



DAILY SOFTS CURRENCY COMMENTARY

Thursday January 26, 2017

DAILY COCOA COMMENTARY

01/26/17

Demand tone improving but production prospects strong

March cocoa traded to a new weekly high yesterday but finished with a moderate loss. A slumping Dollar provided a boost to cocoa's demand growth prospects, particularly as the Eurocurrency and British Pound both posted sizable gains. A major Swiss-based chocolate maker showed improved sales volume in spite of lukewarm demand during the September/November quarter in Europe and the Americas. In addition, they also gave positive sales growth guidance for the second half of their fiscal year (March through August) and noted a higher trend for cocoa processing margins. The new government in Ghana is considering full liberalization of their cocoa industry with a goal of reaching 1 million tonnes of production per season within four years. Keep in mind that Ghana has only reached that output threshold once (the 2010/11 season that was likely boosted by supply smuggled over from Ivory Coast during their civil war) and have not reached 800,000 tonnes during the past 2 seasons.



TODAY'S MARKET IDEAS:

Cocoa continues to show more signs that a near-term low may be in. Near-term support for March cocoa is at 2152 while resistance is at 2220. A close through resistance leaves 2291 and 2362 as initial targets.

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) 01/26/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 2139. The next area of resistance is around 2219 and 2246, while 1st support hits today at 2165 and below there at 2139.

DAILY COFFEE COMMENTARY

01/26/17

Needs a break or just some consolidation to correct overbought

The market continues to consolidate just under key resistance at 156.20 for March coffee. Dry weather concerns for Brazil's crop next season and prolonged damaging rains in Vietnam continue to support the market as it reinforces a



bullish near-term supply outlook. Vietnam's Tet/Lunar New Year holiday will finish in early February, so there is likely to be a surge in producer marketing and exports next month. However, a shift towards wet weather over the past month has compounded the problems sustained by this season's Vietnamese crop. Officials with Vietnam's Coffee and Cocoa Association (Vicofa) are projecting this year's coffee exports may only reach 1.3 million tonnes (21.67 million bags), a decline of 20% to 30% from last year's levels that will come as Brazil is likely to see a drop in production of at least 6 million bags from this season. ICE exchange coffee stocks fell by 8,849 bags on Wednesday.

TODAY'S MARKET IDEAS:

The market remains technically overbought and in need of a correction. Near-term support for March coffee is at 150.70 while resistance is at 156.20. Use a pullback to 147.75 to establish fresh long call option strategies.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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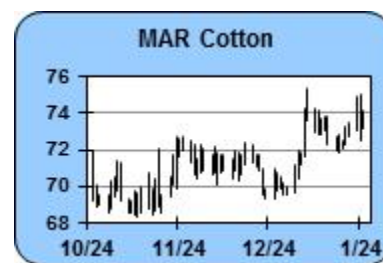
COFFEE (MAR) 01/26/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 148.88. The next area of resistance is around 155.05 and 157.47, while 1st support hits today at 150.75 and below there at 148.88.

DAILY COTTON COMMENTARY

01/26/17

Bullish tone for US and global economy continues to support

The cotton market inched higher in quiet trade yesterday after an inside trading session. The idea that cotton demand is expanding has led to strong buying from speculators and this leaves the market extremely overbought basis the COT report. Commercial traders hold a record short position and some traders believe they need to price future needs. The move in the US dollar to the lowest level since December 8th plus a surge to all-time highs in the stock market were seen as positive factors for the cotton demand outlook. Sao Paulo benchmark prices have pushed up to the highest level since June of 2011 as last year's crop production was very poor. Open interest remains high. India's internal prices have also pushed up to the point where no new export transactions are occurring. Indian cotton production for the 2016/17 season is expected at 32.12 million bales vs. 30.15 million for 15/16 according to the Agriculture Ministry.



TODAY'S MARKET IDEAS:

The cotton market is beginning to show resistance near the 75.00 level and open interest is up near the highest level since 2008, and trend-following fund traders hold a historically high net long position of 103,910 contracts. 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) 01/26/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 74.79. The next area of resistance is around 74.39 and 74.79, while 1st support hits today at 73.37 and below there at 72.74.

COTTON (MAY) 01/26/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 75.40. The next area of resistance is around 74.99 and 75.40, while 1st support hits today at 74.05 and below there at 73.51.

DAILY SUGAR COMMENTARY

01/26/17

Sideways action since January 4th; correcting overbought

The market is still operating under the negative technical influence of the January 19th reversal but prices have stayed inside the range since. A bullish supply outlook is helping the market hold its ground. A sharp selloff in crude oil and gasoline following the EIA stocks data was a source of pressure on sugar yesterday as it fed into a negative risk tone for many commodity markets. In addition, concern over the Renewable Fuels Standard (RFS) has cast a shadow over ethanol demand both at home and abroad. The Indian Sugar Mills

Association (ISMA) forecast their sugar production this season may total 21.3 million tonnes, a sizable drop from their September estimate of 23.4 million and compares to a government estimate of 22.5 million tonnes and last year's production of 25.1 million. This would be the smallest Indian sugar production since the 2009/10 season as their ending stocks may drop 37% to 4.85 million tonnes on September 30th, which should be enough to meet local demand for 2 1/2 months. If India's production shows signs that it will come in around 21 million tonnes or lower as some trade forecasts are projecting, however, it will strengthen the cast that India should relax their duty on sugar imports.



TODAY'S MARKET IDEAS:

A tightening Asian near-term supply situation may help provide support on technical correction. Near-term support for March sugar is at 20.05 with resistance at 21.00. Use a pullback to 19.61 in order to establish fresh call option strategies.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/26/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today.

The next downside target is now at 19.94. The next area of resistance is around 20.58 and 20.90, while 1st support hits today at 20.10 and below there at 19.94.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/26/2017: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 170.00. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 168.45 and 170.00, while 1st support hits today at 164.80 and below there at 162.65.

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	20.34	51.15	52.77	60.98	48.95	20.44	20.55	20.46	19.64	20.11
CTAH7	73.88	61.75	60.40	56.87	58.10	73.78	72.98	72.83	71.77	71.27
CTAK7	74.52	64.33	62.37	65.35	68.19	74.43	73.55	73.29	72.21	71.74
CCAH7	2192	48.14	46.38	43.72	43.52	2174.50	2197.00	2194.89	2271.40	2330.73
OJAH7	166.65	28.18	28.79	11.39	12.86	165.23	171.07	179.51	194.45	198.65
KCAH7	152.90	65.74	61.38	87.76	84.17	153.46	151.40	146.77	146.47	151.89
MAH7	16.98	36.14	43.30	49.44	36.58	17.17	17.32	17.28	17.06	16.79

Calculations based on previous session. Data collected 01/25/2017

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	19.94	20.10	20.42	20.58	20.90
CTAH7	Cotton	72.73	73.36	73.76	74.39	74.79
CTAK7	Cotton	73.50	74.04	74.45	74.99	75.40
CCAH7	Cocoa	2138	2165	2192	2219	2246
OJAH7	Orange Juice	162.60	164.75	166.30	168.45	170.00
KCAH7	Coffee	148.87	150.75	153.17	155.05	157.47
MAH7	Milk	16.73	16.86	16.98	17.10	17.22

Calculations based on previous session. Data collected 01/25/2017

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