



DAILY SOFTS CURRENCY COMMENTARY

Thursday February 16, 2017

DAILY COCOA COMMENTARY

02/16/17

Market may be cheap enough to see improving demand ahead

The sweeping key reversal from an extreme oversold condition is a strong technical signal that a near-term low is in place. With continued ideas that the Ivory Coast production will reach a record high, the upside appears somewhat limited. After posting another new contract low yesterday, (the lowest price for a most-active contract since October of 2008), May cocoa surged to a high of 1990 (up 4.4%) before finishing with a very strong gain. There are reports that the Ivory Coast will appoint a task team to deal with the pile-up of cocoa beans at ports caused by domestic exporter defaults resulting from the sharp drop in prices since mid-2016. While details are sketchy, one item that could occur is to spread out upcoming spot and forward sales in order to minimize any negative impact on prices. A Reuters poll of exporters and pod counters saw forecasts for 2016/17 Ivory Coast cocoa production at up to 2 million tonnes, which would be over 400,000 tonnes above last season (up 26%) and over 200,000 tonnes (11% higher) above their record high 2014/15 production total. Given that their neighbors Ghana (with no supply bottlenecks or political unrest) are dialing down their output forecast to 800,000 tonnes (only a 2.8% increase), recent high-end Ivory Coast production forecasts of 1.9 to 2.0 million tonnes might be eventually trimmed.



TODAY'S MARKET IDEAS:

Near-term support for May cocoa is at 1943 and 1907, with resistance 2018 and 2048. Aggressive short-term traders might consider buying the market into support.

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) 02/16/2017: The market broke to a new contract low. The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day up is a positive signal. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside target is 2063. The next area of resistance is around 2037 and 2063, while 1st support hits today at 1937 and below there at 1864.

DAILY COFFEE COMMENTARY

02/16/17

In position for a resumption of uptrend on higher move today



Any follow-through buying this morning should help to confirm a resumption of the uptrend as the market pushed above the short-term downtrend channel early today. There has been no decision yet on allowing coffee imports into Brazil according to their Agriculture Minister Blairo Maggi, but a decision could come as early as February 22nd from their Chamber of Foreign Trade. Although pressure from Brazil's domestic producers may be the decisive factor in keeping coffee imports off the table for now, the fact that they were even under discussion for the world's "swing" producer underscores what will be a tight domestic supply situation going into the start of their harvest later this year. In addition, another new 21-month high in the Brazilian currency will ease pressure on Brazil exporters to market supplies to foreign customers. ICE exchange coffee stocks were unchanged. It may be difficult for coffee to sustain a rally until the Brazilian import question is resolved or there is better visibility on the Vietnamese crop, but the market continues to hold its ground above the recent lows.

TODAY'S MARKET IDEAS:

The outlook for a sharp drop in Brazil production for the coming season remains a positive force and should support the market on set-backs. Near-term support for May coffee is at 145.40 while resistance is at 149.95. A close through resistance opens the door for a resumption of the uptrend with 151.75 and 153.50 as initial resistance. Don't rule out another leg up to 165.05 as a longer-term objective.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 02/16/2017: The crossover up in the daily stochastics is a bullish signal. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The next upside objective is 149.45. The next area of resistance is around 148.45 and 149.45, while 1st support hits today at 145.45 and below there at 143.45.

DAILY COTTON COMMENTARY

02/16/17

Under 76.62 may spark some long liquidation selling ahead

The market pushed lower on the session yesterday in spite of a positive tone for many commodity markets. Grains were strong, gold was up and CPI numbers showed a bit of inflationary tilt to the market. There has been more talk that commodity market exposure is a decent hedge for equity traders seemed to have supported other markets but not cotton. If focus shifts to the new crop season, the market looks vulnerable to a significant set-back. 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. If yield is the same as 2012/13 season, ending stocks surge to 7.34 million bales. Exchange deliverable stocks jumped to 292,743 bales from 285,246 bales the previous session and from near 40,000 bales about 5 weeks ago. Spread action remains bearish and the recent COT update showed a record high net spec long position.



TODAY'S MARKET IDEAS:

The market is extremely overbought basis COT updates and traditional technical indicators are showing sell signals and also showing divergence which indicates a loss in upside momentum. Without another leg higher in open interest, the path of least resistance looks down. Close-in resistance for May cotton is at 78.26 with support back at 75.12 and 74.10. A move under the key uptrend channel support at 76.62 today will sour the chart

outlook.

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 (MAY) 02/16/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 76.41. The next area of resistance is around 77.82 and 78.58, while 1st support hits today at 76.74 and below there at 76.41.

COTTON (DEC) 02/16/2017: A new contract high was made on the rally. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 74.84. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 74.74 and 74.84, while 1st support hits today at 74.40 and below there at 74.15.

DAILY SUGAR COMMENTARY

02/16/17

Outside market forces very strong in past week; chop trade

The sharp two-day surge in the Brazil currency helped to support a bounce in sugar but just a recovery back into the consolidation. It will take a push over 2071 for May sugar to excite the bulls. India's Minister of Agriculture estimated their nation's 2016-17 sugar cane production at 309.98 million tonnes, down 38.46 million tonnes from last season. This is due in large part to the sharp output drop-off in states of Maharashtra and Karnataka where many mills have already shut down operations for the season. Thailand's supply issues will also continue to support prices in the near term as they remain behind last season's pace over 2 months after the start of their harvest. There are reports of stronger near-term demand from Myanmar, which could indicate that large-scale smuggling of sugar into China through that nation has resumed. Brazil's harvest will reach full speed in April but in spite of plentiful rainfall over their top-producing state of Sao Paolo in recent months, there has not been talk of an early start to their harvest as there was at this time last year. This could be a sign that in spite of early talk of record high production, Brazil's cane output could be in-line to modestly higher than last season's total.



TODAY'S MARKET IDEAS:

It may be difficult for sugar prices to break out above their January/February consolidation pattern, but near-term Asian supply issues do not appear to be going away anytime soon and should continue to provide underlying support. May sugar will find near-term resistance at 20.71 and a close back under 20.39 will sour the chart pattern. The impressive Brazil currency move has not helped out sugar much. Don't rule out a set-back to 19.58.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May sugar 19.75 put from 61 with an objective of 41. Risk to 83.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 02/16/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 20.08. The next area of resistance is around 20.62 and 20.85, while 1st support hits today at 20.24 and below there at 20.08.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 02/16/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are trending higher from mid-range, which should support 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 175.90. The next area of resistance is around 173.30 and 175.90, while 1st support hits today at 167.00 and below there at 163.15.

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	49.65	51.86	39.34	35.66	20.31	20.57	20.53	19.81	19.63
CTAK7	77.28	60.97	62.47	80.27	79.59	77.63	77.02	76.24	73.73	73.29
CTAZ7	74.57	84.07	78.15	96.85	97.93	74.42	74.19	73.09	71.33	71.01
CCAK7	1987	39.98	38.46	8.68	14.67	1944.75	1993.56	2063.78	2153.93	2208.00
OJAK7	170.15	55.04	48.52	45.58	50.45	166.84	166.14	166.04	178.02	186.06
KCAK7	146.95	42.86	44.62	18.72	18.97	146.90	146.76	150.24	147.50	148.87
MAH7	17.03	49.59	48.67	28.96	30.84	16.92	16.95	17.04	17.24	17.05

Calculations based on previous session. Data collected 02/15/2017
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	20.07	20.23	20.46	20.62	20.85
CTAK7	Cotton	76.40	76.73	77.49	77.82	78.58
CTAZ7	Cotton	74.14	74.39	74.49	74.74	74.84
CCAK7	Cocoa	1863	1937	1963	2037	2063
OJAK7	Orange Juice	163.10	166.95	169.50	173.30	175.90
KCAK7	Coffee	143.45	145.45	146.45	148.45	149.45
MAH7	Milk	16.92	16.98	17.01	17.07	17.10

Calculations based on previous session. Data collected 02/15/2017
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