



## DAILY SOFTS CURRENCY COMMENTARY Monday April 03, 2017

### DAILY COCOA COMMENTARY 04/03/17

#### Cheaper price to encourage better demand ahead; firm

Cocoa prices may have finished a volatile trading week well below its recent high, but the market is showing more signs than the low put in during early March could hold for a while. May cocoa closed with a loss of 36 points (1.7% lower) for the week last week. For a first quarter of 2017 in which the market generated news headlines for reaching a multi-year low, May cocoa finished the quarter with a loss of only 18 points (0.8% lower). While better growing conditions should result in higher West African output, the market has already priced-in Ivory Coast production from 1.9 to 2.0 million tonnes which would be all-time high by 100,000 to 200,000 tonnes. However, the world cocoa stocks/grindings ratio last season was at a three decade low so end-users may be willing to still pick up supply with cocoa prices remaining in a "value zone".



In a report from FC Stone, cocoa could see a global production surplus of 220,000 tonnes during the 2016/17 season compared to a deficit of 166,000 tonnes for the 2015/16 season. Global 2016/17 global cocoa production is forecast to rise 13% to 4.52 million tonnes, bolstered in large part by favorable weather in West Africa, while 2016/17 global cocoa demand was pegged at 4.26 million tonnes which would be up 3.3% versus last season. In spite of prices seeing a moderate decline between measuring dates, cocoa's net spec short position saw a sizable decline in the latest COT report. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net short 12,894 contracts, a decrease of 6,361 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 6,718 contracts, a decrease of 4,692 contracts for the week.

#### TODAY'S MARKET IDEAS:

A near-term pullback early this week could provide an opportunity to enter the long side of the cocoa market as global demand should continue to improve. Near-term support for May cocoa is at 2066 and 2028 with resistance at 2137. A push through resistance would leave 2237 as next target.

#### NEW RECOMMENDATIONS:

\* Buy July Cocoa 2100/2300 bull call spread for 48 with an objective of 172. Risk a total of 37 points.

#### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/21/2017 - 3/28/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Softs</b>						
Cocoa	-12,894	+6,361	6,719	-4,692	6,176	-1,669

#### 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) 04/03/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 2065. The next area of resistance is around 2109 and 2122, while 1st support hits today at 2081 and below there at 2065.

## DAILY COFFEE COMMENTARY

04/03/17

**In position to see rally based on improved demand; firm**

Coffee has yet to see strong follow-through from last Monday's hook reversal, but could start to find upside momentum as a bullish supply outlook provides support. For the week, May coffee finished with a gain of 1.70 cents (1.2% higher) and a weekly reversal. Costa Rican 2016/17 coffee production may total 1.385 million bags, which would be down 15% from last year's 1.633 million and well below their December estimate of 1.534 million bags. Costa Rican farmers cited erratic flowering and heavy rains that hurt some plantings as a reason for the lower yielding crops. While other major Central American producers are looking at stronger coffee output this season, Guatemala downgraded their production forecast to only a 10% rise which could indicate that the region's crop expectations may be dialed down over the next few months.



Brazil's largest co-op is forecasting a slight decline in their coffee output this season, but that could be adjusted downward as that nation is in the "off-year" of their bi-annual crop cycle. ICE coffee stocks rose by 9,496 bags on Friday and finished March and the first quarter of 2017 at 1.361 million. This is the highest month-end total for the ICE exchange coffee stocks since April of 2016 and the first time that there has been 3 monthly builds in a row since January-March of 2013. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net long 12,890 contracts, a decrease of 9,778 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 15,685 contracts, down 9,684 contracts for the week.

### TODAY'S MARKET IDEAS:

Vietnam's key producing region is expected to see rainfall 15-30% higher than normal for April according to weather officials. A weekly reversal from its 2017 low could lead to upside follow-through and if global risk sentiment can show some improvement, coffee prices may be able to extend a recovery move. Near-term support for May coffee is at 138.80 and 137.10, with resistance at 142.50. A close through resistance would leave 150.30 as upside target.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### Commitment of Traders - Futures and Options - 3/21/2017 - 3/28/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
<b>Softs</b>							
<b>Coffee</b>	12,890	-9,778	-15,685	+9,683	2,795	+94	

### 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.

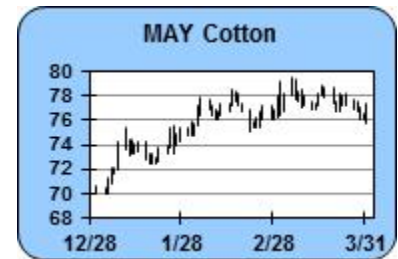
COFFEE (MAY) 04/03/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 136.99. The next area of resistance is around 140.37 and 141.28, while 1st support hits today at 138.23 and below there at 136.99.

## DAILY COTTON COMMENTARY

04/03/17

### Impressive action as short-term demand from India supports

The market experienced a strong turn higher in the face of bearish USDA report news on Friday and is showing strength overnight. This might suggest that short-term demand is much stronger than believed. US producers are expected to plant 12.2 million acres, up 21% from last year and well up from trade expectations for 11.4 million acres (range of 10.5-12.3 million) and up from the USDA Outlook Forum preliminary estimate of 11.5 million acres. If weather is anywhere close to normal, the surge in planting should leave ending stocks near 7 million bales or higher 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 last week came in at 392,300 bales for old crop. 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%. This data suggests that the USDA will raise exports and lower ending stocks, perhaps by 100,000-300,000 bales.



In addition to the recent strong sales pace, the move in the Indian currency has discouraged exports and can now promote a significant jump in imports for the 2016/17 old crop season. Imports could jump to a record 3 million bales. However, Indian plantings for the coming year are expected to expand and China plantings are expected to increase by 5%. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net long 123,721 contracts, a decrease of 3,001 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 128,840 contracts, down 3,437 contracts for the week and the long liquidation selling trend is seen as a short-term bearish force. Commodity Index traders held a net long position of 68,503 contracts, down 1,966 contracts for the week.

### TODAY'S MARKET IDEAS:

The technical action is bullish but the potential for a surge in stocks for the 2017/18 season should eventual emerge as a strong bearish force. Resistance for May cotton is at 78.06 and 79.11. A close through 78.06 resistance would turn the charts very bullish. Close-in support is at 76.55.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/21/2017 - 3/28/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Softs</b>						
<b>Cotton</b>	123,721	-3,001	-128,840	+3,437	5,119	-436

### 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) 04/03/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The outside day up is a positive signal. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 78.56. The next area of resistance is around 78.13 and 78.56, while 1st support hits today at 76.53 and below there at 75.37.

COTTON (DEC) 04/03/2017: 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. The daily closing price reversal up on the daily chart is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 72.50. The next area of resistance is around 74.79 and 75.29, while 1st support hits today at 73.39 and below there at 72.50.

## DAILY SUGAR COMMENTARY

04/03/17

### Still no sign of a low; COT shows continued long liquidation

The shift from tighter near-term Asian supply to larger production from Brazil and the EU this year has kept sugar prices on the defensive. On top of supply issues, there is clearly a demand problem for sugar globally and the next generation of sweetener from stevia will be available in the next year. With prices at 10-month lows going into the start of the Brazilian harvest, however, it would not take much bullish supply news to trigger a near-term recovery rebound. May sugar for the week last week finished with a loss of 95 ticks (5.3% lower) for an eight straight negative weekly result. Decent rainfall since the start of this year has raised expectations for Center-South cane production and with Brazilian mills thought to be emphasizing sugar over ethanol, production estimates have been climbing up above 37 million tonnes. However, the Brazilian trade group Unica requested their nation's Chamber of Foreign Trade reinstate an import tax on ethanol.



The US is the world's largest ethanol producer with Brazil as its main export destination. Ethanol prices in Brazil have tumbled 21% so far this year to a six month low as imports have surged. If Brazil's ethanol import tax is reinstated, Center-South mills would shift back a significant portion of their crushing toward ethanol which in turn could have a notable impact on their sugar production total. Sugar's net spec long position saw another decline in the latest COT report and is now close to 75% below the record high seen in early October. The Commitments of Traders reports as of March 28th showed Non-Commercial traders were net long 102,019 contracts, a decrease of 9,667 contracts for the week and the long liquidation selling trend is a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 103,575 contracts, a decrease of 10,465 contracts for the week.

### TODAY'S MARKET IDEAS:

Given the market's oversold condition, it would not take much in the way of bullish supply news to trigger a near-term recovery bounce. However, the news flow is still negative and speculative selling remains active. Near-term support for May sugar is at 16.58 and 16.32. Resistance is at 17.19 and at 17.44.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/21/2017 - 3/28/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Softs						
Sugar	102,019	-9,667	-103,576	+10,464	1,556	-798

### 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) 04/03/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 16.50. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 16.91 and 17.10, while 1st support hits today at 16.61 and below there at 16.50.

### 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) 04/03/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 146.60. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 162.35 and 168.05, while 1st support hits today at 151.65 and below there at 146.60.

### 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	16.76	19.60	23.89	18.53	15.17	17.06	17.32	17.73	19.18	19.49
CTAK7	77.33	53.06	52.57	21.53	24.97	76.65	76.94	77.31	76.97	76.15
CTAZ7	74.09	37.31	43.16	40.07	29.93	74.19	74.76	75.06	74.40	73.62
CCAK7	2095	53.26	53.98	76.63	68.62	2101.50	2131.33	2066.94	2026.96	2067.62
OJAK7	157.00	24.27	32.27	33.45	16.05	164.20	175.18	175.68	170.59	171.09
KCAK7	139.30	40.37	40.95	30.20	29.67	139.19	140.06	140.96	144.78	146.54
MAJ7	15.31	46.45	41.77	35.69	46.33	15.25	15.21	15.34	16.19	16.51

Calculations based on previous session. Data collected 03/31/2017

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	16.50	16.61	16.80	16.91	17.10
CTAK7	Cotton	75.36	76.53	76.96	78.13	78.56
CTAZ7	Cotton	72.49	73.39	73.89	74.79	75.29
CCAK7	Cocoa	2064	2080	2093	2109	2122
OJAK7	Orange Juice	146.55	151.60	157.30	162.35	168.05
KCAK7	Coffee	136.98	138.22	139.13	140.37	141.28
MAJ7	Milk	15.14	15.22	15.32	15.39	15.50

Calculations based on previous session. Data collected 03/31/2017

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