



DAILY SOFTS CURRENCY COMMENTARY Wednesday January 25, 2017

DAILY COCOA COMMENTARY 01/25/17

Strong base of support and demand tone continues to improve

Improving demand prospects seem to be supporting the market but near-term supply bottlenecks in West Africa are also giving the market a fresh boost. There have been reports that cocoa beans are starting to accumulate at Ivory Coast ports again, this time due to the difficulties that domestic exporters are having with completing their transactions. While this supply will eventually be marketed, it may take some time to resolve this issue which could limit Ivory Coast exports over the near term. Keep in mind that exports of cocoa beans from the Ivory Coast port of San Pedro totaled 74,441 tonnes in December, which down 14.0% from last year. Cameroon is also having problems with marketing cocoa supplies from several of their growing regions which may keep this season's output behind last season's pace. A major European trade house sees global cocoa grindings recovering this year as lower prices should trigger higher consumption. Emerging market demand already appears to be on the mend as reflected with strong Asian grinding results, while a potential longer-term downtrend in the Dollar should give a boost to European demand.



TODAY'S MARKET IDEAS:

Improving demand prospects are starting to gain traction and could help to sustain upside momentum. Near-term support for March cocoa is at 2166 while resistance is at 2252. A push through close-in resistance at 2220 would leave 2362 as next 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) 01/25/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 2129. The next area of resistance is around 2231 and 2249, while 1st support hits today at 2171 and below there at 2129.

DAILY COFFEE COMMENTARY 01/25/17

Rally hits 156.20 obj before start of correction

The rally in March coffee stalled at the 50% mark of the Nov-Dec break and short-term technical indicators are showing extreme overbought condition. A



supportive supply outlook should help to keep the market fairly well supported on corrections. There were no major supply/demand news items for the market to digest, but with an RSI approaching 70 and a decent-sized net spec long position, longs were quick to head towards the sidelines yesterday when upside momentum started to wane. Dry weather over the next ten days in parts of Minas Gerais and Espirito Santo will increase stress for Brazil's upcoming crop which already is expected to fall by at least 5 to 6 million bags from this season. Rainfall over the Central Highlands in Vietnam was 4 to 6 times normal levels during the past month, which increases the odds of disease outbreaks while slowing down the late stages of their harvest. Vietnamese producers have already slowed down their marketing in front of the Tet/Lunar New Year holiday so their near-term supply may be tight until early February. ICE exchange coffee stocks rose by 2,105 bags on Tuesday and are closing in on climbing back above the 1.3 million bag level for the first time since the middle of last year.

TODAY'S MARKET IDEAS:

Coffee is likely to see downside follow-through after yesterday's reversal from the key resistance at 156.20. Close-in resistance for March coffee is at 154.15, with initial key support at 147.75 and 144.90.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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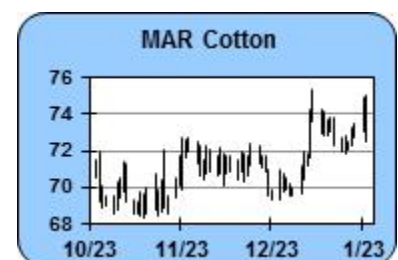
COFFEE (MAR) 01/25/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The outside day down and close below the previous day's low is a negative signal. The close below the 1st swing support could weigh on the market. The next downside target is 148.22. The next area of resistance is around 154.92 and 158.51, while 1st support hits today at 149.78 and below there at 148.22.

DAILY COTTON COMMENTARY

01/25/17

Nearby futures struggle at 75.00; hefty supply outlook

Perhaps the trade is viewing the 75.00 level for nearby cotton futures as key resistance. Exchange stocks are up sharply over the past three weeks and the USDA Supply/Demand report was bearish this month pushing US ending stocks to an eight year high and to 31.6% of usage. In addition, traders see a 7.5% increase in planted area for the coming year and with recent moisture in the Texas Panhandle region, the market could be stuck with high stocks for a while. Informa announce their estimate for cotton plantings for the coming year at 10.5 million acres which is not as big as recent estimates but still up from 9.9 million last year. The market closed sharply lower on the session on Tuesday and with the outside trading session, sellers could get more active; especially with speculators holding a near record net long position.



TODAY'S MARKET IDEAS:

The weak technical action after hitting the 75.00 level for the second time this year could be a sign that the market has hit a short-term peak. Open interest is at the highest level since 2008 and trend-following fund traders hold a net long position of 103,910 contracts. Selling could intensify if support levels are violated. Short-term resistance for March cotton is at 74.64 with 71.73 and 70.61 as key support levels.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 01/25/2017: Momentum studies are trending higher from mid-range, which should support 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. The daily closing price reversal down is a negative indicator for prices. The close below the 1st swing support could weigh on the market. The next upside objective is 76.13. The next area of resistance is around 74.80 and 76.13, while 1st support hits today at 72.34 and below there at 71.20.

COTTON (MAY) 01/25/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 76.64. The next area of resistance is around 75.50 and 76.64, while 1st support hits today at 73.24 and below there at 72.11.

DAILY SUGAR COMMENTARY

01/25/17

Sideways action; still under influence of Jan 19 reversal

The market has been unable to shake off volatile price action since the wide-ranging outside day down last Thursday. Indian government officials left their 2016-17 sugar production forecast unchanged at 22.5 million tonnes compared to 25.1 million last season, but left open the possibility of a downward revision in a couple of weeks. However, that is above recent trade forecasts for Indian sugar output below 21 million tonnes. The India Sugar Mills Association sees production at 21.3 million tonnes; the lowest in seven years. Sugar production in the state of Maharashtra (previously the top producer) was seen at 4.5 to 5.0 million tonnes in 2016-17, a sharp drop from last season's output of 8.41 million. Although Uttar Pradesh is in much better shape than other regions, keep in mind that there may be logistical difficulties in moving supply to other regions of India (as was seen with wheat in 2015) so potential for sugar imports this season remain on the table for now. A major European trade house has estimated the price of sugar for the most active contract at 20.80 cents during the first quarter of 2017, due in large part to India's production declines while Brazil's output will be constrained by less cane availability and lower quality.

**TODAY'S MARKET IDEAS:**

March sugar stiff technical resistance is at 21.00 with 20.03 and 19.61 as key support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/25/2017: 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. The daily

closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 20.23. The next area of resistance is around 20.80 and 21.12, while 1st support hits today at 20.36 and below there at 20.23.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/25/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 161.05. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 167.50 and 169.00, while 1st support hits today at 163.55 and below there at 161.05.

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	20.58	57.03	56.46	66.99	58.25	20.40	20.57	20.39	19.64	20.15
CTAH7	73.57	59.32	58.77	56.26	58.09	73.48	72.89	72.60	71.74	71.21
CTAK7	74.37	63.17	61.58	63.94	68.13	74.12	73.46	73.05	72.17	71.67
CCAH7	2201	49.53	47.20	43.82	42.03	2167.50	2189.78	2195.61	2276.44	2338.07
OJAH7	165.55	24.96	26.75	10.65	9.51	165.49	172.98	180.67	195.37	199.32
KCAH7	152.35	64.41	60.46	89.55	87.95	152.93	150.97	145.69	146.70	152.14
MAH7	17.14	42.14	47.66	55.86	47.33	17.28	17.38	17.31	17.04	16.77

Calculations based on previous session. Data collected 01/24/2017

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	20.22	20.35	20.67	20.80	21.12
CTAH7	Cotton	71.19	72.33	73.66	74.80	76.13
CTAK7	Cotton	72.10	73.23	74.37	75.50	76.64
CCAH7	Cocoa	2129	2171	2189	2231	2249
OJAH7	Orange Juice	161.00	163.50	165.00	167.50	169.00
KCAH7	Coffee	148.21	149.77	153.36	154.92	158.51
MAH7	Milk	16.92	17.02	17.15	17.25	17.38

Calculations based on previous session. Data collected 01/24/2017

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