DAILY SOFTS CURRENCY COMMENTARY
Tuesday February 14, 2017

DAILY COCOA COMMENTARY
02/14/17

Buyers step back and wait while supply flow continues

Cocoa remains on the defensive as a bearish near-term supply situation in West Africa continues to be a front and center issue with the market. On top of the short-term burdensome supply situation, buyers have backed away from the market due to recent defaults and fund traders keep selling. May cocoa traded to a new contract low for the eight session in a row this morning and reached its lowest price level since December 2011. The Dollar has been gaining ground over the past few weeks which has been casting a shadow over cocoa demand prospects. There is no clear picture yet of the eventual total of Ivory Coast domestic exporter defaults. Until the Ivory Coast government gives an "all clear" on the prospect of further spot or forward sales in anticipation of those defaults, end users will be looking to pick up supply at multi-year low prices. While there is a near term supply "glut" at Ivory Coast ports, there are problems developing at other points in the supply chain, particularly with producers who are leaving cocoa beans unharvested this season. There is a wide consensus that West African production will see notable improvement this season, but forecasts for record high Ivory Coast output may end up being overly optimistic.

TODAY'S MARKET IDEAS:
A Ghana official indicated that production this season will be about 800,000 tonnes, down from previous estimates for 850,000 to 900,000 tonnes. Cocoa prices are likely to remain under pressure this week as the market will need to see bullish supply/demand news in order to put the brakes on its current downdraft. Close-in support for May cocoa is at 1893 while resistance is at 1970. While cheap, there is no sign of a low.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

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) 02/14/2017: The market broke to a new contract low. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 1894. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 1944 and 1971, while 1st support hits today at 1906 and below there at 1894.

DAILY COFFEE COMMENTARY
02/14/17

Close over downtrend channel 147.10 May to improve technicals

May coffee closed with a moderate loss yesterday but a decisive move over the downtrend channel at 147.10 today would brighten the technical picture. The market seems to have the fundamentals to move higher. Although there are areas such as Colombia, Central America and Peru which are seeing stronger output, the sharp drop in this season's Vietnamese and next season's Brazilian production are helping to underpin prices. There has been decent rainfall over Robusta growing regions, but Brazil's 2017/18 Arabica output should drop by 5 to 6 million bags as it is the "off year" in their biannual crop cycle. Rainfall in Brazil's largest Arabica area measured 1.3 inches over the past week which was seen as slightly below average for this time of year, with the southwestern part of Minas Gerais accounting for 30% of Brazil's Arabica coffee crop. Vietnamese producers have been slow to market their supplies after the Tet holiday, but indications are this season's crop was down 15% to 20% from last season. ICE exchange coffee stocks were up 2,070 bags.

TODAY'S MARKET IDEAS:
Smaller old crop Vietnam production and ideas that this year's Brazil crop will be down significantly should help to underpin prices. Near-term support for May coffee is at 145.95 while resistance is at 149.95 and 151.75. Consider buying a minor set-back looking for a rally to 165.05.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

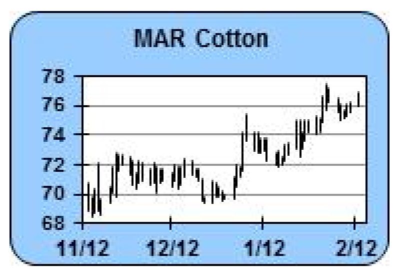
COFFEE TECHNICAL OUTLOOK:

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) 02/14/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is now at 144.33. The next area of resistance is around 147.79 and 149.32, while 1st support hits today at 145.30 and below there at 144.33.

DAILY COTTON COMMENTARY
02/14/17

Specs have built record net long position but no sign of peak



The market remains in a steep uptrend from the December 29th lows as speculators continue to pile in the cotton market. Big money managers hedging against inflation and expecting the global economy to show solid growth this year has fueled aggressive buying in economic sensitive markets. Open interest has jumped more than 40,000 contracts this year (to 282,402 contracts) and speculators have built a record high net long position. Ideas that export sales from the US will remain strong helped to support the rally. Bull spreads hit another contract low and exchange deliverable stocks are in a steep uptrend. The March contract was discount just 34 points to the May to start the year and closed at a 166 point discount. May cotton closed sharply higher yesterday and pushed up to the highest level since July of 2014. With the recent strong gains, we see planted area near 11.3 million acres for the coming season. The USDA has already pushed US exports for the 2016/17 season to 12.7 million bales, up 38.7% from last year. Even if we boost exports for the 2017/18 season another 10% to 14 million bales, a 10-year average yield will leave ending stocks at 5.83 million bales from 4.8 million this year, 3.8 million last year and from 2.35 million bales for the 2013/14 season.

TODAY'S MARKET IDEAS:
The technical action remains bullish but the fundamental outlook carries a bearish tilt. The record spec net long position also leaves the market vulnerable to a sell-off when the focus of attention shifts to the new crop season.

Close-in support for May cotton is at 77.28 with 78.60 and 81.58 as next technical targets.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
* Hit stop for a 105 point loss on the short 80.00 call/long 73.00 put position.

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) 02/14/2017: A bullish signal was given with an upside crossover of the daily stochastics. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 79.27. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 78.84 and 79.27, while 1st support hits today at 77.58 and below there at 76.76.

COTTON (DEC) 02/14/2017: The rally brought the market to a new contract high. 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. 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 next upside target is 74.93. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 74.76 and 74.93, while 1st support hits today at 74.24 and below there at 73.88.

DAILY SUGAR COMMENTARY

02/14/17

Downside break-out may spark another round of spec liquidation

With open interest up near 33,000 contracts so far this month and trend-following fund traders still net long 161,000 contracts in the recent COT update, the downside break-out of the 2017 consolidation could attract further aggressive long liquidation selling ahead. The chairman of one of India's key trade associations indicated that India would need to import near 1.5 million tonnes for the 2016/17 season and this news may have been seen as disappointing. May sugar closed down 2.1% on the session yesterday as outside markets helped to pressure and the trade focus seems to be shifting to the bearish supply outlook for the new crop season and away from the old crop tightness. Brazil's new season production does not get going until early April, but more and more traders see a significant global production surplus for the upcoming season. The sharp selloff in energy and metal markets plus a bounce in the US dollar were seen as negative forces to help drive sugar prices down to the lowest level since January 3rd.

Russian sugar output may reach a new record 6.3 million tonnes in 2017-18 compared to 6.1 million in 2016-17 which was the previous record. Russia used to be the world's largest importer in the last 10 year and is likely to be a significant net exporter in the years ahead. In addition, the EU quota systems have been dismantled in recent years and EU sugar production could surge for the coming year. Egypt is seeking to buy 50,000 tonnes of sugar for 1st half of April arrival. Brazil's Center South sugar output fell 88% in the second half of January to just 11,000 tonnes versus 94,000 tonnes for the same period last year according to Unica.

TODAY'S MARKET IDEAS:
With a sharp jump in Russian and European Union production expected for the coming season and a record Brazilian cane crop, the focus of attention in the market is quickly shifting from stocks tightness now, to a significant global production surplus for the coming season. Serious technical damage was done with the action this week and speculators still hold a big net long. May sugar close-in resistance is at 20.31 with 19.58, 19.43 and

19.02 as support.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
* Short May sugar 19.75 put from 61 with an objective of 61. Risk to 83.

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) 02/14/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 19.41. The next area of resistance is around 20.34 and 20.82, while 1st support hits today at 19.64 and below there at 19.41.

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) 02/14/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 169.30. The next area of resistance is around 166.75 and 169.30, while 1st support hits today at 162.90 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										
SBAK7	19.99	35.93	43.71	45.36	30.80	20.45	20.61	20.51	19.74	19.61
CTAK7	78.21	74.45	70.87	78.87	82.41	77.10	76.95	75.78	73.46	73.13
CTAZ7	74.50	83.79	77.85	95.77	97.39	74.19	73.85	72.71	71.11	70.88
CCAK7	1925	18.26	26.25	6.67	3.55	1973.50	2028.67	2086.89	2166.04	2223.52
OJAK7	164.80	41.74	39.83	42.27	44.75	167.06	165.58	165.77	179.82	187.32
KCAK7	146.55	39.53	42.95	19.40	18.25	146.90	147.66	151.12	147.33	149.53
MAH7	16.84	38.00	41.86	29.15	25.40	16.92	17.01	17.09	17.23	17.02

Calculations based on previous session. Data collected 02/13/2017
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	19.40	19.63	20.11	20.34	20.82
CTAK7	Cotton	76.75	77.58	78.01	78.84	79.27
CTAZ7	Cotton	73.87	74.23	74.40	74.76	74.93
CCAK7	Cocoa	1893	1905	1932	1944	1971
OJAK7	Orange Juice	161.50	162.85	165.40	166.75	169.30
KCAK7	Coffee	144.32	145.29	146.82	147.79	149.32
MAH7	Milk	16.73	16.78	16.84	16.89	16.95

Calculations based on previous session. Data collected 02/13/2017
Data sources can & do produce bad ticks. Verify before use.