



DAILY SOFTS CURRENCY COMMENTARY

Thursday May 18, 2017

DAILY COCOA COMMENTARY

05/18/17

Risk off mode for cocoa means exiting shorts; firm

The positive price action in spite of calmer conditions in the Ivory Coast suggest that the market strength is due to more than just logistic concerns. July cocoa experienced the highest close since April 6th yesterday and is higher this morning. The market has also shaken off a serious risk off mode this morning. While the Ivory Coast government and mutineers may be satisfied with their deal, other segments of that nation's economy have not been as receptive. It may take several weeks before the market can get an "all clear" signal as there is still some potential for fresh strikes that could result in a new set of supply bottlenecks. Cocoa prices are also receiving a boost from improving European demand prospects. In addition to a new post-US election high for the Eurocurrency, there has been a mostly positive tone with recent economic data and sentiment readings from the region. European grindings totals have been lukewarm over the past two quarters as they have been down 0.9% and up 1.1% on a year-over-year basis. If the Euro zone continues to see economic improvement, it may encourage commercial buying in the region in anticipation of stronger European chocolate demand.



TODAY'S MARKET IDEAS:

Cocoa is showing more signs that the April/May lows will hold for the longer-term. Near-term support for July cocoa is at 2014 while resistance is at 2094 and 2188.

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) 05/18/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2101. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2083 and 2101, while 1st support hits today at 2025 and below there at 1986.

DAILY COFFEE COMMENTARY

05/18/17

More political problems in Brazil and turn down in Real

Coffee prices have gravitated back towards their early May consolidation zone, but have shown further signs that the 14-month lows put in late April may hold for a while. Coffee along with many other commodities was a beneficiary of the



Dollar's sharp selloff, which more than offset pullbacks in the Brazilian and Colombian currencies. Coffee-growing areas in Brazil's state of Parana will experience colder temperatures next week, but there is no frost threat yet according to local forecasters. Areas of northern Parana, Sao Paulo, Minas Gervais, and Cerrado are forecast to get above-normal rainfall from Thursday through Sunday prior to the cold spell. Given that this season's crop is an "off-year" in their biannual cycle, there may be little margin for any more weather-related problems in the early stages of their harvest. Lukewarm global demand remains a concern for the coffee market, one that may be magnified if global risk sentiment continues to deteriorate. ICE exchange coffee stocks rose by 5,462 bags on Wednesday, and are now nearly 16% higher from their 2016 year-end levels.

TODAY'S MARKET IDEAS:

Weakness in the Brazil currency and emerging market concerns in general are bearish forces today. Coffee prices may also need help from a recovery in risk appetites as well as additional bullish supply news to extend this rally. July coffee will need to move back over 135.40 to expect much new buying. Support is at 130.75 and 128.65. Weakness in the Brazil currency could pressure.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (JUL) 05/18/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are trending higher from mid-range, which should support 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. The outside day up and close above the previous day's high is a positive signal. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 138.85. The next area of resistance is around 137.05 and 138.85, while 1st support hits today at 131.75 and below there at 128.25.

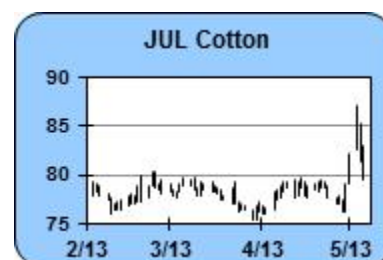
DAILY COTTON COMMENTARY

05/18/17

Bearish longer-term outlook may slow tightness concerns

After a 3-day rally of 1,101 points, July cotton has already given back 701 points from Monday's peak. The market rallied early in the session yesterday but turned lower when the US stock market came under serious pressure. In addition, there was talk that the weekly export sales news for early today will carry a bearish tilt as recent higher prices could have discouraged fresh sales.

There is even talk of some cancellations showing up for the weekly update. ICE exchange deliverable stocks jumped to 384,842 bales from 374,699 bales the previous day and from 353,694 bales two days ago. December cotton closed slightly higher on the day and has still not seen a move above the April 26th peak. The USDA attache in Mexico sees 2017/18 production jumping to 1.035 million bales which are up from 764,000 bales last year. Similar to many other countries, cotton planted area was up sharply (40%) this year as high global prices relative to other crops has encouraged expansion.



TODAY'S MARKET IDEAS:

After the sharp break yesterday, traders will expect to see sluggish cotton export sales news today. Global production is seen advancing as many key countries have expanded planted area so commercial traders may begin to see tightening old crop stocks as "less" supportive. The close under 80.37 for July cotton is a bearish development, and the market may give back all of the 3-day surge. Resistance is at 81.67 and 82.97. A close under 79.87 could sour the chart pattern further.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

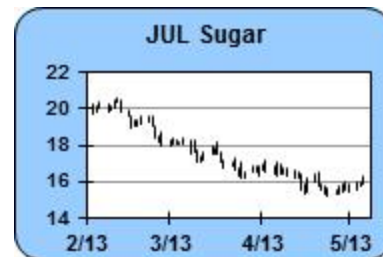
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COTTON (JUL) 05/18/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 77.35. The next area of resistance is around 81.87 and 84.16, while 1st support hits today at 78.47 and below there at 77.35.

COTTON (DEC) 05/18/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 75.31. The next area of resistance is around 74.85 and 75.31, while 1st support hits today at 74.07 and below there at 73.74.

DAILY SUGAR COMMENTARY**05/18/17****Lack of support overnight; sugar still not cheap enough**

A clear risk-off mode with speculators still net long plus a sharp drop in the Brazil currency and ideas that the rainy weather in Brazil will clear up next week helped to drive the market sharply lower overnight. The lack of a clear fundamental reason for the surge higher yesterday added to the bearish tone this morning. A mild bullish shift in supply-side news as well as stronger energy prices and a sharp selloff in the Dollar helped to support yesterday. Brazil's Center-South region will start receiving decent rainfall and lasting through the weekend that will sharply reduce harvesting and crushing. The Center-South harvest has already seen weather-related delays that have put this season's harvest well behind last season. However, the rainfall received during April and May could help boost sugar yields for Center-South cane that is harvested later in the year. Germany's sugar beet planted area increased by 21% to 403,800 hectares compared to 334,500 last year, according to their Federal Statistical Office. While there have been concerns with the cold weather seen earlier this year, there has been a sharp increase in German, French and Polish sugar beet planted area as EU production quotas come to an end. This should result in a sizable sugar production increase for the EU, as well as the potential for sizable EU exports late this year or early next year.

**TODAY'S MARKET IDEAS:**

While sugar prices have reached a new 2-week high, the market may need additional signs that the Brazilian cane crop will come in below forecasts before a longer-term recovery move can begin. July sugar will find near-term resistance at 16.19 with support at 15.66. Uptrend channel support is at 15.63. A close through support levels turns the charts bearish with 14.92 as next target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/18/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. 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 target is at 16.67. The next area of resistance is around 16.53 and 16.67, while 1st support hits today at 16.07 and below there at 15.74.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/18/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 139.65. The next area of resistance is around 143.25 and 145.00, while 1st support hits today at 140.60 and below there at 139.65.

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	16.30	61.58	53.29	33.67	49.52	15.83	15.66	15.77	16.54	17.14
CTAN7	80.17	52.18	53.17	59.34	52.59	82.25	79.67	79.30	78.43	78.36
CTAZ7	74.46	54.78	52.91	52.96	66.09	74.40	73.66	74.21	74.27	74.40
CCAN7	2054	73.08	64.16	84.52	91.22	2036.00	1981.22	1906.61	1986.80	1981.57
OJAN7	141.90	32.00	34.87	14.73	9.56	144.26	145.46	150.01	157.08	158.96
KCAN7	134.40	47.60	45.86	51.99	53.23	133.56	134.77	134.18	138.71	140.48
MAM7	16.37	65.26	61.26	84.14	87.64	16.39	16.18	15.86	15.76	15.91

Calculations based on previous session. Data collected 05/17/2017

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	15.73	16.06	16.20	16.53	16.67
CTAN7	Cotton	77.34	78.46	80.75	81.87	84.16
CTAZ7	Cotton	73.73	74.06	74.52	74.85	75.31
CCAN7	Cocoa	1985	2025	2043	2083	2101
OJAN7	Orange Juice	139.55	140.55	142.30	143.25	145.00
KCAN7	Coffee	128.25	131.75	133.55	137.05	138.85
MAM7	Milk	16.08	16.23	16.36	16.51	16.64

Calculations based on previous session. Data collected 05/17/2017

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