



DAILY SOFTS CURRENCY COMMENTARY

Friday January 20, 2017

DAILY COCOA COMMENTARY

01/20/17

Asia demand strong but not enough to turn the trend; chop

With mixed results from the demand side and sluggish outside markets, cocoa prices have fallen back to the lower end of the recent consolidation zone. Asian fourth quarter cocoa grindings rose 16.9% versus last year at 188,493 tonnes as well as being up 12.4% from the third quarter, which was well above market forecasts as total Asian grindings in 2016 were up 9% from 2015 levels. Asia (and emerging markets) are widely seen as the engine for global cocoa demand growth so that data provided a boost to cocoa demand prospects. North

American fourth quarter grindings, released after the sharply lower close yesterday, came in at 117,588 tonnes, down 1.1% from last year and below estimates for an unchanged to up 3% reading. Even though the region had the advantage of a surging US Dollar for much that timeframe, the North American total matches up with European results earlier this week that showed a mild downtick in demand in spite of the sharp decline in cocoa prices. There were reports of calm at Ivory Coast ports after unrest halted cocoa exports the last few days, but a supply bottleneck was not expected to develop unrest there was more widespread and persistent unrest throughout the nation.



TODAY'S MARKET IDEAS:

Robust Asian grindings are a step in the right direction demand-wise, but sluggish European and North American results will carry more weight as long as outside markets and risk sentiment hold onto a negative tone. Near-term support is at 2106 while resistance is at 2200. Technically, a close under 2164 leaves 2048 as next swing target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long May cocoa 2400 call from 42 with an objective of 122. Risk to 18.

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) 01/20/2017: The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 2076. The next area of resistance is around 2216 and 2285, while 1st support hits today at 2112 and below there at 2076.

DAILY COFFEE COMMENTARY

01/20/17

Short-term overbought but trend up; 153.45 next



The market inched higher this morning to reach the highest level since November 30th. The market remains vulnerable to a near-term pullback. The Brazilian currency overcame Dollar strength to post a new 1-week high yesterday and this helped to support coffee. The Brazilian government approved the sale of 43,200 tonnes (720,000 bags) of coffee from their stocks due to drought conditions in Robusta producing areas. There is rainfall forecast for the Robusta growing region of Brazil's Espirito Santo state next week that could bring further relief to an area which suffered through very dry conditions for much of last year. Although early forecasts have Brazil's 2017/18 Robusta output having moderate improvement, Arabica production will see the full "off-year" effect by dropping as much as 6 million bags from this season's total. ICE exchange stocks fell by 2,104 bags and have seen their first back-to-back daily declines since late last year.

TODAY'S MARKET IDEAS:

Coffee has a bullish longer-term supply outlook to provide underlying support. Near-term support for March coffee is at the 200-day moving average of 147.70 while resistance is at 153.45.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAR) 01/20/2017: 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. The close over the pivot swing is a somewhat positive setup. The next upside target is 153.27. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 152.19 and 153.27, while 1st support hits today at 149.30 and below there at 147.48.

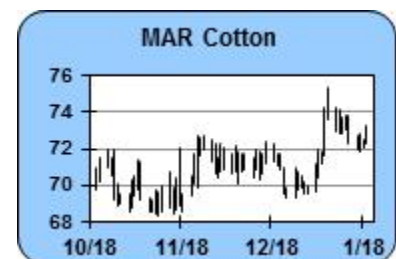
DAILY COTTON COMMENTARY

01/20/17

Positive technical action today with appearance of bull flag

The technical action has turned more positive with the appearance of a bull flag and the market is trading up this morning. March cotton traded sharply higher early yesterday, but closed slightly higher on the day (up 43) but down 60 points from the early highs. Volume has been slow and open interest remains very high. Some traders believe that with speculators holding a record high net long position and commercial traders a net short position, that the commercial traders will be motivated to fix their needs soon and be forced to buy futures.

This is an interesting theory but deliverable stocks are on the rise, US and world ending stocks were adjusted higher in the last USDA update and traders remain fearful that planted area will expand for the coming year. Farm Futures survey of producers suggested US cotton plantings for 2017 at 11.45 million acres, up 13.7% from last year. If we assume the same yield and same usage from 2016, ending stocks for the new season would come in at 8.47 million bales from 5 million this season, 3.8 million last year, 3.65 million two years ago and 2.35 million bales for the 2013/14 season. Stocks/usage would surge to 53.6% from 31.6% for the 2016/17 season. ICE certified deliverable warehouse stocks as of January 18th increased to 114,730 bales from 112,556 bales the previous session which is up from near 40,000 bales just two weeks ago. The USDA announced a special import quota which will be established on January 26th, 2017. The quota will be for one week's worth of domestic usage or near 63,686 bales.



TODAY'S MARKET IDEAS:

It seems hard to believe that the commercial traders will be forced to cover their needs at higher prices in the current fundamental set-up as stocks are plentiful and deliverable stocks continue to rise. Short-term resistance is

at 73.59 and 74.01. Keep 69.52 as an initial downside target for March cotton.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 01/20/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 71.72. The next area of resistance is around 73.20 and 73.75, while 1st support hits today at 72.18 and below there at 71.72.

COTTON (MAY) 01/20/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next downside objective is 72.19. The next area of resistance is around 73.77 and 74.24, while 1st support hits today at 72.75 and below there at 72.19.

DAILY SUGAR COMMENTARY

01/20/17

Sweeping reversal with lots of new longs; weak technical

March sugar experienced a sweeping reversal and traded to a new 2-month high before a sharp break to a new 11-session low yesterday. March sugar turned down and moved from a premium to a discount to the May contract for the first time since October of 2015. Since January 4th, the market has consolidated just under the 20.97 level which is the 50% mark of the September-December break and the charts look bearish after yesterday's action. There was more evidence of a tightening Asian near-term supply situation as Indian crop estimates continue to shrink. A major analytics firm lowered their 2016-17 Indian sugar production forecast to 20.6 million tonnes versus their previous estimate of 21.3 million, due to large part to lower cane production in the states of Maharashtra and Karnataka. Sugar's net spec long position at just over 235,000 contracts is still the largest net long position for any Agriculture commodity by a sizable margin. This would provide plenty of fuel for addition long liquidation. With an outside down trading range larger than the previous 10 sessions combined, sugar prices are likely to see downside follow-through during today's trading.



TODAY'S MARKET IDEAS:

Given its still-bullish supply/demand setup, a significant corrective break may be a buying opportunity. Near-term support for March sugar is at 19.61 and 19.19, with resistance at 20.71.

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) 01/20/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. A crossover down in the daily stochastics is a bearish signal. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 19.12. The next area of resistance is around 20.84 and 21.77, while 1st support hits today at 19.52 and below there at 19.12.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/20/2017: Daily stochastics are trending lower but have declined into oversold territory. 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 under the swing pivot. The next downside target is 165.45. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The next area of resistance is around 168.95 and 170.50, while 1st support hits today at 166.45 and below there at 165.45.

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	20.18	49.51	51.72	80.07	74.92	20.60	20.60	20.02	19.68	20.27
CTAH7	72.69	57.18	56.67	53.67	50.96	72.33	72.78	71.96	71.52	70.99
CTAK7	73.26	59.27	58.09	58.83	56.73	72.85	73.25	72.37	71.95	71.45
CCAH7	2164	42.22	42.64	52.53	50.95	2211.25	2206.00	2205.83	2292.40	2361.72
OJAH7	167.70	18.97	23.79	16.52	9.65	173.55	178.58	184.91	198.05	201.29
KCAH7	150.75	70.86	61.59	86.34	90.46	149.79	148.06	142.83	147.46	152.74
MAH7	17.41	54.15	55.87	62.79	63.73	17.40	17.40	17.32	16.95	16.70

Calculations based on previous session. Data collected 01/19/2017

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	19.11	19.51	20.44	20.84	21.77
CTAH7	Cotton	71.71	72.17	72.73	73.20	73.75
CTAK7	Cotton	72.18	72.74	73.21	73.77	74.24
CCAH7	Cocoa	2075	2111	2180	2216	2285
OJAH7	Orange Juice	165.40	166.40	167.95	168.95	170.50
KCAH7	Coffee	147.47	149.29	150.37	152.19	153.27
MAH7	Milk	17.21	17.32	17.38	17.49	17.55

Calculations based on previous session. Data collected 01/19/2017

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