



DAILY SOFTS CURRENCY COMMENTARY Tuesday April 18, 2017

DAILY COCOA COMMENTARY 04/18/17

Could see technical recovery bounce but need demand for run

The hook reversal from a very oversold technical condition yesterday could be seen as a positive short-term technical development, and it might spark a recovery bounce. However, without significant help from the supply side of the equation and without some surprises for the quarterly grind numbers, the upside appears somewhat limited. July cocoa traded down to the lowest level since March 9th yesterday, but it held support and managed to close 12 higher on the session and up 35 points (or 1.8%) from the lows of the day. The North American first quarter cocoa grind average estimate by industry analysts is up 1.2% to 120,215 tonnes from 118,790 last year. The survey estimates range from a drop of 2.0% to a gain of 3.0%. The official data will be released on April 20th. Money managers have increased their net short positions in London cocoa by 2,742 contracts to 17,617 contracts as of April 11th. The short-only position rose 2,189 contracts to a record 37,862.



TODAY'S MARKET IDEAS:

Trend-following fund traders have increased their net short position by 6,613 contracts in just one week to a net short of 28,461 contracts. The record net short position is at 39,679 contracts. Near-term support for July Cocoa is at 1915 with resistance at 1983 and 2011.

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) 04/18/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market tilt is slightly negative with the close under the pivot. The next downside target is 1881. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 1946 and 1957, while 1st support hits today at 1908 and below there at 1881.

DAILY COFFEE COMMENTARY 04/18/17

Pipeline full now but to tighten ahead; consolidation

Large short-term supply is still clashing with the outlook for tightening supply ahead to hold the market in a consolidation zone. After an extended consolidation period, the coffee market looks poised for a significant rally ahead.



The weather has been mostly favorable for Brazil and there has been no reason for the market to build a weather premium, but the outlook for a significant global production deficit for the 2017/18 season should help support buying ahead. Some traders see a global production deficit of near 4 million bags for the coming year, which will help tighten supply. July coffee traded sharply higher on the session yesterday and managed to close at the highest level since March 22nd. Managed money traders boosted their Robusta coffee length by 1,817 contracts to a record 49,043 contracts, according to ICE Futures Europe.

Brazil's largest coffee grower and exporter, Cooxupe, has sold 19.8% of the expected 2017 harvest as of April 11th. This compares to 18.4% sold last year and 32.4% sold in 2015. A report from a crop tour of a commercial importer indicated that there was a significant amount of pruning done last year, which could lower output in Brazil for this season. US green coffee stocks increased for the 4th month in a row by 279,083 bags for the month of March to leave end-of-month stocks at 6.7 million bags. This is the highest since at least 2001.

TODAY'S MARKET IDEAS:

The strong close yesterday with speculators very quiet recently and the outlook for a significant global production deficit this season could support a period of active buying ahead. July coffee near-term support is at 139.10, with 147.30 and 150.00 as next upside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (JUL) 04/18/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 146.05. The next area of resistance is around 145.04 and 146.05, while 1st support hits today at 141.95 and below there at 139.85.

DAILY COTTON COMMENTARY

04/18/17

Clash of strong old crop demand vs big new crop supply persists

The rally has allowed the market to correct the oversold condition and the jump in China daily sales out of the reserve could be a factor to ease demand. China officials sold 21,600 bales of reserve cotton at their auction on Monday, which was 73.1% of what was offered. China sold 22,400 tonnes of cotton from reserves today or 102,883 bales. The technical action is improving, but it will take a close above 78.40 for July cotton to clear resistance and open the door for a move to the March high. The market closed sharply higher on the session yesterday, as a surge in the stock market and a further sell-off in the US dollar helped to support renewed active buying from speculators. Strong export sales last week and ideas that many commercial traders are caught short the market has helped to support.



The weekly cotton progress report showed that 8% of the crop is planted compared to 6% last week and 7% last year. The 10 year average for this time of year is 9%. Heavy rains in the forecast for the next week in the northern delta and the Carolinas might keep progress slow. Keep in mind; US, China, Pakistan and India should see higher production for the coming year. As of April 6th, cumulative cotton sales stand at 99.1% of the USDA forecast for the entire season versus a 5 year average of 94.1% sold. Sales are running well ahead of the new, adjusted higher export outlook from the USDA just last week.

TODAY'S MARKET IDEAS:

The technical action is impressive, and the stock market rally and strong demand for the old crop season are seen as supportive forces for demand. The new crop supply outlook remains burdensome. Large and small specs combined held a net long position of 97,182 contracts in the last COT update. Close-in resistance for July cotton comes in at 78.40, with light support at 77.81 and 77.23. It will take a quick move back under support to sour the technical picture.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 04/18/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. 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 near-term upside objective is at 78.61. The next area of resistance is around 78.03 and 78.61, while 1st support hits today at 76.03 and below there at 74.60.

COTTON (DEC) 04/18/2017: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 74.95. The next area of resistance is around 74.68 and 74.95, while 1st support hits today at 73.80 and below there at 73.18.

DAILY SUGAR COMMENTARY

04/18/17

Supply news remains mostly bearish; demand tone weak

The threat of larger production from Brazil, India and Europe at the same time has kept the trend down. The lower close yesterday with a strong Brazilian currency and weak US dollar is seen as a bearish force, as the longer-term trend remains down. The market is still waiting for a pick-up in Brazil production, and the outlook is for a global production surplus. There are also ongoing concerns over global demand due to a trend towards less sugar in processed food and beverages. In addition, the threat that EU sugar production this year is up 15-20% due to a surge in beet plantings has helped to hold the trend down. July sugar pushed higher early yesterday, but sellers turned active again. Australia's sugar output is seen falling 6% to 4.8 million tonnes from the tropical cyclone that hit in late March, according to the USDA Foreign Ag Service. Australia's exports are seen falling 8% to 3.7 million tonnes due to the lower output. On the other hand, India's 2017-18 sugar output is seen rising 25% to 25 million tonnes from 20 million this year, according to the National Federation of Coop Sugar Factories.



TODAY'S MARKET IDEAS:

Even with sugar futures closing lower for the 9th week in a row last week, the COT report shows that speculators continue to hold a hefty net long position, and this leaves the market vulnerable to increased selling if support levels are violated. Near-term resistance for July sugar is at 16.76 with 15.79 as next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 04/18/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside target is 17.04. The next area of resistance is around 16.74 and 17.04, while 1st support hits today at 16.30 and below there at 16.15.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 04/18/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside objective is 167.15. The next area of resistance is around 163.10 and 167.15, while 1st support hits today at 154.70 and below there at 150.30.

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										
SBAN7	16.52	32.97	31.68	19.76	20.24	16.65	16.56	16.92	18.20	18.72
CTAK7	77.03	60.46	55.63	31.65	47.99	75.60	75.03	75.91	76.69	76.44
CTAZ7	74.23	56.45	52.78	31.57	42.66	73.56	73.27	73.93	74.43	73.98
CCAN7	1927	28.17	34.64	20.55	12.07	1949.25	2009.22	2070.06	2022.62	2045.00
OJAK7	158.90	36.82	39.57	30.08	32.03	160.64	161.72	166.43	169.20	168.33
KCAN7	143.50	58.26	52.16	38.21	48.54	141.94	141.34	141.50	144.75	147.01
MAK7	15.14	41.02	40.92	27.76	23.12	15.27	15.24	15.42	15.90	16.27

Calculations based on previous session. Data collected 04/17/2017

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						
SBAN7	Sugar	16.14	16.29	16.59	16.74	17.04
CTAK7	Cotton	74.59	76.02	76.60	78.03	78.61
CTAZ7	Cotton	73.17	73.79	74.06	74.68	74.95
CCAN7	Cocoa	1881	1908	1919	1946	1957
OJAK7	Orange Juice	150.25	154.65	158.70	163.10	167.15
KCAN7	Coffee	139.84	141.94	142.94	145.04	146.05
MAK7	Milk	14.99	15.07	15.13	15.21	15.27

Calculations based on previous session. Data collected 04/17/2017

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