



DAILY SOFTS CURRENCY COMMENTARY

Tuesday January 17, 2017

DAILY COCOA COMMENTARY

01/17/17

May have bumpy ride this week as demand takes center stage

Over the holiday weekend, the European Cocoa Association announced that European fourth quarter grindings fell by 0.9% versus 2015, which was below trade forecasts for a 1% to 2% year-over-year gain. German fourth quarter grindings were down over 10% from the previous year, due in some part to the insolvency of Euromar. European demand prospects will also face headwinds from a sharp selloff in the British Pound early this week that took prices down to their lowest level since the early October "flash crash" that resulted in a 31-year low. For the week last week, March cocoa finished with a loss of 48 points or 2.1% lower. The North American fourth quarter grindings total will come out later this week with the trade looking for a reading of unchanged to up 3%. The latest weekly reading on Ivory Coast port arrivals came in above last year's total, but the overall season total remains close to last season's pace. Ghana's new president has fired the head of the nation's cocoa industry regulator Cocobod who oversees the industry and sets prices for farmers located in the world's second largest producer, but this move is likely a result of the new Ghanaian government taking charge. The Commitments of Traders reports as of January 10th showed Non-Commercial traders were net short 10,057 contracts, a decrease of 5 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 6,072 contracts, down 1,490 contracts for the week.



TODAY'S MARKET IDEAS:

While European grindings were somewhat disappointing and could cause early headwinds this week, keep in mind that the market has priced-in lukewarm global demand and could be wrong-footed by positive readings from North America and Asia. Near-term support for March cocoa is at 2158 while resistance is at 2245. A close under 2177 will sour the chart picture.

NEW RECOMMENDATIONS:

* Buy a May 2350 call at 37 with an objective of 119. Risk a total of 25 from entry.

PREVIOUS RECOMMENDATIONS:

None

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cocoa	-10,057	+5	6,071	-1,490	3,985	+1,485

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) 01/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 2251. The next

area of resistance is around 2233 and 2251, while 1st support hits today at 2193 and below there at 2172.

DAILY COFFEE COMMENTARY

01/17/17

Vulnerable to long liquidation; pullback early this week

Coffee may be vulnerable to a pullback this week. March coffee finished with a gain of 6.45 cents (4.5% higher) for a third weekly gain in a row. The market has found support from a recent dry spell in Brazil as well as a strong Brazilian currency. However, the Real extended last Friday's pullback into this week which could cast a shadow on coffee prices. ICE exchange coffee stocks rose by 819 bags on Friday and continue to build from their multi-decade low monthly close for December. Coffee's net spec long position saw a moderate increase in the latest COT report, but it remains well below the record high seen in early November. The Commitments of Traders reports as of January 10th showed Non-Commercial traders were net long 20,312 contracts, an increase of 6,416 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 23,446 contracts, an increase of 5,723 contracts for the week.



TODAY'S MARKET IDEAS:

Brazil's Conab sees the 2017 coffee production near 43.65 to 47.51 million bags as compared with 51.37 million bags for 2016. Near-term support for March coffee is at 146.50 while resistance is at 151.25.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Coffee	20,312	+6,416	-23,446	-5,723	3,134	-693

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.

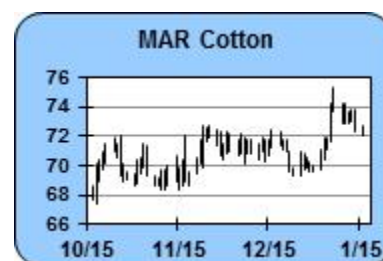
COFFEE (MAR) 01/17/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 151.51. The next area of resistance is around 150.57 and 151.51, while 1st support hits today at 148.03 and below there at 146.42.

DAILY COTTON COMMENTARY

01/17/17

Record spec net long position with weakening global demand

The market is still in the process of absorbing the bearish news from the USDA Supply/demand update last week. March cotton closed 7 lower on the session Friday and this left the market down 172 points for the week. The market looks vulnerable to further downside action as selling pressures could intensify if support is violated. 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 record high net long position as of January 10th. 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 were revised up by 300,000 bales to 12.5 million bales. Given the movement in the US dollar, it may be difficult to reach the new export forecast. World ending stocks are now pegged at 90.65 million bales (53% in China) as compared with 89.15 million bales last month. Certified deliverable stocks are at 109,313 bales from near 40,000 in the last few weeks. The "combined" spec and fund net long position has hit a new record level at 137,651 contracts, up 14,063 contracts in just one week. As of January 10th, Non-Commercial traders were net long 126,217 contracts, an increase of 11,836 contracts for the week.

TODAY'S MARKET IDEAS:

The market is technically overbought basis the COT report and some short-term sell signals have been reached. The market may need to move to a lower price level in order to stimulate demand. Short-term selling resistance for March cotton is at the 73.29, with key uptrend channel support back at 70.36 today. Initial key support is at 69.52 which is the initial target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cotton	126,217	+11,836	-137,651	-14,063	11,434	+2,227

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) 01/17/2017: 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's close below the pivot swing number is a mildly negative setup. The next downside objective is 71.58. The next area of resistance is around 72.64 and 73.07, while 1st support hits today at 71.90 and below there at 71.58.

COTTON (MAY) 01/17/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 72.10. The next area of resistance is around 73.12 and 73.55, while 1st support hits today at 72.40 and below there at 72.10.

DAILY SUGAR COMMENTARY **01/17/17**

Chop last week and in position for further advance

Sugar prices held up surprising well facing a steady flow of index fund balancing selling last week. For the week, March sugar finished with a loss of 23 ticks (1.1% lower). The Brazilian trade group UNICA forecast that their nation's Center South sugar output during the second half of December fell 67.2% as their mills produced 127,000 tonnes of sugar versus 388,000 last year. Sugar



cane crushing fell to 3.07 million tonnes from 10.6 million last year. Central-South ethanol output fell to 167 million liters from 508 million last year, but mills processed 65.2% of cane into ethanol and 34.8% into sugar which is a higher ethanol share than was seen during most of this season. Indonesia authorized permits for an additional 400,000 tonnes of sugar imports which will add to an already tight Asian supply situation. The latest COT report showed a sizable increase in sugar's net spec long position, although it remains far below the record high level seen during early October. The COT reports as of January 10th showed Non-Commercial and Nonreportable combined traders held a net long position of 235,253 contracts, up 27,250 contracts for the week.

TODAY'S MARKET IDEAS:

An outside-day down on Friday could lead to downside follow-through early this week. With Brazil's harvest all but over while there are issues with Indian and Thai production, a tightening Asian supply situation should help to underpin sugar prices. Near-term support for March sugar is at 20.15, with resistance and the next upside target at 21.57.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Sugar	192,654	+12,985	-235,252	-27,250	42,599	+14,265

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) 01/17/2017: Momentum studies are trending higher but have entered overbought levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day down and close below the previous day's low is a negative signal. The market setup is somewhat negative with the close under the 1st swing support. The next upside objective is 21.06. The next area of resistance is around 20.74 and 21.06, while 1st support hits today at 20.30 and below there at 20.17.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/17/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 186.70. The next area of resistance is around 184.90 and 186.70, while 1st support hits today at 181.40 and below there at 179.65.

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	20.52	62.92	59.38	80.73	81.02	20.58	20.63	19.62	19.76	20.38
CTAH7	72.27	51.93	53.78	60.56	55.45	72.74	73.06	71.52	71.31	70.89
CTAK7	72.76	53.17	54.64	65.06	60.60	73.23	73.43	71.91	71.76	71.34
CCAH7	2213	48.81	46.51	46.04	50.35	2194.25	2209.67	2217.28	2308.64	2383.07
OJAH7	183.15	34.96	35.56	25.10	28.00	183.56	186.10	189.28	200.79	202.48

KCAH7	149.30	69.39	59.56	79.55	86.88	148.90	145.07	141.87	148.63	153.24
MAF7	16.80	61.73	57.83	40.19	57.53	16.76	16.65	16.67	16.54	16.31

Calculations based on previous session. Data collected 01/13/2017

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	20.16	20.29	20.61	20.74	21.06
CTAH7	Cotton	71.57	71.89	72.32	72.64	73.07
CTAK7	Cotton	72.09	72.39	72.82	73.12	73.55
CAAH7	Cocoa	2171	2193	2211	2233	2251
OJAH7	Orange Juice	179.60	181.35	183.15	184.90	186.70
KCAH7	Coffee	146.41	148.02	148.96	150.57	151.51
MAF7	Milk	16.76	16.79	16.80	16.82	16.84

Calculations based on previous session. Data collected 01/13/2017

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