



## DAILY SOFTS CURRENCY COMMENTARY

Wednesday January 11, 2017

### DAILY COCOA COMMENTARY

01/11/17

#### No sign of low and weak technical action this week

Cocoa prices have been unable to lift clear of their December/January consolidation, but are continuing to hold their ground above the late December lows in spite of a bearish near-term West African supply outlook. Ivory Coast's Cocoa and Coffee Council pegged October/December port arrivals at 35,696 tonnes behind last season's pace, which compares to trade forecasts for a slight gain over 2015 levels. The dry season has been comparatively mild so far, and certainly less harsh than the El-Nino fueled dry season last year which negatively impacted mid-crop output across West Africa. On the heels of the decent weather seen during November and early December, many analysts and traders feel that West African output will remain strong through the rest of January. As a result, it may take several more weeks of Ivory Coast port arrivals results before any broad-based downshift in trade expectations for West African production could occur.



#### TODAY'S MARKET IDEAS:

Unless there is strong West African output over the next few months (which is also during their dry season), the market may have priced-in a much higher global production total than will eventually occur which puts cocoa currently in a longer-term value zone. Near-term support is at 2161 while resistance is at 2245.

#### 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.

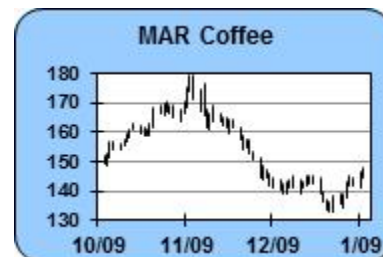
COCOA (MAR) 01/11/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 2250. The next area of resistance is around 2233 and 2250, while 1st support hits today at 2181 and below there at 2145.

### DAILY COFFEE COMMENTARY

01/11/17

#### Strong Brazil currency and positive demand outlook support up

The market jumped to the highest level since December 1st this morning as another new high for the move for the Brazil currency and poor quality noted for Robusta production in Vietnam helped to support. Coffee prices continue to reflect a recent bullish shift in its supply outlook as the market has risen more



than 11% above its late December low. March coffee closed above its 200-day moving average for the first time since December 2nd. While the verdict is still out on the magnitude of Vietnam's production decline, their harvest should be concluded within the next 2 1/2 weeks. Vietnam's coffee exports may increase to 3 million bags this month, but a large portion of that total would be carryover supply from last season. Brazilian based coffee trade house Terre Forte has pegged the 2017-18 Brazilian Robusta crop at 9.9 million bags, down 5.4% from this season while their Arabica crop was seen at 38.2 million bags, down 13.0% from last year. The total Brazilian crop was seen at 48.1 million bags, down 11.7% from last year which reflects the production decline seen during the "off-year" of Brazil's biannual crop cycle. ICE exchange coffee stocks rose by 2,725 bags on Tuesday and have only seen one daily decline since the start of 2017.

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

Near-term support for March coffee is at 144.30 while close-in resistance is at 148.75 and 149.95. Key retracement points from the Nov-Dec break include 150.65 and 156.20.

#### **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.

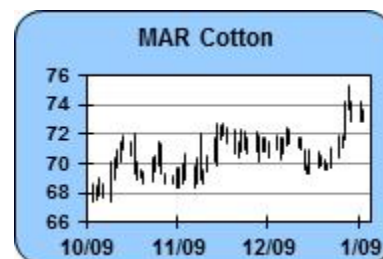
COFFEE (MAR) 01/11/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 150.61. The next area of resistance is around 149.57 and 150.61, while 1st support hits today at 145.83 and below there at 143.12.

#### **DAILY COTTON COMMENTARY**

01/11/17

##### **Increasing deliverable supply and trade sees tighter stocks**

It may take a bullish surprise from the USDA to avoid a choppy to lower trade for cotton over the near-term. Surging deliverable stocks and ideas that producer selling could pick up steam soon plus more and more talk that planted acreage will increase for 2017 are seen as bearish forces. Traders see US production estimates for the report Thursday at unchanged at 16.5 million bales. Traders see exports increasing by 200,000 bales to 12.4 million. Ending stocks are expected to decline by 200,000 bales to 4.6 million. ICE cotton certified deliverable stocks jumped to 101,900 bales yesterday, 101,612 bales on Monday, 90,639 Friday and up from near 40,000 Thursday. A further advance in stocks will be seen as a bearish force.



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

Producer selling could pick up ahead of the USDA update report and the COT report leaves the market overbought and vulnerable to long liquidation selling if support is violated. Short-term resistance for March cotton is at the 73.79 to 74.09 zone, with 72.35 and 71.63 as next support.

#### **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) 01/11/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 74.10. The next area of resistance is around 73.62 and 74.10, while 1st support hits today at 72.75 and below there at 72.35.

COTTON (MAY) 01/11/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 74.48. The next area of resistance is around 74.05 and 74.48, while 1st support hits today at 73.23 and below there at 72.83.

## DAILY SUGAR COMMENTARY

01/11/17

### Supply/demand tilt for coming season mixed after big deficits

A 14% gain from December 23rd to January 6th will leave sugar vulnerable to long liquidation over the next few sessions, but the market continues to hold up fairly well in spite of index fund selling. Net selling from the annual commodity index fund rebalancing is expected to create headwinds over the rest of the week given sugar's outperformance of other Ag commodities during 2016.

However, Asian supply issues are unlikely to go away anytime soon and may in fact intensify if Thailand's sugar production this season shows signs of coming in well below 9 million tonnes. U.S. ethanol exports for November doubled compared to last year as shipments soared to Brazil and India. Consumption of the biofuel made from corn is benefitting from the recent rise in crude oil prices, as well as the largest drop in seven years of global sugar production which is also used to make the fuel. Brazilian mills made a notable shift in processing towards sugar and away from ethanol last year, but an agreement by major oil producers to put limits on their output could support crude oil prices and in turn help to further boost ethanol demand.



### TODAY'S MARKET IDEAS:

Sugar may have a bumpy ride until index fund rebalancing is done, but prices should remain fairly well supported on near-term pullbacks. Near-term support for March sugar is at 20.03 and 19.63 while 20.94 is the next resistance level with 21.97 as an upside target. Look for a pullback to the 19.86 level in order to establish fresh call option strategies.

### 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 (MAR) 01/11/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 20.82. The next area of resistance is around 20.68 and 20.82, while 1st support hits today at 20.28 and below

there at 20.01.

## 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 (JAN) 01/11/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 182.55. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 182.50 and 182.50, while 1st support hits today at 182.55 and below there at 182.55.

## 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>										
SBAH7	20.48	66.68	60.69	79.30	80.81	20.61	20.20	19.23	19.85	20.50
CTAH7	73.19	63.27	60.92	64.40	67.00	73.49	72.30	71.32	71.09	70.82
CTAK7	73.64	64.95	61.96	67.43	71.11	73.83	72.63	71.66	71.54	71.27
CCAH7	2207	45.81	43.98	45.46	48.95	2228.50	2201.44	2229.78	2328.02	2405.45
OJAF7	182.50	27.30	30.99	19.82	11.59	185.21	190.46	193.48	205.77	205.62
KCAH7	147.70	67.25	57.30	63.66	81.29	144.63	140.41	140.81	150.32	153.81
MAF7	16.70	54.88	54.07	20.73	25.47	16.63	16.56	16.71	16.49	16.24

Calculations based on previous session. Data collected 01/10/2017

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>						
SBAH7	Sugar	20.00	20.27	20.41	20.68	20.82
CTAH7	Cotton	72.34	72.74	73.22	73.62	74.10
CTAK7	Cotton	72.82	73.22	73.65	74.05	74.48
CCAH7	Cocoa	2144	2180	2197	2233	2250
OJAF7	Orange Juice	182.50	182.50	182.50	182.50	182.50
KCAH7	Coffee	143.11	145.82	146.86	149.57	150.61
MAF7	Milk	16.57	16.64	16.68	16.75	16.78

Calculations based on previous session. Data collected 01/10/2017

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.