



## DAILY SOFTS CURRENCY COMMENTARY

Wednesday April 12, 2017

### DAILY COCOA COMMENTARY

04/12/17

#### European grind 1st quarter as expected but German down 7.7%

Europe 1st quarter grind came in at 1.09% above last year which was right on trade expectations. Given the nearly 800 point decline in average cocoa prices between the first quarter of 2016 and the first quarter of 2017, that level of demand growth is viewed by many to be disappointing. German grind was down 7.7% from last year. Keep in mind that recent Ivory Coast supply bottlenecks and political unrest not only impacted their export supplies, but also diverted cocoa beans towards their domestic grinders. In addition, Euromar's bankruptcy late last year have kept their facilities off-line since August of 2016, which will have a notable impact on comparing first quarter totals from this year versus last year. Cocoa prices were able to find footing yesterday and put some brakes on the recent selloff. Decent gains for the Eurocurrency and British Pound provided cocoa with underlying support and helped to fuel short-covering and technical buying interest.



#### TODAY'S MARKET IDEAS:

The hook reversal is a positive technical development. Near-term support for July Cocoa is at 1952 with resistance at 2016 and 2037.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

Long July Cocoa 2100/2300 bull call spread from 46 with an objective of 172. Risk to 9.

#### 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) 04/12/2017: 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 is a positive indicator that could support higher prices. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 1929. The next area of resistance is around 2013 and 2030, while 1st support hits today at 1963 and below there at 1929.

### DAILY COFFEE COMMENTARY

04/12/17

#### Built up a base of support and looks set for bounce

May coffee traded within a fairly tight range yesterday and finished with a modest gain. Prices continue to find support from a bullish longer-term supply outlook that has been reinforced by fresh news and trade forecasts. Brazil's 2017/18 coffee output is seen falling 10% to 45.6 million bags compared to 50.9 million in 2016/17, according to IBGE. Brazilian Robusta output was pegged at



9.4 million bags, which are up 21% from last year and up 4.8% from their February estimate as those growing regions recover from last season's poor production while their Arabica output was seen falling 16% from 2016's crop. A trade group forecast Brazil's coffee exports last month at 2.33 million bags, which is more than 400,000 bags below last year's total and reflects tight near-term supply conditions before their upcoming harvest reaches full speed in June. A quarterly report from Marex Spectrum raised their 2017-18 global coffee supply deficit forecast to 4.25 million bags, with world coffee demand at 156.1 million versus world coffee output at 151.8 million. Kenya's coffee sales have risen 48% to \$125.6 million from \$84.9 million last year on anticipated shortages as their average price increased by 21%. ICE exchange coffee stocks rose by 6,807 bags on Tuesday and are up over 140,000 bags (11.3% higher) above last year's ending totals.

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

Stronger global risk sentiment should help to dampen demand concerns going forward, while the prospect of lower upcoming production should help to keep coffee prices clear of their recent lows. A close for July Coffee through minor resistance at the 143.65 to 144.85 level would leave 152.55 as an upside technical objective. Near-term support is at 140.30.

#### **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 (JUL) 04/12/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 143.66. The next area of resistance is around 143.07 and 143.66, while 1st support hits today at 141.73 and below there at 140.97.

#### **DAILY COTTON COMMENTARY**

04/12/17

#### **Oversold and has already liquidated part of big spec long**

The lower close yesterday after a decisively bullish USDA supply/demand report is a bearish development and could spark additional long liquidation selling from speculators. Keep in mind that as of April 4th, trend-following fund traders still held a historically large net long position of over 95,000 contracts. The USDA Supply/Demand report was considered bullish as exports were revised sharply higher by 800,000 bales to 14 million bales. This helped to push ending stocks down to 3.7 million bales from 4.5 million last month. This is also below last year at 3.8 million bales. While the old crop situation is tighter, traders believe that there are enough stocks to reach the new crop season and the new crop supply outlook appears burdensome led by a jump in US planted area of at least 21%. In addition, higher production is expected from China, Pakistan and India as well. Brazil and Australia are harvesting new supply as well. In the world update, ending stocks for the 2016/17 season came in at 90.91 million bales from 90.48 million last month. India imports were revised higher by 100,000 bales to 2.3 million and exports were revised down by 500,000 bales to 4.0 million.



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

The trend remains down and the failure to rally on bullish old crop USDA news is a bearish development. Close-in selling resistance for July cotton is at 77.23 and 77.81. The next downside targets are 74.58 and an eventual target of 71.20. Consider selling a corrective bounce.

**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) 04/12/2017: 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 daily closing price reversal down puts the market on the defensive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 76.44. The next area of resistance is around 75.70 and 76.44, while 1st support hits today at 74.32 and below there at 73.67.

COTTON (DEC) 04/12/2017: The daily stochastics have crossed over up which is a bullish indication. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 74.19. The next area of resistance is around 73.80 and 74.19, while 1st support hits today at 72.92 and below there at 72.42.

**DAILY SUGAR COMMENTARY**

04/12/17

**Many demand issues ahead but oversold and could bounce**

After a successful retest of last week's low for the move, sugar prices could see considerable upside follow-through if risk sentiment is able to improve. July sugar traded down 1.7% early yesterday but put together a late recovery to finish with a moderate gain. Continued strength in crude oil provided support, but the market also benefited from fresh supply news as well. The Chinese government cut their 2016/17 sugar production forecast by 450,000 tonnes to 9.25 million and while they have started sales from their state reserves, this should result in Chinese imports seeing a boost as well given their ever-increasing domestic consumption. The USDA lowered 2016/17 US stocks/usage to 13.3 from 13.6 in Tuesday's supply/demand report, due in part to lower domestic production that should result in increased imports. While there have been early weather-related delays with harvesting and crushing, prospects for larger upcoming Brazilian production continue to shadow the market as a major Wall Street firm forecast international sugar prices at 16.80 cents per pound in 2017/18 and 16.10 cents per pound for 2018/19. The nearby ICE sugar futures contract has been lower for nine straight weeks (the longest losing streak since April of 2013), but would only need a weekly close over 16.77 this week in order to break this current slump.

**TODAY'S MARKET IDEAS:**

Fresh bullish supply news has provided some badly-needed support and if risk appetites can improve again, the market may see at least a temporary recovery bounce. Near-term support for July sugar is at 16.60 and 16.32. A move above the key downtrend channel at 16.99 today and 16.89 tomorrow may be seen as a supportive technical development. Resistance is at 17.17 and 17.39.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## 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 (JUL) 04/12/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 17.26. The next area of resistance is around 17.05 and 17.26, while 1st support hits today at 16.46 and below there at 16.07.

## 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) 04/12/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next upside target is 168.90. The next area of resistance is around 164.80 and 168.90, while 1st support hits today at 158.65 and below there at 156.55.

## 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>										
SBAN7	16.76	39.05	35.05	15.69	21.05	16.65	16.63	17.10	18.45	18.90
CTAK7	75.01	42.90	43.51	15.73	23.02	74.53	75.21	76.19	76.73	76.30
CTAZ7	73.36	43.06	43.48	22.42	25.13	73.04	73.31	74.23	74.46	73.84
CCAN7	1988	33.35	39.58	37.93	23.01	2012.25	2064.67	2097.28	2028.22	2058.43
OJAK7	161.75	41.25	42.43	26.70	30.44	164.70	160.69	170.50	169.68	168.74
KCAN7	142.40	51.94	47.29	28.88	37.06	141.76	141.14	142.26	145.18	147.66
MAK7	15.23	41.86	41.04	32.00	21.95	15.12	15.43	15.45	16.03	16.39

Calculations based on previous session. Data collected 04/11/2017

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>						
SBAN7	Sugar	16.06	16.45	16.66	17.05	17.26
CTAK7	Cotton	73.66	74.31	75.05	75.70	76.44
CTAZ7	Cotton	72.41	72.91	73.30	73.80	74.19
CCAN7	Cocoa	1928	1962	1979	2013	2030
OJAK7	Orange Juice	156.50	158.60	162.70	164.80	168.90
KCAN7	Coffee	140.96	141.72	142.31	143.07	143.66
MAK7	Milk	14.96	15.12	15.17	15.33	15.38

Calculations based on previous session. Data collected 04/11/2017

Data sources can & do produce bad ticks. Verify before use.

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.