



DAILY SOFTS CURRENCY COMMENTARY

Friday May 12, 2017

DAILY COCOA COMMENTARY

05/12/17

Coiled up and seems set for some additional short-covering

Cocoa has seen tight coiling price action over the past three sessions that echoes the pattern seen in late March and early April. In order for cocoa to climb above its 50-day moving average and extend this recovery move, it may need to see stronger outside markets and improved risk sentiment. While Asian demand growth has been decent, European and North American demand has room for improvement which in turn can offset what is still a bearish West African near-term supply outlook. Ghana's full-season cocoa purchases were seen at 750,001 tonnes as of April 27th according to the Ghana Cocoa Board, which is running well ahead of last season's pace. Ivory Coast raised its target for a planned sale of Eurobonds to 1.25 billion Euros from 1.0 billion with the new bond having a 15-year maturity. The world's biggest cocoa producer is selling debt as lower prices for cocoa beans weighed on revenues, while expenses soared following the government's decision to pay bonuses to civil servants and soldiers in order to defuse social unrest. The latest COT report will be released after the close and will reflect a hefty 155 point rally (8.5% higher) between the May 2nd and 9th measuring dates. While this should result in a significant reduction, cocoa should still show a net spec short position in this report.



TODAY'S MARKET IDEAS:

There is a dock workers strike at the main port in Cameroon which might slow movement and could support. The rally has stalled at the 50% mark of the March-April break at 1972. Near-term support for July cocoa is at 1921 with better support at 18.90. Resistance is at 2023 and 2052. Look for a further advance.

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) 05/12/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 1975. The next area of resistance is around 1963 and 1975, while 1st support hits today at 1941 and below there at 1930.

DAILY COFFEE COMMENTARY

05/12/17

Weak technical action but may have supply news to hold support

Coffee prices still remain in their recent consolidation zone, but a sharp midsession selloff yesterday may set the market up for a lackluster finish to the



week. July coffee traded down to a weekly low before finishing with an outside-day session with a sizable loss. There was no supply/demand catalyst for the downdraft, but an inability to build onto the late April recovery move as well as lukewarm global demand may have encouraged longs to head towards the sidelines. However, the expanding global economy and hopes that the burdensome supply in the US and Europe could begin to subside has helped to provide underlying support. ICE exchange coffee stocks remain on the upswing as they rose by 7,049 bags on Thursday (over 13,000 in the past 2 sessions) and are on-track for a fifth straight monthly build. Brazil's coffee output for the 2018/19 season may approach 60 million bags as most of their trees enter the higher yielding half of the biennial cycle (the "on year"), according to a trade house. They see potential for the Brazil's Arabica output to be 47 million bags and Robusta output at 13 million bags.

TODAY'S MARKET IDEAS:

An outside-day down usually leads to downside follow-through, but a net spec short position means that coffee would be a major beneficiary of any positive turnaround in risk sentiment. July coffee only needs a close above 135.65 to avoid a negative weekly result, and will find near-term support at 132.20 while resistance is up at 136.95. Look for bounce to 141.20.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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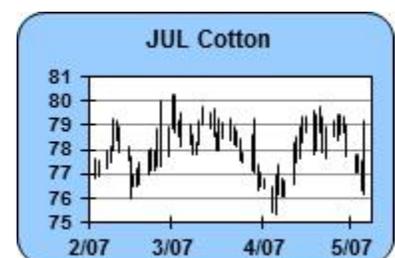
COFFEE (JUL) 05/12/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The near-term upside target is at 138.72. The next area of resistance is around 136.19 and 138.72, while 1st support hits today at 132.30 and below there at 130.93.

DAILY COTTON COMMENTARY

05/12/17

Fund buyers turn active and lack of new sellers supports

An upside break-out of the 3 1/2 month consolidation left an initial upside target of 82.15 for July cotton, and the lack of new selling interest plus fund buying drove the market to the upside target overnight. After absorbing plenty of bearish news over the past week, the lack of new selling interest after July cotton sank to the lowest level since April 13th sparked some short-covering yesterday. The market rallied and the buying snowballed as stops were activating and July cotton ended up with a gain of 3.5% on the day and recouped all of the losses of the past week. More stops were activated on the move through the April and then May highs. Bearish news from the USDA and reports that India could see the cotton crop up near 20% from last year were factors to pressure the market early. Weekly export sales came in at 160,600 bales for the current marketing year and 146,400 for the next marketing year for a total of 307,000 bales. As of May 4th, cumulative cotton sales stand at 100.3% of the USDA forecast for the 2016/2017 (current) marketing year versus a 5 year average of 97.8%. The market posted the low for the day after the sales report before buying and short-covering emerged to support.



TODAY'S MARKET IDEAS:

The technical action is impressive, and there does not seem to be new fundamental news to rationalize the surge higher. Global expansion expectations are on the rise and the drawdown in world ending stocks are positive forces. Resistance is at 82.15 for July cotton with 80.27 and 79.74 as support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Hit protective stop on long July cotton 77.00 put position for a 30 point gain.

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 (JUL) 05/12/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive signal was given by the outside day up. 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 near-term upside objective is at 81.47. The next area of resistance is around 80.70 and 81.47, while 1st support hits today at 77.66 and below there at 75.40.

COTTON (DEC) 05/12/2017: 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. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 71.36. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 73.18 and 73.97, while 1st support hits today at 71.88 and below there at 71.36.

DAILY SUGAR COMMENTARY

05/12/17

Bearish demand trend as food companies reduce sugar content

The rally stalled right on the downtrend channel off of the late February and May highs and a move over yesterday's highs would be a positive development. Sugar's recovery move may have run out of steam as the market has unable to find lasting benefit from stronger crude oil prices over the past few days. India's Food Minister said that they have no plans to allow more duty-free sugar imports this season which leaves the total allowed at 500,000 tonnes. Given their poor sugar production total this season (20 million tonnes or lower), stocks at Indian mills are going to see a substantial decline. Brazil's Center South sugar output fell 38% for the second half of April according to the trade group Unica as millers produced 1.122 million tonnes of sugar compared to 1.813 million last year, which was due in part to rain delays to harvesting and crushing. Sugar cane crushing fell to 24.09 million tonnes from 36.23 million last year while ethanol output fell to 932 million liters from 1.496 million liters last year. Switzerland's Home Affairs Minister is discussing measures to cut sugar levels in cereals and yogurts with Nestle and other food companies. There was no comment on a target for sugar reduction, but food companies were seen to be interested in such a plan. The latest COT report will reflect a 44 tick decline (2.7% lower) between measuring dates.



TODAY'S MARKET IDEAS:

While April showers slowed down the Brazilian harvest pace, it is likely to boost yields later in the season which should keep that upcoming nation's sugar production weighing on prices going forward. Downtrend channel resistance moves down to 15.81 and a close above this level would turn the charts supportive. There is also technical resistance at 16.05. A move under 15.49 keeps the trend down with 14.99 and 14.92 as next targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/12/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next upside objective is 16.03. The next area of resistance is around 15.80 and 16.03, while 1st support hits today at 15.46 and below there at 15.36.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/12/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 140.60. The next area of resistance is around 147.05 and 148.85, while 1st support hits today at 142.95 and below there at 140.60.

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
SOFTS MARKETS COMPLEX										
SBAN7	15.63	42.54	39.67	19.78	23.18	15.57	15.64	15.93	16.74	17.43
CTAN7	79.18	57.89	55.77	45.05	46.22	77.57	78.23	78.52	78.08	78.02
CTAZ7	72.53	28.24	34.28	33.64	16.16	72.81	73.82	74.27	74.34	74.39
CCAN7	1952	61.10	54.26	65.02	80.46	1955.25	1880.33	1867.39	1982.02	1980.08
OJAN7	145.00	34.50	36.69	21.15	16.11	146.43	148.59	152.17	159.19	160.55
KCAN7	134.25	43.57	43.27	46.44	54.47	135.74	135.91	135.25	139.61	141.68
MAM7	16.38	73.72	64.95	69.26	83.77	16.05	15.80	15.67	15.74	15.97

Calculations based on previous session. Data collected 05/11/2017

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	15.35	15.46	15.69	15.80	16.03
CTAN7	Cotton	75.39	77.66	78.43	80.70	81.47
CTAZ7	Cotton	71.35	71.87	72.66	73.18	73.97
CCAN7	Cocoa	1929	1940	1952	1963	1975
OJAN7	Orange Juice	140.55	142.90	144.70	147.05	148.85
KCAN7	Coffee	130.92	132.29	134.82	136.19	138.72
MAM7	Milk	16.18	16.29	16.34	16.45	16.50

Calculations based on previous session. Data collected 05/11/2017

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