



## DAILY SOFTS CURRENCY COMMENTARY

Friday February 17, 2017

### DAILY COCOA COMMENTARY

02/17/17

**Appears to have forged a major low; big crop to absorb**

Producers in Ivory Coast are refusing to sell for the second day in a row as a protest against lower prices. After losing more than one-third in value since late August, cocoa has turned higher. However, it may take a clearer picture of West African production before the market can have a large-scale extension of any recovery rally. May cocoa finished with a second sizable gain in as many sessions yesterday and has now risen more than 8% above Wednesday's contract low. Technically-based short-covering remains a major source of strength for cocoa prices, but there continues to be fresh bullish supply-side developments in West Africa. The protest of low prices from producers caused by defaults and large stockpiles at ports may be difficult to maintain any "selling strike" for an extended period, but it adds to ideas that supply is being held back until progress is made on the domestic exporter default situation.



There are estimates that as much as 80% of those domestic exporter contracts cannot be fulfilled after wrongly speculating that prices would rise, which could keep cocoa bean supply at Ivory Coast ports casting a shadow over the market for the near future. The latest COT report will be released after today's close and will reflect a 112 point decline (5.5% lower) between the February 7th and 14th measuring dates. This should result in another multi-year high for cocoa's net spec short position, but the 137 point rebound on Wednesday and Thursday should in all likelihood have reduced that total.

#### **TODAY'S MARKET IDEAS:**

Cocoa is well on its way to posting a weekly key reversal following Wednesday's daily key reversal and while this week's developments in West Africa are not "game-changers" just yet, they could help to fuel additional short-covering ahead. Near-term support for May cocoa is at 2002 while resistance is at 2074 and 2095.

#### **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) 02/17/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 2102. Short-term indicators suggest buying dips today. The next area of resistance is around 2077 and 2102, while 1st support hits today at 2007 and below there at 1961.

### DAILY COFFEE COMMENTARY

02/17/17

## Gap of downtrend channel is bullish technical development

Gapping the downtrend channel for May coffee is a bullish technical development and could attract some new buying interest in coffee over the near-term. The highest close since February 3rd and approval for Brazil to import some Robusta coffee is a positive force and the 2-day surge in London futures added to the positive tone. Brazil's Foreign Trade Chamber agreed to reduce import tax to zero from 10% for up to 1 million bags of Robusta coffee. Drought has trimmed their Robusta output over the last two seasons, but the 2017/18 crop should reach market by mid-year so Brazil's import window may only be open for a few months. Even so, that supply will likely be sourced from Vietnam and Indonesia who have both seen sluggish production numbers this season.

Brazilian farmers have sold 44.75 million bags of coffee from the current crop according to Safras & Mercado, which is an 81% commercialization rate compared to 83% last year and the five year average of 76%. A strong Brazilian currency assisted with foreign sales, but the Real saw a reversal from a 21-month high yesterday that could see downside follow-through over the next few sessions. US green coffee stocks rose by 66,627 bags to 6.32 million in January, which is the highest month-end total in 13 1/2 years. ICE exchange coffee stocks fell by 919 bags but are more than 70,000 higher since the end of 2016.

### TODAY'S MARKET IDEAS:

The Brazilian imports announcement underscores their tight domestic Robusta supply situation, which should hold the upper hand over demand concerns and help coffee maintain upside momentum. Near-term support for May coffee is at 146.65 with 151.75 and 153.50 as initial resistance. A resumption of the uptrend leaves 165.05 as a longer-term target. Consider buying a minor correction.

### 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) 02/17/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. If yesterday's gap higher on the day session chart holds, additional buying could develop this session. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 149.95. The next area of resistance is around 149.20 and 149.95, while 1st support hits today at 147.60 and below there at 146.75.

## DAILY COTTON COMMENTARY

02/17/17

### Surge in exchange stocks and weak spread action, more down

The market penetration of the key uptrend channel this morning could spark increased spec selling ahead. The market looks vulnerable to a significant downside correction due to expanding exchange stocks, the extreme overbought condition basis the Commitments-of-Traders report and from a shift in focus to the new crop season which is likely to bring even higher ending stocks than the 8-year high this year. May cotton closed moderately lower on the session yesterday, but did managed to close just above key uptrend channel support. The market fell for the third session in a row, and the drop in open interest is a bearish technical



development as long liquidation selling is a significant threat to the bulls. Exchange deliverable stocks jumped to 300,235 bales from 292,743 bales and from 285,246 bales the previous two sessions. This is up from near 40,000 bales about 5 weeks ago.

The March/May bull spread has collapsed to new contract lows with March now at a 176 point discount to May from 61 under on February 1st. The May/July spread action is also bearish and the recent COT update showed a record high net spec long position. Weekly export sales came in at 222,200 bales for the current marketing year and 123,300 for the next marketing year for a total of 345,500 bales. As of February 9th, cumulative cotton sales stand at 86.6% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 85.9%. Sales are impressive but not on a strong enough to push exports higher.

#### **TODAY'S MARKET IDEAS:**

Close-in resistance for May cotton is at 77.13 and 77.38. A close below 76.83 today will penetrate the key uptrend channel and turn some technical traders bearish. Without another leg higher in open interest, the path of least resistance looks down. Support back at 75.12 and 74.10.

#### **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) 02/17/2017:** Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 76.26. The next area of resistance is around 77.11 and 77.61, while 1st support hits today at 76.43 and below there at 76.26.

**COTTON (DEC) 02/17/2017:** The daily stochastics have crossed over down which is a bearish indication. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. 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 73.94. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 74.54 and 74.78, while 1st support hits today at 74.12 and below there at 73.94.

## **DAILY SUGAR COMMENTARY**

**02/17/17**

### **Choppy trade continues as outlook for surplus weighs**

Despite volatile price action this month, sugar continues to hold their ground within the January/February consolidation. Market focus is starting to shift towards the upcoming 2017/18 season which is expected to result in sugar's first global production surplus in several years. However, there continues to be bullish supply developments that could add to an already sizable global supply deficit this season. Vietnam's 2016/17 sugar crop output was seen at 420,000 tonnes as of February 10th, which is down 160,000 tonnes versus last year

which adds to the sluggish production seen from India and Thailand and will further tighten the near-term Asian supply situation. Mexican sugar production for the 2016/17 season could be 6.5 million tonnes, down 2.0% from last year according to Rabobank and compares to the latest USDA estimate of 6.37 million tonnes. The latest COT report will be released after today's close and will reflect a 26 tick decline (1.2% lower) between measuring dates. While this should result in a moderate decline, sugar will continue to have by far the largest net spec long



position for an Ag commodity that could provide plenty of fuel for additional long liquidation if a "risk off" mood takes holds in global markets going into the weekend.

**TODAY'S MARKET IDEAS:**

Although next season should result in a global production surplus, near-term supply issues provide support. May sugar close-in resistance is at 20.71 and further closes below 20.39 might spark increased long liquidation. Support is 20.00 and then 19.54.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Short May sugar 19.75 put from 61 with an objective of 41. 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) 02/17/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 19.84. The next area of resistance is around 20.52 and 20.73, while 1st support hits today at 20.08 and below there at 19.84.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAY) 02/17/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 174.75. The next area of resistance is around 172.35 and 174.75, while 1st support hits today at 168.35 and below there at 166.70.

**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
<b>SOFTS MARKETS COMPLEX</b>										
SBAK7	20.30	46.02	49.44	37.59	34.07	20.27	20.50	20.51	19.84	19.64
CTAK7	76.77	54.68	58.30	77.51	72.00	77.55	76.99	76.33	73.84	73.36
CTAZ7	74.33	74.13	72.88	96.52	95.86	74.47	74.23	73.22	71.43	71.07
CCAK7	2042	50.43	45.54	15.52	29.19	1964.75	1989.00	2056.56	2149.58	2201.72
OJAK7	170.30	55.48	48.82	48.75	55.10	167.79	166.91	166.57	177.36	185.45
KCAK7	148.40	49.78	48.66	20.76	24.83	146.96	146.72	149.72	147.59	148.61
MAH7	16.93	44.46	45.56	29.37	30.20	16.93	16.92	17.03	17.22	17.07

Calculations based on previous session. Data collected 02/16/2017

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

**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>SOFTS MARKETS COMPLEX</b>						
SBAK7	Sugar	19.83	20.07	20.28	20.52	20.73
CTAK7	Cotton	76.25	76.43	76.93	77.11	77.61
CTAZ7	Cotton	73.94	74.12	74.36	74.54	74.78
CCAK7	Cocoa	1960	2006	2031	2077	2102

OJAK7	Orange Juice	166.65	168.30	170.70	172.35	174.75
KCAK7	Coffee	146.75	147.60	148.35	149.20	149.95
MAH7	Milk	16.81	16.86	16.94	16.99	17.07

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