



## DAILY SOFTS CURRENCY COMMENTARY Tuesday March 28, 2017

### DAILY COCOA COMMENTARY 03/28/17

#### Short-term overbought condition but trend turning up

May cocoa has continued to trade within a comparatively tight range between 2187 and 2120 for a fifth session in a row. While that shows some reluctance to extend its recovery move, keep in mind that much of this coiling price action took place during a period of negative risk sentiment. May cocoa traded up with a moderate gain yesterday. Strong gains in the Eurocurrency (a new 3 1/2 month high) and the British Pound (a new 8-week high) provided cocoa with a boost as it should help to improve European demand prospects. However, West African near-term supply news is starting to take a bullish tone as well. Ghana's official purchases through early March were running just 1.5% ahead of last season's pace in which their overall production did not reach 780,000 tonnes. Ghanaian officials have already reduced their expectations to 800,000 tonnes for this season's overall output, which may not bode well for their neighbors Ivory Coast. The latest reading on Ivory Coast port arrivals came in ahead of the comparable period last year, but the weekly total was well below those seen earlier this year which indicates that export-grade beans may be hard to come by through the early part of the mid-crop harvest. This season's arrivals total is running ahead of last season's pace but with reduced weekly total over the near future, Ivory Coast may not match lofty trade forecasts for their production to reach 1.9 million tonnes.



#### TODAY'S MARKET IDEAS:

Lukewarm risk appetites could remain a problem given the market's ongoing concern with demand prospects, but cocoa prices should remain fairly well supported on near-term pullbacks. Near-term support for May cocoa is at 2115 with resistance at 2183. Aggressive traders can use a pullback to the 2082 level 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) 03/28/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 2204. The next area of resistance is around 2176 and 2204, while 1st support hits today at 2124 and below there at 2100.

### DAILY COFFEE COMMENTARY 03/28/17

#### In position for bounce but no sign of building weather premium



A drop in exchange stocks and a hook reversal may be enough to suspect a short-term low. May coffee tested the December lows with a sharp break yesterday but held and closed moderately higher on the day. The market came close to the short-term downside swing target of 135.65 before turning higher. May coffee in London closed up 2.2% on the session yesterday and is trading slightly lower this morning but closed up 10% from the December lows. Open interest continues to advance and moved up to the highest level since January 4th. This might suggest that some fund traders are building a larger net short position in New York. May coffee traded lower for the fifth consecutive day before turning higher into the close. Prices are under pressure tied to the expected rains in Brazil's Arabica and Robusta regions through Wednesday. Signs of ample supplies in Columbia and Central America along with Brazilian farmers gearing up for harvest in the second quarter of 2017 have led to the negative tone. The COT reports as of March 21st showed non-commercial and nonreportable combined traders held a net long position of 25,369 contracts, up 2,567 contracts for the week. ICE exchange deliverable stocks slid by 4,013 bags.

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

The COT report shows that the market is still vulnerable to a long liquidation sell-off if support levels are violated. Minor support for May coffee is at 137.20 with key support at the December 28th lows of 135.50. It will take a move above the downtrend channel resistance at 146.10 today to turn the minor trend up. Key resistance is at 144.40.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COFFEE TECHNICAL OUTLOOK:**

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COFFEE (MAY) 03/28/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 135.34. The next area of resistance is around 140.77 and 141.63, while 1st support hits today at 137.63 and below there at 135.34.

#### **DAILY COTTON COMMENTARY**

**03/28/17**

#### **Market looks top heavy with possible surge in ending stocks**

With some increased economic uncertainty and fund traders holding a near record net long position for cotton, the talk of a 13.2% jump in cotton planted area this year was enough to spark some increased selling and a weaker close for May cotton to start the week. The market looks vulnerable to increased long liquidation selling just ahead. The sharp drop in grain markets in the last month has encouraged producers to shift to more cotton acres and less corn and soybean acres. With very high open interest and a near record net long position from speculators, long liquidation could get active ahead of the key report on Friday. Traders see cotton planted area for the coming year at 11.409 million bales (range 10.5-12.3 million) as compared with the USDA Outlook forum preliminary estimate of 11.5 million acres. This would be an increase of 13.2% from last year. The jump in planted area would suggest an ending stocks number for the new crop season near 6.5-7.0 million bales from 4.5 million this year and from 3.8 million last year. China sold 17,700 tonnes of cotton from state reserves which were 58.9% of what was offered which is the lowest percentage sold to date since the auctions started on March 1st.



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

The COT report as of March 21st showed Non-Commercial traders were net long 126,722 contracts, a decrease

of 3,748 contracts for the week and the long liquidation selling trend is a short-term bearish force; especially if longs move to the sidelines for the key USDA report on Friday. Selling resistance for May cotton moves down to 77.47 and 78.06, with key support levels at 75.75 and 74.60. Consider selling a bounce looking for a setback 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) 03/28/2017: The major trend has turned down with the cross over back below the 40-day moving average. 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 target is 76.30. The next area of resistance is around 77.35 and 77.95, while 1st support hits today at 76.53 and below there at 76.30.

COTTON (DEC) 03/28/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 74.62. The next area of resistance is around 75.27 and 75.63, while 1st support hits today at 74.77 and below there at 74.62.

**DAILY SUGAR COMMENTARY**

03/28/17

**Trade bracing for record Brazil crop and surge in EU plantings**

A recovery in the risk tone helped to support the bounce overnight. After a three-day bounce which helped to correct the short-term oversold condition of the market, new buying interest faded yesterday. It may take a good supply reason to turn the trend up and the market lacks any supply issues at present. In addition, the demand news is sluggish with economic uncertainties and a weak US dollar could not even provide much support. May sugar traded down as much as 1.5% on the session Monday before selling pressures eased and a bounce in equities and energy markets helped to support the bounce to close just slightly lower on the day. JP Morgan analysts see sugar price risks skewed to the upside from current levels. They commented that the non-commercial gross short position has quadrupled over the last month, as well as the possible tax increase on gasoline in Brazil as potential bullish developments. The possibility of India reducing import tariffs on sugar was also cited. The bank has targeted their 2nd quarter 2017 sugar price forecast at 20.00 cents per pound. The managed money trader category reduced their net long position by 23,466 contracts for the week ending March 21st to a net long of just 67,037 contracts. This is down from a peak of 286,248 contracts in late September. The EU crop monitor sees sugar beet yields this year up 2.7% from last year. There is still talk that many EU countries could see plantings jump 15-20%.



**TODAY'S MARKET IDEAS:**

Finding new buyers without a supply issue is difficult in the current environment for commodity markets. There is still no major sign of a low but the market has seen a decent bounce off of the March 22nd reversal. Near-term support for May sugar is at 17.38 and this needs to hold or the chart pattern will appear like a bounce in a bear trend with 16.66 as an eventual downside target. The first key resistance is at 18.62.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 03/28/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 near-term upside objective is at 18.13. The next area of resistance is around 17.92 and 18.13, while 1st support hits today at 17.48 and below there at 17.24.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAY) 03/28/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 166.40. The next area of resistance is around 179.45 and 184.25, while 1st support hits today at 170.55 and below there at 166.40.

**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	17.70	34.18	33.42	18.24	24.73	17.58	17.77	18.20	19.49	19.67
CTAK7	76.94	44.84	48.84	33.60	25.82	77.26	77.53	77.61	76.79	75.85
CTAZ7	75.02	47.55	53.33	73.84	65.31	75.29	75.35	75.27	74.17	73.36
CCAK7	2150	66.12	61.86	85.78	87.87	2155.50	2108.89	2029.67	2033.84	2071.58
OJAK7	175.00	44.33	48.69	76.02	59.61	182.38	182.13	177.08	170.42	172.89
KCAK7	139.20	39.11	40.24	34.36	28.88	139.75	141.49	141.69	146.22	146.61
MAJ7	15.00	32.88	32.76	25.22	22.53	15.11	15.17	15.49	16.38	16.65

Calculations based on previous session. Data collected 03/27/2017

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	17.23	17.47	17.68	17.92	18.13
CTAK7	Cotton	76.29	76.52	77.12	77.35	77.95
CTAZ7	Cotton	74.61	74.76	75.12	75.27	75.63
CCAK7	Cocoa	2100	2124	2152	2176	2204
OJAK7	Orange Juice	166.35	170.50	175.30	179.45	184.25
KCAK7	Coffee	135.33	137.62	138.48	140.77	141.63
MAJ7	Milk	14.74	14.87	15.00	15.13	15.26

Calculations based on previous session. Data collected 03/27/2017

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