



## DAILY SOFTS CURRENCY COMMENTARY Tuesday June 06, 2017

### DAILY COCOA COMMENTARY 06/06/17

#### Choppy trade as production may not be as high as feared

The market has seen choppy trade. Widespread rains over the weekend were seen to have boosted upcoming mid-crop output potential in the Ivory Coast and Ghana, with more beneficial rains in the forecast over the next ten days. This year's mid-crop harvest has been running ahead of last year, but that may be a "low bar" to clear given that the 2015/16 El Nino weather event severely impacted West African production during the late main crop and mid-crop seasons. A pullback in the Eurocurrency also created some headwinds for cocoa, but lukewarm European and North American demand growth may be a factor that is already "priced-in" to the market. Keep in mind that the two major regions that have seeing improvement in demand (Asia and Africa) benefit from the trend of "origin" grindings where cocoa beans are processed in the nation where they are grown. In fact, the International Cocoa Organization (ICCO) has 4 of the "big 7" cocoa producing nations (Ivory Cocoa, Indonesia, Brazil and Ghana) as 4 of the top 8 grinding nations.



#### TODAY'S MARKET IDEAS:

Cocoa is unlikely to shake off volatile price action over the near-term, and needs clear evidence of lower mid-crop output to improve on a bearish supply outlook. Even so, the market has rebounded from two sharp selloffs in the past two weeks which provides some hope that the late April/early May lows will hold for the longer-term. Near-term support for July cocoa is at 1941 while resistance is at 2033.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

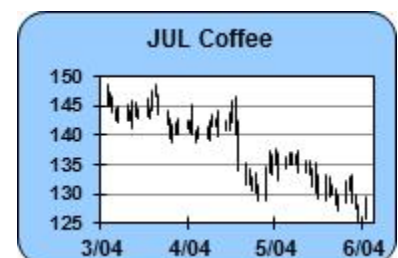
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (JUL) 06/06/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 1899. The next area of resistance is around 2027 and 2055, while 1st support hits today at 1949 and below there at 1899.

### DAILY COFFEE COMMENTARY 06/06/17

#### Specs hold big net short into cold season in Brazil

While lukewarm demand continues to weigh on prices, coffee received some



badly-needed bullish supply news that helped to lift prices clear of their recent lows. Coffee was able to overcome a sizable pullback in the Brazilian currency that reached its lowest value since May 18th. Brazil's largest Arabica-growing region saw weekly rainfall totals below normal last week, while southern and southwest Minas Gerais had trace amounts of rainfall last week. In addition, there is also a risk of isolated frost in some regions of southern Minas Gerais on Saturday morning, while the regions has mostly dry conditions in the forecast through the middle of this month. Brazil is in the "off-year" of their biannual crop cycle and while Robusta output should improve from last-year's El Nino impacted output, Brazilian Arabica production was expected to decline by at least 5 to 6 million bags from their 2016/17 crop. Although the chances for frost this week are small, there is little margin for any weather-related supply issues for this season's crop. ICE exchange coffee stocks rose by 4,239 bags on Monday and are nearly 20% higher since the start of 2017.

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

The market will need to see an extended drawdown in ICE exchange coffee stocks to feel there is a bullish shift in global demand. However, any additional signs of a larger than expected decline in Brazilian Arabica output could lift the coffee market well away from last Friday's low for the move. July coffee will have near-term support at 127.15 while resistance is at 131.50 and 132.95.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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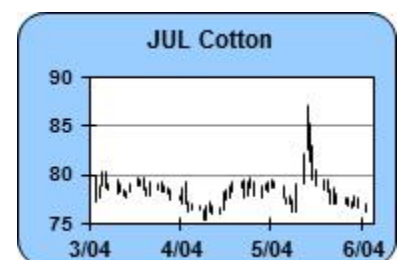
COFFEE (JUL) 06/06/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is 124.27. The next area of resistance is around 130.32 and 131.76, while 1st support hits today at 126.58 and below there at 124.27.

#### **DAILY COTTON COMMENTARY**

**06/06/17**

**61% good/excellent vs. 47% last year; acreage up 21%**

July cotton experienced the lowest close since April 12th and the COT report showed that speculators still hold a historically large net long position. In addition, the report showed that speculators are in a long liquidation selling mode. Closing lower in ten of the past fourteen trading days leaves technical indicators oversold with slow stochastics under 10, but this is offset by the overbought condition of the COT report. Talk from India that the early arrival of the monsoons may have sparked some cotton millers to cancel import contracts helped to pressure as millers see odds of a large crop significant this season due to the jump in planted area. The weekly progress update in the US showed that cotton plantings are now 80% complete compared to 63% last week and 73% last year. The 10 year average for this time of year is 83%. The first conditions report of the year showed that 61% was rated good/excellent compared to 47% last year. The 10 year average for this time of year is 55%. The highest percent rated good/excellent was 68% in 1994 while the lowest was 36% in 1992. Certified deliverable warehouse exchange stocks were down slightly to 441,870 bales, but there were 11,606 bales pending review. China sold 19,900 tonnes from state reserves yesterday which was 67.4% of what was offered. China sold 19,500 tonnes today.



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

Crop weather looks favorable for a good start to the crop and the conditions report shows the crop already above average. July cotton resistance is at 77.47, with 75.50 as support and 71.97 as the next downside target.

December cotton resistance is at 73.13 with 71.65 and 71.00 as next support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

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COTTON (JUL) 06/06/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 now at 75.74. The next area of resistance is around 76.68 and 77.23, while 1st support hits today at 75.94 and below there at 75.74.

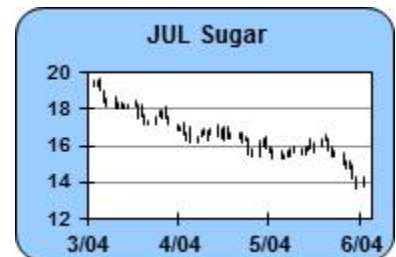
COTTON (DEC) 06/06/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is 71.89. The next area of resistance is around 73.03 and 73.58, while 1st support hits today at 72.19 and below there at 71.89.

**DAILY SUGAR COMMENTARY**

**06/06/17**

**Jump in OI, some funds net short, Thailand crop could be record**

Sugar prices remain on the defensive, but did receive some bullish supply/demand news that lifted the market clear of last Friday's 15-month low. There are reports that the US and Mexico have made progress with resolving their trade dispute over sugar that could keep potential Mexican exports off of the global market. Copersucar's Brazilian 2017-18 sugar output estimate was cut to 35.5 million tonnes from 36 million tonnes previously due to more cane being diverted to produce ethanol. Sugar has lost profitability when compared to ethanol, and indebted Brazilian millers tend to produce more ethanol as they can sell their product more quickly. Another major Brazilian sugar producer projected that Center-South sugar output could fall to 34.5 million tonnes due to wet weather slowing harvesting and crushing. Sugar production in Thailand may climb to a record high during the 2017/18 season with their harvest starting in December, as plentiful rains have boosted cane growth according to Thai Sugar Millers Corporation. Thailand's sugar output may total 11.5 million tonnes from 105 million tonnes of cane crushed, which compares to 10 million tonnes from 93 million tonnes of cane crushed in the current 2016/17 season.



**TODAY'S MARKET IDEAS:**

It may take stronger crude oil prices to result in Brazilian mills making a longer-term shift towards ethanol production. However, multi-year low sugar prices are likely to cause financial damage to many of those mills if they add further supply to an already saturated global market. July sugar near-term resistance is at 14.35, with 13.63 as support.

**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) 06/06/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 13.50. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 14.12 and 14.43, while 1st support hits today at 13.66 and below there at 13.50.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 06/06/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 140.35. Consider buying pull-backs since daily studies are bullish. The next area of resistance is around 138.60 and 140.35, while 1st support hits today at 132.95 and below there at 129.00.

## 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	13.89	23.24	27.69	15.50	8.18	14.18	14.89	15.43	15.90	16.36
CTAN7	76.31	37.39	41.58	9.58	5.15	76.90	77.10	78.65	78.19	78.24
CTAZ7	72.61	40.88	42.57	28.67	25.20	73.01	72.91	73.27	73.73	74.07
CCAN7	1988	50.65	51.31	61.37	60.52	2015.25	1977.89	1999.89	1955.49	1989.53
OJAN7	135.75	40.73	37.82	13.46	19.43	133.43	135.16	138.83	147.79	153.45
KCAN7	128.44	43.12	42.38	22.79	21.31	127.76	129.16	131.11	135.05	137.14
MAN7	16.86	50.23	53.35	64.20	53.58	17.05	17.01	16.89	16.41	16.41

Calculations based on previous session. Data collected 06/05/2017

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	13.49	13.65	13.96	14.12	14.43
CTAN7	Cotton	75.73	75.93	76.48	76.68	77.23
CTAZ7	Cotton	71.88	72.18	72.73	73.03	73.58
CCAN7	Cocoa	1899	1949	1977	2027	2055
OJAN7	Orange Juice	128.95	132.90	134.65	138.60	140.35
KCAN7	Coffee	124.26	126.57	128.01	130.32	131.76
MAN7	Milk	16.69	16.77	16.86	16.94	17.03

Calculations based on previous session. Data collected 06/05/2017

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