



DAILY SOFTS CURRENCY COMMENTARY

Wednesday January 04, 2017

DAILY COCOA COMMENTARY

01/04/17

Key reversal from oversold; bounce to at least 2254

March cocoa posted a new contract low early yesterday but then regained upside momentum to finish with both a sizable gain and a key reversal. Cocoa's recovery came in spite of sharp selloffs in the Euro and British Pound that would normally be a negative for European demand prospects. Ivory Coast port arrivals during the December 26th-January 1st period were lower than the comparable period last season, which is the first time this has occurred in several months. While the end-of-year/holiday period as well as reports of cocoa beans piling up on docks may have given producers second thoughts on marketing their supplies, the first 3 months of the Ivory Coast 2016/17 season has finished with output only marginally ahead of last season's pace. Given that some analysts and traders are forecasting a record-sized Ivory Coast crop this season above 1.8 million tonnes (which would be an increase of at least 220,000 tonnes from last season), later main crop and mid-crop production will need to come in fairly strong in order to match or exceed those estimates. A key reversal is clearly a step in the right direction, but the bullish West African supply news may be the more important factor going forward.



TODAY'S MARKET IDEAS:

Diminished West African output over the first half of 2017 would almost require that global demand deteriorates (in spite of lower prices) in order for cocoa to reach global production surplus forecasts of 200,000 tonnes or higher. Near-term buying support is at 2135 while resistance is at 2254. Downtrend channel resistance is at 2358 today. Consider buying breaks.

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) 01/04/2017: The market made a new contract low on the break. 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 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 target is now at 2098. The next area of resistance is around 2196 and 2217, while 1st support hits today at 2136 and below there at 2098.

DAILY COFFEE COMMENTARY

01/04/17

In position for strong recovery bounce short-term

The coffee market continues to show some signs that at least a short-term low is close at hand, and that the market may halt the decisive downtrend of November and December. Coffee prices continued to have trouble regaining upside momentum yesterday but managed to finish with a modest gain. Coffee's demand outlook remains strong going into 2017, which was evidenced by ICE exchange coffee finishing December at a 16 1/2 year low monthly close. While the stronger Dollar and move to a new high was a major factor across commodities, coffee avoided much of that pressure as both the Brazilian and Colombian currencies were able to outperform the Dollar. Colombian production in December reached 1.319 million bags, down 9.3% from last year. For all of 2016, production reached 14.23 million bags, up just 0.4% from 2015. The longer-term big picture fundamentals for the coming year remain positive as Brazil is in an off-year production cycle, and this leaves the market vulnerable to significant tightness in supply "if" there are any weather issues in the first half of the year in Brazil. There are supply tightness concerns for Brazil but no major issues yet and the Vietnam harvest is progressing.



TODAY'S MARKET IDEAS:

Global demand looks promising given the expanding world economy. Near-term support for March coffee is at the 135.95 to 135.25 zone. Resistance is at 142.70. Look for a recovery bounce to test 145.00, and don't rule out a strong recovery to 149.95. Consider buying set-backs.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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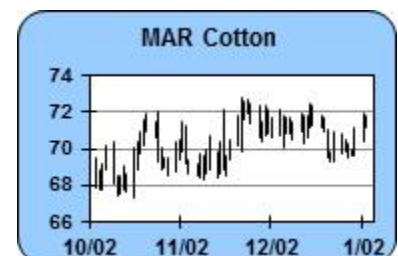
COFFEE (MAR) 01/04/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 141.71. The next area of resistance is around 139.72 and 141.71, while 1st support hits today at 135.08 and below there at 132.42.

DAILY COTTON COMMENTARY

01/04/17

Four months of higher highs and economic outlook bright

A positive tilt to the US, China and global economies and ideas that the jump in consumer confidence will help support higher than expected apparel sales ahead (which will clear the pipeline) has helped to support the short-term uptrend in cotton and a move to the higher end of the 3 1/2 month range. March cotton jumped 1.6% yesterday led by a jump in global equity markets. Talk that there could be lower US planted area for 2017 was also seen as a positive force. Traders see pro-growth policies of the new Administration and expectations for lower taxes ahead as potential positive demand factors. Even with the strong gains yesterday, it was an inside trading session. The turn up in open interest is seen as a positive. The market rally came in spite of a surge in the US dollar index to a new high for the move.



TODAY'S MARKET IDEAS:

The short-term trend looks higher as speculative buyers are active. The technical action remains positive and the

market seems to have the economic news to advance. Short-term support for March cotton is at 71.03 and 70.64, with 72.75 and 74.05 as next upside targets. Longer-term, the market is unlikely to spend much time above 74.00 without lots of help from weather.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 01/04/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 72.34. The next area of resistance is around 72.13 and 72.34, while 1st support hits today at 71.43 and below there at 70.93.

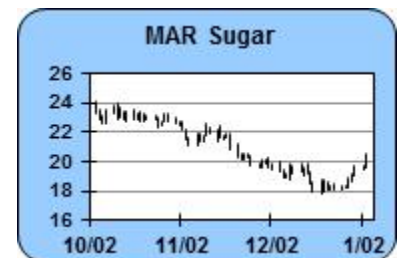
COTTON (MAY) 01/04/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 72.62. The next area of resistance is around 72.43 and 72.62, while 1st support hits today at 71.81 and below there at 71.37.

DAILY SUGAR COMMENTARY

01/04/17

Overbought after 6-session surge; some back-and-fill

The market experienced follow-through buying overnight but turned lower from a key resistance point. A 50% correction of the Sept-Dec break comes in at 20.97 and a lower close today after testing the key resistance might sour the short-term technical view. The sugar market is showing signs that supply is tighter than expected and that demand could remain strong with a more optimistic view towards future global economic growth. March sugar closed up 5.1% yesterday and trading up at the highest level since November 16th. The sugar cane availability in Brazil's Center South is expected to be 10 to 20 million tonnes smaller than in 2016-17 according to Cepea. This would be down about 2.5% from this past year. Also, dry weather in India's Maharashtra state caused mills to close early for lack of cane to process. There is speculation that should the pace of production decline further, it may put further pressure on the Indian government to reduce the 40% import duty currently in force. Out of 147 sugar mills in India, 25 million have stopped operations. Traders are beginning to question if Indian sugar output this season will reach expectations for a production total of 23.4 million tonnes which would be down 7% from last season. Indonesia plans to import 1.5 million tonnes of raw sugar in the next six months. The rally yesterday is especially impressive given the surge higher in the US dollar.



TODAY'S MARKET IDEAS:

If Indian sugar production is down more than 7% this season, and Brazilian production is smaller for the 2017/18 season, the market has plenty of ammunition to find more buying ahead. The market is in a short-term overbought condition after the 6-session surge higher. Near-term support is back at 20.23 and 19.63, with 20.97 and 21.71 as next key resistance levels.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/04/2017: The major trend could be turning up with the close back above the 40-day moving average. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 21.25. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 20.99 and 21.25, while 1st support hits today at 20.03 and below there at 19.32.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JAN) 01/04/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next upside target is 200.00. The next area of resistance is around 198.80 and 200.00, while 1st support hits today at 195.25 and below there at 192.85.

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	20.51	76.63	64.72	53.54	76.16	19.63	18.87	18.83	19.95	20.71
CTAH7	71.78	64.65	58.73	32.91	46.85	70.67	70.22	70.71	70.62	70.39
CTAK7	72.12	64.69	58.60	34.34	49.71	71.05	70.61	71.04	71.09	70.84
CCAH7	2166	39.08	38.30	28.17	21.29	2165.50	2209.67	2237.78	2373.18	2439.83
OJAF7	197.00	45.83	43.67	21.11	32.41	194.31	194.86	199.61	209.25	206.36
KCAH7	137.40	38.50	36.26	21.29	26.63	135.85	137.92	140.09	152.92	154.69
MAF7	16.51	42.85	47.78	19.65	12.54	16.51	16.62	16.77	16.39	16.13

Calculations based on previous session. Data collected 01/03/2017

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						
SBAH7	Sugar	19.31	20.02	20.28	20.99	21.25
CTAH7	Cotton	70.92	71.42	71.63	72.13	72.34
CTAK7	Cotton	71.36	71.80	71.99	72.43	72.62
CCAH7	Cocoa	2097	2136	2157	2196	2217
OJAF7	Orange Juice	192.80	195.20	196.40	198.80	200.00
KCAH7	Coffee	132.41	135.07	137.06	139.72	141.71
MAF7	Milk	16.30	16.40	16.51	16.61	16.72

Calculations based on previous session. Data collected 01/03/2017

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