



DAILY SOFTS CURRENCY COMMENTARY

Thursday December 29, 2016

DAILY COCOA COMMENTARY

12/29/16

Weather still bearish force; \$ weakness may not help

Thin end-of-year markets have kept cocoa on a bumpy ride this week, but bearish supply news out of West Africa will make it difficult for prices to put together an extended recovery move. March cocoa traded down to a low of 2182, down over 2.4% on the day and just shy of last week's low. Ivory Coast cocoa output has recovered from the logistical problems seen at the beginning of the 2016/17 season in early October and is now ahead of last season's pace, albeit by a small margin. In addition, Nigeria's November cocoa exports jumped 28% to 19,413 tonnes which bodes well for that nation improving on last season's production total. With Ghana also running ahead of last season's pace, Cameroon may be the only major West African cocoa producer looking at lower output during the 2016/17 season. West Africa's Harmattan winds that normally start in early December have only started to intensify during the past few weeks, and so far remain milder than seen during last season. Harmattan winds normally last until March, but may not have any meaningful negative impact on West African cocoa output until mid-January or February at the earliest.



TODAY'S MARKET IDEAS:

March cocoa continue to hold their ground above the recent lows but with West African supply news dominating quiet end-of-year trading, may need a "risk on" mood to develop across global markets in order to bounce. Near-term support for March cocoa is at the 2181-2160 zone, with resistance is at 2240. Key downtrend channel resistance is at 2381 today and it will take a move above this level to turn the trend up.

NEW RECOMMENDATIONS:

None.

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 (MAR) 12/29/2016: The daily stochastics have crossed over down which is a bearish indication. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 2151. The next area of resistance is around 2233 and 2264, while 1st support hits today at 2177 and below there at 2151.

DAILY COFFEE COMMENTARY

12/29/16

No sign of low but oversold condition and dollar weakness



The market has opened near the highs and closed near the lows for four sessions in a row and the market is short-term oversold. A break in the US dollar helped to support a bounce overnight. Vietnam's government forecast this month's coffee exports at 160,000 tonnes (2.67 million bags), which are 5.4% above last year's total and ahead of trade forecasts. While there is yet to be a clear picture of this season's output decline, decent export totals would lean more towards a 10% reduction than the 20% drop forecast by some analysts earlier this year. Rainfall in Brazilian coffee areas is expected to increase in the first 10 days of January which will be beneficial for crop development. Brazil's Espirito Santo will end restrictions on pumping water from rivers for the first time since October 2015, after heavy rains the past two months have relieved drought concerns and have boosted prospects for Robusta coffee production. ICE exchange coffee stocks rose by 1,210 bags on Wednesday and remain higher for the month of December, which would also represent the second monthly increase in the past three months following fifteen monthly declines in a row.

TODAY'S MARKET IDEAS:

A bearish tone to recent Brazilian supply news and a lack of visibility for the Vietnamese crop are likely factors which could hold the market in a long liquidation selling mode. With no technical sign of a low just yet, the 130.95 to 128.55 zone for March coffee will be the next chart support with near-term resistance found at 137.60. Steep downtrend channel resistance is at 139.75 today.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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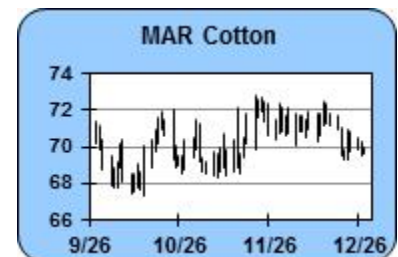
COFFEE (MAR) 12/29/2016: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 130.82. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 135.07 and 137.11, while 1st support hits today at 131.93 and below there at 130.82.

DAILY COTTON COMMENTARY

12/29/16

Bounce into trading range but stiff resistance 70.63, 71.03

The drop in the US dollar and a more positive tilt to grain prices helped to support solid gains overnight. So far, the cotton market is traded for the fifth trading sessions in a row inside of the December 21st range as long as the market does not trade over 79.92 today. Trade on Wednesday was very quiet with a very small range. Outside market forces carried a bearish tilt with lower grain prices and a further advance in the US dollar. The opposite forces are in play this morning and short-term technical indicators are showing an oversold condition. With speculators holding a near record high net long position, however, and the market trading near the lowest price level since mid-November, it will not take much in the way of new bearish news to spark significant selling pressures. Positive news for consumer confidence failed to provide much support this week and a correction in the stock market on Wednesday did not help. Open interest fell 1,247 contracts so there could be long liquidation selling. Producer selling could increase next week as well and the market will face the January 12th Crop Production and Supply/Demand update. The market has not been unable to post a "higher high" since November 17th.



TODAY'S MARKET IDEAS:

The cotton market remains vulnerable to see increased selling pressure from speculators if support levels are

violated. Close-in resistance for March cotton is at 70.63 and 71.03, with 68.60 and 66.93 as the next downside targets.

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 (MAR) 12/29/2016: 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 market's close below the pivot swing number is a mildly negative setup. The next downside target is 69.38. The next area of resistance is around 69.95 and 70.17, while 1st support hits today at 69.55 and below there at 69.38.

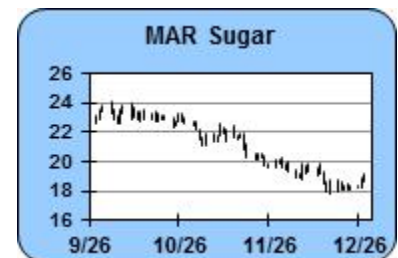
COTTON (MAY) 12/29/2016: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 69.78. The next area of resistance is around 70.35 and 70.59, while 1st support hits today at 69.95 and below there at 69.78.

DAILY SUGAR COMMENTARY

12/29/16

Global production deficit re-emerges as support; oversold

The market continues to see solid gains overnight and has pushed up to the highest level since December 12th. Sugar's coiling price action before the holiday weekend set the stage for a breakout move to upside and the market is finding support from bullish supply-side developments. A private analytics firm cut their forecast for Indian sugar output by 4% to 21.3 million tonnes in 2016-17 versus their November estimate of 22.2 million tonnes, due in large part to the difficulties seen in their top producing state of Maharashtra where some sugar mills have already started to wind their operations for this season. While government pressure on Indian sugar mills to release their stocks may help to relieve near-term supply issues, there is still some potential that India may have to import sugar later on this season. An estimate by an industry group for Northern Brazilian sugar output was cut by 3.3% to 2.9 million tonnes from August. China will sell 92,000 tonnes of white sugar from state reserves on Friday, which would be the first out of a total of 300,000 tonnes announced earlier this month. While China could release another 1 million tonnes beyond that over the course of the 2016/17 season, this would only cover a small portion of a domestic sugar supply deficit estimated by some analysts to be above 8 million tonnes.



TODAY'S MARKET IDEAS:

A drop in the US dollar and a bullish tone to recent supply news plus a more positive technical set-up could lead to a more extended recovery move. Near-term support is at 19.09 for March sugar with 19.86 and 20.23 as initial key resistance. Consider buying breaks.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 12/29/2016: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 19.48. The next area of resistance is around 19.27 and 19.48, while 1st support hits today at 18.71 and below there at 18.36.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JAN) 12/29/2016: 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 close below the 1st swing support could weigh on the market. The next downside target is now at 184.65. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 189.90 and 193.10, while 1st support hits today at 185.70 and below there at 184.65.

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										
SBAH7	18.99	55.38	46.92	24.18	34.09	18.46	18.37	18.73	20.15	20.89
CTAH7	69.75	39.04	43.00	23.16	17.66	69.89	70.15	70.73	70.54	70.29
CTAK7	70.15	38.84	42.72	22.69	18.35	70.30	70.52	71.08	71.01	70.74
CCAH7	2205	39.64	38.84	39.98	38.63	2223.75	2245.89	2274.61	2405.91	2470.13
OJAF7	187.80	21.93	28.37	10.24	5.62	191.15	194.96	203.40	210.05	206.47
KCAH7	133.50	21.23	25.88	18.16	12.17	135.74	140.03	141.33	155.00	155.40
MAF7	16.61	45.33	50.00	33.16	23.20	16.63	16.80	16.82	16.31	16.07

Calculations based on previous session. Data collected 12/28/2016
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						
SBAH7	Sugar	18.36	18.71	18.92	19.27	19.48
CTAH7	Cotton	69.37	69.55	69.77	69.95	70.17
CTAK7	Cotton	69.77	69.94	70.18	70.35	70.59
CCAH7	Cocoa	2150	2176	2207	2233	2264
OJAF7	Orange Juice	184.60	185.65	188.85	189.90	193.10
KCAH7	Coffee	130.81	131.92	133.96	135.07	137.11
MAF7	Milk	16.32	16.49	16.55	16.72	16.78

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