



DAILY SOFTS CURRENCY COMMENTARY

Tuesday May 09, 2017

DAILY COCOA COMMENTARY

05/09/17

Three-day surge may help correct oversold; 2003 resistance

With funds holding a record net short position, it did not take much in the way of bullish supply-side news to extend the current rebound. July cocoa closed sharply higher yesterday. Over the past three trading sessions, July cocoa has risen 175 points (9.8% higher) as a multi-year high in cocoa's net spec short position provided significant fuel for short-covering. Reports that protestors had blocked one of the main roads into a major Ivory Coast city gave a mild boost to supply anxiety, even if there was little if any supply disruption. This incident could indicate that the political tensions seen late last year may not be fully extinguished. This leaves open the possibility of further and more serious flare-ups over the near future that could cause supply bottlenecks for cocoa beans heading towards major Ivory Coast ports of Abidjan and San Pedro. The latest reading on weekly Ivory Coast port arrivals came in well above last year's comparable total, with the full season total running far ahead of last season's pace. However, there was a downtick from the previous weekly total which could indicate that mid-crop supply may be starting to tail off.



TODAY'S MARKET IDEAS:

The near 10% jump in prices over the past 3 sessions leaves cocoa vulnerable to a near-term pullback, but keep in mind the market should have a decent-sized net spec short. Near-term support for July cocoa is at 1954 and 1911, with 2003 and 2051 as resistance.

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.

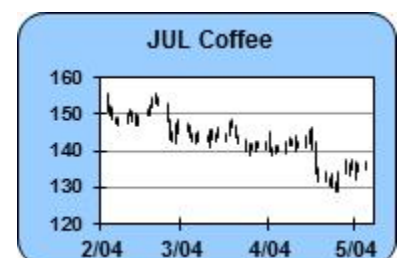
COCOA (JUL) 05/09/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 2025. The next area of resistance is around 1999 and 2025, while 1st support hits today at 1911 and below there at 1850.

DAILY COFFEE COMMENTARY

05/09/17

Choppy trade above April 28th reversal lows; chop

With the market over 5% above the late April lows, it may be surprising that coffee had a net short position in the latest COT report. In fact, money



managers increased their net short position to the largest total since March of 2016. Demand remains problematic for coffee, particularly with ICE exchange coffee stocks in-line for a fifth monthly build in a row for the first time since 2012/13. Coffee continues to find support from a bullish supply outlook as global production will see a notable decline. Rains are expected in the next two days over Brazilian coffee-growing areas of Espirito Santo, Bahia and Minas Gerais which are expected to maintain favorable conditions, but an "off year" crop normally results in a 5 to 6 million bag production decline from the previous season. Colombia has rebuilt their coffee output over several seasons as it is over 40% above 2012/13 production levels. While April's 20% output decline from last year may be a "one-off" occurrence, it could indicate that Colombian production may be reaching a plateau between 14 million and 15 million bags per year.

TODAY'S MARKET IDEAS:

While demand remains a concern, coffee's near-term supply outlook remains supportive and should keep prices underpinned. Near-term chart support for July coffee is at 132.90 with resistance at 139.65.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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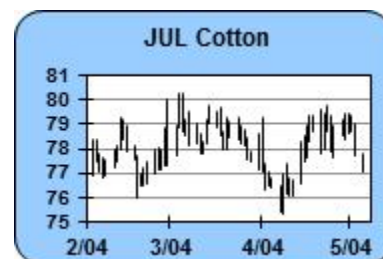
COFFEE (JUL) 05/09/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 138.50. The next area of resistance is around 137.90 and 138.50, while 1st support hits today at 135.90 and below there at 134.50.

DAILY COTTON COMMENTARY

05/09/17

Rains in Texas slow plantings but set-up for big crop

With the much higher than normal speculative net long position and the first supply/demand estimates from the USDA for the 2017/18 season this week, the market is vulnerable to increased selling pressures if support levels do not hold. Using an abandonment rate of 10% (5.3% last year) and a yield of 850 pounds/acre vs. 869 last year, we see ending stocks at 5.57 million bales as compared with 3.7 million this year. Old crop ending stocks are likely to be revised down to near 3.5 million bales from 3.7 million last year due to higher exports. For the report on Wednesday, traders see new crop ending stocks at 4.6 million bales with a range of 3.5 to 5.9 million bales. As a result, any estimate close to our forecast would be seen as bearish. July cotton closed moderately lower yesterday and is already down as much as 239 points (3% lower) off of last week's highs. Talk of good planting weather for the US and China and talk of larger crops this year for India and Pakistan helped to pressure. For the weekly crop progress report, cotton plantings reached 21% complete as compared with 14% last week and 25% last year. The 10 year average for this time of year is 28%. The lowest planted by this date was 19% complete in 2013. Texas is 16% complete as compared with the 10-year average of 22%.



TODAY'S MARKET IDEAS:

Trend-following fund traders held a net long position of 98,805 contracts as of May 2nd and this leaves the market vulnerable to long liquidation selling if support levels are violated. July cotton managed to hold key support 77.03, and a close below this level would suggest a break to 73.67. The longer-term uptrend channel off of the February 29th, 2016 contract lows comes in at 76.30 today and 76.36 tomorrow. Penetration of this level would turn the longer-term trend down.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

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

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) 05/09/2017: The major trend has turned down with the cross over back below the 60-day moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The gap lower on the day session chart is bearish and puts the market on the defensive. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 76.26. The next area of resistance is around 77.13 and 77.65, while 1st support hits today at 76.43 and below there at 76.26.

COTTON (DEC) 05/09/2017: Momentum studies trending lower at mid-range could accelerate a price break 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 close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 72.63. The next area of resistance is around 73.78 and 74.42, while 1st support hits today at 72.88 and below there at 72.63.

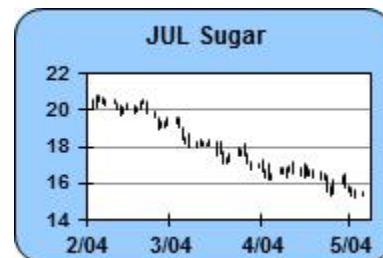
DAILY SUGAR COMMENTARY

05/09/17

Sugar beet plantings in France up 17.2% from last year!

Sugar prices have found some near-term footing with the last 3 closes in a 7-tick range, but will need positive supply/demand news to extend any recovery move. July sugar kept within a narrow range yesterday before finishing with a modest gain. Concerns over reduced Indian imports as well as the potential of higher duties on Chinese sugar imports continue to weigh on the sugar market, as two major trade houses recently forecast global production surpluses for the 2017/18 season of 1.8 million tonnes and 4 million tonnes, respectively.

Upcoming production is expected to increase in Brazil, the EU, India, Thailand and China, which means that all of the top-5 sugar-growing areas (accounting for over 55% of total global sugar production) will see larger output during the 2017/18 season. Some firms see sugar prices rebounding by the second half of 2017 and into 2018, however, as emerging market producer currencies will not have as many headwinds. Sao Paulo-based Archer Consulting feels that sugar could have reached a bottom as current prices are too low to meet production costs. They see the spread between ethanol and sugar prices as already too tight, which could spur millers to produce more biofuel. The managed money category in the recent COT report was net short 5,932 contracts, the first time that category was net short since late September of 2015.

**TODAY'S MARKET IDEAS:**

Sugar prices could benefit if crude oil and corn can put together longer-term recovery move that in turn can boost sugar-based ethanol demand. Until that occurs, larger upcoming production is likely to pressure. July sugar will find near-term resistance at 15.92, with 14.92 as the next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/09/2017: 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 market's close below the pivot swing number is a mildly negative setup. The next downside target is 15.15. The next area of resistance is around 15.50 and 15.64, while 1st support hits today at 15.26 and below there at 15.15.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 05/09/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside objective is now at 147.55. The next area of resistance is around 149.70 and 150.00, while 1st support hits today at 148.50 and below there at 147.55.

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 | 15.38 | 31.92 | 32.36 | 18.31 | 12.54 | 15.46 | 15.67 | 16.10 | 16.94 | 17.65 |
| CTAK7 | 76.78 | 35.04 | 42.36 | 77.92 | 60.49 | 79.52 | 79.95 | 78.96 | 77.63 | 77.42 |
| CTAZ7 | 73.33 | 32.52 | 38.89 | 66.45 | 45.45 | 74.18 | 74.49 | 74.44 | 74.53 | 74.47 |
| CCAN7 | 1955 | 62.36 | 54.81 | 37.88 | 55.28 | 1860.00 | 1849.00 | 1864.22 | 1980.47 | 1979.42 |
| OJAK7 | 149.05 | 33.25 | 36.22 | 17.79 | 9.56 | 150.50 | 155.33 | 158.06 | 166.34 | 166.30 |
| KCAN7 | 136.90 | 52.10 | 48.19 | 35.20 | 40.54 | 136.25 | 134.52 | 136.32 | 140.16 | 142.37 |
| MAK7 | 15.55 | 57.43 | 52.61 | 53.10 | 59.92 | 15.48 | 15.42 | 15.38 | 15.49 | 15.78 |

Calculations based on previous session. Data collected 05/08/2017

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 | 15.14 | 15.25 | 15.39 | 15.50 | 15.64 |
| CTAK7 | Cotton | 76.25 | 76.42 | 76.95 | 77.13 | 77.65 |
| CTAZ7 | Cotton | 72.62 | 72.88 | 73.52 | 73.78 | 74.42 |
| CCAN7 | Cocoa | 1849 | 1911 | 1937 | 1999 | 2025 |
| OJAK7 | Orange Juice | 147.50 | 148.45 | 148.75 | 149.70 | 150.00 |
| KCAN7 | Coffee | 134.50 | 135.90 | 136.50 | 137.90 | 138.50 |
| MAK7 | Milk | 15.43 | 15.49 | 15.55 | 15.61 | 15.67 |

Calculations based on previous session. Data collected 05/08/2017

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