



DAILY SOFTS CURRENCY COMMENTARY Thursday March 23, 2017

DAILY COCOA COMMENTARY 03/23/17

Short-term overbought but trend is turning up

Cocoa prices remain in a steep uptrend. May cocoa pushed up to the highest close since January 25th. The Ivory Coast Cocoa and Coffee Board (CCC) have used a significant portion of their stabilization funds to partially compensate exporters for losses that incurred after payment of the guaranteed minimum farmgate price. The sharp drop in prices since October played a major role with the CCC cutting the minimum farmgate price for their nation's upcoming mid-crop production, which is not going to make Ivory Coast producers very happy after the financial hardships already sustained this year. However, the CCC did note that the cocoa beans piled up at their main ports of Abidjan and San Pedro has been reduced to "just" 25,000 tonnes, which should ease concerns of a large-scale surge of exports in April and May after mid-crop supply reaches those two ports. A slumping Dollar provided a boost to cocoa's demand outlook. However, it may take until first quarter grindings totals are released in mid-April before the market will have evidence that the steep drop in prices since late August is providing longer-term benefit for cocoa demand.



TODAY'S MARKET IDEAS:

Any further negative shift in risk sentiment could weigh on cocoa prices given the market's concern over lukewarm global demand. However, cocoa is showing more signs that a low is in place. Near-term support for May cocoa is at 2111 and 2066 with resistance at 2189 and 2264. 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) 03/23/2017: 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 upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2203. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2189 and 2203, while 1st support hits today at 2141 and below there at 2106.

DAILY COFFEE COMMENTARY 03/23/17

Quick move back into consolidation is weak technical action

A swift pullback has sent coffee prices down back into the recent consolidation,



but the market has held its ground above the recent low in spite of sluggish risk appetites. Brazil's instant coffee industry's auction ended with no Robusta beans being traded even at above-market prices, which provides evidence of how tight near-term the Robusta supply situation remains with several more months to go before harvest begins. Given the political strength of Brazil's coffee growers, however, the potential to reinstate coffee imports is still remote at best. Vietnam's near-term supply remains tight, which indicates the current crop may be close to a 20% decline from the previous season. However, Central America and East Africa appear to be in much better shape with current production. Guatemalan coffee production during the 2016/17 season was forecast at 3.32 million bags by a trade group, which would be close to a 10% increase on last season. Uganda's coffee exports from October 1st thru February 1st were seen at 1.84 million bags, which compares to 1.42 million bags over that timeframe last season.

TODAY'S MARKET IDEAS:

Coffee prices have longer-term supply issues working in their favor, but volatile risk sentiment could have the upper hand today and tomorrow as coffee may need a "risk on" mood to redevelop in order to soothe demand concerns going forward. May coffee support is at 140.50 with resistance at 142.50 and 143.40. For the bulls, a close back over 142.50 would be positive.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July Coffee from 144.90 with an objective of 160.40. Risk to 141.80.

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.

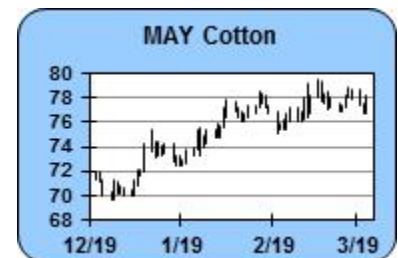
COFFEE (MAY) 03/23/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The near-term upside objective is at 145.55. The next area of resistance is around 143.35 and 145.55, while 1st support hits today at 140.05 and below there at 138.95.

DAILY COTTON COMMENTARY

03/23/17

China import pace strong Jan-Feb but stock sales began March

While the short-term demand tone is positive, China import demand could slide in the months ahead as the country eats into massive government stockpiles. China imported 138,262 tonnes of cotton in February which pushed year-to-date total to 253,680 tonnes which is up 67.2% from last year's pace. While this is an impressive pace, China state auctions started in early March and we have seen stock sales of 22,000-30,000 tonnes per day. China sold 22,100 tonnes today which was 71.8% of the total offering. The bulls in cotton continue to see declining world stocks and a global production deficit for the 2016/17 season as key bullish forces. In addition, the strong export sales trend of the past few months has helped to support the uptrend. Traders will monitor weekly sales data closely today. While the significant drop in global stocks for this season is significant, stocks still represent 80.5% of annual usage.



If the near-term focus shifts away from the old crop drawdown in stocks to the new crop US supply/demand outlook, the market looks vulnerable to shift to a downtrend. For the plantings report at the end of the month, traders see US cotton planted acreage for the coming season at 11.9 million acres, up 18.2% from last year. Weakness in grains 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. Expectations for strong export sales supported the bounce yesterday.

TODAY'S MARKET IDEAS:

The market remains in a consolidation pattern as talk of tightness for the old crop season clashes with the potential bearish outlook for the new crop season. There is still no technical sign of a peak. Selling resistance for May cotton is at 78.06 and 78.39, with key support levels at 75.75 and 74.60. Consider selling a bounce looking for a set-back to at least 73.45.

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) 03/23/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 75.88. The next area of resistance is around 78.09 and 78.89, while 1st support hits today at 76.59 and below there at 75.88.

COTTON (DEC) 03/23/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day 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 now at 74.31. The next area of resistance is around 75.59 and 76.04, while 1st support hits today at 74.73 and below there at 74.31.

DAILY SUGAR COMMENTARY

03/23/17

Oversold and in position for at least a bounce; China active

After losing 17% in value over the past month and dropping to its lowest price level since late May, sugar prices may have found a near-term floor but will need plenty of help from bullish supply news as well as carryover support from outside markets in order to see much of a bounce. China imported 182,534 tonnes of sugar in February which pushed year-to-date total to 592,273 tonnes which is up 49.7% from last year's pace. May sugar traded to a new low for the move at 17.02 (down 6.3% for the week) before making a late rebound to finish yesterday with a minimal gain and a reversal. One key positive for sugar may be a smaller net spec long position as the latest COT report to be released after this Friday's close will reflect an 87 tick price decline (4.7% lower) between measuring dates. The European Union may produce 18.24 million tonnes of sugar for the 2017/18 crop year, which is up 17% versus last year according to FC Stone. The EU's sugar industry is shifting from its previous system that involved output quotas to one where beet sugar farmers can grow as much as they want and mills will be able to produce as much sugar as they want. This shift could further reduce sugar exports from Brazil to the EU, which is already relatively small at 400,000 to 800,000 tonnes per year.



TODAY'S MARKET IDEAS:

Sugar may have upside follow-through from yesterday's reversal but will need stronger risk appetites, positive outside markets and some fresh bullish supply news in order to extend the bounce. Near-term support for May sugar is at 17.19 with downtrend channel resistance at 17.93 today and first key resistance at 18.52.

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) 03/23/2017: 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. The daily closing price reversal up is a positive indicator that could support higher prices. The market tilt is slightly negative with the close under the pivot. The next downside objective is 16.85. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 17.51 and 17.68, while 1st support hits today at 17.09 and below there at 16.85.

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) 03/23/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 192.55. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 190.65 and 192.55, while 1st support hits today at 187.30 and below there at 185.85.

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	17.30	17.70	23.65	11.82	11.17	17.62	17.94	18.47	19.67	19.71
CTAK7	77.34	49.47	51.84	45.35	35.93	77.47	77.49	77.53	76.53	75.50
CTAZ7	75.16	52.80	57.40	81.31	72.37	75.34	75.27	75.12	73.89	73.04
CCAK7	2165	74.22	65.99	79.31	87.92	2112.00	2059.11	1992.50	2035.51	2075.40
OJAK7	189.00	77.06	70.06	90.90	91.90	185.78	179.87	173.76	169.49	173.23
KCAK7	141.70	43.51	43.56	41.30	49.31	143.44	142.34	142.31	147.18	146.50
MAH7	15.74	33.25	32.21	11.45	15.67	15.74	15.71	15.85	16.53	16.72

Calculations based on previous session. Data collected 03/22/2017

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	16.84	17.09	17.26	17.51	17.68
CTAK7	Cotton	75.87	76.58	77.38	78.09	78.89
CTAZ7	Cotton	74.30	74.72	75.17	75.59	76.04
CCAK7	Cocoa	2105	2140	2154	2189	2203
OJAK7	Orange Juice	185.80	187.25	189.15	190.65	192.55
KCAK7	Coffee	138.94	140.04	142.25	143.35	145.55
MAH7	Milk	15.72	15.73	15.74	15.75	15.76

Calculations based on previous session. Data collected 03/22/2017

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.*