



DAILY SOFTS CURRENCY COMMENTARY

Friday January 13, 2017

DAILY COCOA COMMENTARY

01/13/17

Oversold going into key demand news next week; firm

Malaysian fourth quarter grindings rose 18.7% to 57,029 tonnes compared to 48,030 last year according to the Malaysia Cocoa Board. Malaysia has been losing market share to Indonesia in recent years due to the shift towards "origin" grindings, so a sizable year-on-year gain for Malaysia bodes well for overall fourth quarter Asian grindings. Cocoa has made another rebound from the lower portion of its November/January consolidation zone, and is now back within striking distance of posting a weekly key reversal. A slumping Dollar that traded down to its lowest value since December 14th added to the positive tone. The latest COT report will reflect a 41 point gain in cocoa prices between the January 3rd and 10th measuring dates. While its size may shrink, cocoa should still have a net spec short position that would provide fuel for short covering going into next week's quarterly grindings results window.



TODAY'S MARKET IDEAS:

Cocoa still has question marks over global production during the first half of the year, but an improved demand tone could help cocoa prices fill in their Friday/Monday chart gap and finish out the week on a positive note. Near-term support is at 2198 and 2177 with resistance is at 2245 and 2362. Look for a pullback to the 2181 level to enter fresh call option strategies.

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) 01/13/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 2293. The next area of resistance is around 2271 and 2293, while 1st support hits today at 2189 and below there at 2129.

DAILY COFFEE COMMENTARY

01/13/17

Finding stiff resistance at 150.70; time for correction

Coffee remains in a short-term uptrend but may be vulnerable to a near-term pullback if risk sentiment starts to fade. March coffee traded higher yesterday



but prices retreated off of those highs late in the day to finish with a modest gain. Yesterday was also the ninth positive daily result in the past ten sessions. Bullish supply news continues to underpin coffee prices, although the demand side remains an underlying source of strength as well. World 2016/17 coffee output was seen fractionally higher from last season at 151.6 million bags according to the International Coffee Organization (ICO). Arabica production is projected at a record high of 93.5 million bags, but Robusta production is expected to decline by 3.7 million bags. A stronger Brazilian Real continues to provide support as it traded to its highest level since late October, which relieves pressure on that nation's exporter to market their supplies to foreign customers. The major store-brand retailer JM Smucker raised packaged coffee prices this week by 6%, which given the grief they received for a 9% price hike in 2014 may reflect a fairly strong demand outlook.

TODAY'S MARKET IDEAS:

Coffee's 12% price gain since December 28th leaves it vulnerable to profit-taking. The rally is leaving traditional technical indicators in an overbought condition but there is still no sign of a short-term peak. Key resistance is at 150.70 for March coffee and the market has failed to close above this level in each of the last two sessions. Look for 150.70 resistance and watch for a set-back to support back at 144.00.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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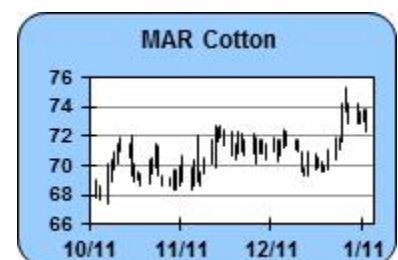
COFFEE (MAR) 01/13/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 152.88. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 151.12 and 152.88, while 1st support hits today at 148.08 and below there at 146.79.

DAILY COTTON COMMENTARY

01/13/17

USDA update had bearish news for supply and world demand

The market is showing some follow-through selling this morning. Cotton market looks vulnerable to further downside action after a bearish USDA report. World production was revised higher and world demand lower and this leaves recent buyers of cotton vulnerable to long liquidation. Keep in mind that large and small specs combined held a net long position of a near record 123,588 contracts. In just seven trading sessions going into January 10th, open interest jumped 22,314 contracts so there are plenty of recent longs. The USDA pegged US ending stocks at 5.0 million bales which is the highest since the 2008/09 season and compares with 4.8 million as the December estimate and 3.8 million last year. Production was revised higher by 440,000 bales but exports (for some reason) were revised up by 300,000 bales to 12.5 million bales. A revision higher in yield pushed production higher.



It will be difficult to see exports jump given the US dollar strength and the fact that world usage was revised lower. World ending stocks are now pegged at 90.65 million bales (53% in China) as compared with 89.15 million bales last month. West Texas should get hit with heavy rains in the next few days which will help recharge soils for the 2017 crop. Weekly export sales came in at 236,000 bales for the current marketing year and 5,700 for the next marketing year for a total of 241,700.

TODAY'S MARKET IDEAS:

The market is technically overbought and a stochastic sell signal does not bode well for the bulls as the market attempts to absorb the bearish supply and demand news. Short-term selling resistance for March cotton is at the 73.25, with key uptrend channel support back at 70.30 today. Initial key support is at 69.52 which is the initial target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 01/13/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 71.14. The next area of resistance is around 73.11 and 74.23, while 1st support hits today at 71.57 and below there at 71.14.

COTTON (MAY) 01/13/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. A negative signal was given by the outside day down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 71.70. The next area of resistance is around 73.59 and 74.67, while 1st support hits today at 72.11 and below there at 71.70.

DAILY SUGAR COMMENTARY

01/13/17

Overbought and avoided much of a correction from index selling

Sugar experienced a third positive daily result in row yesterday during a week that it has been dealing with commodity index fund rebalancing selling. Asian near-term supply issues continue to underpin prices as the region's major producers continue to deal with the aftermath of a very strong El Nino during early 2016. Thailand's harvest has picked up the pace in recent weeks but remained well behind last season's comparative total at the start of this week, which may not bode well for their sugar production total reaching 9 million tonnes. Egypt has purchased 360,000 tonnes of sugar cane from their farmers since the start of the month according to their Supply Minister, and their government expects to buy 10 million tonnes of cane by the end of the season which should produce 1.1 million tonnes of sugar for a nation still having near-term supply issues. Europe's top sugar producer Suedzucker sees above average beet yields this season due to heavy summer rains, but an improvement in EU production has been widely expected by traders and analysts and may already be priced-into the market.



TODAY'S MARKET IDEAS:

Sugar will have one more session of rebalancing selling to face, but has bullish supply issues that should keep the prices within close proximity to their recent highs. Near-term support for March sugar is at 20.41 and 20.22, with next upside target at 21.57.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/13/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 21.04. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 20.91 and 21.04, while 1st support hits today at 20.61 and below there at 20.45.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/13/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 190.20. The next area of resistance is around 187.00 and 190.20, while 1st support hits today at 182.00 and below there at 180.15.

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	20.76	70.94	63.76	80.58	82.38	20.56	20.52	19.49	19.79	20.42
CTAH7	72.34	52.74	54.30	63.11	59.73	72.92	72.88	71.45	71.25	70.87
CTAK7	72.85	54.28	55.35	67.29	64.90	73.40	73.24	71.83	71.69	71.32
CCAH7	2230	50.82	47.81	43.89	46.64	2187.00	2200.00	2218.67	2314.24	2390.02
OJAH7	184.50	37.25	36.99	23.65	27.33	182.56	187.29	189.79	201.43	202.56
KCAH7	149.60	70.86	60.30	75.88	86.39	147.63	143.71	141.49	149.12	153.46
MAF7	16.79	60.48	57.13	31.52	45.17	16.71	16.62	16.68	16.53	16.28

Calculations based on previous session. Data collected 01/12/2017

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	20.44	20.61	20.74	20.91	21.04
CTAH7	Cotton	71.13	71.56	72.68	73.11	74.23
CTAK7	Cotton	71.69	72.10	73.18	73.59	74.67
CCAH7	Cocoa	2129	2189	2211	2271	2293
OJAH7	Orange Juice	180.10	181.95	185.15	187.00	190.20
KCAH7	Coffee	146.78	148.07	149.83	151.12	152.88
MAF7	Milk	16.73	16.76	16.78	16.81	16.83

Calculations based on previous session. Data collected 01/12/2017

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