



DAILY SOFTS CURRENCY COMMENTARY

Thursday March 09, 2017

DAILY COCOA COMMENTARY

03/09/17

Probing for low enough price to spark better demand

Cocoa prices are clearly feeling the headwinds from sluggish risk appetites as demand concerns have been a key factor with the market declining 34% over the past 12 months. However, cocoa continues to stay clear of last week's contract low as prices may finally be at a "value zone" for commercials. A rising Dollar has weighed on many commodities this week and is adding further difficulties for improving European demand prospects. ICE certified cocoa stocks rose more than 2.5% on Wednesday to 4.269 million bags, and have risen 53% since the start of this year. While rising exchange stocks are not usually seen as a positive demand sign, keep in mind that unlike ICE coffee stocks which utilize both European and US ports, ICE cocoa stocks are mainly at the Port of New York and Port of Delaware River. From the end of April to the end of 2017 (a period when cocoa prices dropped by over 1000 points and lost one-third of their value), ICE certified cocoa stocks saw a decline of over 1.4 million bags (which is also a reduction of one-third). Although the ICE cocoa stocks tend to build at this time of the year, 2017's sharp increase could show that commercial demand may be starting to improve as a result of multi-year low prices.



TODAY'S MARKET IDEAS:

Cocoa's demand prospects should see some improvement from prices close to multi-year lows, but it may take a positive shift in risk appetites and a weaker Dollar to fuel a rebound over the rest of this week. Close-in support for May cocoa is at 1888 while resistance is at 1943. Taking out last week's lows will leave 1829 and 1825 as next downside targets.

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.

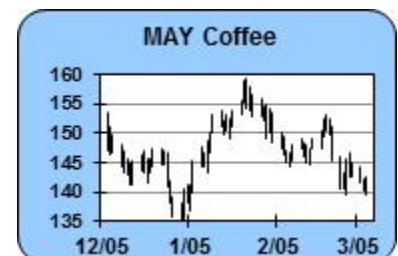
COCOA (MAY) 03/09/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 1885. The next area of resistance is around 1925 and 1936, while 1st support hits today at 1899 and below there at 1885.

DAILY COFFEE COMMENTARY

03/09/17

Double bottom and oversold may be enough to spark bounce

Forming a double bottom from an oversold condition yesterday, the market



seems to be in position for a bounce. The market showed resiliency in the face of sluggish risk sentiment and bearish near-term supply news yesterday and managed to close higher. While many commodities were pressured by a stronger Dollar, coffee had the added weight of a slumping Brazilian currency that reached its lowest value since late January. Vietnam's February coffee exports were up 4.3% versus last month to 146,402 tonnes (2.44 million bags), while the January-February exports totaled 286,607 tonnes (4.78 million bags) which is down 2.6% from last year. This may show that Vietnamese producers are starting to part with their supplies, although with harvest delays it remains difficult to fully gauge the decline in their production this season. A major Swiss trade house forecast the Brazilian 2017-18 coffee crop at 56 million bags, which compares to their November estimate of 50-52 million bags and last season's forecast of 60 million bags. While a decline of 4 million bags is itself larger than the total output of many second-tier growing nations, this would be smaller than the normal 6 million bag production decline during an "off-year" of their biannual crop cycle. ICE exchange coffee stocks fell by 3,599 bags.

TODAY'S MARKET IDEAS:

With the oversold condition and a possible double bottom, the market looks set for a decent recovery bounce. Key near-term support for May coffee remains at 139.65 while resistance is at 144.40 and 146.45. Look for bounce back to 148 level.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long May coffee 155.00 call from 200 with an objective of 590. Risk to 70.

COFFEE TECHNICAL OUTLOOK:

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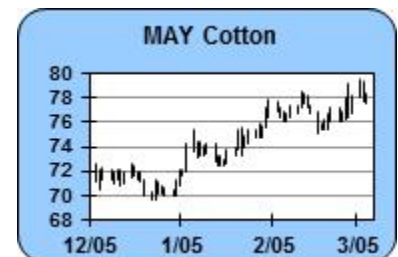
COFFEE (MAY) 03/09/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 138.53. The next area of resistance is around 143.20 and 144.32, while 1st support hits today at 140.30 and below there at 138.53.

DAILY COTTON COMMENTARY

03/09/17

Still bearish supply tilt, could join other market to push down

It should not take much in the way of bearish news to see a lower trending market into the planting season. The market inched higher in quiet trade yesterday, and remains in a strong uptrend on the idea that US supply will be squeezed due to strong demand and the idea that end users have yet to price. For the USDA supply/demand update today, traders see the possibility of a 100,000-200,000 bale increase in exports to near 12.9 million bales from just 9.2 million last year. This could pull ending stocks down to near 4.7 million bales from 4.8 million last month and from 3.8 million bales last year. Traders will also monitor world consumption data as well as the global economy has done better than traders had expected. Global cotton consumption is expected to inch higher to 112.6 million bales from 112.5 million last month and from 111.3 million bales last year. World ending stocks are expected to fall to 89.7 million bales, which is down from 89.9 million last month and 96.8 million last year. China sold 31,200 tonnes of cotton from reserves today and this pushes the sales for the first four days of the auctions to near 100% of what was offered.



TODAY'S MARKET IDEAS:

Given the very overbought condition basis the COT report and a bullish tilt on the expectations for the USDA update, the market looks vulnerable to a set-back if the USDA does not confirm the supportive outlook. May

cotton short-term resistance is at 79.11 with next close-in support at 76.76 and 75.92.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 03/09/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 78.70. The next area of resistance is around 78.43 and 78.70, while 1st support hits today at 77.75 and below there at 77.34.

COTTON (DEC) 03/09/2017: Rising stochastics at overbought levels warrant some caution for bulls. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 75.91. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 75.75 and 75.91, while 1st support hits today at 75.15 and below there at 74.70.

DAILY SUGAR COMMENTARY

03/09/17

Reversal-type action plus oversold condition plus smaller China

The reversal-type action yesterday and news of a revision lower in China production may be enough for the market to put in a near-term low. China's Ministry of Agriculture lowered their production estimate by 200,000 tonnes from last month to 9.5 million tonnes and this leaves a new supply deficit forecast of 1.87 million tonnes for the 2016/17 season. While not completing a reversal yesterday, sugar managed to rebound in spite of negative performance by key outside markets such as crude oil, corn and the Brazilian currency. India's monsoon may escape the effects of a possible El Nino weather event that normally brings dry weather for Asian sugar producers. According to the India Meteorological Department, the potential El Nino will not develop until late this year.



Following last year's monsoon season that resulted in the first normal rainfall totals in three years, this provides some optimism that their upcoming 2017/18 cane crop can see significant improvement on this season that may result in Indian sugar production falling below 20 million tonnes. The Brazilian firm GVO sees their sugar output rising 12% in 2017-18 to 470,000 tonnes while their cane crushing will rise to 9.3 million tonnes versus 8.1 million last year. While a 12% rise in output may not be seen nationwide, Brazilian mills are expected to emphasize sugar production over ethanol during their upcoming 2017/18 season.

TODAY'S MARKET IDEAS:

With an oversold technical condition and a "much lighter" net spec long position, the market may be in a position to bounce. May sugar will find near-term support at 18.41 with resistance at 18.79 and 18.99. The market longer-term supply fundamentals could turn negative but short-term tightness could support a good bounce.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/09/2017: Momentum studies are declining, but have fallen to oversold levels. 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 objective is now at 17.96. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 18.61 and 18.79, while 1st support hits today at 18.19 and below there at 17.96.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/09/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 178.40. The next area of resistance is around 176.40 and 178.40, while 1st support hits today at 173.25 and below there at 172.05.

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										
SBAK7	18.40	24.00	29.94	13.69	9.38	18.87	19.20	19.79	20.21	19.75
CTAK7	78.09	58.48	58.70	62.89	68.81	78.31	77.43	77.05	75.60	74.43
CTAZ7	75.45	73.18	71.29	88.27	92.76	75.28	74.81	74.49	72.96	72.04
CCAK7	1912	36.92	37.67	31.79	28.41	1929.75	1936.56	1959.28	2069.69	2109.73
OJAK7	174.80	64.11	57.76	68.74	82.83	173.15	166.95	167.61	170.26	176.15
KCAK7	141.75	37.27	39.38	22.82	17.42	141.80	142.92	145.81	148.46	146.93
MAH7	15.88	25.72	29.34	10.25	10.46	15.92	16.04	16.40	16.88	17.00

Calculations based on previous session. Data collected 03/08/2017

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						
SBAK7	Sugar	17.95	18.19	18.37	18.61	18.79
CTAK7	Cotton	77.34	77.75	78.02	78.43	78.70
CTAZ7	Cotton	74.69	75.14	75.30	75.75	75.91
CCAK7	Cocoa	1884	1899	1910	1925	1936
OJAK7	Orange Juice	172.00	173.20	175.20	176.40	178.40
KCAK7	Coffee	138.52	140.30	141.42	143.20	144.32
MAH7	Milk	15.74	15.81	15.87	15.94	16.00

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