



DAILY SOFTS CURRENCY COMMENTARY

Friday January 27, 2017

DAILY COCOA COMMENTARY

01/27/17

Improved weather and stocks uncertainty sparks more selling

A revision in stocks from the 2015/16 season plus a firm US dollar was enough to spark aggressive selling and a downside break-out overnight. The move below the January 11th lows leaves 2048 as next downside target for March cocoa. March cocoa was on the defensive all session yesterday and finished with a heavy loss. The Dollar's rebound put significant pressure on the Eurocurrency and British Pound that in turn helped to erode optimism for improvement in European demand prospects. West Africa's dry weather pattern over the next week will aid in harvesting of their late main crop, while rain forecast for eastern production areas may provide a boost to mid-crop development. West Africa's Harmattan winds this season have so far been much milder than last season's El Nino-fueled winds that inflicted damage on mid-crop output. In fact, the Harmattan winds were only seen in the north/central regions during the first three weeks of January and were expected to be very light over the next week. The latest COT report will be released after today's close and will reflect a 34 point decline between the January 17th and 24th measuring dates.



TODAY'S MARKET IDEAS:

The ICCO indicated that 2015/16 stocks were higher than expected but the global production deficit was left unchanged at 150,000 tonnes. Uncertainty, plus good weather short-term seem to be the driving forces of the sharp sell-off. Resistance for March cocoa is at 2124 and 2147, with 2048 as next support.

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) 01/27/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 2081. The next area of resistance is around 2163 and 2206, while 1st support hits today at 2101 and below there at 2081.

DAILY COFFEE COMMENTARY

01/27/17

Beginning to correct short-term overbought condition

While coffee continues to have a longer-term bullish supply outlook, the market



appears to be losing near-term upside momentum. After losing early strength, March coffee traded to a new weekly low and closed lower. The major coffee retailer Starbucks reported in-line earnings, but also cut their annual sales growth forecast which casts a shadow on global demand prospects. ICE exchange coffee stocks fell by 1,514 bags on Thursday but remain on-track for their highest month-end total since July, which also provides some evidence of softening demand levels. Brazil's 2017-18 coffee output may drop to 49.4 million bags from 54.55 million last year according to exporter Comexim, who pegged the Arabica crop at 38.8 million bags versus 45.5 million last season while the Robusta crop was seen at 10.6 million bags versus 9 million last season. Comexim also noted that the state of Espirito Santo still faces drought-related issues as the region has received 10% of normal rainfall for the month of January. The latest COT report will reflect a 2.45 cent increase between the January 17th and 24th measuring dates.

TODAY'S MARKET IDEAS:

The market remains technically overbought and in need of a correction. Support for March coffee is at 147.75 and 144.90. Resistance is at 153.60.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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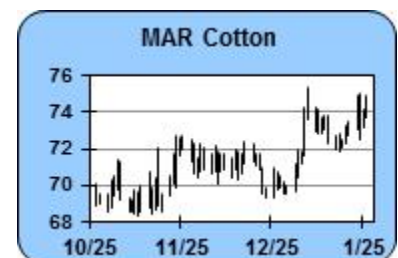
COFFEE (MAR) 01/27/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close below the 9-day moving average 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 147.94. The next area of resistance is around 153.42 and 155.83, while 1st support hits today at 149.48 and below there at 147.94.

DAILY COTTON COMMENTARY

01/27/17

Challenging key resistance again as exports very strong

Cotton was one of the few agricultural markets to trade in the black yesterday as trade friction concerns with Mexico and Canada and a strong US dollar helped to pressure many markets. Cotton, however, showed a marketing year high in export sales for the week even with the market near a 5 1/2 month high. This was impressive demand news and helped keep speculators as active buyers. Net weekly export sales came in at 457,000 bales for the current marketing year and 10,400 for the next marketing year for a total of 467,400 bales. As of January 19th, cumulative cotton sales stand at 81.5% of the (new and higher) USDA forecast for 2016/2017 marketing year versus a 5 year average of 79.8% sold for this time of the year. China was the strongest buyer for the week. The advancing global economies and especially recent growth trend news from China and India are seen as positive forces. Indian prices have push up well above global prices and this has helped to support higher US exports. Open interest is up near the highest level since 2008 and speculators hold a near record net long position so the market is overbought but long liquidation selling will only be an issue if support levels are violated.



TODAY'S MARKET IDEAS:

The market remains in a choppy uptrend and the fact that export sales are improving, even with higher prices, is supportive. March cotton close-in support is at the 73.59 to 73.17 zone, with 75.37 and 76.73 as next upside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 01/27/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 next upside target is 75.50. The next area of resistance is around 74.82 and 75.50, while 1st support hits today at 73.56 and below there at 72.99.

COTTON (MAY) 01/27/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 75.81. The next area of resistance is around 75.22 and 75.81, while 1st support hits today at 74.18 and below there at 73.72.

DAILY SUGAR COMMENTARY**01/27/17****Consolidation continues; India crop down 15% to 7 year low**

While the trading range so far this week for March sugar has been narrow with a high of 20.99 and a low of 20.24, intra-day price action remains volatile. Sugar continues to find support off of rising concerns over Indian production which looks like it will come in around a seven year low. While their government and several trade organization feel that India will not need to import sugar this season, further deterioration in their output prospects could change those opinions later on this year. Thailand's harvest has been running behind due to weather delays, but their production appears to be coming in at least 3% lower than last season. The latest COT report will reflect just a 9 tick decline between measuring dates which should leave sugar's net spec long position around the 230,000 to 250,000 contract level. However, that would provide considerable fuel for long liquidation if risk appetites do take a negative shift going into the weekend.

**TODAY'S MARKET IDEAS:**

A bullish supply outlook should provide underlying support, but it may be difficult to fight a "risk off" mood in global markets with a hefty net spec long position. Near-term resistance for March sugar is at 21.00 with support at 20.03 and 19.61.

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) 01/27/2017: The downside crossover (9 below 18) of the moving averages suggests a developing

short-term downtrend. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 20.02. The next area of resistance is around 20.55 and 20.79, while 1st support hits today at 20.17 and below there at 20.02.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/27/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside objective is 174.65. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 169.35 and 174.65, while 1st support hits today at 159.40 and below there at 154.70.

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	20.36	51.62	53.05	54.60	41.86	20.48	20.50	20.51	19.64	20.08
CTAH7	74.19	64.16	62.02	58.78	62.58	74.07	73.18	73.03	71.81	71.32
CTAK7	74.70	65.80	63.35	66.86	69.88	74.69	73.76	73.50	72.24	71.79
CCAH7	2132	39.77	41.27	40.38	33.70	2172.50	2186.11	2193.06	2264.89	2322.13
OJAH7	164.30	25.60	27.09	12.09	13.50	164.75	168.83	178.06	193.46	197.91
KCAH7	151.45	59.17	57.57	84.72	78.65	153.03	151.61	147.66	146.24	151.60
MAH7	17.04	39.76	45.32	43.72	32.27	17.08	17.25	17.26	17.08	16.81

Calculations based on previous session. Data collected 01/26/2017

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	20.01	20.16	20.40	20.55	20.79
CTAH7	Cotton	72.98	73.56	74.24	74.82	75.50
CTAK7	Cotton	73.71	74.17	74.76	75.22	75.81
CCAH7	Cocoa	2080	2100	2143	2163	2206
OJAH7	Orange Juice	154.65	159.35	164.65	169.35	174.65
KCAH7	Coffee	147.93	149.47	151.88	153.42	155.83
MAH7	Milk	16.63	16.84	17.03	17.23	17.43

Calculations based on previous session. Data collected 01/26/2017

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