



DAILY SOFTS CURRENCY COMMENTARY

Monday May 22, 2017

DAILY COCOA COMMENTARY

05/22/17

Short-covering still a risk but overbought and weak tech

Cocoa's 10% gain during May has come despite what many in the market feel is a bearish near-term supply outlook. The sharp drop in open interest indicates that short-covering has been the foundation of the rally. July cocoa fell sharply on Friday and for the week, July cocoa finished with a gain of 13 points (up 0.6%) for a third straight positive weekly result. Although cocoa should have benefited from strong upside moves in the Eurocurrency and British Pound, the market instead saw profit-taking selling as near-term overbought conditions contributed to the pullback. The latest reading on Ivory Coast port arrivals was delayed by that nation's unrest and showed that this season's arrivals remain well ahead of last season's pace, but arrivals the May 8th to 14th timeframe were less than 10,000 tonnes above the comparable period last year.



This also covered the early part of this month's munity, so the market may pay extra attention to the latest port arrival update early this week to see if there is any lasting impact on the flow of cocoa beans to major ports. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net short 29,777 contracts, a decrease of 4,399 contracts showing fund trader short-covering. Non-Commercial and Nonreportable combined traders held a net short position of 24,176 contracts, down 2,097 contracts for the week. Commodity Index traders held a net long position of 21,043 contracts. This represents an increase of 1,000 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

Near-term resistance is at the 2067 to 2080 zone with key support back at 1961 and 1922.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Softs							
Cocoa	-29,777	+4,399	24,176	-2,097	5,601	-2,302	

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) 05/22/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside target is at 2105. The next area of resistance is around 2061 and 2105, while 1st support hits today at 1995 and

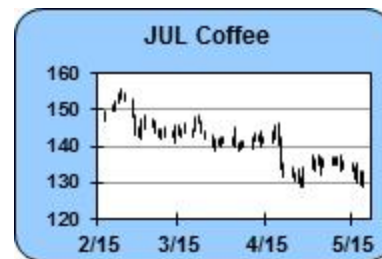
below there at 1974.

DAILY COFFEE COMMENTARY

05/22/17

Slow movement of coffee out of Colombia may support

The market pushed lower last week but managed to hold support and bounced on Friday. A recovery in the Brazil currency and concerns that Colombia supply flow may slow due to a protest at the main export port and heavy rains delaying exports may help provide underlying support. July coffee traded to a new monthly low, but was able to put together a sizable rebound on Friday to close with a moderate gain. For the week, July coffee finished with a loss of 2.85 cents (2.1% lower). The Brazilian currency made a 3% recovery on Friday and



while that recovered less than half of Thursday's meltdown, it did relieve some pressure. The political situation in Brazil remains volatile, so another sharp pullback in Brazil's currency could put coffee back on the defensive. Brazil's 2017/18 harvest is seen near 11% complete compared to 10% last year and a five year average of 9% and may be somewhat surprising given the rainfall over growing regions during the past few weeks.

The USDA has estimated Colombia's coffee exports at 13.19 million bags, which would be their largest export total since the 1992/93 season. Rabobank has raised their 2017-18 global coffee deficit forecast to 6.8 million bags, up from their previous estimate of 5.3 million bags while they see global demand rising 2.3% to 159.8 million bags for 2017-18. ICE exchange coffee stocks rose by 4,753 bags on Friday and have risen by over 200,000 bags (up 16.3%) since the start of this year. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net short 5,038 contracts, an increase of 2,399 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 3,319 contracts, up 2,154 contracts for the week.

TODAY'S MARKET IDEAS:

Coffee prices will continue to take direction from the ebb and flow of the Brazilian currency, as that nation's political turmoil is unlikely to settle down anytime soon. However, a bullish near-term supply outlook should help coffee to avoid sliding down to a new low for the move. July coffee will find near-term support at 130.15 while resistance is at 135.40 and 137.52.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Softs							
Coffee	-5,038	-2,399	3,318	+2,153	1,719	+245	

COFFEE 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.

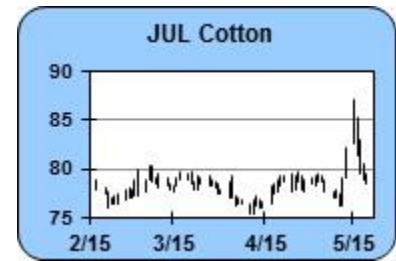
COFFEE (JUL) 05/22/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 127.19. The next area of resistance is around 134.32 and 136.08, while 1st support hits today at 129.88 and below there at 127.19.

DAILY COTTON COMMENTARY

05/22/17

Slowdown in exports and big new crop production outlook; weak

July cotton could see further weakness ahead unless exports pick up with the collapsing dollar or if weather conditions sour. The idea that the new crop supply/demand update is a more bearish force than the potential tightening old crop ending stocks helped to spark aggressive selling last week with the market losing 273 points (down 3.3%) for the week. December cotton closed lower on Friday and lower for the week. While weekly export sales were solid last week, cancellations from India and China were seen as bearish as this may mean these countries will wait for the new season. 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%.



Another 1 inch of rain for the Lubbock, Texas region over the next week might slow plantings, but leaves great subsoil condition for the season ahead. Too much rain in the Delta may need monitoring. ICE certified deliverable stocks increased to 402,998 bales from 387,267 the previous session with 5,984 bales pending review. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net long 120,615 contracts, an increase of 9,086 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 123,397 contracts, up 11,063 contracts for the week and not too far off of the record.

TODAY'S MARKET IDEAS:

Speculators hold a near record net long position, and this leaves the market vulnerable to increased selling if support levels are violated. The serious expansion in global planted area should help ease tightness fears ahead. July cotton resistance is at 79.87 with 76.34 and 75.50 as next support. December cotton resistance is at 74.02, and a close under 73.32 would leave 71.06 as next downside objective.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Softs							
Cotton	120,615	+9,086	-123,396	-11,062	2,782	+1,977	

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.

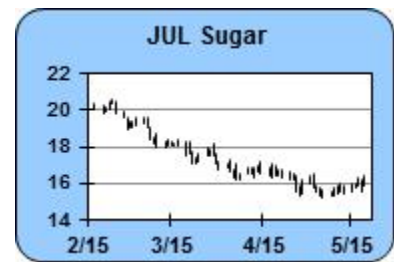
COTTON (JUL) 05/22/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 78.13. The next area of resistance is around 79.99 and 80.28, while 1st support hits today at 78.91 and below there at 78.13.

COTTON (DEC) 05/22/2017: 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 close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 72.63. The next area of resistance is around 73.90 and 74.42, while 1st support hits today at 73.00 and below there at 72.63.

DAILY SUGAR COMMENTARY
05/22/17

Slowing China imports may not help; big new crop

China has imposed import duties of 45%, 40% and 35% for the next three years of imports above the quota of 1.95 million tonnes. This could slow imports into China which reached 3.06 million tonnes last year, down 36.8% from the previous year. July sugar climbed to a new 2 1/2 week high Friday and for the week, July sugar finished with a gain of 87 ticks (up 5.6%) for a second consecutive positive weekly close. Sugar's main source of strength was a sizable rebound in the Brazilian currency which recovered a large portion of Thursday's steep losses. Keep in mind that Brazil's political situation remains volatile which leaves sugar vulnerable to another selloff in the Brazilian currency. Sugar also found support from concerns that the heavy rainfall received by Brazil's Center South region over the past few days brought cane harvest and crushing to a halt.



After light showers today, the Center-South region has mostly dry weather forecast through the middle of next week which should bring a resumption of harvesting and crushing. The EU's top sugar producer Suedzucker forecast their sugar output to rise to 5.4 million tonnes in 2017-18 versus 4.7 million last year, while seeing their potential exports climbing up to 800,000 tonnes versus 235,000 the previous season. A report from ADM forecast that the world is reducing its sugar consumption due to taxes on sodas, health concerns, and reduced spending from developing countries. US demand is expected to fall 0.2% next year, which would be the first decline in more than twenty years. The Commitments of Traders reports as of May 16th showed Non-Commercial traders were net long 34,904 contracts, a decrease of 5,652 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 29,326 contracts, down 1,589 contracts for the week.

TODAY'S MARKET IDEAS:

With Brazilian mills using its value in their crushing decision process, sugar will continue to take direction from a Brazilian currency that will likely have a bumpy ride early this week. July sugar will find near-term resistance at 16.68 with support at 15.87. At this point, we cannot rule out a break to 14.92.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/9/2017 - 5/16/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Sugar	34,904	-5,652	-29,326	+1,590	-5,578	+4,063

SUGAR 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.

SUGAR (JUL) 05/22/2017: The major trend could be turning up with the close back above the 40-day moving average. A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 16.80. The next area

of resistance is around 16.64 and 16.80, while 1st support hits today at 16.12 and below there at 15.75.

OJ 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.

ORANGE JUICE (JUL) 05/22/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 135.75. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 141.70 and 143.60, while 1st support hits today at 137.80 and below there at 135.75.

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	16.38	60.98	54.21	48.99	66.11	16.15	15.85	15.76	16.45	17.01
CTAN7	79.45	49.42	50.93	48.75	38.33	80.05	80.09	79.33	78.44	78.45
CTAZ7	73.45	44.03	45.36	55.22	54.70	73.97	73.62	74.05	74.19	74.39
CCAN7	2028	60.81	58.03	88.24	89.37	2050.00	2013.56	1931.28	1987.31	1982.82
OJAN7	139.75	28.32	32.45	11.32	8.86	141.53	143.88	148.29	155.69	158.13
KCAN7	132.10	43.86	43.36	44.13	37.52	131.90	133.56	134.04	138.15	139.76
MAM7	16.32	60.97	58.88	82.25	80.44	16.34	16.27	15.93	15.78	15.89

Calculations based on previous session. Data collected 05/19/2017

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	15.74	16.11	16.27	16.64	16.80
CTAN7	Cotton	78.12	78.91	79.20	79.99	80.28
CTAZ7	Cotton	72.62	73.00	73.52	73.90	74.42
CCAN7	Cocoa	1973	1995	2039	2061	2105
OJAN7	Orange Juice	135.70	137.75	139.65	141.70	143.60
KCAN7	Coffee	127.18	129.87	131.63	134.32	136.08
MAM7	Milk	16.20	16.25	16.33	16.38	16.46

Calculations based on previous session. Data collected 05/19/2017

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.