



DAILY SOFTS CURRENCY COMMENTARY

Friday May 19, 2017

DAILY COCOA COMMENTARY

05/19/17

Overbought condition and lacking more than short-covering

Avoiding risk when it comes to cocoa this week meant to exit short positions. A steady drop in open interest suggests that the foundation to this week's strong gains is short-covering. July cocoa closed above its 100 day moving average for a second session in a row, the first time it has done that since August of last year, which could encourage additional short-covering as the market pushed up to the highest level since April 6th. The latest COT report will come out after today's close and will reflect a 74 point price increase (3.7% higher) between the May 9th and 16th measuring dates. This should result in cocoa's net spec short position having a sizable decline. Keep in mind, however, that the previous COT report saw a mild increase in the net spec short position in spite of an 8.5% price rise between measuring dates. Ivory Coast remains calm after the deal between the government and mutineers, but it may take several more days before the market is convinced that the situation has fully calmed down.



TODAY'S MARKET IDEAS:

With the short-term overbought condition, the market looks vulnerable to a set-back; especially if there is no positive fundamental news to help rationalize the short-covering surge. Near-term support for July cocoa is at 2026 and 2007 while resistance is at 2113.

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) 05/19/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 2114. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 2103 and 2114, while 1st support hits today at 2065 and below there at 2039.

DAILY COFFEE COMMENTARY

05/19/17

Conab confirms smaller Arabica Brazil crop but currency?

Brazil production is expected to drop this year but a collapsing currency sparked more selling yesterday. While coffee's lukewarm demand outlook has been a key factor with the market being unable to climb above its recent consolidation



zone, a new "wild card" factor may become the catalyst for prices to reach new lows for the move. Along with sugar, soybeans and corn, coffee came under heavy pressure due to a massive 7.5% drop in the Brazilian currency as their markets were thrust into turbulence after reports that Brazilian President Temer was embroiled in an alleged cover up scheme. Even with their domestic stocks at very low levels, the meltdown in the Real will give fresh incentive for marketing coffee supplies to foreign customers. The Brazilian government agency Conab forecast 2017/18 coffee production to fall 11% to 45.6 million bags, down from 51.4 million last season. This would be in-line with a "normal" 5 to 6 million bag output decline that is seen during an "off-year" in their biannual crop cycle. However, Conab estimated that Arabica production would come in at 35.4 million bags versus 43.4 million last year, while Robusta production was forecast at 10.1 million bags compared to 7.99 million last year.

TODAY'S MARKET IDEAS:

Keep in mind that an 8 million bag decline in Brazil's Arabica crop would on its own be larger than all but Brazil and Colombia for the world's top Arabica producers. With prices roughly 1 cent away from new low ground, however, coffee prices will be tied to the direction of the Brazilian currency. July coffee will find critical close-in support at 128.65 while resistance is up at 132.35. New lows would leave a technical count down to 125.20.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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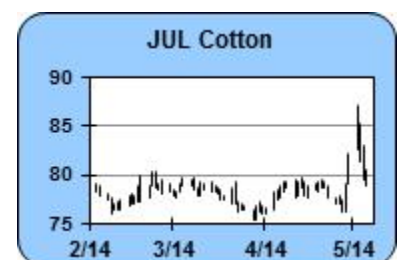
COFFEE (JUL) 05/19/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 126.55. The next area of resistance is around 131.59 and 134.34, while 1st support hits today at 127.70 and below there at 126.55.

DAILY COTTON COMMENTARY

05/19/17

Small cancellation from India seen negative force; big new crop

Traders viewed the cancellation of some export sales, especially from India, as a bearish force to hold the trend down yesterday. Without any headline news to help rationalize the May three-day surge higher for July cotton, the market has already pulled back down to below the April highs. July cotton closed moderately lower on the session Thursday and lower for the third day in a row. December cotton closed lower as well. The market does not seem to have the supply fundamentals to scare end-users into extending coverage; especially the new crop ending stocks USDA forecast for a 10-year high. Old crop ending stocks continue to tighten and in the May update, stocks were reduced to the 4th tightest in the past eight years. Stocks could tighten further for the June update as the cumulative export sales pace remains ahead of normal. Weekly export sales for cotton came in at 120,700 bales for the current marketing year and 165,100 for the next marketing year for a total of 285,800 bales. As of May 11th, cumulative cotton sales stand at 101.2% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 98.9%.



TODAY'S MARKET IDEAS:

While the stock market was strong and cotton is an economic sensitive market, the weakness in emerging market stock markets led by Brazil left a few demand jitters in place. The serious expansion in global planted area should help ease tightness fears ahead. The close under 80.37 (now resistance) for July cotton leaves 76.34 as next support. December cotton resistance is at 74.03 and 74.35, and a close under 73.32 would leave 71.06 as next

downside objective.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (JUL) 05/19/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 77.70. The next area of resistance is around 80.13 and 81.27, while 1st support hits today at 78.35 and below there at 77.70.

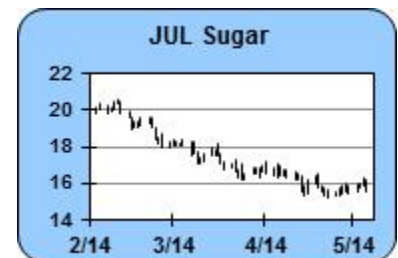
COTTON (DEC) 05/19/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend has turned down with the cross over back below the 18-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next upside objective is 74.74. The next area of resistance is around 74.09 and 74.74, while 1st support hits today at 73.18 and below there at 72.91.

DAILY SUGAR COMMENTARY

05/19/17

Holding up well in face of big supply ahead

The USDA sees record world production (180 million tonnes) for the 2017/18 season but world ending stocks will fall 2% to 38 million tonnes. India production is expected to jump 18%, European Union by 12.7% and Thailand up 12%. Sugar prices remain on-course for a second weekly gain following their 13-week losing streak. July sugar traded down 4.4% lower early in the day off of a massive 7.5% decline in the Brazilian currency, but recovered a sizable portion of those early losses by the close. Brazil's currency meltdown was triggered by political turmoil as their President Temer was accused of potential bribes paid to a former House Speaker, an event that apparently was recorded by the chairman of a meatpacking firm. In addition to boosting the appeal of Brazilian sugar exports, this could also cause a substantial shift in crushing emphasis by Brazilian mills.



With most of their ethanol demand coming domestically (paid for with Brazil's currency), those mills may now shift towards a higher share of crushing to sugar which is mostly exported (and paid for with foreign currencies). There are heavy rains forecast over Brazil's Center South growing region over the weekend which could interrupt crushing activity for several days. However, that will be followed by a period of mostly dry weather through the end of next week. Egypt's Supply Minister reported that the country has 300,000 tonnes of sugar in stockpiles that were sufficient for seven months, which may keep them from tendering for fresh supply over the near future.

TODAY'S MARKET IDEAS:

While rainfall will delay the Center-South harvest, it also boost yields for cane harvested later in the season. For today, sugar's direction will be tied firmly to the Brazilian currency as further weakness in the Real could take sugar prices well below Wednesday's 2-week high. July sugar will find near-term resistance at 16.41 with support at 15.59 and 14.92 as the next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/19/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next upside objective is 16.56. The next area of resistance is around 16.33 and 16.56, while 1st support hits today at 15.73 and below there at 15.35.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/19/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day down is a negative signal. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 136.40. The next area of resistance is around 143.85 and 147.50, while 1st support hits today at 138.30 and below there at 136.40.

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	16.03	53.61	48.68	40.43	53.94	15.96	15.74	15.75	16.49	17.07
CTAN7	79.23	48.52	50.29	53.96	43.20	81.51	79.84	79.33	78.43	78.40
CTAZ7	73.64	45.89	46.69	55.47	60.51	74.38	73.61	74.14	74.24	74.40
CCAN7	2084	76.35	66.88	87.67	93.97	2053.25	2005.44	1921.50	1987.47	1982.92
OJAN7	141.05	30.62	33.97	12.55	8.18	142.65	144.87	149.26	156.39	158.56
KCAN7	129.65	35.77	37.87	47.44	38.34	132.24	134.09	134.06	138.40	140.09
MAM7	16.20	57.09	56.39	83.15	81.18	16.38	16.22	15.88	15.76	15.90

Calculations based on previous session. Data collected 05/18/2017

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	15.34	15.72	15.95	16.33	16.56
CTAN7	Cotton	77.69	78.34	79.48	80.13	81.27
CTAZ7	Cotton	72.90	73.17	73.82	74.09	74.74
CCAN7	Cocoa	2038	2065	2076	2103	2114
OJAN7	Orange Juice	136.30	138.25	141.90	143.85	147.50
KCAN7	Coffee	126.55	127.69	130.44	131.59	134.34
MAM7	Milk	16.05	16.11	16.23	16.29	16.41

Calculations based on previous session. Data collected 05/18/2017

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