



DAILY SOFTS CURRENCY COMMENTARY Monday March 20, 2017

DAILY COCOA COMMENTARY 03/20/17

May have overdone pricing in huge crop surplus; still oversold

May cocoa could not shake off early pressure on Friday and finished lower. For the week, May cocoa posted a gain of 79 points (4.1% higher) for a first positive weekly result in four weeks. Cocoa had the benefit of a slumping Dollar which boosted the Eurocurrency and British Pound and eased concerns over upcoming European demand prospects. Near-term market focus will be on West African supply and while most traders and analysts expect higher production than last season, recent reports may indicate that output may not reach lofty trade expectations. Cocoa beans with smaller than allowed size for export will make it into the supply chain through domestic grindings, but may be an early clue that mid-crop output has been negatively impacted by the region's "dry" season. Deliveries for the March London cocoa contract totaled 150,200 tonnes according to ICE Futures Europe, with most of the beans delivered coming from Cameroon, Nigeria and Ivory Coast. Despite a 141 point gain (7.3% higher) between measuring dates, cocoa's net spec short only fell by around 1,500 contracts in Friday's COT report. This will keep cocoa's net spec short in close proximity to a multi-year high that in turn could fuel additional short-covering if the market can climb back above last Wednesday's monthly high. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net short 26,762 contracts, a decrease of 2,402 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 17,989 contracts, down 1,499.



TODAY'S MARKET IDEAS:

Cocoa prices are showing more signs that they are in a "value zone" and are likely to stay well clear of the recent lows. Near-term support for May cocoa is at 2002 with resistance at 2060. Aggressive traders can use a pullback to enter long call option strategies.

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) 03/20/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 2059. The next area of resistance is around 2033 and 2059, while 1st support hits today at 1993 and below there at 1980.

DAILY COFFEE COMMENTARY 03/20/17

Base of support and need to build some weather premium

Coffee continues to have trouble sustaining upside momentum and remains close to the lower end of its January/March downtrend, but may be starting to find support from a decline in upcoming production. The market is still under the positive technical influence of the March 13th reversal. For last week, May coffee finished with a gain of 0.70 cent (0.5% higher) that was also a weekly reversal from a 2 1/2 month low. The coffee market has been building a base of support, and could build in some weather premium over the near future. Last week, Rabobank forecast that Brazilian 2017-18 coffee production will fall to 49.2 million bags, which compares to 54 million bags this season. This would be a smaller than usual decline in Brazil's coffee output during an "off-year" in their biannual crop cycle, and may reflect reports that Arabica-growing areas in the states of Sao Paulo and Minas Gerais had plentiful rainfall over the past few weeks. Central America growers has seen decent improvement with this season's output, but the region's harvest will be winding down by the end of this month. ICE exchange coffee stocks rose by 2,333 bags on Friday and have climbed back above 1.34 million, which may indicate that global demand remains lukewarm. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 20,108 contracts, a decrease of 3,303 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 22,802 contracts, down 3,144 contracts for the week.



TODAY'S MARKET IDEAS:

While the jury is still out on the current Vietnamese crop, it will not come in large enough to offset a sizable drop in the upcoming Brazilian crop that should help to underpin coffee prices going forward. May coffee support is near 141.25, with 145.95 and 147.65 as initial resistance.

NEW RECOMMENDATIONS:

*Buy July Coffee at 142.10 with an objective of 160.40. Risk to 137.40.

PREVIOUS RECOMMENDATIONS:

None.

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) 03/20/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 143.72. The next area of resistance is around 143.05 and 143.72, while 1st support hits today at 141.05 and below there at 139.73.

DAILY COTTON COMMENTARY

03/20/17

Big OI and near record spec long position; no sign of top

The market remains in a steady uptrend and inched higher in quiet trade on Friday. December cotton pushed to a new contract high and also closed into new high ground. More talk that the bulls await further fixations by end users plus a weaker US dollar helped to support the bounce last week and May cotton ended up 1.4% for the week. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 130,470 contracts, a decrease of 1,848 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 137,637 contracts. This represents a decrease of 2,281 contracts for the week, and the long liquidation selling trend from a near record high net long position is seen as a short-term negative force. Commodity Index traders held a net long position of 69,807 contracts, down 188. Open interest



remains very high. Hot and dry weather for the west Texas region will be monitored closely for any issues. China remains an active seller of cotton out of their reserves. China sold 24,200 tonnes of cotton from reserves today which represented 79.2% of the total offered.

TODAY'S MARKET IDEAS:

The prospective plantings report will be released at the end of the month and traders suspect a jump of near 14% in plantings. We continue to have a bearish tilt fundamentally, but the technical action is positive and there is still no sign of a top. Support for May cotton is at 77.33 with 79.11 and 80.47 as next resistance.

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 (MAY) 03/20/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 79.00. The next area of resistance is around 78.71 and 79.00, while 1st support hits today at 78.01 and below there at 77.61.

COTTON (DEC) 03/20/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 76.03. The next area of resistance is around 75.89 and 76.03, while 1st support hits today at 75.36 and below there at 74.96.

DAILY SUGAR COMMENTARY

03/20/17

Hit 17.74 objective and bounced hard; probing for low

Sugar's chaotic price action Friday may be an early sign of a near-term low, but the market needs to find fresh bullish supply-side news to extend a recovery move. May sugar traded to a low of 17.50 (down 4.1% and the lowest price level since June 1st of 2016) before making a sizable late comeback to finish Friday with only a modest loss. For last week, May sugar finished with a loss of just 5 ticks that still resulted in a sixth straight negative weekly result. Sugar prices continue to be weighed down by projections that the world balance sheet is shifting over to a surplus during the 2017-18 season following several years in a row with sizable global supply deficits. Brazil's harvest will reach full speed by late April and with plentiful rainfall since the start of this year as well as mills expected to emphasize sugar over ethanol, production estimates have been ranging up towards the 37 to 38 million tonne level. However, reports that Brazil may be considering to reinstate a 20% tax on ethanol imports could indicate that domestic ethanol production may not be subdued as earlier thought.



China may end up delaying new import tariffs on sugar imports, which could help to boost near-term demand from that nation. Sugar saw a sizable decline in its net spec long position in the latest COT report and is now less than 1,000 contracts ahead of cotton for largest net spec long for an Ag commodity. As recently as late last year, sugar's net spec long was more than double the size of the second largest Ag commodity net spec long. The Commitments of Traders reports as of March 14th showed Non-Commercial traders were net long 130,210 contracts, a decrease of 26,448 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 138,546 contracts, down 25,446 contracts for the week and the long liquidation selling trend is seen as

a short-term bearish force.

TODAY'S MARKET IDEAS:

A 67 tick intra-day rebound is a good start but with the upcoming Brazilian cane crop shadowing the market, sugar prices need to climb above their mid-March consolidation zone before there is a consensus that a near-term low is in place. Support for May sugar is at 18.01 with 18.53 and 18.90 are resistance.

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 (MAY) 03/20/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 18.93. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 18.61 and 18.93, while 1st support hits today at 17.73 and below there at 17.18.

OJ 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.

ORANGE JUICE (MAY) 03/20/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The outside day up is somewhat positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 185.80. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 183.95 and 185.80, while 1st support hits today at 177.95 and below there at 173.75.

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	18.17	28.51	31.63	11.52	16.44	18.20	18.22	18.93	19.87	19.74
CTAK7	78.36	60.51	59.18	56.29	59.05	77.94	77.76	77.35	76.23	75.15
CTAZ7	75.63	69.57	68.59	87.55	90.16	75.37	75.33	74.90	73.60	72.72
CCAK7	2013	55.49	51.55	64.35	71.75	2036.50	1980.44	1969.17	2039.91	2079.92
OJAK7	180.95	71.31	64.06	86.94	92.40	177.96	175.37	170.34	168.85	173.55
KCAK7	142.05	44.82	43.38	22.16	27.75	141.41	141.36	143.16	147.72	146.54
MAH7	15.73	30.20	30.58	7.00	7.57	15.70	15.76	15.96	16.64	16.80

Calculations based on previous session. Data collected 03/17/2017

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	17.17	17.73	18.05	18.61	18.93
CTAK7	Cotton	77.60	78.01	78.30	78.71	79.00
CTAZ7	Cotton	74.96	75.36	75.50	75.89	76.03
CCAK7	Cocoa	1979	1993	2019	2033	2059

OJAK7	Orange Juice	173.70	177.90	179.75	183.95	185.80
KCAK7	Coffee	139.72	141.05	141.72	143.05	143.72
MAH7	Milk	15.69	15.71	15.72	15.74	15.75

Calculations based on previous session. Data collected 03/17/2017

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

****This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.*