



DAILY SOFTS CURRENCY COMMENTARY

Wednesday May 24, 2017

DAILY COCOA COMMENTARY

05/24/17

Has supply news to trend lower and nowhere near oversold

The market looks vulnerable to short-term weakness. In addition to short-covering, cocoa's major source of strength recently has come from an improving European demand outlook. If that begins to fade and the market focuses more on a bearish near-term supply outlook, cocoa prices could fall. While the Eurocurrency's losses on Tuesday were not extremely large, it made a reversal from its highest price level since the US election last year. Recent Euro zone economic data and sentiment indicators have been recovering over recent months. With more than one-third of all global grindings taking place in EU nations, however, the Eurocurrency's pullback on Tuesday helped to deflate cocoa's demand-side sentiment. Ivory Coast tensions saw a mild uptick as three ex-rebel fighters were killed in a protest on Tuesday, as an assault was launched after the protesters rejected talks to end their blockade of the southern access road to the town of Bouake. Rebel fighters still want discussions with government officials over bonus payments, which come less than a week after a 4-day mutiny by another group of former rebels.



TODAY'S MARKET IDEAS:

Ivory Coast unrest may not be fully extinguished, but it may take much disruption to provide cocoa prices with strong support. For now, cocoa's best hope for regaining upside momentum may come from a recovery in the Eurocurrency. Near-term resistance is at 2033 with support for July cocoa back at 1961 and 1922.

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) 05/24/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is negative as the close remains below 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 1962. The next area of resistance is around 2051 and 2083, while 1st support hits today at 1991 and below there at 1962.

DAILY COFFEE COMMENTARY

05/24/17

Brazil currency risk and forecast for big recovery Vietnam

Coffee prices continue to be pressured by lukewarm demand and a sluggish Brazilian currency, but are still managing to hold their ground above the recent



lows. Vietnam's coffee output during the 2017/18 season will rise to 28.6 million bags from this season's total of 26.0 million bags, according to the USDA Foreign Ag Service. While this would be below the output totals seen in the 2013/14 and 2015/16 seasons, this reflects a consensus opinion that Vietnam's coffee production will rebound from this season's 6-year low and will not be negatively impacted by a potential El Niño event later this year. Drier weather will return to most Arabica-growing areas in Brazil's Center South region allowing harvest to resume, but quality concerns from the heavy rains are anticipated. Even with this season's "off-year" crop, Brazil's Robusta production is expected to have a 10% increase on this season's output that was severely impacted by last year's El Niño. ICE exchange coffee stocks rose by a hefty 7,465 bags on Tuesday and have climbed back above the 1.45 million level. This puts ICE exchange coffee stocks on a 5-month build streak and would put them at their highest levels since February of 2016.

TODAY'S MARKET IDEAS:

The sizable drop in upcoming Brazilian production should provide some underlying support to prices, but a sluggish Brazilian currency will continue to weigh on the coffee market until that nation's political turmoil settles down. Unless there is a stronger rebound in global risk sentiment, coffee remains vulnerable to reaching a new low for the move. July coffee will find near-term resistance at 132.10 with 125.20 as next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 05/24/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 128.73. The next area of resistance is around 131.15 and 132.32, while 1st support hits today at 129.35 and below there at 128.73.

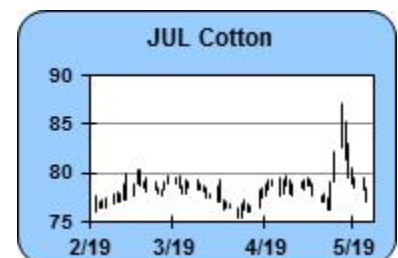
DAILY COTTON COMMENTARY

05/24/17

Oversold bounce in progress but don't rule out downtrend

The market is already down more than 10 cents (1000 points) off of the May 15th high, or down 11.6%. This leaves futures in a short-term oversold condition and might spark some end user demand. The lack of a solid reasoning for the three-day surge into the May 15th high, except for talk that commercials were caught holding un-priced sales, helped to pressure. Old crop ending stocks are tightening but are not exceptionally tight and with normal weather, the market will need to absorb a ten year high in ending stocks for the new crop season.

While a correction off the highs is normal, the intensity of the break is significant and speculators hold a near record net long position, so selling could intensify as support levels are violated. The US crop soil conditions are near ideal and the planting pace is normal. With planted area up 21% from last year and good spring rains for the non-irrigated Texas growing region near Lubbock, the production and stocks outlook is bearish. In addition, traders see a significant jump in Indian production while Pakistani production is expected to be up near 10%. Exchange deliverable stocks increased to 409,046 bales from 405,991 the previous session. China sold 16,100 tonnes of state-owned reserves this morning, 53.2% of what was offered.



TODAY'S MARKET IDEAS:

Up-trending channel support off of the contract low and the December low comes in at 77.08 today and 77.15 tomorrow, and a close below this level for July cotton would sour the chart picture. July cotton resistance is at

79.50 and 80.95, with 76.34 and 75.35 as next support. A downside breakout would count down to 71.97 as a longer-term target. December cotton resistance is at 73.30, and a move under 72.15 would leave 71.00 as the next downside target.

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) 05/24/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 76.17. The next area of resistance is around 77.88 and 78.82, while 1st support hits today at 76.56 and below there at 76.17.

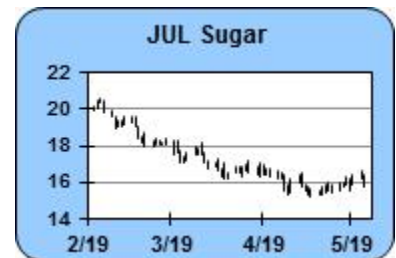
COTTON (DEC) 05/24/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside objective is now at 71.64. The next area of resistance is around 72.81 and 73.39, while 1st support hits today at 71.93 and below there at 71.64.

DAILY SUGAR COMMENTARY

05/24/17

Weakening global demand from big food plus expanding production

A resumption of the downtrend looks possible as both supply and demand news remains in the bear camp. China's April sugar imports were seen at 193,470 tonnes which were down 14.1% from last year. While their 2017 imports (January through April) were up over 30% from the comparable period last year, this may have been in anticipation of the sizable import duties imposed this week. Brazil's Center South sugar cane harvest will slowly resume in the coming days after heavy rainfall over the past weekend slowed progress. It may take a few days for cane fields to dry out, but the Center-South region is forecast to have dry weather till the start of June. The USDA sees the first drop in sugar demand in a quarter century with Green Pool and Group Sopedex also estimating growth in 2017-18 below the 2% per year threshold seen over the past decade. There is undoubtedly a move by global bottlers such as Coca Cola and global food manufacturers like Nestle to reduce the sugar content in their products. Keep in mind that China and India (who combined account for nearly one-quarter of total global sugar demand) are expected to see a moderate increase in their sugar consumption during the 2017/18 season.



TODAY'S MARKET IDEAS:

Sugar prices are back in the middle of their April/May consolidation. With a slumping Brazilian currency added to the mix, the sugar market appears to be heading back towards a retest of the early May lows. July sugar will find near-term resistance at 16.19 with support at 15.24 and 14.72.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 05/24/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The near-term upside objective is at 16.62. The next area of resistance is around 16.19 and 16.62, while 1st support hits today at 15.55 and below there at 15.35.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/24/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 132.15. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 138.15 and 141.50, while 1st support hits today at 133.50 and below there at 132.15.

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	15.87	47.15	46.02	60.56	65.84	16.20	15.97	15.83	16.37	16.91
CTAN7	77.22	40.42	44.10	36.82	24.18	78.58	80.27	79.23	78.38	78.46
CTAZ7	72.37	34.44	38.36	45.75	33.00	73.12	73.62	73.84	74.06	74.35
CCAN7	2021	58.26	56.63	86.72	84.35	2042.00	2029.33	1948.67	1985.40	1983.83
OJAN7	135.80	22.66	28.41	8.33	5.24	138.18	141.64	145.86	153.99	157.38
KCAN7	130.25	39.53	40.41	35.38	26.35	130.65	132.34	134.08	137.45	139.24
MAM7	16.21	55.34	55.58	79.19	75.18	16.26	16.33	16.01	15.80	15.88

Calculations based on previous session. Data collected 05/23/2017
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	15.55	15.98	16.19	16.62
CTAN7	Cotton	76.16	76.55	77.49	77.88	78.82
CTAZ7	Cotton	71.63	71.92	72.51	72.81	73.39
CCAN7	Cocoa	1961	1990	2022	2051	2083
OJAN7	Orange Juice	132.10	133.45	136.80	138.15	141.50
KCAN7	Coffee	128.72	129.35	130.52	131.15	132.32
MAM7	Milk	16.09	16.15	16.21	16.27	16.33

Calculations based on previous session. Data collected 05/23/2017
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