



## DAILY SOFTS CURRENCY COMMENTARY

Friday May 26, 2017

### DAILY COCOA COMMENTARY

05/26/17

#### Too much supply to absorb without better demand news; weak

Cocoa has been unable to find its footing after Wednesday's 6% selloff, and the market will need to find fresh sources of supply/demand support to avoid finishing the week with further chart damage. There were reports that Ivory Coast producers have been selling their cocoa beans well below their nation's minimum farmgate price in order to generate some revenue. This may help to keep upcoming port arrivals readings at elevated levels and the full-season total well ahead of last season's pace. A bearish near-term supply outlook is likely to stay front and center with the market going into the holiday weekend, and may do so until West African output shows clear signs of declining. The latest COT report will be released after today's close and will reflect a 13 point decline between measuring date. With the market falling another 144 points (down 7.1%) on Wednesday and Thursday, cocoa is likely to see a sizable increase in its net spec short position.



#### TODAY'S MARKET IDEAS:

Cocoa's best near-term hope of regaining upside momentum will be from the demand side of the market, as it could take weeks and months to shift the outlook for West African near-term supply. A lack of support on the recent 2-day selloff leaves Thursday's close at 1877 as a bearish signal with a downside target at 1756 and maybe 1630 longer-term. Near-term 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) 05/26/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 1827. The next area of resistance is around 1907 and 1947, while 1st support hits today at 1847 and below there at 1827.

### DAILY COFFEE COMMENTARY

05/26/17

#### May have supply news to stabilize but not if weaker Real

July coffee traded down to a near 15 month low before closing higher yesterday, and the reversal may be seen as a short-term positive factor. The steady rise in open interest to the highest level since November indicates that fund traders



may have built up a significant net short position. In the last COT update, managed money traders were net short over 13,000 contracts as compared with the record short near 30,000 contracts in March of 2013. The USDA attache in Costa Rica see the 2017/18 coffee production up 15% to 1.55 million bags. This is a recovery from the 2015/16 crop which was down 17.5% from the previous year. Ethiopia's 2017-18 coffee production is seen rising 0.4% to 6.545 million bags according to the USDA Foreign Ag Service. Their exports will increase to 3.31 million bags from 3.3 million last year. Brazil's 2017-18 coffee harvest is estimated at 15% complete compared to 17% last year and a 16% five year average according to Safras & Mercado. The total volume harvested is 7.44 million bags as of May 23rd. The short-term forecast looks favorable for better progress in the next 10 days. ICE certified deliverable stocks increased by 4,161 bags to 1.462 million.

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

The Brazilian currency was down 0.34% to the lowest close since May 18th. If the Real sees another test of the May 18th lows, coffee is likely to rollover to the downside. ICE exchange coffee stocks continue to advance, but the market is slightly concerned with quality issues after recent rains. The hook reversal comes from an oversold technical condition. July coffee close-in support is at 128.55 with 132.10 and 133.20 as resistance. If support fails, 125.20 is next support.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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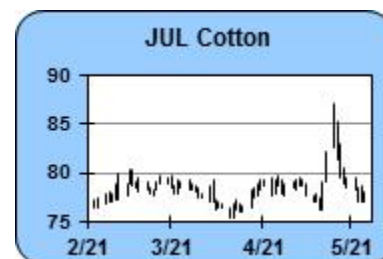
COFFEE (JUL) 05/26/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 126.09. The next area of resistance is around 130.72 and 131.78, while 1st support hits today at 127.88 and below there at 126.09.

#### **DAILY COTTON COMMENTARY**

05/26/17

#### **India may not need old crop and likely exporter for new season**

The export news was apparently not bearish enough to sparked aggressive renewed selling, but there is clearly not enough good news to help provide much support. Net weekly export sales came in at 16,200 bales for the current marketing year and 236,200 for the next marketing year for a total of 252,400 bales. The old crop sales were a new marketing low and included some cancellations from India. This is the second week in a row of cancellations from India and with expectations for a much bigger crop this year from India, the country will likely shift back to an exporter for the 2017/18 season. As of May 18th, cumulative cotton sales for the old crop season stand at 101.4% of the USDA forecast versus a 5 year average of 100.5% for this time of the year. US deliverable stocks are on the rise and China continues to be an active seller of reserve cotton stocks with auction sales of 15,200 tonnes on Thursday which is 51.2% of what was offered. Pakistani production is expected to be up 8-9% for the new crop season.



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

July cotton closed yesterday right on the key up-trending channel support off of the contract low and the December low, so any lower close today would sour the chart picture. A downside breakout would count down to 71.97 as a longer-term target. December cotton resistance is at 73.65, 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) 05/26/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 76.35. The next area of resistance is around 77.67 and 78.42, while 1st support hits today at 76.64 and below there at 76.35.

COTTON (DEC) 05/26/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 72.27. The next area of resistance is around 73.64 and 73.98, while 1st support hits today at 72.79 and below there at 72.27.

**DAILY SUGAR COMMENTARY**

**05/26/17**

**Bearish supply outlook plus demand issues plus currency threat**

The market looks set for another leg down. For the week so far, July sugar is down 72 points or down 4.4% and the market is down another 1.5% overnight. If the Brazilian currency rolls over to another new low, commercial selling pressure could intensify. Dry weather in the forecast for the next few weeks for Brazil's sugar harvest areas which could increase short-term production, and a sharp sell-off in energy price is seen as a bearish force as well. The trade will be sensitive to any further possible delays due to excessive rains. In a block trade from Thursday morning, the October 15 cent/14 cent put spread was bought 2500 times at a cost of 29 points. The Chinese Commerce Ministry indicated the decision to impose extra tariff on sugar imports for the next three years would help to maintain a fairer market and trade. Some traders see Brazilian sugar exports to China falling some 800,000 tonnes over the next 12 months.



**TODAY'S MARKET IDEAS:**

The market will need some very positive demand news or help from the weather to turn the trend. Indian and Thai production is expected to jump this coming season and sugar demand from developed countries is on the decline. July sugar close-in resistance is at 15.91 and 16.07, with 15.24 and 14.73 as next support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 05/26/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 15.33. The next area of resistance is around 15.81 and 15.92, while 1st support hits today at 15.51 and below there at 15.33.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/26/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 132.40. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 137.60 and 138.95, while 1st support hits today at 134.35 and below there at 132.40.

### 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
<b>SOFTS MARKETS COMPLEX</b>										
SBAN7	15.66	43.05	43.27	54.31	45.96	15.93	15.99	15.78	16.30	16.79
CTAN7	77.16	40.58	44.09	26.31	16.38	77.58	79.53	79.06	78.34	78.44
CTAZ7	73.22	45.65	45.76	38.67	33.45	72.92	73.63	73.66	73.98	74.30
CCAN7	1877	34.44	40.27	70.46	50.65	1956.75	2007.56	1955.22	1973.11	1982.87
OJAN7	135.90	23.42	28.81	6.85	6.61	135.93	139.34	143.51	152.08	156.64
KCAN7	129.30	38.62	39.63	26.64	19.92	129.68	131.08	133.44	136.71	138.67
MAM7	16.60	68.66	64.01	77.50	79.29	16.33	16.35	16.12	15.82	15.88

Calculations based on previous session. Data collected 05/25/2017

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	15.32	15.51	15.62	15.81	15.92
CTAN7	Cotton	76.35	76.64	77.39	77.67	78.42
CTAZ7	Cotton	72.27	72.78	73.13	73.64	73.98
CCAN7	Cocoa	1827	1847	1887	1907	1947
OJAN7	Orange Juice	132.35	134.30	135.65	137.60	138.95
KCAN7	Coffee	126.08	127.87	128.93	130.72	131.78
MAM7	Milk	16.39	16.51	16.56	16.68	16.73

Calculations based on previous session. Data collected 05/25/2017

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