



DAILY SOFTS CURRENCY COMMENTARY Tuesday January 24, 2017

DAILY COCOA COMMENTARY 01/24/17

Continues to build a base in what appears to be a value zone

The market is showing signs that current price levels are a longer-term value zone. Both the Eurocurrency and British Pound reached fresh 1-month highs at the start of the week, which helped to repair a European demand outlook in the wake of their lukewarm fourth quarter grindings results. Strong year-over-year Asian quarterly grindings results are a positive sign not only for the region's demand, but for emerging market growth over the next few years. The latest reading on Ivory Coast port arrivals came in 14,000 tonnes ahead of the comparable period last year, but the overall season-long total remains roughly in-line with last season's pace. Unseasonal rainfall over West African growing areas during their "dry" season may have lifted expectations for the region's upcoming mid-crop harvest. Unless West Africa gets more precipitation over the next few months, it may be difficult for Ivory Coast to reach an early cocoa production forecast of 1.8 million tonnes and Ghanaian cocoa production to reach up to 900,000 tonnes.



TODAY'S MARKET IDEAS:

Continued strength in the Eurocurrency and British Pound will help European demand, but improving Asian demand will see further benefit from cocoa prices being close to multi-year low levels. Near-term support for March cocoa is at 2135 and 2123, with resistance at 2216 and 2198. Consider buying the May Cocoa 2300/2600 bull call spread near 38 looking for the spread to move up to 170.

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) 01/24/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 2124. The next area of resistance is around 2185 and 2203, while 1st support hits today at 2145 and below there at 2124.

DAILY COFFEE COMMENTARY 01/24/17

Rally hits 156.20 objective which is 50% of Nov-Dec break

Coffee prices are overbought after rising by nearly 17% since the late December low. Increasingly bullish supply outlook both near-term and longer-term is



difficult to ignore. March coffee reached the highest price levels since late November. While there was noted producer selling from Vietnam, the likelihood of limited Vietnamese output over the next 1 1/2 weeks continues to underpin coffee prices as other major Robusta-growing nations are coming off of sluggish crops. Once the Tet/Lunar New Year holiday is over, there may be a better gauge on the Vietnamese crop size. Most trade estimates show a drop of near 5-10% including the USDA but there were a few looking for an even higher loss, including the Vietnam government who are normally on the low end. Brazilian output will see a heavy decline in output next season while Colombian production looks to be topping out after several seasons of strong recovery. The weaker Dollar gave a boost to several emerging market currencies that included the Brazilian Real, which in turn provided coffee with an additional source of support. In addition, China imports for 2016 reached 84,306 tonnes, up 42.5% from the previous year. ICE exchange coffee stocks rose by 6,696 bags on Monday, and now have risen over 51,000 bags since the start of this year.

TODAY'S MARKET IDEAS:

Coffee remains vulnerable to a near-term pullback if risk sentiment shifts negative, but a bullish supply outlook should help to keep the market fairly well supported on any near-term pullback. Near-term support for March coffee is at 152.50 and 150.70, with resistance at 158.60 and 161.70.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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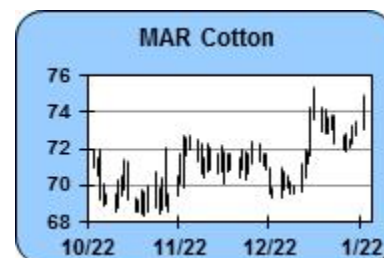
COFFEE (MAR) 01/24/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 158.96. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 157.32 and 158.96, while 1st support hits today at 153.48 and below there at 151.27.

DAILY COTTON COMMENTARY

01/24/17

Buyers remain active with hopes of much stronger 2017 demand

The technical action remains bullish. The cotton market surged higher yesterday (up 2.2%) as speculators were aggressive buyers and traders see mills are caught holding a massive net short position and are being forced to cover. In addition, a weaker US dollar was seen as a positive force. Open interest remains high, the COT report shows specs holding a near record high net long position and exchange stocks continue to rise. ICE certified deliverable warehouse stocks as of January 23rd increased to 123,246 bales from 117,526 bales Friday, 114,730 bales Thursday and from near 40,000 bales three weeks ago. The cotton market does not seem to have the fundamentals to move to a higher price level but the technical action remains positive. China imported 143,557 tonnes of cotton in December and this pushed the total for all of 2016 to 898,315 tonnes, down 39.1% from 2015.



TODAY'S MARKET IDEAS:

The Cotton Association of India sees production for the 2016/17 season up 1% from last year. Export sales were strong last week and traders must believe that higher prices will not slow demand. Many traders believe commercial short-covering is the major driving force of the current rally. Short-term support for March cotton is at 74.01 and 73.59, with 75.37 and 76.27 as next resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 01/24/2017: 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 close above the 9-day moving average is a positive short-term indicator for trend. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 76.21. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 75.58 and 76.21, while 1st support hits today at 73.68 and below there at 72.40.

COTTON (MAY) 01/24/2017: The daily stochastics have crossed over up which is a bullish indication. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 76.59. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 76.03 and 76.59, while 1st support hits today at 74.31 and below there at 73.14.

DAILY SUGAR COMMENTARY

01/24/17

Funds continue to buy for re-inflate reasons; India tight

While sugar remains vulnerable if a "risk off" mood falls over global markets, bullish supply developments are helping prices to avoid fresh chart damage. After last week's lukewarm finish, sugar prices were able to regain upside momentum as they finished yesterday with a moderate gain. A major Australian trade house cut their forecast for this season's Indian sugar production to 20.5 million tonnes (down by 1 million), due in large part to the issues seen in the states of Maharashtra and Karnataka. Indian mills may have enough supply on-hand to keep their government from relaxing an import duty on sugar this season, but India's ending sugar stocks are likely to come in at a multi-year low. A stronger Brazilian currency that reached a fresh 2-month high provided underlying support. China announced that their 2016 sugar imports were down by more than 36% from the previous yearly total, but smuggling and state reverse sales have cut into that total while there has been an early uptick in their production from last season's pace. Even so, there are still expectations that China will still have a hefty domestic supply deficit this season.

**TODAY'S MARKET IDEAS:**

Sugar prices have consolidated inside of the January 19th range. Near-term resistance for March sugar is at the 21.00 to 21.38 zone. If the market sees another leg up, 21.92 is next target. Support is at 20.50 and 20.10. Key support is back at 19.61.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/24/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Declining momentum studies in the neutral zone will tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 20.08. The next area of resistance is around 20.88 and 21.04, while 1st support hits today at 20.40 and below there at 20.08.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/24/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down and close below the previous day's low is a negative signal. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 154.90. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 166.75 and 172.15, while 1st support hits today at 158.15 and below there at 154.90.

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	20.64	58.52	57.39	71.36	63.69	20.50	20.56	20.27	19.63	20.18
CTAH7	74.63	73.50	67.63	55.35	60.13	73.16	72.85	72.39	71.70	71.14
CTAK7	75.17	74.77	68.75	61.84	68.09	73.71	73.38	72.81	72.13	71.61
CCAH7	2165	43.76	43.51	44.72	37.37	2175.50	2190.44	2197.61	2281.11	2345.72
OJAH7	162.45	15.47	20.83	11.23	6.76	166.54	174.89	181.99	196.26	199.99
KCAH7	155.40	79.67	68.91	90.36	93.65	152.14	150.45	144.68	146.97	152.39
MAH7	17.15	42.53	47.95	60.13	54.14	17.31	17.42	17.32	17.01	16.75

Calculations based on previous session. Data collected 01/23/2017

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	20.08	20.40	20.56	20.88	21.04
CTAH7	Cotton	72.39	73.67	74.30	75.58	76.21
CTAK7	Cotton	73.13	74.30	74.86	76.03	76.59
CCAH7	Cocoa	2123	2145	2163	2185	2203
OJAH7	Orange Juice	154.85	158.10	163.50	166.75	172.15
KCAH7	Coffee	151.26	153.47	155.11	157.32	158.96
MAH7	Milk	16.86	16.98	17.18	17.30	17.50

Calculations based on previous session. Data collected 01/23/2017

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