

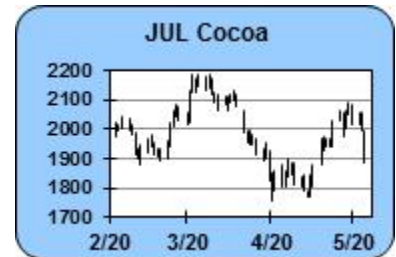


**DAILY SOFTS CURRENCY COMMENTARY**  
 Thursday May 25, 2017

**DAILY COCOA COMMENTARY**  
 05/25/17

**Bearish supply outlook and lack of commercial support on break**

Easing Ivory Coast tensions has put a bearish near-term supply outlook front and center with the market. Until there are clear signs that West African output is declining, cocoa prices will need to have much more demand-side improvement to find their footing. July cocoa finished with a massive loss that was the largest single-day price decline in over 5 years yesterday. While tensions could flare up again, the trade has discounted the recent unrest in Ivory Coast and has instead focused on a large global production surplus this season and possibly a large surplus next season as well. There were reports of size and quality issues with cocoa beans that were recently delivered to Ivory Coast ports, but it is likely that a significant portion of those beans will still make it into the domestic supply chain. A report from Rabobank has forecast a global cocoa production surplus of 330,000 tonnes for the 2016/17 season (which compares to the ICCO's current estimate of 264,000 tonnes) and 150,000 tonnes for the 2017/18 season. Rabobank also forecast Ivory Coast 2017/18 production at 1.8 million tonnes and Ghana's 2017/18 production at 880,000 tonnes, with demand growth up 1.2% in 2016/17 and up 1.4% in 2017/18.



**TODAY'S MARKET IDEAS:**

The rally was based mostly on short-covering and the lack of support on the break is a bearish technical signal. There is some support at 1883 for July cocoa but a close below this level would leave 1756 and 1629 as next downside targets. Resistance is at 1922 and 1961.

**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) 05/25/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 1801. The next area of resistance is around 1952 and 2033, while 1st support hits today at 1836 and below there at 1801.

**DAILY COFFEE COMMENTARY**  
 05/25/17

**Big stocks in US and Europe; Brazil currency action?**

While the coffee market has been looking at a sharp drop in Brazilian production



due to their "off-year" crop, demand concerns have been building since the start of this year. Although risk sentiment is on the mend while the Brazilian currency has stabilized, coffee needs to see significant demand-side improvement in order to regain upside momentum. July coffee traded down to 128.00 (the lowest price level since March of 2016) before finishing Wednesday's trading with a moderate loss and a new low close for the move. ICE exchange coffee stocks (which represents warehouses in both the US and in Europe) rose by 2,741 bags on Wednesday and are now more than 17% higher since the start of 2017. In addition, they have risen by over 30,000 bags (and by at least 2%) during each month this year. Brazil's coffee farmers have hedged 23% of their new crop as of May 23rd, which is down from the 28% that was hedged at this point last year according to a major Sao Paulo-based broker. This may reflect some producer optimism that prices will rise over the near future, particularly with Brazil's domestic coffee stocks at extremely low levels due to their poor 2016/17 Robusta output. Brazil's harvest has seen weather-related delays in recent weeks, but the key Arabica growing region of south Minas Gerais is forecast to have mostly dry weather through the end of next week.

#### **TODAY'S MARKET IDEAS:**

The Brazil currency has remained steady for the past few days but this may not last. Lower prices are usually one "cure" for sluggish demand, but the market may be waiting to see consistent outflows in ICE exchange coffee stocks before giving any benefit of the doubt. July coffee will find near-term resistance at 130.40 with 125.20 as next downside target.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COFFEE TECHNICAL OUTLOOK:**

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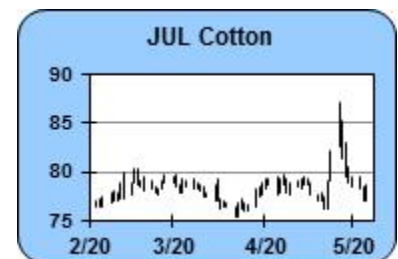
COFFEE (JUL) 05/25/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 126.25. The next area of resistance is around 129.89 and 131.64, while 1st support hits today at 127.20 and below there at 126.25.

#### **DAILY COTTON COMMENTARY**

**05/25/17**

#### **Hopes of better sales to China may provide underlying support**

A general acceptance of a better trade environment between China and the US could mean increasing cotton imports from the US. This is a longer-term positive force. The short-term trend remains down but the market managed a bounce yesterday ahead of the USDA weekly export sales report. Sales have been running ahead of the pace to reach the USDA projection for the year, but last week's sales included several cancellations from India and China which helped keep the short-term trend down. The market experienced a technical rally as the weak US dollar and ideas that the 11.6% break off of the May 15th peak might entice new buyers helped to support. A dry 5-day forecast for the West Texas region should help to advance the planting progress and subsoil condition for the non-irrigated acreage is near ideal for a fast start to the crop this year. If yield is close to normal, US ending stocks are expected to be near a 10-year high. December cotton is gaining on July and also jumped nearly 1% yesterday but the spread activity is bearish. ICE exchange deliverable stocks increased again to 411,726 bales from 409,046 the previous session and from 405,991 two days ago.



#### **TODAY'S MARKET IDEAS:**

Key up-trending channel support off of the contract low and the December low comes in at 77.15 today, and a

close below this level for July cotton would sour the chart picture. July cotton resistance is at 78.40 and 79.50, with 76.34 and 75.35 as next support. A downside breakout counts 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) 05/25/2017: 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 has a slightly positive tilt with the close over the swing pivot. The next downside objective is 76.11. The next area of resistance is around 78.34 and 79.34, while 1st support hits today at 76.73 and below there at 76.11.

COTTON (DEC) 05/25/2017: 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. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 72.01. The next area of resistance is around 73.51 and 73.76, while 1st support hits today at 72.64 and below there at 72.01.

**DAILY SUGAR COMMENTARY**

05/25/17

**More downside potential ahead; weak demand/spec still long**

During a period of stable Brazil currency action, sugar has seen a sharp 2-day sell-off which is not a good sign for the bulls. If there is another sharp drop in the Brazil currency, sugar could come under additional selling pressure. The main source of selling pressure has come from the prospects for larger global production, with the world's top 4 sugar-producing nations (accounting for more than 52% of global output) all projected to have larger production this season.

Sugar-cane areas in the Brazilian states of Sao Paulo, Parana and Mato Grosso may have been affected by persistent rains over the last few weeks. Soil moisture levels in the Center-South sugar-cane growing areas reached as high as 90% and while those conditions may boost development of cane to be harvested during the fourth quarter, they could also reduce sugar content in crops that are ready to be harvested. Germany's Nordzucker is forecasting tough competition for the sugar market as they see demand stagnating in Europe, but are focusing on Asia and South America for expansion. There have been more updates in the media on the "war on sugar" which has dampened sentiment, but keep in mind that most of those "fronts" are in developed economies where recent demand growth was already lukewarm at best.



**TODAY'S MARKET IDEAS:**

The April/May lows may be holding for now, but sugar does not have a major bullish supply/demand development as a source of underlying support. If Brazilian political turmoil causes their currency to sell off sharply once again, sugar prices may head towards new low ground fairly quickly. July sugar will find near-term resistance at 15.76 and 15.91, 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) 05/25/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market tilt is slightly negative with the close under the pivot. The next downside objective is 15.09. The next area of resistance is around 15.95 and 16.24, while 1st support hits today at 15.38 and below there at 15.09.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/25/2017: 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 134.25. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 136.85 and 138.10, while 1st support hits today at 134.95 and below there at 134.25.

## 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
<b>SOFTS MARKETS COMPLEX</b>										
SBAN7	15.67	43.25	43.40	58.48	54.32	16.11	15.97	15.81	16.34	16.85
CTAN7	77.54	42.21	45.27	31.27	20.17	78.15	80.09	79.16	78.37	78.46
CTAZ7	73.08	43.91	44.60	41.28	32.33	72.98	73.68	73.75	74.02	74.32
CCAN7	1894	36.38	41.79	80.37	67.68	1994.50	2022.89	1951.61	1979.56	1983.40
OJAN7	135.90	23.14	28.67	6.97	4.25	136.88	140.63	144.61	153.03	157.00
KCAN7	128.55	35.54	37.72	30.01	19.26	130.38	131.71	133.81	137.04	138.97
MAM7	16.23	56.19	56.07	76.60	71.42	16.26	16.31	16.06	15.81	15.88

Calculations based on previous session. Data collected 05/24/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>SOFTS MARKETS COMPLEX</b>						
SBAN7	Sugar	15.08	15.37	15.66	15.95	16.24
CTAN7	Cotton	76.10	76.72	77.72	78.34	79.34
CTAZ7	Cotton	72.00	72.63	72.88	73.51	73.76
CCAN7	Cocoa	1801	1836	1917	1952	2033
OJAN7	Orange Juice	134.20	134.90	136.15	136.85	138.10
KCAN7	Coffee	126.25	127.19	128.94	129.89	131.64
MAM7	Milk	16.11	16.16	16.24	16.29	16.37

Calculations based on previous session. Data collected 05/24/2017

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