



## DAILY SOFTS CURRENCY COMMENTARY Monday March 13, 2017

### DAILY COCOA COMMENTARY 03/13/17

#### Potential triple-bottom may lead to short-covering

With record high open interest as well as a record high net short position from fund traders, a minor supportive news item may be enough to spark a major recovery bounce. The market has remained in a steep downtrend in recent months with the anticipation of a massive Ivory Coast crop and a major global production surplus. May cocoa closed up 36 on the session Friday (up 1.9%), but this left the market down 21 points for last week. A sharp drop in the US dollar and a continued advance in the stock market helped to support. Ivory Coast (the world's largest cocoa producer) will revise its budget for 2017 after prices for cocoa beans dropped by one third since the middle of last year. The slump in cocoa prices will continue to weigh on incomes for the West African nation. Technical traders have pointed to a potential triple bottom in the May contract with lows on February 15th, March 2nd and March 9th spurring traders to cover their short positions. The market is still operating under the positive technical influence of the March 2nd reversal. The Commitments of Traders reports as of March 7th showed Non-Commercial traders were net short a new all-time record of 29,164 contracts, an increase of 2,123 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 19,488 contracts, up 1,447 contracts for the week.



#### TODAY'S MARKET IDEAS:

The bulls await some type of news that could turn the trend higher, but this still seems to be lacking. With funds holding a record high net short position and open interest at a record high, however, buyers could get active if resistance is violated. Near-term support for May cocoa is at 1890 and a move over key downtrend channel resistance at 1966 today could spark significant buying. If so, 2023 and 2071 become upside targets.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017

	Non-Commercial		Commercial	Non-Reportable	
	Net Position	Weekly Net Change		Net Position	Weekly Net Change
<b>Softs</b>					
<b>Cocoa</b>	-29,164	-2,123	19,489	+1,448	9,676

#### 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.

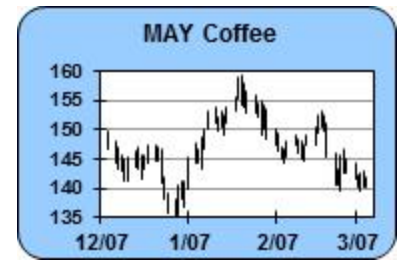
COCOA (MAY) 03/13/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 1859. The next area of resistance is around 1968 and 1994, while 1st support hits today at 1900 and

below there at 1859.

## DAILY COFFEE COMMENTARY 03/13/17

### May be looking at short-term recovery bounce

The coffee market seems to be in a position to build a bit of a weather premium over the near-term. While the Brazilian crop looks lower, the weather has been very good over the past few months and the setback in production could be less than normal for an "off-year" in their biannual crop cycle. However, big crops from Honduras and Colombia plus expectations for a strong recovery in the Indonesian crop for the coming year are seen as negative supply factors. The short-term oversold technical condition plus the ability of May coffee to hold close-in support at the 139.65 level suggest a short-term recovery bounce may be close at hand. May coffee traded inside of Thursday's range on Friday and closed up 90 points on the day. This left the market down 195 points for the week. Farmers in Vietnam (the world's largest producer of Robusta beans) have sold 80% of their 2016-17 crop as of March 9th. This is the highest level for this time of year of the last five years and well above last year's 55% total for the same period. World coffee exports increased in January to 9.84 million bags, which is up from 9.22 million bags last year according to the International Coffee Organization. In the past 12 months, Arabica exports rose 4.5% to 74.04 million bags, while Robusta exports advanced 4.9% to 45.37 million. The Commitments of Traders reports as of March 7th showed Non-Commercial traders were net long 23,411 contracts, a decrease of 4,189 for the week. Non-Commercial and Nonreportable combined traders held a net long position of 25,946 contracts, down 3,309 contracts for the week and the long liquidation selling trend is a short-term negative factor.



### TODAY'S MARKET IDEAS:

With the short-term oversold condition of the market and some uncertainty for production ahead, the market appears set to see at least a short-term recovery bounce. Near-term support for May coffee is at 140.50 and 139.65, with 144.85 and 146.45 as resistance. Watch for a technical sign of a low.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

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

Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Softs							
Coffee	23,411	-4,189	-25,946	+3,309	2,535	+880	

### 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 (MAY) 03/13/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 139.44. The next area of resistance is around 142.22 and 142.93, while 1st support hits today at 140.48 and below there at 139.44.

## DAILY COTTON COMMENTARY 03/13/17

## Bearish set-up this week after bearish signals last week

It is a bearish set-up for the cotton market this week after bearish signals from last week. The lower close after the bullish USDA update on Thursday is seen as a bearish force. In addition, the market closed lower again on Friday, and this left May cotton down 70 points for last week after first trading at the highest price level since July 2014. The weekly reversal could attract some long liquidation selling from speculators. Traders have bought cotton on the ideas of strong demand from the growing global economy and declining world ending stocks. Chinese end users were aggressive buyers of cotton sold from their reserve, and this could eventually result in less demand for import. The Commitments of Traders reports as of March 7th showed Non-Commercial traders were net long an all-time record high 132,318 contracts, an increase of 8,236 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 139,918 contracts, up 7,850 contracts for the week. Commodity Index traders held a net long position of 69,995 contracts, up 566.



### TODAY'S MARKET IDEAS:

With the weekly reversal and trend-following fund traders holding a record high net long position, the market looks vulnerable to increased selling if support levels are violated. Uptrend channel support for May cotton from the December 29th lows at 77.30 was taken out early today, and a close below this level could attract increased technical selling. May cotton short-term resistance is at 78.24. The next trendline support is right around today's low at 74.55, and the next support level after that is 74.00.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
<b>Softs</b>						
<b>Cotton</b>	132,318	+8,236	-139,918	-7,850	7,600	-386

### 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 (MAY) 03/13/2017: 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. 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 now at 76.59. The next area of resistance is around 77.71 and 78.28, while 1st support hits today at 76.87 and below there at 76.59.

COTTON (DEC) 03/13/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 75.74. The next area of resistance is around 75.55 and 75.74, while 1st support hits today at 75.03 and below there at 74.69.

## DAILY SUGAR COMMENTARY

03/13/17

### Upcoming production, weak crude oil keep pressure on sugar prices

The short-term trend remains down, and it will likely take a significant weather



scare for Brazil or much stronger energy prices to turn the trend back to the upside. May sugar traded to a weekly low on Friday and pushed down to the lowest price level since December 27th and down more than 7% for the week. However, selling slowed and the market managed to gain 22 points for the day. It still closed with a loss of 130 points for last week's trading. This was the fifth consecutive negative weekly close and the lowest since November of last year. Weakness was tied to indications that India will not have to import as much sugar as previously thought, as well as Brazil's harvest starting in a few weeks, which will boost global supplies. Traders see a global production surplus for the 2017/18 season, led by record Brazilian production and potential higher production from Europe, Thailand and India. Lower crude oil prices have also lent to the negative tone as prospects for ethanol demand erode. The US and Mexico will launch a new round of negotiations to resolve trade disputes in sugar that have been going for years. The Commitments of Traders reports as of March 7th showed Non-Commercial traders were net long 156,658 contracts, a decrease of 20,468 contracts for the week and the long liquidation selling trend is a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 163,992 contracts, down 31,172 contracts in just one week. Commodity Index traders held a net long position of 176,636 contracts, up 1,849 contracts for the week.

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

With sugar's short-term oversold condition, the market could see a bit of a recovery bounce early this week. Until Brazilian weather is an issue, however, the trend is still down. Near-term resistance is at 18.68 and 18.90. There is some support at the 18.09 to 17.96 zone.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Sugar	156,658	-20,468	-163,993	+31,170	7,334	-10,704

#### **SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 03/13/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 17.81. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 18.40 and 18.56, while 1st support hits today at 18.03 and below there at 17.81.

#### **OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAY) 03/13/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 176.30. The next area of resistance is around 174.10 and 176.30, while 1st support hits today at 170.00 and below there at 168.05.

#### **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
<b>SOFTS MARKETS COMPLEX</b>										
SBAK7	18.22	27.21	31.08	9.74	7.00	18.26	18.90	19.55	20.11	19.73
CTAK7	77.29	50.79	53.54	62.86	60.24	77.81	77.70	77.04	75.80	74.63
CTAZ7	75.29	66.58	67.47	91.07	92.44	75.38	75.10	74.61	73.16	72.24
CCAK7	1934	44.89	42.31	29.01	28.65	1915.25	1920.56	1956.22	2057.69	2100.15
OJAK7	172.05	56.75	53.53	74.42	78.57	173.43	169.28	168.28	169.36	175.07
KCAK7	141.35	38.29	39.71	17.54	13.17	141.06	142.31	145.09	148.41	146.86
MAH7	15.74	21.88	26.67	9.04	7.33	15.85	15.95	16.28	16.82	16.95

Calculations based on previous session. Data collected 03/10/2017

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>						
SBAK7	Sugar	17.80	18.02	18.18	18.40	18.56
CTAK7	Cotton	76.58	76.86	77.43	77.71	78.28
CTAZ7	Cotton	74.68	75.02	75.21	75.55	75.74
CCAK7	Cocoa	1858	1900	1926	1968	1994
OJAK7	Orange Juice	168.00	169.95	172.15	174.10	176.30
KCAK7	Coffee	139.43	140.47	141.18	142.22	142.93
MAH7	Milk	15.62	15.67	15.75	15.80	15.88

Calculations based on previous session. Data collected 03/10/2017

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