



DAILY SOFTS CURRENCY COMMENTARY Tuesday April 04, 2017

DAILY COCOA COMMENTARY 04/04/17

Already priced huge Ivory Coast crop and bean size smaller

The market was able to overcome a negative shift in risk appetites to close higher yesterday. The latest weekly reading on Ivory Coast port arrivals came in ahead of last season's comparable total with the full-season total staying ahead of last season's pace. Recent weekly arrivals totals have been a fraction of the size seen earlier this year, however, which provides further evidence that smaller bean sizes (not large enough for export) are having an extending impact. Recent West African weather has been decent as the region comes out of its dry season, which was less harsh than during last year's dry season that was negatively impacted by an El Nino weather event. This should help to keep upcoming weekly arrivals totals coming in ahead of last year's results, but there may not be sizable improvement in the size of those weekly arrivals total until June. A 36% cut in their mid-crop minimum farmgate price as well as a 5% cut to their export taxes could help to boost Ivory Coast exports over the near future.



TODAY'S MARKET IDEAS:

Look for near-term pullbacks this week as an opportunity to enter the long side of the cocoa market, as the market should stay well clear of its recent lows. Near-term support for May cocoa is at 2066 and 2028 with resistance at 2137. A close through resistance leaves 2237 as next upside 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.

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) 04/04/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 2046. The next area of resistance is around 2132 and 2147, while 1st support hits today at 2082 and below there at 2046.

DAILY COFFEE COMMENTARY

04/04/17

Cannot hold support and more demand concerns pressure

The technical action is sour and outside market forces, especially the bond market, is suggesting a weak global demand tone. May coffee experienced a wide-sweeping outside-day trading session with a moderate loss. Vietnam's



Central Highlands growing region is forecast to receive rainfall this month that could be as much as 30% higher than average with temperatures forecast to be near-normal according to their nation's National Center for Forecasting. Vietnam may be looking at a 20% decline in their coffee output this season, so additional precipitation will help to improve their 2017/18 production prospects. Brazil's largest Arabica-growing state of Minas Gerais only saw 13% of normal rainfall last week with forecasts for this week still on the dry side. Arabica-growing areas in Brazil's Minas Gerais and Sao Paulo states have had decent rainfall over the past few months, but are also looking at an "off-year" crop that could decline as much as 6 million bags from last season. Honduran coffee exports this season are running 38% ahead of last season's pace, which has offset recent bullish supply developments from Guatemala and Costa Rica. ICE exchange coffee stocks rose by 2,417 bags on Monday and extended this year's increase to over 118,000 bags.

TODAY'S MARKET IDEAS:

With a slow downtrend, open interest has steadily increased since early March which might suggest that some funds are building a net short position. The technical action is weak and support for May coffee is at 137.10. If this gives way, use 133.65 as next downside technical target. Resistance is at 140.30.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 04/04/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside target is 133.70. The next area of resistance is around 140.50 and 144.30, while 1st support hits today at 135.20 and below there at 133.70.

DAILY COTTON COMMENTARY

04/04/17

Surge of 21% in US plantings plus China up 5% and India up

With trend following fund traders holding a near record high 108,756 contract net long position, the lowest close since January 30th for May cotton leaves the market vulnerable to see increased long liquidation selling ahead. Follow-through technical buying supported the market early yesterday to a six-session high, but sellers turned active and the market closed sharply lower on the day and near the low of the 263 point range. The International Cotton Advisory Committee (ICAC) sees global consumption for the 2017/18 season at 24.42 million tonnes and global production at 23.12 million tonnes which would leave ending stocks at 16.55 million tonnes from 17.85 million this year. While the USDA report on Friday showed US planted area up 21% from last year, the ICAC has US production unchanged due to yield issues. There seems to be plenty of upside potential for higher production than suggested for this year. Even if we use a yield of 816 lbs/acre from 869 last year, we see ending stocks above 7.4 million bales from 4.5 million this year and 3.8 million last year. If yield is the same as last year, ending stocks jump to 8.7 million bales. The weekly Cotton Planting report showed 4% complete compared to 3% last year. The highest percent complete was 7% in 2012, while the lowest was 3% last year.



TODAY'S MARKET IDEAS:

Once the focus of attention shifts to the new crop, the supply outlook is burdensome and this could spark significant long liquidation selling from speculators. Resistance for May cotton is at 76.98 and 77.45. Support is at 74.60 and 73.45. Uptrend channel support off of the February 2016 lows comes in at 74.42 today and 74.50 on

Wednesday. A close under this uptrend would sour the chart pattern and could entice increased selling.

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) 04/04/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. A crossover down in the daily stochastics is a bearish signal. 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 18-day moving average is an indication the intermediate-term trend has turned down. The outside day down and close below the previous day's low is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 73.49. The next area of resistance is around 76.78 and 78.74, while 1st support hits today at 74.16 and below there at 73.49.

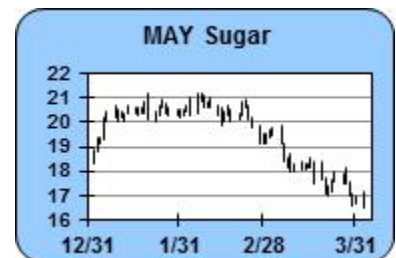
COTTON (DEC) 04/04/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 72.62. The next area of resistance is around 74.03 and 74.81, while 1st support hits today at 72.93 and below there at 72.62.

DAILY SUGAR COMMENTARY

04/04/17

Some India supply issues but weak global demand trends pressure

Sugar was back on the defensive with continued weak technical action yesterday. April is the traditional start of Brazil's cane harvest, with focus on their upcoming supply keeping a negative tone for sugar early this week. Brazil's 2017-18 Center South sugar output was seen at 36.1 million tonnes for the season versus an estimated 35.2 million tonnes for 2016/17 according to a major Brazilian consulting firm. However, they forecast Center South mills should crush 584 million tonnes of cane compared to 605 million tonnes for 2016/17, which is in contrast to recent Center-South cane estimates that have come in above 600 million tonnes. Sugar output in Tamil Nadu (India's fourth largest sugar producing state), could fall by more than a third in their upcoming season beginning in October due to a severe drought. Tamil Nadu sugar production could fall to 600,000 tonnes in the 2017/18 season, down from around 1.0 million tonnes in the current 2016/17 season according to Sakthi Sugars. Keep in mind that Tamil Nadu is adjacent to the Indian state of Karnataka (their third largest sugar producer) which had severe output problems this season due to dry growing conditions.



TODAY'S MARKET IDEAS:

With the outlook for ample supply this season, traders remain concerned with global demand trends as the push to reduce sugar levels in soft drinks and processed food continues. Cargill is gearing up to start selling EverSweet sweetener in 2018. Traders may need more evidence of production issues for India to turn friendly on the market. Near-term support for May sugar is at 16.32 and 16.02, with resistance at 17.05 and 17.26.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 04/04/2017: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day down is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 15.98. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 16.89 and 17.39, while 1st support hits today at 16.19 and below there at 15.98.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 04/04/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 148.10. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 157.45 and 161.95, while 1st support hits today at 150.55 and below there at 148.10.

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	16.54	17.24	22.09	16.04	11.06	16.81	17.23	17.63	19.10	19.43
CTAK7	75.47	36.22	41.18	19.63	15.82	76.29	76.79	77.17	76.97	76.18
CTAZ7	73.48	30.30	37.42	35.03	24.97	73.84	74.60	74.96	74.43	73.65
CCAK7	2107	55.83	55.47	72.83	65.22	2096.00	2126.11	2077.78	2027.09	2065.32
OJAK7	154.00	22.08	30.24	26.13	11.48	160.08	171.14	174.53	170.24	170.52
KCAK7	137.85	34.47	37.46	28.50	25.11	138.94	139.29	140.74	144.40	146.40
MAJ7	15.56	56.35	48.53	44.14	61.05	15.35	15.22	15.31	16.15	16.48

Calculations based on previous session. Data collected 04/03/2017

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	15.97	16.18	16.68	16.89	17.39
CTAK7	Cotton	73.48	74.15	76.11	76.78	78.74
CTAZ7	Cotton	72.61	72.93	73.71	74.03	74.81
CCAK7	Cocoa	2045	2081	2096	2132	2147
OJAK7	Orange Juice	148.05	150.50	155.00	157.45	161.95
KCAK7	Coffee	133.69	135.19	139.00	140.50	144.30
MAJ7	Milk	15.21	15.42	15.49	15.70	15.77

Calculations based on previous session. Data collected 04/03/2017

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