



## DAILY SOFTS CURRENCY COMMENTARY

Friday February 24, 2017

### DAILY COCOA COMMENTARY

02/24/17

#### Less supply uncertainty opens the door for further short-cover

Cocoa prices are on-track for posting back to back positive weekly results for only the second time since early October. While larger West Africa production continues to hang over the market, the magnitude of that increase remains uncertain. However, this week's news that Ivory Coast defaulted exports contracts have been completely resold and the excess output has also been offloaded has relieved pressure on the market now that the prospect of further large-scale sales has been removed. This in turn could encourage stronger demand as the potential for "bargain prices" continues to evaporate. Support payments to those exporters that bought cocoa beans are being covered by their nation's reserve and by a stabilization fund held in Ivorian banks designed to mitigate price fluctuations. Even so, there is likely to be financial hardship for many participants along the Ivory Coast supply chain that could easily result in lower cocoa production next season. The latest COT report will be released after today's close and will reflect a 91 point rebound between the February 14th and 21st measuring dates.



#### TODAY'S MARKET IDEAS:

With some of the uncertainty over further Ivory Coast sales removed, cocoa should be able to hold its ground well above last week's low. Near-term support for May cocoa is at the 1995-1975 zone with 2072 and 2103 as stiff resistance. Consider buying corrections.

#### 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) 02/24/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-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 near-term upside objective is at 2060. The next area of resistance is around 2046 and 2060, while 1st support hits today at 2006 and below there at 1980.

### DAILY COFFEE COMMENTARY

02/24/17

#### If Brazil does not import Robusta, Arabica usage jumps

The market inched lower yesterday. Brazil will require pre-approval on all import requests for Vietnamese coffee imports from the Secretariat of Agricultural



Defense. Given the pushback by politicians quick after Monday's approval, however, it does not seem promising that Brazil will allow large-scale imports before their harvest reaches full speed by mid-year. Vietnamese producers continue to hold onto their supply in anticipation of higher prices, which may indicate their belief that their nation's output this season could end up near the lower end of market forecasts. Demand may become more of a market factor going forward given actions by US retailers this week. Kraft announced they would raise the price of roast and ground soluble coffee by as much as 6.0%, due to the industry's response to the rebound in world prices over the past year driven by the lower Robusta production in Brazil. This follows JM Smucker increasing prices in mid-January by an average of 6.0% for all US packaged coffee products. ICE exchange coffee stocks rose by 1,962 bags on Thursday, and have continued their rise from December's multi-year month-end low.

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

While Brazilian imports are looking remote, coffee has near-term supply issues in Vietnam and longer-term supply with the upcoming Brazilian crop to provide underlying strength to prices. Near-term support for May coffee is at 150.00 and 148.75, with resistance 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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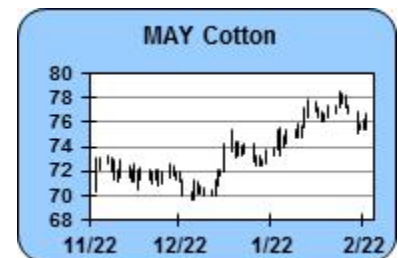
COFFEE (MAY) 02/24/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 153.12. The next area of resistance is around 151.25 and 153.12, while 1st support hits today at 148.65 and below there at 147.93.

#### **DAILY COTTON COMMENTARY**

02/24/17

#### **Strong recovery this week as specs keep buying breaks**

The market seems to have the fundamentals to turn lower but buyers remain active. A jump in gold and energy markets and a weaker US dollar were factors which helped support the bounce in the cotton market this week. The recovery bounce is impressive given a sharp selloff in grain markets, the outlook for higher planted acreage in the US and India for the coming year and a continued jump in exchange deliverable stocks. Perhaps traders are waiting for further direction from the weekly export sales news for today or for the rest of the Agriculture Outlook Forum numbers for release today as well. This will include the first demand indications for the 2017/18 season and a preliminary ending stocks estimate. The first day of the conference indicated cotton planted area will come in near 11.5 million acres, up 14.2% from last year. If we assume that 90% of the planted acres will be harvested and exports will jump 10%, ending stocks come in at 5.93 million bales from 4.8 million this year which is already a 10-year high. ICE certified deliverable stocks increased to 323,159 bales from 318,365 bales.



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

The market is higher to start today and the market may find some direction from the first preliminary Supply/Demand outlook for the 2017/18 season, or from the weekly export sales update this morning. Without a bullish surprise from the USDA, look for the short-term downtrend to continue. Close-in resistance for May cotton comes in at 77.15, with 73.70 and 72.25 as initial key support. December cotton resistance is at 74.25 with 71.12 and 70.05 as downside targets.

### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

Short May cotton 80.00 call from 108 with an objective of zero. Risk to 150.

### **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) 02/24/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside target is 74.87. The next area of resistance is around 76.70 and 77.28, while 1st support hits today at 75.50 and below there at 74.87.

COTTON (DEC) 02/24/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up on the daily chart is somewhat positive. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 73.36. The next area of resistance is around 74.14 and 74.37, while 1st support hits today at 73.64 and below there at 73.36.

## **DAILY SUGAR COMMENTARY**

02/24/17

### **Old crop supply tight but buyer see surplus ahead**

London futures failed to follow-through on an upside break-out this week and this may have sparked some aggressive long liquidation selling. Keep in mind, the latest COT update showed that large and small specs combined held a net long position of 237,151 contracts. The market is now in danger of a downside breakout. Chinese sugar imports during January came in at 410,000 tonnes, which was 42% above last year's total. While this may indicate that China has been cracking down on smuggling of sugar across their border with Myanmar, this also underscores the strong level of Asian demand prospects going forward. The large open interest in the March contract that expires on February 28th could lead to a large delivery against that contract. March open interest is 63,433 contracts compared to 45,805 contracts for the March 2016 contract last year. There were 11,791 contracts (599,000 tonnes) delivered against the March 2016 contract. In addition, there are rumors of considerable volume of Brazilian sugar with low quality that is still looking to be sourced. The latest COT report released after today's close will reflect a 37 tick price increase between measuring days, so sugar's net spec long position should see a moderate increase that will keep it as the largest net spec long for any agriculture commodity.



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

The prospect of a heavy delivery to the ICE March contract as well as a very large net spec long position could provide the catalyst for a downside breakout. The close for May sugar below 20.29 sours the chart pattern and leaves 19.49 as a short-term 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) 02/24/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 19.64. The next area of resistance is around 20.44 and 20.89, while 1st support hits today at 19.82 and below there at 19.64.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 02/24/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 171.25. The next area of resistance is around 169.50 and 171.25, while 1st support hits today at 166.80 and below there at 165.80.

## 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
<b>SOFTS MARKETS COMPLEX</b>										
SBAK7	20.13	41.98	46.03	40.58	38.43	20.45	20.37	20.51	20.05	19.72
CTAK7	76.10	49.79	53.41	46.21	33.40	75.69	76.67	76.54	74.19	73.57
CTAZ7	73.89	55.90	60.65	84.10	75.72	73.90	74.18	73.73	71.82	71.29
CCAK7	2026	49.83	45.44	36.30	47.20	2004.25	1982.00	2021.67	2126.00	2173.63
OJAK7	168.15	48.64	45.79	59.06	59.68	169.18	168.27	167.59	175.05	182.85
KCAK7	149.95	53.35	51.73	44.73	56.34	150.56	148.69	148.79	148.07	147.85
MAH7	16.43	28.90	34.20	21.06	15.35	16.56	16.76	16.92	17.14	17.09

Calculations based on previous session. Data collected 02/23/2017

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	19.63	19.81	20.26	20.44	20.89
CTAK7	Cotton	74.86	75.49	76.07	76.70	77.28
CTAZ7	Cotton	73.35	73.63	73.86	74.14	74.37
CCAK7	Cocoa	1980	2006	2020	2046	2060
OJAK7	Orange Juice	165.75	166.75	168.50	169.50	171.25
KCAK7	Coffee	147.92	148.65	150.52	151.25	153.12
MAH7	Milk	16.16	16.30	16.42	16.56	16.68

Calculations based on previous session. Data collected 02/23/2017

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