



DAILY SOFTS CURRENCY COMMENTARY

Thursday February 02, 2017

DAILY COCOA COMMENTARY

02/02/17

After key reversal, in position for at least recovery bounce

Cocoa prices have managed two positive closes in a row after posting a new contract low, but ongoing concerns with global demand continue to be a source of headwinds for the market. A resurgent Dollar may not have put pressure on commodities in general, but a sizable pullback in the Eurocurrency did weigh on cocoa as the Euro zone accounts for more than one-third of all global grindings. There were reports that Ivory Coast has sold over 100,000 tonnes of cocoa since the end of December in anticipation of domestic exporter defaults, while their Coffee and Cocoa Council has already begun to cancel contracts that were in default. While fourth quarter Ivory Coast exports were down 15% from last year, their government reassured traders that cocoa piling up at ports will eventually be marketed and that the recent drop in international prices will not affect the minimum farmgate price paid to Ivory Coast's farmers. Keep in mind that this cocoa is not any "extra" supply for the market to digest, but new export transactions made at these currently low price levels could end up taking away from future demand when prices are higher.



TODAY'S MARKET IDEAS:

Given the headwinds from the demand side of the market, a second positive close in a row is encouraging but the market may need to see a "risk on" mood as well as a stronger Eurocurrency and British Pound to lift clear of contract lows. Near-term support for May cocoa is at 2079 with resistance at 2146 and 2164. Look for a test of key downtrend channel resistance at 2179. Penetration of this channel will leave 2278 as initial upside target. Consider buying.

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) 02/02/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 2061. The next area of resistance is around 2136 and 2170, while 1st support hits today at 2082 and below there at 2061.

DAILY COFFEE COMMENTARY

02/02/17

In position for resumption of the uptrend; fundamental firm



May coffee managed to hold 1st key support at 150.10 this week and looks poised for a resumption of the uptrend. The market had been trending lower for the past seven days due to forecasts of better than average rains over Brazilian growing areas, as well as from export numbers from the International Coffee Organization that showed stronger year-over-year readings for both December and the fourth quarter. Even if their upcoming Brazilian Robusta crop has a sizable improvement from last season, Brazil's domestic supply remains very tight as they may be forced to import coffee beans over the early part of 2017 before their new crop is harvested. Vietnam will come back on-line today after the conclusion of their Tet/Lunar New Year holiday and while there will likely be a near-term surge in supply, it may also provide a fresh gauge on how severe their production decline will be from last season. ICE exchange coffee stocks fell by 1,974 bags on Wednesday, but remain well above the levels seen at the end of December.

TODAY'S MARKET IDEAS:

Near-term support for May coffee is at 151.90 while resistance is at 155.45. A close through resistance would project a resumption of the uptrend with 163.15 as next target. Consider call strategies on a minor set-back.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May coffee 145.00 put from 453 with an objective of Zero. Risk to 555.

COFFEE TECHNICAL OUTLOOK:

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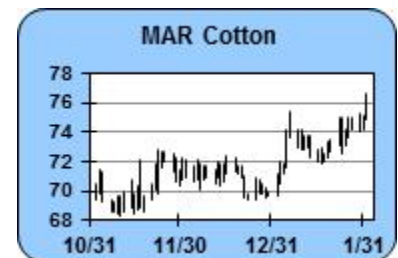
COFFEE (MAR) 02/02/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 145.74. The next area of resistance is around 152.22 and 154.03, while 1st support hits today at 148.08 and below there at 145.74.

DAILY COTTON COMMENTARY

02/02/17

Aggressive fund buying and surge in open interest impressive

The cotton market remains in a steep uptrend and open interest continues to advance as fund traders remain aggressive buyers. The market pushed through the August highs this morning. Mill buyers who bought cotton but have not fixed a price yet have until February 21st to fix prices against the March contract. This mill fixation is seen as a spark for the rally recently. Open interest jumped 2,435 contracts to 276,602 contracts, the highest since 2008. May cotton surged 1.9% yesterday to close near the August highs which were near the highest price levels since July of 2014. Higher prices in India have shut India out of new export business on the world market, and this has helped support much better than expected US exports. Traders will monitor this morning's weekly sales number closely.



Chinese PMI numbers have been up for the 6th month in a row and the global economic outlook continues to improve which has added to the positive tone. The International Cotton Advisory Committee sees 2017/18 global production at 23.39 million tonnes, up 2.36% from this year. Consumption is pegged at 24.29 million tonnes, up 0.87% from this year. As a result, ending stocks are seen at 17.13 million tonnes, down 4.9% from this year. While stocks are coming down, the 70.5% stocks to usage is still seen as a very plentiful level. ICE certified stocks deliverable to the exchange jumped to 153,635 bales from 135,759 bales the previous session and up from near 40,000 earlier this year.

TODAY'S MARKET IDEAS:

There is no sign of a peak yet, but the market is getting more and more overbought. Close-in support for May cotton is at 75.82. The push through the August highs leaves a longer-term technical objective of 81.58.

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) 02/02/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 77.73. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 77.26 and 77.73, while 1st support hits today at 75.62 and below there at 74.44.

COTTON (MAY) 02/02/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 78.27. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 77.83 and 78.27, while 1st support hits today at 76.26 and below there at 75.12.

DAILY SUGAR COMMENTARY

02/02/17

In position for resumption of uptrend; 21.61 May next

Sugar has yet to trade outside of its wide-sweeping range on January 19th, but the market is showing signs that it has regained upside momentum. Thailand's sugar production was pegged at 3.97 million tonnes from cane crushing of 41 million tonnes as of January 31st, which compares to 4.64 million tonnes from cane crushing of 49.7 million tonnes last season. Although there were early weather delays, Thailand's harvest was thought to back near full speed in recent weeks which could indicate that this season's output could come in closer to 9.0 million tonnes than to 9.5 million tonnes. Brazil exported 1.78 million tonnes of sugar in January from 1.13 million one year ago. While there is divergent early opinion on the size of Brazil's upcoming cane crop, there is a consensus that European Union sugar output will see a significant increase this season due to the removal of production quotas with some analyst forecasting EU sugar production could reach up to 20 million tonnes. India production for the first four months of the season reached 12.85 million tonnes, down 10% from last year's pace.



TODAY'S MARKET IDEAS:

With both the Indian and Thai crops having difficulties, the Asian near-term supply situation will remain fairly tight which in turn should help to fuel sugar's upside move. Near-term support for May sugar is at 20.60 and a close through minor resistance at 20.73 would leave the market in a short-term uptrend with 21.61 as upside target.

NEW RECOMMENDATIONS:

* Sell May sugar 19.75 put at 61 with an objective of 0. Risk to 83.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 02/02/2017: 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 cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 21.18. The next area of resistance is around 21.05 and 21.18, while 1st support hits today at 20.63 and below there at 20.33.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 02/02/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 177.00. The next area of resistance is around 174.10 and 177.00, while 1st support hits today at 168.60 and below there at 165.95.

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	20.84	64.00	60.19	38.95	39.81	20.48	20.45	20.52	19.70	20.01
CTAH7	76.44	73.64	69.49	74.37	84.80	75.09	74.41	73.59	72.10	71.72
CTAK7	77.05	76.16	71.57	79.61	88.27	75.72	75.03	74.14	72.53	72.21
CCAH7	2109	40.24	41.03	23.26	18.37	2096.25	2135.00	2170.50	2235.11	2286.30
OJAH7	171.30	44.12	40.98	31.92	39.43	173.83	168.95	173.77	190.25	195.18
KCAH7	150.15	52.04	53.36	65.87	53.19	150.81	152.06	150.06	145.46	150.51
MAH7	17.15	47.01	49.17	35.56	34.38	17.13	17.14	17.27	17.16	16.89

Calculations based on previous session. Data collected 02/01/2017
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	20.32	20.62	20.75	21.05	21.18
CTAH7	Cotton	74.43	75.61	76.08	77.26	77.73
CTAK7	Cotton	75.11	76.25	76.69	77.83	78.27
CCAH7	Cocoa	2060	2081	2115	2136	2170
OJAH7	Orange Juice	165.90	168.55	171.45	174.10	177.00
KCAH7	Coffee	145.73	148.07	149.88	152.22	154.03
MAH7	Milk	16.89	17.04	17.11	17.26	17.33

Calculations based on previous session. Data collected 02/01/2017
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