



## DAILY SOFTS CURRENCY COMMENTARY Friday March 31, 2017

### DAILY COCOA COMMENTARY 03/31/17

#### In position for further advance; Ivory move to help demand

The technical action improved yesterday with support holding on the break and a firm close. Ivory Coast is said to have cut their minimum farmgate price for the upcoming mid-crop to 700 CFA Francs (\$1.14) per kilo, down 36% from 1,100 CFA Francs (\$1.79) per kilo for their main harvest. The new minimum farmgate price is the lowest since the Ivory Coast reformed its cocoa industry in 2012 and is clearly a harsh decision for their producers, but keep in mind that cocoa prices have fallen more than 23% since the end of September even after their recent recovery. The Ivory Coast also scrapped a 5% cocoa registration tax for exporters according to a government spokesman, which could help to increase shipments of cocoa from Ivory Coast onto the global market. This creates a sizable difference between minimum prices in Ivory Coast and Ghana that could encourage smuggling across their border, but Ghana's financial difficulties could lead that nation to also cut their mid-crop minimum price over the near future. The latest COT report will be released after today's close and will reflect a 25 point decline (1.2% lower) which should result in cocoa continuing to have a net spec short position.



#### TODAY'S MARKET IDEAS:

Ivory Coast actions could help to improve global demand during the second quarter and help to underpin cocoa prices well above the recent lows. Risk appetites remain fragile after a steep selloff in the Eurocurrency, however, so cocoa may stay volatile. Near-term support for May cocoa is at the 2079 to 2066 zone, with resistance at 2137. A close through resistance leaves 2237 as next upside target. Consider buying into support.

#### 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) 03/31/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 2029. The next area of resistance is around 2127 and 2154, while 1st support hits today at 2065 and below there at 2029.

### DAILY COFFEE COMMENTARY 03/31/17

#### The market seems to be building a base of support and oversold

The market has consolidated this week after a hook reversal low on Monday,



and appears set to see at least have a temporary recovery bounce. For a more significant rally, the market may need to see some more threatening supply weather or else a shift in psychology. Sometimes at this time of the year, the market begins to build some type of weather premium just in case Brazil's crop is not as good as the weather suggests. May coffee traded to a high of 140.05 in a subdued inside day with light volume yesterday and closed unchanged on the day. Brazil's government may allow up to 1.0 million bags of Robusta imports from Vietnam for re-export. The move would be a setback for Brazilian producers who have so far successfully lobbied against the coffee imports. A two year drought has cut output of Brazil's Robusta beans to an 11 year low of 8 million tonnes in 2016. Cooabriel, Brazil's largest Robusta coffee coop, reported half of their crop area has had below average levels of rain which could affect 2018 output. Harvest in most areas is expected to start in mid-April. The Robusta harvest in Indonesia has helped to limit advances for London futures which consolidated for much of March. May London futures opened at 2161 on March 2nd and closed at 2161 on March 30th.

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

The inside trading session on Thursday and sideways trade this week with bearish outside market forces might be showing some relative strength for coffee. Minor support for May coffee continues to hold at 137.20. Look for a bounce to 145.00.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COFFEE (MAY) 03/31/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 137.87. The next area of resistance is around 140.02 and 140.76, while 1st support hits today at 138.58 and below there at 137.87.

#### **DAILY COTTON COMMENTARY**

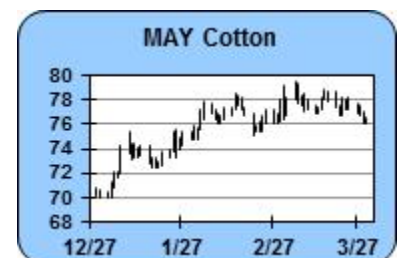
**03/31/17**

#### **India imports, strong US sales but acreage could be big**

The market old crop fundamentals continue to improve as exports expand but the new crop outlook appears bearish with normal weather. The move in the India currency has discouraged exports and can now promote a significant jump in imports for the 2016/17 season. Imports could jump to a record 3 million bales. However, India plantings for the coming year are expected to expand and China plantings are expected to increase by 5%. The nearby contract experienced choppy and mostly higher trade yesterday while new crop

December futures closed lower for the 4th session in a row. The selling helped to push December cotton down to the lowest level since February 23rd. Positioning ahead of the key USDA prospective plantings report (for release today) helped to pressure.

For the report, traders see cotton planted area for the coming year at 11.409 million acres (range of 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, and many traders see the fact that cotton has gained sharply on grains in the last six weeks as a reason to suspect plantings above 11.5 million acres. With a jump in acres like this, ending stocks would likely come in near 6.5 million bales or higher for the 2017/18 season as compared with 4.5 million this year and from 3.8 million last year. Weekly export sales came in at 392,300 bales for the current marketing year and 84,300 for the next marketing year for a total of 476,600 balls. As of March 23rd, cumulative cotton sales



stand at 100.6% of the USDA forecast for the 2016/2017 (current) marketing year versus a 5 year average of 93.0%.

**TODAY'S MARKET IDEAS:**

The results of the plantings report should set the short-term price direction. The strong export sales pace suggest that old crop ending stocks could be revised lower in the next supply/demand update, but a surge in plantings would more than offset a minor tightening of the old crop supply. Selling resistance for May cotton is at 76.95 and 77.47, with key support at 74.60. Consider selling into resistance looking for a break to 73.45. Next key support for December cotton is at 72.98 and at 72.14.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

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COTTON (MAY) 03/31/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 75.84. The next area of resistance is around 76.45 and 76.71, while 1st support hits today at 76.01 and below there at 75.84.

COTTON (DEC) 03/31/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 73.32. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 73.92 and 74.24, while 1st support hits today at 73.46 and below there at 73.32.

**DAILY SUGAR COMMENTARY**

**03/31/17**

**No sign of low yet but oversold and hit short-term target**

The market continues to absorb bearish supply news for the coming season as the trade has shifted from expectations of a near balanced supply/demand set-up for the 2017/18 season to expectations now for a 2-4 million tonne surplus. Another estimate for a surplus of 2.85 million tonnes emerged from Tropical Research Services as the firm indicated a potential sharp rise in production. The firm showed a deficit of 7.95 million tonnes for this past season, but production this year is expected to jump by 13 million tonnes to 187.4 million tonnes. May sugar traded to a weekly low at 16.58 yesterday which was down more than 2% on the day before finding a bounce. Sugar prices in India could remain firm for the next two or three quarters on tight stockpiles in the domestic market according to officials. Sugar end stockpiles on September 30th could total 4.0 to 4.5 million tonnes, which could be enough to meet domestic demand for about two months. Increased production in Brazil, India, Thailand and the EU will spur the global sugar market to show a surplus in 2017-18 according to a report from Commerzbank as well.



**TODAY'S MARKET IDEAS:**

Besides the oversold condition, there seems to be few reasons for buying and the steady rise in open interest during the break suggests there are some fund traders who are building a more significant net short position. Near-term support for May sugar is at 16.58 but if this fails, 16.32 becomes the next target. Resistance is at 17.19 and at 17.37.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 03/31/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 16.34. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 17.04 and 17.29, while 1st support hits today at 16.57 and below there at 16.34.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAY) 03/31/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 152.75. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 165.60 and 173.00, while 1st support hits today at 155.50 and below there at 152.75.

**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
<b>SOFTS MARKETS COMPLEX</b>										
SBAK7	16.80	20.16	24.31	20.21	18.21	17.30	17.42	17.82	19.26	19.55
CTAK7	76.23	37.88	44.07	19.81	10.81	76.55	76.94	77.35	76.91	76.10
CTAZ7	73.69	27.53	37.30	45.14	21.55	74.43	74.93	75.13	74.34	73.58
CCAK7	2096	53.49	54.12	80.64	74.78	2115.25	2133.67	2057.06	2027.96	2069.70
OJAK7	160.55	27.10	34.83	42.16	19.17	168.70	178.05	176.71	170.69	171.66
KCAK7	139.30	40.37	40.95	30.46	29.30	139.16	140.72	141.04	145.10	146.62
MAJ7	15.33	47.21	42.18	30.36	38.62	15.17	15.19	15.38	16.23	16.54

Calculations based on previous session. Data collected 03/30/2017

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	16.33	16.56	16.81	17.04	17.29
CTAK7	Cotton	75.83	76.01	76.27	76.45	76.71
CTAZ7	Cotton	73.31	73.45	73.78	73.92	74.24
CCAK7	Cocoa	2028	2064	2091	2127	2154
OJAK7	Orange Juice	152.70	155.45	162.85	165.60	173.00
KCAK7	Coffee	137.86	138.57	139.31	140.02	140.76
MAJ7	Milk	15.06	15.21	15.30	15.45	15.54

Calculations based on previous session. Data collected 03/30/2017

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