



DAILY SOFTS CURRENCY COMMENTARY

Thursday April 06, 2017

DAILY COCOA COMMENTARY

04/06/17

Demand tone still weak and may spark set-back to 2028 support

July cocoa kept within another tight daily trading range before finishing yesterday with a minimal gain and light volume. While expectations for stronger West African output are still weighing on prices, financial difficulties with that region's major cocoa-producing nations may be causing some near-term supply anxiety. Ghana's cocoa regulator Cocobod is selling bills to pay farmers after a \$1.8 billion loan for the 2016/17 season has already been depleted as they issued \$61 million in 182-day debt at more than 28% at an auction on Tuesday.

There are reports that Cocobod may have to raise \$200 million to cover cocoa purchases for the current season. Also, Ivory Coast farmers are seeking compensation from their nation's Coffee and Cocoa Council (CCC) for losses due to their management of cocoa sales. Ivory Coast farmers still hold 90,000 tonnes of main crop in warehouses but even with their recent 5% tax cut, it is unlikely that this would cause a fresh surge of cocoa exports given this season's supply chain difficulties and hardships to their nation's producers.



TODAY'S MARKET IDEAS:

Near-term support for July cocoa is at 2084 while resistance is at 2148. Sluggish outside markets could spark some selling and traders might consider buying into the key support at 2028.

NEW RECOMMENDATIONS:

Buy July Cocoa 2100/2300 bull call spread for 52 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 (JUL) 04/06/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside target is 2077. The next area of resistance is around 2131 and 2148, while 1st support hits today at 2095 and below there at 2077.

DAILY COFFEE COMMENTARY

04/06/17

Coiled up and in position to move to higher level

Coffee continues to have difficulty lifting clear of its recent lows as lukewarm global demand has outweighed the mixed signals coming from the supply side of the market. Brazil announced that after Wednesday's Arabica auction that their public coffee stocks were now exhausted for their first time in over a decade. Brazilian producers are of course resistant to their nation allowing the



importation of coffee, and after their government's quick reversal in February have the political force to keep the "status quo" in place. However, Brazil's harvest will not reach full speed until June so their near-term supplies will remain fairly tight. Colombia's coffee output in March was over 8% above last year's total, indicating that their annual production should stay above the 14 million bags. ICE exchange coffee stocks rose by 3,390 bags on Wednesday and are back to being higher for the month of April, which puts them on-course for a fourth consecutive monthly build since early in 2013. Only once in the last 12 years (2007) have ICE exchange stocks risen from the end of the previous year to the end of April.

TODAY'S MARKET IDEAS:

Coffee prices have managed to hold above the twin March/April lows for now, but will need to see significant improvement in risk sentiment and outside markets to avoid sliding down into new low ground. Critical near-term support for May coffee is at 136.25 with close-in support at 137.20. Resistance is at 141.30 and 142.50. Clearing resistance could support new buying and a minor uptrend ahead.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 04/06/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 135.47. The next area of resistance is around 138.42 and 139.96, while 1st support hits today at 136.18 and below there at 135.47.

DAILY COTTON COMMENTARY

04/06/17

Liquidation trend begins with lower open interest; more ahead

Cotton looks vulnerable to trend lower in the weeks ahead as the surge in planted area from key consumers and exporters and the possibility that acreage will be even higher than the USDA estimate last week might be enough to spark a long liquidation selling trend ahead. Speculators hold a near record high net long position and open interest is high but short-term technical indicators are a bit oversold. As a result, the market may have run dry of short-term sellers and the market closed near unchanged on the session yesterday with a very small range. The USDA attache from India believes their 2017/18 cotton production could reach 28 million bales from 27 million this past year. Exports are expected at 4.5 million bales which would be unchanged from this season and imports at 1.5 million bales which would be down from 2.2 million this season. Traders will monitor the weekly export sales report today for some indication on short-term demand. ICE exchange deliverable certified stocks were up 1,167 bales to 258,582 bales. China sold 17,100 tonnes of cotton from their reserve today.



TODAY'S MARKET IDEAS:

We lean bearish and believe there is more downside ahead as the market absorbs the bearish supply outlook and absorbs speculative long liquidation selling. While the COT report is overbought, short-term technical indicators are oversold and we cannot rule out a bounce at any time. Close-in resistance is at 75.89 and 76.31. Keep 73.45 as next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 04/06/2017: 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 market's close below the pivot swing number is a mildly negative setup. The next downside objective is 74.36. The next area of resistance is around 75.14 and 75.43, while 1st support hits today at 74.60 and below there at 74.36.

COTTON (DEC) 04/06/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 72.50. The next area of resistance is around 73.80 and 74.15, while 1st support hits today at 72.98 and below there at 72.50.

DAILY SUGAR COMMENTARY

04/06/17

India import demand but not enough to avoid liquidation

The market received bullish news and still closed lower. After a surge early, the market slid 90 ticks (down 5.3%) from the high to finish with a modest loss, a new 11-month low and a new low close for the move. There are reports that India will relax import duties for 500,000 tonnes of sugar through June 12th, which may not have been a total surprise to the market given India's current season's production is unlikely to reach 20 million tonnes. While some in the market were disappointed with the size of this move, keep in mind that India's

next harvest will not begin until October so there may be more sugar import availability over the next few months. After a slow start, it appears that this season's Thai sugar production will come in just above 9.7 million tonnes which would be a modest improvement on last season. Nearly a week after Cyclone Debbie hit cane-growing areas in the state of Queensland, there is still no firm handle on the amount of Australian sugar production that was lost with estimates ranging all the way from 150 million to 1 billion Australian dollars.



TODAY'S MARKET IDEAS:

Sugar's outside-day down, new 11-month low and new low close for the move was the second time that occurred this week for a market that coming into April still had a net spec long position above 100,000 contracts. Sugar looks to finish this week by driving further down into new low ground. Near-term support for May sugar is at 15.90 while resistance is at 16.63.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 04/06/2017: Daily stochastics are trending lower but have declined into oversold territory. The

close below the 9-day moving average is a negative short-term indicator for trend. A negative signal was given by the outside day down. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 15.40. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 16.55 and 17.20, while 1st support hits today at 15.65 and below there at 15.40.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 04/06/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 156.45. The next area of resistance is around 162.70 and 164.30, while 1st support hits today at 158.80 and below there at 156.45.

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 | | | | | | | | | | |
| MAJ7 | 15.36 | 48.31 | 44.12 | 50.86 | 64.30 | 15.39 | 15.22 | 15.28 | 16.10 | 16.45 |
| SBAK7 | 16.10 | 13.52 | 18.98 | 10.66 | 5.59 | 16.39 | 16.94 | 17.41 | 18.91 | 19.29 |
| CTAK7 | 74.87 | 32.63 | 38.36 | 14.88 | 10.42 | 75.63 | 76.24 | 76.87 | 76.95 | 76.21 |
| CTAZ7 | 73.39 | 34.62 | 39.08 | 27.06 | 21.46 | 73.49 | 74.13 | 74.71 | 74.50 | 73.72 |
| CCAN7 | 2113 | 56.15 | 55.66 | 66.92 | 61.09 | 2108.50 | 2117.22 | 2103.72 | 2035.98 | 2069.37 |
| OJAK7 | 160.75 | 37.79 | 39.96 | 19.13 | 15.36 | 156.71 | 164.67 | 173.00 | 169.63 | 169.81 |
| KCAK7 | 137.30 | 32.25 | 36.13 | 23.54 | 18.09 | 138.05 | 138.49 | 140.37 | 143.72 | 146.13 |

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

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 | | | | | | |
| MAJ7 | Milk | 15.14 | 15.22 | 15.41 | 15.49 | 15.68 |
| SBAK7 | Sugar | 15.40 | 15.65 | 16.30 | 16.55 | 17.20 |
| CTAK7 | Cotton | 74.35 | 74.60 | 74.89 | 75.14 | 75.43 |
| CTAZ7 | Cotton | 72.49 | 72.97 | 73.32 | 73.80 | 74.15 |
| CCAN7 | Cocoa | 2076 | 2095 | 2112 | 2131 | 2148 |
| OJAK7 | Orange Juice | 156.40 | 158.75 | 160.35 | 162.70 | 164.30 |
| KCAK7 | Coffee | 135.46 | 136.17 | 137.71 | 138.42 | 139.96 |

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

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