



DAILY SOFTS CURRENCY COMMENTARY Tuesday May 23, 2017

DAILY COCOA COMMENTARY 05/23/17

May take more news than short-covering to remain in uptrend

From an overbought condition, the market looks vulnerable to a set-back as the short-covering bounce may have run its course. Since the May 4th, open interest is down 22,725 contracts to 287,424. Eurocurrency made a new post-US election high which helped to improve cocoa's European demand outlook, which played a role in supporting the market yesterday. The latest weekly reading on Ivory Coast port arrivals showed that the full season total remains well ahead of last season's pace but also had a relatively small year-over-year gain for the May 15th-21st period. This would be a second week in a row that their weekly total has been less than 10,000 tonnes above the comparable 2016 reading. The last two weekly readings covered portions of the Ivory Coast munity, however, so the market may have to wait on upcoming results to gauge this season's mid-crop output. Nigeria's mid-crop cocoa production this year is showing high incidence of flat beans according to their cocoa buying agents, as bean development was hurt by late rains creating beans that failed to fill from lack of moisture. Recently harvest cocoa bean weights have been reported at 230-240 grams per 100 beans versus a normal weight of 260-270 grams. China chocolate product imports in April reached 2,951 tonnes, up 19% from last year.



TODAY'S MARKET IDEAS:

The market may require some fresh bullish supply developments in order to extend this month's recovery move. Near-term resistance is at the 2050-2067 zone, with support at 1967 and 1930.

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) 05/23/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-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 1992. The next area of resistance is around 2057 and 2079, while 1st support hits today at 2013 and below there at 1992.

DAILY COFFEE COMMENTARY 05/23/17

Has supply news to bounce but still selling threat from Brazil



Coffee still has a near-term bullish supply outlook, but the market has been unable to lift decisively clear of its recent lows. The threat of increased selling from commercial traders in Brazil remains as a bearish force. In addition to a mildly weaker Brazilian currency, coffee found early pressure yesterday related to news that Vietnam's key coffee-growing area of Daklak Province will receive better than average rainfall amounts this week. Vietnamese coffee production is forecast to have a sizable rebound from this season's crop, but their harvest will not begin until late this year. Heavy rains were reported over the past four days over key Brazilian coffee regions that have halted the harvest and could have hurt Arabica bean quality. Rainfall this past weekend in Brazil's Minas Gerais state (which accounts for 30% of Brazil's Arabica crop) measured 2.2 inches which is well above the historical average. However, there is dry weather in the forecast for south Minas Gerais through the middle of next week. While this season's Central American output has been relatively strong, the 2017/18 season may not be as robust as the USDA is forecasting Guatemala (the region's second largest producer) will have a modest downtick in production. ICE exchange coffee stocks fell by 1,170 bags on Monday, but remain over 39,000 higher during May which would be a fifth straight monthly build for the first time in over 4 years. China imported 5,873 tonnes in April which was down 11.2% from last year. For the year, imports reached 27,067 tonnes, up 13.6% from last year's pace.

TODAY'S MARKET IDEAS:

An inability to build on bullish near-term supply news (as well as lukewarm global demand) has made it difficult for coffee prices to sustain upside momentum. While the market has held above its recent lows, a strong selloff in the Brazilian currency could send coffee prices down into new low ground. July coffee close-in resistance is at 132.15 and 133.20, with 125.20 as next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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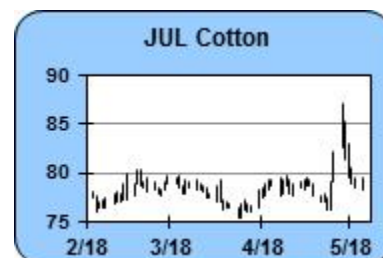
COFFEE (JUL) 05/23/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 127.49. The next area of resistance is around 132.32 and 134.38, while 1st support hits today at 128.88 and below there at 127.49.

DAILY COTTON COMMENTARY

05/23/17

China import demand strong but new crop supply burdensome

China imported 105,170 tonnes in April which was up 50.3% from last year. For the year, imports reached 480,296 tonnes, up 71.8% from last year's pace. Beside the stronger than expected demand from China and India for old crop cotton, the short-term fundamental news remains mostly bearish for the new crop season. Traders remain nervous that old crop supply could tighten further "if" weather turns bullish and commercials are scared into extending coverage. Subsoil moisture remains near ideal to get the crop off to a great start this year once the crop gets planted. The USDA weekly update showed cotton planting reached 52% complete compared to 33% last week and 45% last year. The 10 year average for this time of year is 53%. Texas is 42% complete as compared with 31% planted last year and 40% as the 10-year average. China sold 18,400 tonnes out of their state reserves yesterday which was 61.6% of what was offered. July cotton pushed moderately lower on the session yesterday and pushed down to the lowest level since May 11th. The old crop tightness theme clashing with the new crop surplus theme may continue for a while until buyers begin to hold off and wait to extend



coverage in hopes of cheaper cotton prices ahead. Sharp increases in production are expected from the US, India and Pakistan and China planted area expended as well.

TODAY'S MARKET IDEAS:

While last week's export sales were decent, news that there were cancellations of 61,600 bales mostly from India and China helped to keep the short-term trend down. Speculators hold a near record net long position, and this leaves the market vulnerable to increased selling if support levels are violated. July cotton resistance is at 79.50 and 80.38 with 76.34 and 75.35 as next support. December cotton resistance is at 73.30 and 73.65, with 72.15 and 71.00 as next support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 05/23/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. 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 close below the 1st swing support could weigh on the market. The next downside target is 77.45. The next area of resistance is around 78.99 and 79.84, while 1st support hits today at 77.79 and below there at 77.45.

COTTON (DEC) 05/23/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 72.26. The next area of resistance is around 73.45 and 74.01, while 1st support hits today at 72.57 and below there at 72.26.

DAILY SUGAR COMMENTARY

05/23/17

Brazil millers may shift to higher percentage of cane for sugar

The rally off of the early May low has helped to correct the oversold condition and the market looks vulnerable to some short-term weakness as supply news remains in the bear camp. While there was a mild pullback in the Brazilian currency yesterday, it was offset by stronger energy prices. There was news over the weekend that China imposed additional tariffs on sugar imports on top of their current 50% duty on purchases above allocated quotas. A 45% duty will be levied for twelve months with the rate dropping to 40% next year (May 2018) and 35% two years out (May 2019). China has already started to work down their state sugar reserves as they are expected to sell over 1 million tonnes this season. Among the nations that are exempt from the import duties is Myanmar, where a large amount of sugar that originated in India or Thailand has been smuggled across the border into China over the past few years. China imported 193,474 tonnes in April which was down 14.1% from last year. For the year, imports reached 1.087 million tonnes, up 30.9% from last year's pace. Heavy rains continue to disrupt this season's Brazilian harvest and could cause a one week interruption to sugar cane crushing in the Center South region. However, there is mostly dry weather forecast for that region through the middle of next week.



TODAY'S MARKET IDEAS:

The supply side of the market remains bearish which will make it difficult for sugar to extend this recovery move. July sugar resistance is at 16.38 and 16.68 with support at 15.93 and 15.78. Don't rule out a resumption of the

downtrend soon.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/23/2017: 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 mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 16.82. The next area of resistance is around 16.69 and 16.82, while 1st support hits today at 16.33 and below there at 16.10.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/23/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day down is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 130.95. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 139.30 and 143.90, while 1st support hits today at 132.85 and below there at 130.95.

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	16.51	63.41	56.10	57.92	75.79	16.31	15.97	15.81	16.41	16.96
CTAN7	78.39	44.96	47.56	43.14	31.92	79.31	80.19	79.28	78.41	78.46
CTAZ7	73.01	39.83	42.35	52.13	45.95	73.64	73.62	73.94	74.13	74.37
CCAN7	2035	61.90	58.76	87.90	87.24	2050.25	2021.89	1940.17	1987.60	1983.37
OJAN7	136.05	22.98	28.65	9.87	6.96	139.70	142.51	146.98	154.86	157.70
KCAN7	130.60	40.36	40.97	39.89	31.42	131.69	133.06	134.04	137.84	139.46
MAM7	16.29	59.46	57.99	81.20	79.09	16.30	16.31	15.98	15.79	15.88

Calculations based on previous session. Data collected 05/22/2017

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	16.10	16.33	16.46	16.69	16.82
CTAN7	Cotton	77.44	77.79	78.64	78.99	79.84
CTAZ7	Cotton	72.25	72.57	73.13	73.45	74.01
CCAN7	Cocoa	1991	2013	2035	2057	2079
OJAN7	Orange Juice	130.90	132.80	137.40	139.30	143.90
KCAN7	Coffee	127.48	128.87	130.93	132.32	134.38
MAM7	Milk	16.18	16.22	16.31	16.35	16.44

Calculations based on previous session. Data collected 05/22/2017

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