

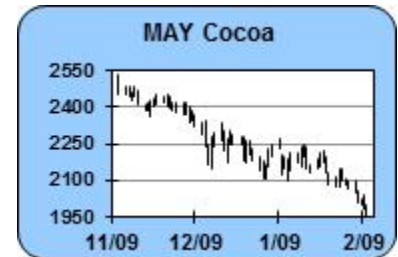


DAILY SOFTS CURRENCY COMMENTARY Monday February 13, 2017

DAILY COCOA COMMENTARY 02/13/17

Buyers back away on defaults in period of big supply

Cocoa prices continue to slide further into oversold territory, but are lacking the bullish supply/demand news needed to put some brakes on this current downdraft. May cocoa traded to a new contract low again this morning for the 7th session in a row. Buyers have backed away from the market due to exporter defaults at the same time that the trade is realizing that supply is significant. Prices reached the lowest front-month level since December 2011. For a week the market posted a loss of 121 points (5.8% lower) and a fifth negative weekly result in a row. A slumping Eurocurrency and British Pound did not help with what is generally seen as a lukewarm demand outlook, but cocoa's main source of pressure continues to come from a bearish near-term West African supply situation. The latest report is that as much as 80% of Ivory Coast domestic exporter contracts will be defaulted on which could involve over 300,000 tonnes of cocoa. With the Ivory Coast Cocoa and Coffee Council (CCC) already having 200,000 tonnes in spot sales in anticipation of those defaults, this could lead to another 100,000 tonnes or more in sales before all of the defaulted supply is covered.



The "unknown" factor for the cocoa market is how much of this season's Ivory Coast production has been held back until supply bottlenecks have been relieved. Given that Ghana (who did not have the logistical issues seen in Ivory Coast) had this season's official purchases running slightly behind last season's pace in mid-January, that potential supply may not be as large as some traders and analysts are counting on. The Commitments of Traders Futures and Options report as of February 7th showed Non-Commercial traders were net short 18,553 contracts, an increase of 2,250 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 11,779 contracts, an increase of 1,398 contracts for the week. Commodity Index traders were even sellers for the week and held a net long position of 19,374 contracts, down a significant 1,808 contracts for the week.

TODAY'S MARKET IDEAS:

Until the market has fresh bullish developments to digest, cocoa prices are likely to maintain a negative tone early this week. Close-in support for May cocoa is at 1947 while resistance is at 1998.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs							
Cocoa	-18,553	-2,250	11,779	+1,398	6,774	+852	

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 (MAY) 02/13/2017: The market was pushed to a new contract low. Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 1922. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1985 and 2015, while 1st support hits today at 1939 and below there at 1922.

DAILY COFFEE COMMENTARY
02/13/17

In position for swing up to 165.00 on tighter supply

May coffee closed higher on Friday but finished with a small loss of 0.55 cents for the week which was a third negative weekly result in a row. Post-holiday activity in Vietnam has been subdued, but the reluctance of producers to market their supplies may indicate that they expect higher prices over the near future. Robusta growing areas in Brazil's northern Espirito Santo state will continue to have below normal rainfall through February 20th which will limit the region's ability to recover from last season's extremely dry conditions. World coffee exports for the October-December quarter totaled 29.8 million tonnes, which was up 8.3% from the same period last year and was fueled in part by strong numbers out of Central America and Peru.



While a 7.9% year-on-year gain for fourth quarter Robusta exports may be surprising given the production issues in Brazil, Vietnam and Indonesia, keep in mind that Vietnamese export totals were much improved over last season as producers were actively holding onto their supply during the 2015/16 season in order to boost prices. ICE exchange coffee stocks fell by 3,437 bags on Friday but remain more than 60,000 bags higher than the start of the year. The Commitments of Traders reports as of February 7th showed Non-Commercial traders were net long 28,974 contracts, a decrease of 5,572 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 32,232 contracts, down 5,349 contracts for the week.

TODAY'S MARKET IDEAS:

Key technical indicators are turning positive and the market is creeping over the three-week downtrend channel. A move through resistance for May coffee at 149.95 and 151.75 should be enough to confirm a short-term low. Consider buying with 165.05 as upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Coffee	28,974	-5,572	-32,232	+5,350	3,258	+223

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 (MAY) 02/13/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-

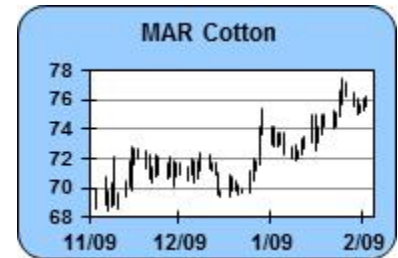
term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 146.18. The next area of resistance is around 149.15 and 150.17, while 1st support hits today at 147.15 and below there at 146.18.

DAILY COTTON COMMENTARY

02/13/17

Fundamentals look bearish but funds keep buying

May cotton is trading right up on the February highs this morning. The market rallied on Friday to close higher for the third session in a row, but managed to close just 2 ticks higher on the week. Traders indicated some concerns for short-covering from mills ahead of first notice day for March cotton and outside markets continue to hold a bullish tilt. Global money managers seem interested in holding cotton long and the COT shoed a record high net long position from speculators and also strong buying from index funds. Indian exporters have cancelled some export contracts and are delaying others and this may be providing short-term support as well. The rally in prices in India has caused exporters to cancel 25,000 bales and postponed another 200,000. There were no surprises for the USDA report last week and both US and world stocks remain ample. US ending stocks were revised down by 200,000 bales to 4.8 million bales, an 8-year high. Traders also see a big jump in planted acres in the US and India.



World ending stocks were revised lower by 750,000 bales to 89.90 million bales and this still represents 79.9% of global usage. ICE certified stocks deliverable to the exchange jumped to 262,695 bales from 239,949, 235,024, and 224,737 bales the previous three sessions and up from near 40,000 earlier this year. The May/July cotton spread pushed down to a new contract low on Friday. The Commitments of Traders reports as of February 7th showed Non-Commercial traders were net long a record high 127,317 contracts, an increase of 5,890 contracts for the week. The "combined" spec and fund net long position has hit a new record level at 138,281 contracts, an increase of 6,846 contracts for the week. Commodity Index traders held a net long position of 71,435 contracts, up a significant 4,527 contracts for the week.

TODAY'S MARKET IDEAS:

Close-in resistance for May cotton is at the 77.91, with 74.79 as first key support. It will take a move under 75.92 to break the uptrend channel. Taking out the February highs would leave 78.60 as next upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May Cotton 80.00 call and long May cotton 73.00 put for a net premium received of 39 points. Use an objective of +390 points on the spread and risk a total of 105 points from entry.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017

	Non-Commercial		Commercial	Non-Reportable	
	Net Position	Weekly Net Change		Net Position	Weekly Net Change
Softs					
Cotton	127,317	+5,890	-138,281	-6,846	10,964
					+956

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 (MAY) 02/13/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 76.40. The next area of resistance is around 77.42 and 77.75, while 1st support hits today at 76.75 and below there at 76.40.

COTTON (DEC) 02/13/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 74.43. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 74.29 and 74.43, while 1st support hits today at 73.91 and below there at 73.66.

DAILY SUGAR COMMENTARY

02/13/17

Consolidation continues; clash of old and new crop fundamentals

Sugar may still have a bullish Asian supply setup to provide underlying support, but the market's inability to break out above its January/February consolidation zone may come back to haunt it as focus shifts more towards upcoming 2017/18 production. May sugar closed with a moderate loss on Friday and lost 2.3% in value for the week. A major analytics firm forecast the 2017/18 season would see a global production surplus of 1.36 million tonnes, which is on the lower end of trade forecasts that have been consistently projecting a surplus next season following two seasons in a row of significant deficits. A key element with these surplus estimates is the expectation of another decent Brazilian cane crop combined with their mills devoting a larger share of crushing to sugar at the expense of ethanol.



Heavy rains in the northeast of Brazil should benefit sugarcane crops in that region and while Brazil's top-producing state of Sao Paulo will have mostly dry weather this week, they have already received plentiful rainfall totals since the start of 2017. Supply issues in India's state of Maharashtra have become so severe that it is expected to be passed by the state of Uttar Pradesh as India's top sugar-producing state. The Commitments of Traders reports as of February 7th showed Non-Commercial traders were net long 213,702 contracts, an increase of 13,962 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 265,390 contracts, up a significant 22,755 contracts in just one week. Commodity Index traders held a net long position of 153,430 contracts, down 1,164 contracts for the week.

TODAY'S MARKET IDEAS:

Indian and Thai production this season continues to be downgraded but the market may need fresh news in order to regain upside momentum. Near-term support for May sugar is at 20.29, with resistance found at 20.73. A close back thru resistance is needed to turn the pattern more positive.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May sugar 19.75 put from 61 with an objective of 0. Risk to 83.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Softs						
Sugar	213,702	+13,962	-265,390	-22,756	51,688	+8,793

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 (MAY) 02/13/2017: Momentum studies trending lower at mid-range could accelerate a price break if

support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 20.07. The next area of resistance is around 20.63 and 20.88, while 1st support hits today at 20.23 and below there at 20.07.

OJ 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.

ORANGE JUICE (MAY) 02/13/2017: 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 close below the 1st swing support could weigh on the market. The near-term upside objective is at 173.70. The next area of resistance is around 170.30 and 173.70, while 1st support hits today at 162.80 and below there at 158.55.

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										
SBAK7	20.43	47.16	51.77	52.64	44.94	20.61	20.67	20.56	19.72	19.62
CTAK7	77.09	67.36	66.03	77.09	76.58	76.58	76.66	75.48	73.31	73.01
CTAZ7	74.10	80.61	75.42	94.96	97.23	74.06	73.55	72.52	71.00	70.81
CCAK7	1962	21.50	28.84	8.23	4.97	1996.50	2048.33	2103.50	2174.80	2231.30
OJAK7	166.55	45.28	41.85	41.02	47.56	167.25	166.11	165.93	180.82	187.98
KCAK7	148.15	45.06	46.45	19.98	18.80	146.53	148.27	151.40	147.27	149.88
MAH7	16.91	40.85	43.75	31.02	29.08	16.91	17.05	17.12	17.23	17.01

Calculations based on previous session. Data collected 02/10/2017

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						
SBAK7	Sugar	20.06	20.22	20.47	20.63	20.88
CTAK7	Cotton	76.40	76.75	77.08	77.42	77.75
CTAZ7	Cotton	73.65	73.90	74.04	74.29	74.43
CCAK7	Cocoa	1921	1938	1968	1985	2015
OJAK7	Orange Juice	158.50	162.75	166.10	170.30	173.70
KCAK7	Coffee	146.17	147.15	148.17	149.15	150.17
MAH7	Milk	16.79	16.85	16.91	16.97	17.02

Calculations based on previous session. Data collected 02/10/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.