



DAILY SOFTS CURRENCY COMMENTARY

Thursday February 23, 2017

DAILY COCOA COMMENTARY

02/23/17

With less supply uncertainty and specs short, more up ahead

The market is consolidating above last week's sweeping reversal low and minor positive news flow could spark significant buying support as speculators are still short. After the close, the Ivory Coast Agriculture Minister announced they had sold 350,000 tonnes of cocoa at auction and that the quantity of defaulted contracts by domestic exporters and excess production was "entirely sold". This removes uncertainty over the amount of Ivory Coast cocoa yet to be sold and should relieve some pressure on prices going forward. The Ivory Coast government also reported that cocoa bean stocks are starting to decline in the interior of their nation. Although stocks at Ivory Coast processing plants remain significant, stocks at ports are declining as the situation is getting back to normal according to a government spokesman. Keep in mind that a large portion of their mid-crop is usually directed towards domestic grinders, as well as those cocoa beans that do not meet the size or quality standards for export which by some estimates may include 20,000 tonnes of beans already at Ivory Coast ports. In a report from Goldman Sachs, longer term prospects for softs look better than grains as they believe the collapse in cocoa prices could boost demand as the global economy continues to expand.



TODAY'S MARKET IDEAS:

While there is still a lack of visibility over the eventual size of this season's Ivory Coast crop, the threat of further sales to cover defaulted contracts has been removed which in turn should keep the market clear of its recent lows. Near-term support for May cocoa is at 1976 while resistance is at 2055 and 2095. Consider buying breaks with 2104 as target.

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) 02/23/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 2188. The next area of resistance is around 2006 and 2188, while 1st support hits today at 1984 and below there at 1975.

DAILY COFFEE COMMENTARY

02/23/17

If Brazil does not import Robusta, Arabica usage jumps



While coffee prices could not sustain upside momentum in the wake of bearish supply-side news, they remain well above their recent consolidation zone and still have a bullish longer-term supply outlook to provide support. Brazil's Government Secretariat has confirmed the temporary suspension of Robusta coffee imports after their approval at the start of this week, a decision that represents a swift reversal on an issue that pitted growers against processors in the country. With nearly one-third of the world's production, coffee producers may have had the upper hand in persuading the Brazilian government to see their viewpoint. There are indications that Brazil's domestic roasters are using a larger share of Arabica beans in their blends, which follows their bumper Arabica crop last year but may be diverting supply away from export customers. Coffee stockpiles at European ports rose 0.7% in November to 710,270 tonnes and compares to 705,492 tonnes the previous month. In addition, ICE exchange coffee stocks rose by 6,337 bags.

TODAY'S MARKET IDEAS:

It may be a calculated risk for Brazil to avoid imports, but this will leave their stocks extremely tight until mid-year and is likely to reduce their export totals as well. Near-term support for May coffee is at 150.00 while resistance is at 153.55. Consider buying breaks with 165.05 as upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 02/23/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 154.27. The next area of resistance is around 152.35 and 154.27, while 1st support hits today at 149.45 and below there at 148.48.

DAILY COTTON COMMENTARY

02/23/17

Higher planted area in the US and India may boost stocks again

The cotton market inched lower in quiet trade on Wednesday as traders await news from the USDA Outlook Conference which will release the first USDA estimate for 2017 planted acreage on Thursday morning. On Friday morning, the USDA will present a first supply/demand and ending stocks outlook for the 2017/18 season. It seems likely that US planted acreage increases significantly from last year and that ending stocks will be higher than this season. Ending stocks for this year are already at an 8-year high. Spread action is bearish, exchange deliverable stocks keep climbing and the turn down in open interest is a bearish technical development with speculators holding a record high net long position in the last COT update. Exchange deliverable certified stocks reach 318,365 bales from 315,884 bales the previous session.



TODAY'S MARKET IDEAS:

The penetration of the key uptrend channel late last week leaves the market vulnerable to increased selling pressure if support levels are violated. Without a bullish surprise from the USDA, look for the short-term downtrend to continue. Close-in resistance for May cotton comes in at 76.35, with 73.70 and 72.25 as initial key support. December cotton selling resistance is at 74.15 with 71.12 and 70.05 as downside targets.

NEW RECOMMENDATIONS:

Sell May cotton 80.00 call at 108 with an objective of zero. Risk a total of 42 points from entry.

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) 02/23/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 74.89. The next area of resistance is around 75.87 and 76.42, while 1st support hits today at 75.11 and below there at 74.89.

COTTON (DEC) 02/23/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 73.03. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 74.17 and 74.75, while 1st support hits today at 73.32 and below there at 73.03.

DAILY SUGAR COMMENTARY

02/23/17

China imports highest since September; India tight

While sugar prices have climbed back to the upper portion of their January/February consolidation, they may need additional bullish supply news in order to see an upside breakout. Green Pool estimated the 2016-17 Indian sugar output at 19.8 million tonnes, down 21% from last year's production and joining other analysts looking for an output total below the 20 million tonne level. However, the Indian Food ministry retained its earlier production forecast of 22.5 million tonnes. Looking towards the upcoming season, Banco Pine has cut their 2017/18 Brazil Center-South sugar output forecast to 35.1 million tonnes from a November estimate of 35.5 million, while their cane output estimate dropped to 575 million tonnes from 585 million seen in November. The Brazilian currency has held up fairly well against the recent strength of the Dollar, which should relieve some pressure on their nation's exporter to market supplies to foreign customers. However, Brazilian mills are likely to have a larger share of crushing for sugar this season given that sugar prices are more than 50% higher from where they were at this point last year. There could be fresh demand interest from Iran who yesterday issued import licenses for 400,000 tonnes, which follows tenders issued over the past few months by Egypt to resolve their domestic shortages.



TODAY'S MARKET IDEAS:

China imported 410,000 tonnes of sugar in January which was up 42% from last year and the highest since September. Sugar prices may remain choppy but have the near-term bullish outlook needed to break out above this current consolidation over the near future. May sugar will find near-term support at 20.39, while resistance is at 21.04. Consider buying breaks with 21.71 as next target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Short May sugar 19.75 put from 61 with an objective of 16. Risk to 83.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 02/23/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The next upside objective is 21.05. The next area of resistance is around 20.84 and 21.05, while 1st support hits today at 20.52 and below there at 20.40.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 02/23/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside objective is 171.05. The next area of resistance is around 169.00 and 171.05, while 1st support hits today at 165.90 and below there at 164.80.

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	20.68	56.65	55.90	41.65	48.66	20.50	20.43	20.53	20.00	19.70
CTAK7	75.48	42.54	49.33	52.62	34.57	75.86	76.74	76.50	74.08	73.50
CTAZ7	73.75	53.33	59.24	88.28	81.46	74.01	74.21	73.61	71.72	71.23
CCAK7	1995	43.10	41.14	30.85	39.61	2008.25	1978.67	2025.83	2130.71	2180.02
OJAK7	167.45	46.57	44.54	58.76	60.87	169.73	168.33	167.69	175.57	183.56
KCAK7	150.90	57.98	54.38	38.93	53.39	150.18	148.43	149.06	147.95	147.98
MAH7	16.38	25.52	32.20	23.91	17.04	16.69	16.82	16.96	17.16	17.09

Calculations based on previous session. Data collected 02/22/2017

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	20.39	20.51	20.72	20.84	21.05
CTAK7	Cotton	74.88	75.10	75.65	75.87	76.42
CTAZ7	Cotton	73.03	73.31	73.89	74.17	74.75
CCAK7	Cocoa	1974	1984	1996	2006	2018
OJAK7	Orange Juice	164.75	165.85	167.90	169.00	171.05
KCAK7	Coffee	148.47	149.44	151.37	152.35	154.27
MAH7	Milk	16.21	16.27	16.42	16.48	16.63

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