



DAILY SOFTS CURRENCY COMMENTARY Monday January 30, 2017

DAILY COCOA COMMENTARY 01/30/17

Short-term supply jump is still main bearish force

Fresh bearish supply developments have driven cocoa prices down into new low ground. After a gap lower opening, March cocoa traded to a new contract low on Friday and the lowest front-month price since March of 2013. For the week, March cocoa finished with a loss of 45 points. The International Cocoa Organization (ICCO)'s annual survey has adjusted their global ending cocoa stocks reading for the 2015/16 season up by 30,000 tonnes to 1.477 million. While the ICCO survey also lowered the 2014/15 ending stocks total by 107,000 tonnes to 1.49 million, the net takeaway is that last season's global supply deficit (currently kept by the ICCO at 150,000 tonnes) will most likely be reduced. Keep in mind that last season's stocks/grinding ratio (now at 35.67%) is less than 0.03% from being the lowest reading in the past 30 seasons, while 2014/15's ratio (adjusted down to 35.87%) has now become the third lowest.



This may shift more of the market's focus towards near-term supply conditions in West Africa as stories of beans piling up on Ivory Coast docks and potential domestic exporter defaults continue to weigh on prices. There are reports that Nigeria's midcrop is threatened by a prolonged dry spell and could lose 50% of their expected harvest, which may not bode well for the region's production over the first half of this year. The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net short 12,556 contracts, an increase of 5,058 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 6,849 contracts, up 4,490 contracts in the net short position held by these traders.

TODAY'S MARKET IDEAS:

Commodity Index traders held a net long position of 10,957 contracts, down 11,768 contracts in just one week. The break should help stimulate global demand prospects. However, it may take a downtick in near-term West African output for prices to find their footing. Near-term support for March cocoa is at 2048 while resistance is at 2140.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

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

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cocoa	-12,556	-5,058	6,848	+4,488	5,707	+568

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) 01/30/2017: The sell-off took the market to a new contract low. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The gap down on the day session chart is bearish with more selling pressure possible today. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 2052. The next area of resistance is around 2117 and 2141, while 1st support hits today at 2073 and below there at 2052.

DAILY COFFEE COMMENTARY

01/30/17

Correcting overbought condition with shallow pull-back

March coffee has put in four consecutive lower highs and lower lows. For the week, March coffee finished with a loss of 0.80 cents. Vietnam will be on holiday until later this week which will tighten near-term supply from that nation, but there are ideas that this season's output decline could be fairly substantial. A noted fund manager is calling for Arabica coffee to rise up to 2.25 to 2.35 per pound over the next six months due to the El Nino related output problems in Brazil and Vietnam along with stronger demand in countries like China. There will likely be a surge of Vietnamese coffee marketed and exported during early February, but their Robusta supply will have to make up for shortfalls seen in Brazil and Indonesia. Uganda's coffee exports rose 28% to 1.04 million bags in the 4th quarter, and along with Central America are areas that may be looking at larger production this season. ICE exchange stocks fell by 649 bags on Friday but remain on-track for a sizable monthly build. The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net long 34,722 contracts, an increase of 6,287 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 37,795 contracts, up 7,203 contracts for the week and the buying trend is seen as a short-term positive force.



TODAY'S MARKET IDEAS:

Coffee should continue to find underlying support from a bullish supply outlook as near-term pullbacks should remain fairly shallow. Near-term support for March coffee is at 150.30 while key support is at 147.75. Resistance is at 154.40 and a resumption of the uptrend leaves 159.50 as next target. Consider buying breaks.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Softs						
Coffee	34,722	+6,287	-37,795	-7,204	3,073	+916

COFFEE 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.

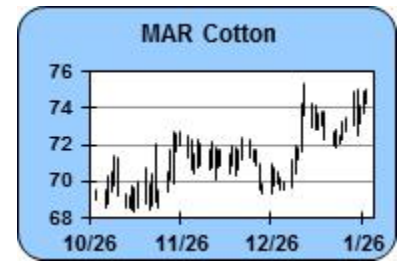
COFFEE (MAR) 01/30/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 148.97. The next area of resistance is around 153.97 and 155.26, while 1st support hits today at 150.83 and below there at 148.97.

DAILY COTTON COMMENTARY

01/30/17

Market looks poised for another leg up; 76.73 target

The highest close since August 8th on Friday plus more up this morning keeps the bulls in full control. The overbought technical condition is only a serious factor if support levels are violated. March cotton closed strong on Friday and closed up 2.5% for the week as short-term export and economic news points to strong demand. A marketing year high for weekly export sales last week even with cotton prices at a 5 1/2 month high is impressive and helped to fuel the rally. In their monthly update, Cotlook raised the world production forecast by 194,000 tonnes to 22.65 million tonnes which is up from 20.58 million last year. World demand was revised down by 141,000 tonnes to 23.89. This is still up from 23.68 million tonnes last year.



Open interest was up 4,056 contracts to the highest level since 2008. The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net long 116,373 contracts, a decrease of 2,437 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 127,308 contracts, down 1,184 contracts for the week. Commodity Index traders held a net long position of 65,276 contracts, up 2,172 contracts for the week.

TODAY'S MARKET IDEAS:

Trend-following fund traders reduced their net long position by 4,202 contracts for the week to 99,708 contracts. March cotton close-in support is at the 74.01 and 73.59 levels, with 75.37 and 76.73 as next upside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cotton	116,373	-2,437	-127,308	+1,185	10,935	+1,253

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) 01/30/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 75.49. The next area of resistance is around 75.24 and 75.49, while 1st support hits today at 74.46 and below there at 73.94.

COTTON (MAY) 01/30/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 75.96. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 75.75 and 75.96, while 1st support hits today at 75.03 and below there at 74.51.

DAILY SUGAR COMMENTARY

01/30/17

Consolidation continues; could be continuation pattern; firm

March sugar traded in a narrow 23 tick inside range with light volume on Friday. For the week, March sugar finished with a gain of 15 ticks and the market remains inside of the January 19th range. Although the Brazilian currency posted a fresh 3-month high, sluggish crude oil prices provided a headwind. A major Brazilian analytics firm forecast this season's global sugar deficit at 5.32 million tonnes, up from their previous estimate of 4.36 million, while also projecting India's output falling to 21 million tonnes, down from their 22.4 million tonne estimate in December. They join other analysts who are looking at a sizable drop in Indian sugar production that could reach a 7-year low. Thailand's harvest has reached full speed after early weather-related delays, but that nation appears to be heading towards lower sugar production than last season. The Commitments of Traders reports as of January 24th showed Non-Commercial traders were net long 201,631 contracts, an increase of 1,587 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 241,955 contracts, down 2,719 contracts for the week.



TODAY'S MARKET IDEAS:

Sugar may find fresh pressure from negative outside markets and sluggish risk appetites early this week, but a tight Asian near-term supply situation should help to underpin prices. Near-term support for March sugar is at 20.03 and 19.61. The longer the market moves sideways to correct the overbought condition, the more likely the consolidation is a continuation pattern and the market breaks-out to the upside. Resistance is at 21.00 and a resumption of the uptrend would leave 21.89 as next target. Consider buying a close above 20.56.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Softs						
Sugar	201,631	+1,587	-241,954	+2,720	40,324	-4,306

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) 01/30/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 20.15. The next area of resistance is around 20.44 and 20.60, while 1st support hits today at 20.22 and below there at 20.15.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/30/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 180.80. Consider buying pull-backs since daily studies are bullish. The next area of resistance is around 178.00 and 180.80, while 1st support hits today at 168.40 and below there at 161.55.

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	20.33	50.80	52.55	48.32	35.76	20.40	20.48	20.56	19.64	20.06
CTAH7	74.85	68.85	65.28	63.20	72.04	74.12	73.47	73.27	71.87	71.41
CTAK7	75.39	70.94	66.90	70.49	77.76	74.75	74.05	73.74	72.30	71.88
CCAH7	2095	35.49	38.45	35.60	26.03	2155.00	2173.00	2191.33	2257.42	2313.00
OJAH7	173.20	46.73	41.40	15.96	23.69	167.44	167.72	176.91	192.65	197.31
KCAH7	152.40	61.97	59.35	82.00	76.54	152.28	151.95	148.51	146.00	151.34
MAH7	17.15	46.07	48.92	40.36	33.65	17.08	17.22	17.25	17.10	16.83

Calculations based on previous session. Data collected 01/27/2017

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	20.14	20.21	20.37	20.44	20.60
CTAH7	Cotton	73.93	74.46	74.71	75.24	75.49
CTAK7	Cotton	74.50	75.02	75.23	75.75	75.96
CCAH7	Cocoa	2051	2072	2096	2117	2141
OJAH7	Orange Juice	161.50	168.35	171.15	178.00	180.80
KCAH7	Coffee	148.96	150.82	152.11	153.97	155.26
MAH7	Milk	16.97	17.06	17.13	17.22	17.29

Calculations based on previous session. Data collected 01/27/2017

Data sources can & do produce bad ticks. Verify before use.

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