



DAILY SOFTS CURRENCY COMMENTARY

Wednesday May 17, 2017

DAILY COCOA COMMENTARY

05/17/17

Positive demand tone but large supply to absorb; Short-cover

A slight tilt to safe haven assets helped to provide some resistance overnight. Cocoa prices went on a roller-coaster ride yesterday, but the late recovery move may be a signal of an improved demand outlook. The Ivory Coast government announced it reached an agreement with soldiers to end a 4-day mutiny over bonus pay that disrupted cities across the nation. The port of Abidjan resumed operations while the other main port of San Pedro said that operations would resume today. Cocoa's demand prospects were given a boost by a sharp rally in the Eurocurrency that reached its highest value since last November's US election. With more than one-third of global cocoa grindings taking place in Europe, the recent strength of the Eurocurrency could encourage commercials to acquire fresh supply at relatively low price levels. Ghana's Cocobod announced that their official purchases were running more than 18% ahead of last season's pace at the start of May. This would imply that Ghana's full-season production may come in around 900,000 tonnes, which is well above both their output target and the International Cocoa Organization forecast of 850,000 tonnes. Keep in mind that the Ghanaian official purchase total has been boosted by cocoa beans smuggled in from Ivory Coast due to that nation's recent difficulties.



TODAY'S MARKET IDEAS:

Cocoa may have a bumpy ride if risk sentiment remains volatile. However, the market is showing more signs that the April and May lows may become a longer-term floor. Near-term support for July cocoa is at 1992 and 1971, with resistance is at 2081. Look for a test of the March highs.

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) 05/17/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 2104. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2074 and 2104, while 1st support hits today at 1994 and below there at 1945.

DAILY COFFEE COMMENTARY

05/17/17

Weak technical action and talk that Brazil yield may be strong



Coffee still has a bullish near-term supply outlook, but demand concerns have been a key factor with prices falling below their recent consolidation zone. Brazil's custom officers called a strike for May 16th-18th as their main port of Santos will see 30% of the regular staff keeping some operations running to comply with legislation requirements. Workers will halt operations over the rest of the country, in a protest of the delays by Brazil's Congress in voting of a law addressing salary adjustments. Vietnam's coffee growers have sold 90% of the 2016/17 crop through May 15th versus 80% at the same time last year according a trade house. This season's crop is likely to be at least 15% below last season's total. As a result, coffee stockpiles held by farmers are currently at about 160,000 tonnes (2.67 million bags) which is the lowest level in several years. Vietnam's 2017/18 output forecast is at 1.6 to 1.65 million tonnes (26.7 to 27.5 million bags), which would be 15% higher versus this season's crop. However, that estimate assumes that the potential El Nino event later this year may be too late and/or not be strong enough to impact their production. US green coffee stocks rose by over 165,000 bags during April for a fifth straight increase month and have reached 6.89 million bags, which mirrors this year's increase in ICE exchange coffee stocks that rose by 5,298 bags on Tuesday to underscore lukewarm coffee demand on both sides of the Atlantic.

TODAY'S MARKET IDEAS:

Coffee prices are back within striking distance of the 14-month lows reached in late April. Commercials may get more aggressive with acquiring supplies at those price levels, but that may require stronger risk sentiment that can help to improve a lukewarm demand outlook. The close under 132.15 yesterday for July coffee is bearish and suggests a test of the April lows and possible an extension down to 125.20. Resistance is at 133.20 and 134.30.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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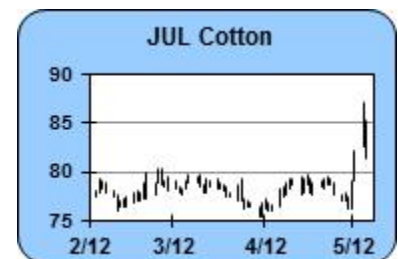
COFFEE (JUL) 05/17/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 129.12. The next area of resistance is around 132.92 and 135.01, while 1st support hits today at 129.98 and below there at 129.12.

DAILY COTTON COMMENTARY

05/17/17

May see some pressure from weakness in financial markets

A shift to safe haven assets is a potential short-term negative force for financial sensitive markets like cotton. Without specific market-moving news to emerge to rationalize the sharp rally on Monday, selling emerged to drive July cotton down sharply yesterday as the market has already given back more than half of its 3-day upsurge. The market also filled the gap left on Monday, and the close yesterday was right on the low (down 400 points for the day) which is seen as negative. In addition, volume was at a record high on Monday. While ending stocks for the old crop season are tightening, they are still only the 4th tightest in the last eight years. In addition, new crop ending stocks are expected to increase to a new 10-year high. The new crop season is off to a good start and soil conditions are some of the best in recent history. With expectations for much larger crops from Pakistan and China and India expected to shift from an importer to an exporter, the outlook for US exports could sour into the new crop season. For now, exports are strong and old crop stocks could tighten a bit further. With the 3-day surge to the highest level since June 2014, traders expected some type of headline news to rationalize and this did not seem to happen, so profit-taking emerged. China sold 25,400 tonnes of cotton from reserves



today which was 84.6% of what was offered. Exchange deliverable stocks jumped to 374,699 bales from 353,694 bales the previous day.

TODAY'S MARKET IDEAS:

The mills who sold cotton uncovered had every chance to price in the last few days and now the market could see some back and fill action at the least, and possible a serious correction. July cotton support emerges at 80.38 and 79.87. Ideally, a bounce in December cotton to the 77.07 level would be a sell with key support back at 69.92. Close-in support is at 73.65.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (JUL) 05/17/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside target is 86.14. The next area of resistance is around 83.24 and 86.14, while 1st support hits today at 79.39 and below there at 78.43.

COTTON (DEC) 05/17/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 near-term upside objective is at 75.30. The next area of resistance is around 74.73 and 75.30, while 1st support hits today at 73.95 and below there at 73.73.

DAILY SUGAR COMMENTARY

05/17/17

Too much rain short-term and loss of downside momentum; firm

The 5-day surge in the Brazil currency has helped to support the market to the highest level since May 2nd this morning. The market was able to regain upside momentum yesterday and overnight. There is daily rainfall in the forecast for Brazil's Center-South growing regions starting today and lasting through early next week. This will cause further delays to harvesting and crushing following the delays seen during April and early May, and has put this season's crop behind the pace expected by analysts and traders. Sugar continues to find support from a sizable recovery in crude oil prices that in turn should boost ethanol demand. In addition, the Brazilian currency has been on a tear over the past few weeks and has climbed above the 3.10 per Dollar level for the first time since mid-April, which relieves pressure on that nation's exporters to market their supplies to foreign customers. US Commerce department Wilbur Ross and his Mexican counterpart failed to make progress in their trade talks which are trying to resolve a sugar trade spat before renegotiation of the NAFTA agreement later this year. Indian monsoon rainfall is expected to reach landfall on May 30th, two days ahead of normal. This year should see normal rainfall (5% either side of the 50-year average) as concerns over El Nino recede, but good rainfall coverage will particularly aid the 2018/19 cane crop.



TODAY'S MARKET IDEAS:

German beet plantings are expected to expand by 21% this year. July sugar will find near-term support at 15.87 and 15.72, with 16.49 and 16.97 as resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/17/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 16.14. The next area of resistance is around 16.01 and 16.14, while 1st support hits today at 15.75 and below there at 15.61.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/17/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 141.30. The next area of resistance is around 144.45 and 145.85, while 1st support hits today at 142.20 and below there at 141.30.

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	15.88	51.63	45.89	25.75	33.03	15.66	15.55	15.78	16.58	17.21
CTAN7	81.32	56.90	56.92	62.72	63.82	82.00	79.53	79.25	78.38	78.30
CTAZ7	74.34	53.61	52.05	46.39	60.38	73.91	73.69	74.24	74.29	74.40
CCAN7	2034	70.67	62.24	81.16	88.58	2010.50	1957.33	1895.28	1986.91	1980.73
OJAN7	143.30	34.49	36.50	17.32	12.93	145.04	145.89	150.60	157.70	159.38
KCAN7	131.44	35.89	38.36	51.36	48.96	133.53	134.83	134.10	138.91	140.81
MAM7	16.48	71.11	64.61	82.39	90.04	16.39	16.10	15.83	15.75	15.92

Calculations based on previous session. Data collected 05/16/2017

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	15.60	15.74	15.87	16.01	16.14
CTAN7	Cotton	78.42	79.38	82.28	83.24	86.14
CTAZ7	Cotton	73.72	73.94	74.51	74.73	75.30
CCAN7	Cocoa	1944	1994	2024	2074	2104
OJAN7	Orange Juice	141.25	142.15	143.55	144.45	145.85
KCAN7	Coffee	129.11	129.97	132.06	132.92	135.01
MAM7	Milk	16.37	16.41	16.49	16.53	16.61

Calculations based on previous session. Data collected 05/16/2017

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