



DAILY SOFTS CURRENCY COMMENTARY

Thursday April 20, 2017

DAILY COCOA COMMENTARY

04/20/17

Positive Asia grind but supply concerns persist

Asia 1st quarter grindings came in at 177,450 tonnes which is up 19.17% from last year as compared with trade expectations for 10% increase and even with this positive news, the market is down sharply this morning. While cocoa has received some positive news from the demand front, the market has been unable to shake off a bearish near-term supply outlook. After a subdued start yesterday, July cocoa came under heavy midsession pressure and traded to a new contract low (down 4.7%) before finishing with a sizable loss. In addition, the May contract traded down to 1830 which is the lowest price for a front-month contract since October of 2007. There are widespread expectations that the 2016/17 season will have a sizable global production surplus, with estimates running from 200,000 to 400,000 tonnes. A sharp uptick in West African production has been a major factor in these forecasts, with top-producer Ivory Coast leading the way as the International Cocoa Organization (ICCO) and other analysts project their total season output climbing above 1.9 million tonnes. The North American grind total will come out after the close (forecast to be up 1% year-on-year). The workers union at the Ivory Coast's Coffee and Cocoa Council served notice to management that a strike will begin on Friday, which could create fresh supply bottlenecks if they go through with the strike.



TODAY'S MARKET IDEAS:

It will difficult for cocoa prices to overcome a bearish near-term supply set-up until there are several more weeks of West African mid-crop output. The technical action is weak and the market is not even responding higher to positive Asia grind. Near-term resistance for July Cocoa is at 1879 and 1915 with some support at 1826 and then 1762 as next target.

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) 04/20/2017: 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. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 1775. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1923 and 1974, while 1st support hits today at 1823 and below there at 1775.

DAILY COFFEE COMMENTARY

04/20/17

Weak technical action as deliverable stocks high

The sweeping outside-day down is bearish and came after an impressive bounce to the highest level since March 22nd. After hitting highs, the market plunged by more than 5.00 cents (3.7% lower) in the final 90 minutes of trade to finish with a heavy loss. While there was no supply/demand catalyst for coffee's abrupt change in fortune, a rebound in the Dollar helped to fuel a "risk off" mood seen in coffee and other commodity markets. In addition, a selloff in the Brazilian currency will put additional pressure on that nation's exporters to market their already very tight near-term supply to foreign customers. Coffee may be especially sensitive to any negative shift in risk sentiment, as lukewarm demand since the start of this year is becoming an increasing concern. ICE exchange coffee stocks fell by 3,164 bags on Wednesday, but remain more than 160,000 higher than their 2016 year-end levels and are on track for their first four-month build streak since early 2013. Keep in mind that over 60% of the ICE exchange coffee stocks originated from Colombia, Honduras or Peru, three coffee producers that are expected to see improved production this season.



TODAY'S MARKET IDEAS:

While negative risk sentiment will keep demand concerns front and center with the market, expectations that the upcoming Brazilian crop could drop by 5 to 6 million bags from last season could help the market hold above the March and April lows. July coffee near-term support is at 138.95, with resistance at 142.90 and then 147.30.

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) 04/20/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The outside day down and close below the previous day's low is a negative signal. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next upside objective is 148.25. The next area of resistance is around 143.79 and 148.25, while 1st support hits today at 137.50 and below there at 135.65.

DAILY COTTON COMMENTARY

04/20/17

Strong demand for old crop US cotton continues to support

The market may need some additional strong demand news to spark much new buying support to expect another leg higher. The technical action remains positive and the focus of attention remains on the solid demand for old crop US cotton. Ending stocks for the 2016/17 season have been revised lower for the last several months but remain near an 8-year high at 3.7 million bales. The new crop supply situation looks burdensome with at least a 21% jump in planted area. If weather is normal, US ending stocks look to jump to near 6.5 million bales. Pakistan's production could be up 10%, Indian production is expected to rise and even Chinese planted area is expected to increase by 4% or more. July cotton experienced a strong rally yesterday but could not close over 78.40 but did manage to close slightly higher. This is somewhat impressive given the rally in the US dollar and weakness in energy and gold markets. Traders will keep a close eye on weekly export sales news this morning.



TODAY'S MARKET IDEAS:

The clash of strong old crop demand news with the outlook for plentiful supply in the new crop season continues. Technically, a close above the 78.35 to 78.40 level for July cotton leaves 82.13 as a longer-term objective. However, a close back under support at 77.23 would turn the chart picture negative. Minor uptrend channel support is at 77.10 today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 04/20/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 78.58. The next area of resistance is around 78.25 and 78.58, while 1st support hits today at 77.09 and below there at 76.25.

COTTON (DEC) 04/20/2017: The major trend could be turning up with the close back above the 40-day moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 75.24. The next area of resistance is around 74.86 and 75.24, while 1st support hits today at 74.06 and below there at 73.63.

DAILY SUGAR COMMENTARY

04/20/17

Demand trends still look weak and no supply issues yet

July sugar came under late pressure yesterday to finish with a sizable loss. Outside markets look positive this morning to support but supply concerns persist and global demand trends are also weak. Sugar found significant pressure from a more than \$2.00 selloff in crude oil that will give further incentive for Brazilian mills to emphasize sugar production over ethanol. There appears to be enough damage from Cyclone Debbie for the USDA attache to reduce their forecast for Australian 2017/18 sugar production down to 4.8 million tonnes, while their export forecast was cut by 300,000 tonnes to 3.7 million. While stronger upcoming Brazilian and EU sugar production has been front and center with the market recently, it also appears that India and Thailand will see significant improvement with their 2017/18 output as well.



If India receives good widespread rains during this year's monsoon season, another large crop is possible in 2018/19 which could lead to India returning to the global market as a net exporter according to a report from ADM International. Sugar production for Russia for the 16/17 season is expected to reach 6.1 million tonnes (sugar beet output record high) from 5.2 million last year. Brazilian port workers plan a 24 hour strike on April 28th in a national protest over pension and labor reforms which could cause some disruption to their export flow.

TODAY'S MARKET IDEAS:

With a bearish supply outlook already weighing heavily on prices, sugar could see a downside breakout to a new 11-month low if risk sentiment does not stay positive like this morning. Near-term resistance for July sugar is at 16.96 and 17.24 with 16.22 support and then 15.87 as the next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 04/20/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 17.16. The next area of resistance is around 16.79 and 17.16, while 1st support hits today at 16.25 and below there at 16.07.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 04/20/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 170.30. The next area of resistance is around 168.30 and 170.30, while 1st support hits today at 164.00 and below there at 161.65.

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	37.86	35.45	23.86	27.46	16.61	16.64	16.84	18.06	18.61
CTAK7	77.67	64.02	58.52	49.39	68.26	76.79	75.56	75.90	76.67	76.54
CTAZ7	74.46	59.11	54.74	47.21	63.64	74.13	73.54	73.84	74.44	74.07
CCAN7	1873	22.23	29.86	15.99	12.97	1907.75	1960.78	2039.00	2019.93	2035.98
OJAK7	166.15	52.89	49.53	38.86	49.96	162.36	163.27	163.97	169.16	168.40
KCAN7	140.65	43.79	44.11	48.25	50.95	142.74	142.07	141.46	144.46	146.48
MAK7	15.18	42.80	42.08	24.45	21.28	15.18	15.19	15.38	15.82	16.19

Calculations based on previous session. Data collected 04/19/2017

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	16.06	16.24	16.61	16.79	17.16
CTAK7	Cotton	76.24	77.08	77.41	78.25	78.58
CTAZ7	Cotton	73.62	74.05	74.43	74.86	75.24
CCAN7	Cocoa	1774	1823	1874	1923	1974
OJAK7	Orange Juice	161.60	163.95	165.95	168.30	170.30
KCAN7	Coffee	135.64	137.49	141.94	143.79	148.25
MAK7	Milk	15.04	15.11	15.17	15.24	15.30

Calculations based on previous session. Data collected 04/19/2017

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