



DAILY SOFTS CURRENCY COMMENTARY Wednesday March 22, 2017

DAILY COCOA COMMENTARY 03/22/17

Priced-in big global production surplus but overdone; mid-crop?

The trend has turned up and the market is well off of the lows. The market is finding support from both the supply and demand sides of the market that has strengthened the recovery move. May cocoa finished with a solid gain again yesterday and is up over 7% so far this week and is now more than 15% in value above the contract low from early March. This is the largest low to high rebound since late August of 2016. While below its recent multi-year high, cocoa's still comparatively large net spec short position has helped to fuel short covering. In addition, there have been updated forecasts for an El Nino weather event later in the year that could negatively impact production in West Africa and Indonesia. The strong upside move by both the Eurocurrency and British Pound should help to improve European demand prospects. Ivory Coast cocoa regulators are facing losses of \$327 million after local exporters defaulted on their contracts because of speculation on prices. Those defaulted contracts have been completely resold according to the Ivory Coast Ag Minister, and support payments to exporters will be covered by the Ivory Coast Reserve and Stabilization Fund.



TODAY'S MARKET IDEAS:

It may be difficult to overcome both lofty production and global production surplus estimates until the West African mid-crop harvest is well underway. Near-term support for May cocoa is at 2118 and 2096, with 2264 as next upside target.

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) 03/22/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next upside target is 2220. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2187 and 2220, while 1st support hits today at 2121 and below there at 2088.

DAILY COFFEE COMMENTARY 03/22/17

Close over 147.65 July coffee today would confirm major low

Lower upcoming production has helped to fuel coffee's recovery move, but a negative shift in risk sentiment could limit further gains over the next few



sessions. May coffee traded up to a 2-week high yesterday but could not sustain upside momentum and fell into negative territory with a modest loss. Lukewarm global demand has cast a shadow over the coffee market during the early part of this year, so any further strength to this week's "risk off" mood seen in many markets may weigh on the market. While ICE exchange coffee stocks fell by 284 bags on Tuesday, they remain more than 96,000 bags higher for the year so far (up 7.7%). This would be their highest first quarter increase since 2013 and largest first quarter percentage increase since 2007. Vietnam's key coffee-growing area of the Central Highlands province of Daklak that represents 30% of their production could see beneficial rainfall from March 24th thru 31st. A recent tender to buy Robusta coffee in Brazil may help determine the fate of imports that the government first authorized and then suspended. Wednesday's tender could help to show that there are enough beans to supply instant coffee makers, but a failure to unload supply by producers could open the door for Brazilian government officials to justify imports.

TODAY'S MARKET IDEAS:

The July coffee inched over the key downtrend channel off of the November highs yesterday but could not close through the resistance. A close above 147.65 today would help confirm that a major bottom is in place with 155.05 and 160.50 as initial key resistance. Close-in support is at 145.75 and 144.85. Use a pullback to enter long call option strategies.

NEW RECOMMENDATIONS:

* Buy July Coffee at 144.90 with an objective of 160.40. Risk to 141.80.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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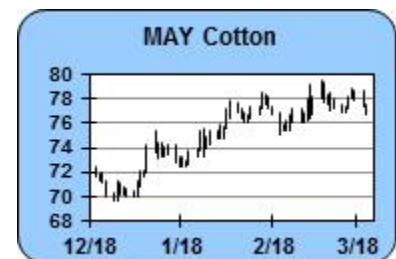
COFFEE (MAY) 03/22/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 147.22. The next area of resistance is around 145.85 and 147.22, while 1st support hits today at 143.65 and below there at 142.83.

DAILY COTTON COMMENTARY

03/22/17

Too overbought and lacking signs of tightness

The cotton market looks vulnerable to a significant corrective break over the near-term as focus continues to shift to the new crop outlook. Outside market forces are also turning bearish. A survey from Bloomberg of cotton traders and analysts showed expectations for cotton planted acreage for the coming season at 11.9 million acres, up 18.2% from last year. Weakness in grains recently and a continued advance in new crop cotton to another new contract high this week has led to a shift to more cotton plantings. Even if we use a smaller yield than last year and hold exports at a very high level, US cotton ending stocks come in above 7 million bales which is a 10-year high and compares with 4.5 million this year and 3.8 million bales last year. China continues to see active sales at their daily auctions. China sold 23,200 tonnes of cotton on Tuesday which was 76% of what was offered. For comparison, 25,000 tonnes is equal to 115 million bales of cotton. Trend-following funds in Friday's COT report held a net long position of 113,369 contracts which is near a record for cotton and the highest net long position for any agricultural market.



TODAY'S MARKET IDEAS:

The market is in a position to see minor technical action spark major long liquidation selling from speculators. The

May/July bull spread has pushed to a new contract low this week which suggests a lack of any type of tightness. Look for the July/Dec spread to fall. Selling resistance for May cotton is at 77.84 with 72.75 as downside target. Key support levels include 75.75 and 74.60. Consider selling any bounce.

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) 03/22/2017: 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 76.16. The next area of resistance is around 77.24 and 77.76, while 1st support hits today at 76.44 and below there at 76.16.

COTTON (DEC) 03/22/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 74.25. The next area of resistance is around 75.27 and 75.84, while 1st support hits today at 74.48 and below there at 74.25.

DAILY SUGAR COMMENTARY

03/22/17

weak action continues as outside forces turn weak to add selling

Sluggish risk sentiment has added to the prospects for a global production surplus next season to keep sugar prices squarely on the defensive this week. May sugar traded down as much as 3.6% lower on the day yesterday and the lowest price level since May 25th before finishing with a second heavy loss in as many sessions. Over the past month, May sugar has fallen nearly 3.50 cents and lost over 16% in value. Brazil's harvest will reach full speed in a few weeks and with decent rainfall since the start of this year, their Center-South cane production looks to come in above 600 million tonnes. Brazilian sugar mills have hedged an estimated 52% of their 2017-18 exports according to Archer Consulting which compares to 59% last year at this time, but that percentage could rise substantially by mid-April if early harvest yields point towards Center-South sugar production coming in above 37 million tonnes this season. Indian farmers look set to switch from growing oilseeds and pulses and planting more sugarcane and wheat after storage houses have been overflowing with such crops as lentils and soybeans. Following last year's near-average rainfall, India's upcoming 2017/18 sugar production should see a significant increase over this season's sub-20 million tonne total.



TODAY'S MARKET IDEAS:

Unless India relaxes their import duties, near-term Asian supply issues will take a back seat to hefty upcoming Brazilian production. Near-term resistance for May sugar is at 17.60 and 17.77 while critical support is at 17.05. Below this, the break below the December lows leaves 16.30 as a longer-term objective.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/22/2017: A bearish signal was triggered on a crossover down in the daily stochastics. 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. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 16.69. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 17.61 and 17.98, while 1st support hits today at 16.97 and below there at 16.69.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/22/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 198.55. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 195.20 and 198.55, while 1st support hits today at 185.40 and below there at 178.90.

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	17.29	17.25	23.40	12.15	11.87	17.85	18.02	18.61	19.74	19.72
CTAK7	76.84	43.93	48.65	50.07	40.75	77.68	77.55	77.49	76.42	75.38
CTAZ7	74.88	46.41	53.83	85.78	79.05	75.41	75.31	75.06	73.79	72.94
CCAK7	2154	73.24	65.14	75.00	84.89	2077.50	2029.44	1983.00	2036.84	2075.72
OJAK7	190.30	81.39	72.59	90.40	93.38	182.90	177.91	172.43	169.10	173.26
KCAK7	144.75	56.76	51.22	37.30	53.46	143.38	142.20	142.56	147.42	146.49
MAH7	15.76	34.53	32.83	9.35	12.88	15.72	15.72	15.88	16.56	16.75

Calculations based on previous session. Data collected 03/21/2017

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	16.68	16.96	17.33	17.61	17.98
CTAK7	Cotton	76.16	76.44	76.96	77.24	77.76
CTAZ7	Cotton	74.25	74.47	75.05	75.27	75.84
CCAK7	Cocoa	2088	2121	2154	2187	2220
OJAK7	Orange Juice	178.85	185.35	188.70	195.20	198.55
KCAK7	Coffee	142.82	143.65	145.02	145.85	147.22
MAH7	Milk	15.71	15.73	15.75	15.77	15.79

Calculations based on previous session. Data collected 03/21/2017

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