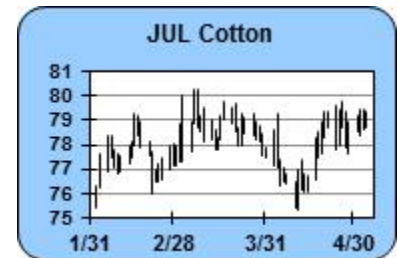
COFFEE (JUL) 05/05/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 139.46. The next area of resistance is around 137.27 and 139.46, while 1st support hits today at 132.63 and below there at 130.17.

DAILY COTTON COMMENTARY

05/05/17

Great soil conditions and clear weather to plant; weak

We continue to believe that the short-term supportive facts of strong US export sales and tightening old crop ending stocks are "less" important factors when considering the enormous supply situation which is possible for the new crop season. Old crop export sales remain strong which should tighten beginning stocks for the 2017/18 season (maybe by 200,000 bales) but with planted area up 21% from last year and maybe more, any yield close to last year leaves a surge in ending stocks to a multi-year high. If we use an 816 lbs./acre yield vs. 869 last year, ending stocks jump to 6.44 million bales which would be the highest since 2007/08 and compares with 3.7 million this year. In calculating the 6.44 million carryout, we used beginning stocks of 3.5 million bales. Indian planted area is expanding by 7% with 3% in China and Pakistani production could be up 8-10% this year.



Improved planting weather for Texas (no rain in 5-day outlook) plus the possibility of long liquidation selling (large and small specs combined net long 111,471 contracts vs record 138,281) are seen as possible short-term bearish forces. Net weekly export sales came in at 152,400 bales for the current marketing year and 97,200 for the next

marketing year for a total of 249,600 bales. As of April 27th, cumulative cotton sales stand at 102.9% of the USDA forecast versus a 5 year average of 97.0%.

TODAY'S MARKET IDEAS:

After a long consolidation period and an overbought status, good planting weather into well-watered West Texas soil could be enough news to spark increased selling pressure ahead. July cotton close-in selling resistance is at 79.02 with 77.55 and 77.03 as key support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Long July cotton 77.00 put from 115 with an objective of 325. Risk to 50.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 05/05/2017: The market made a new contract high on the rally. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 82.20. The next area of resistance is around 81.50 and 82.20, while 1st support hits today at 80.16 and below there at 79.51.

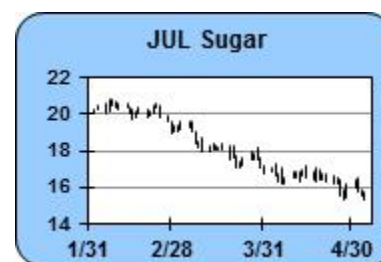
COTTON (DEC) 05/05/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up on the daily chart is somewhat positive. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 74.22. The next area of resistance is around 75.02 and 75.30, while 1st support hits today at 74.48 and below there at 74.22.

DAILY SUGAR COMMENTARY

05/05/17

Weakness in crude and corn adds to bearish momentum; 14.92 next

A general "risk off" mood throughout commodity markets has helped to keep sugar prices on the defensive. July sugar traded to a new 12 1/2 month low yesterday. A close below 16.13 this week will result in the thirteenth consecutive weekly lower close. A 4.8% drop in crude oil prices and a 2.2% decline in corn prices were particularly damaging to sugar as they weaken demand for ethanol. Brazil's Chamber of Foreign Trade has postponed a decision on whether it will reinstate the ethanol import tariff until its next meeting on May 21st. If they hold off on ethanol import tariffs, Brazilian mills are likely to keep sugar's share of crushing at 48% or higher. Brazil's top-producing state of Sao Paulo has daily rainfall in the forecast through Saturday, but then has a period of dry weather through the end of next week which should get harvesting and crushing back to full speed. The latest COT report will be released after today's close and will reflect a 40 tick decline (2.5% lower) between the April 25th and May 2nd measuring dates. This should result in a moderate decline to sugar's net spec long position.



TODAY'S MARKET IDEAS:

Even if global sentiment turns around later today, sugar prices will be pressured by sizable Brazilian production followed by a sharp uptick with Indian and Thai output later this year. July sugar will find near-term resistance 15.79 with 14.92 as the next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/05/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 14.95. The next area of resistance is around 15.62 and 15.96, while 1st support hits today at 15.12 and below there at 14.95.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 05/05/2017: 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 outside day down is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 147.70. The next area of resistance is around 152.90 and 156.05, while 1st support hits today at 148.75 and below there at 147.70.

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	15.37	30.20	31.32	24.39	20.46	15.80	15.88	16.25	17.12	17.82
CTAK7	80.83	66.24	63.59	88.45	89.74	80.70	80.43	78.61	77.59	77.36
CTAZ7	74.75	54.94	54.13	82.21	79.80	74.75	74.76	74.39	74.58	74.49
CCAN7	1839	42.94	40.69	25.71	27.72	1809.00	1832.00	1871.50	1982.27	1982.95
OJAK7	150.80	32.38	36.26	27.88	16.70	156.64	157.45	159.89	167.15	166.98
KCAN7	134.94	45.26	43.51	30.04	36.42	136.13	133.60	136.98	140.59	142.78
MAK7	15.48	54.96	50.84	46.49	48.59	15.36	15.39	15.33	15.51	15.83

Calculations based on previous session. Data collected 05/04/2017

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	14.94	15.11	15.45	15.62	15.96
CTAK7	Cotton	79.50	80.15	80.85	81.50	82.20
CTAZ7	Cotton	74.22	74.48	74.76	75.02	75.30
CCAN7	Cocoa	1751	1803	1823	1875	1895
OJAK7	Orange Juice	147.65	148.70	151.85	152.90	156.05
KCAN7	Coffee	130.16	132.62	134.81	137.27	139.46
MAK7	Milk	15.33	15.41	15.46	15.54	15.59

Calculations based on previous session. Data collected 05/04/2017

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