



DAILY SOFTS CURRENCY COMMENTARY Tuesday February 28, 2017

DAILY COCOA COMMENTARY 02/28/17

Good weather keeps new buyers on sidelines but trend turning up

Cocoa prices continued to find pressure from sizable near-term West African supply levels, but the market continues to hold its ground. The latest reading on Ivory Coast port arrivals showed another weekly result that came in ahead of the comparable period last year. However, the full season total is roughly 5% ahead of last season's pace going into the end of February, which is well behind the 20% increase needed for 2016/17 full-season Ivory Coast production to reach 1.9 million tonnes. There were reports of beneficial rains in West Africa going into the critical flowering stage for the 2017/18 main crop as well as improving conditions for this season's mid-crop which will be harvested starting the second quarter, which has pressured prices as it signals that their "dry" season may be winding down. For a change, demand concerns have been put on cocoa's backburner as the Eurocurrency was able to extend its recovery move from the 1 1/2 month low posted last week.



TODAY'S MARKET IDEAS:

Cocoa should stay clear of the mid-February contract lows now that large-scale Ivory Coast sales appear to be off the table, but need to see stronger risk appetites in order to lift clear of its 1 1/2 week trading range. Near-term support for May cocoa is at 1955 while resistance is at 2015. Look for a turn up with 2094 and 2125 as short-term targets.

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) 02/28/2017: 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 negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 2025. The next area of resistance is around 2002 and 2025, while 1st support hits today at 1962 and below there at 1944.

DAILY COFFEE COMMENTARY 02/28/17

Good weather keeps market on defensive; open interest low

With demand concerns starting to increase, coffee prices are also having to deal with improving crop prospects in Brazil that have kept the market on the defensive recently. May coffee traded to the lowest price since January 4th



before finishing yesterday with a heavy loss. Vietnam's February coffee exports are seen at 132,000 tonnes (2.20 million bags) compared to 140,000 tonnes (2.33 million bags) in January. While last month's total was impacted by the Tet/Lunar New Year holiday, it does show that Vietnamese producers are marketing their supply in spite of uncertainty over the eventual size of this season's crop. Beneficial rains over the weekend were seen in parts of Brazil's northeast coffee areas, while a cold front next week could bring more widespread rains in Minas Gerais and southern Espirito Santo regions. Brazil's 2017/18 crop is the "off year" in their biannual crop cycle, so decent rainfall could help to reduce what will be a sizable drop-off in production. ICE exchange coffee stocks fell by 1,012 bags on Monday and should finish February with a sizable increase and a second monthly build in a row.

TODAY'S MARKET IDEAS:

Coffee's supply outlook still remains bullish with sharp reductions in this season's Vietnamese crop and next season's Brazilian crop, but the market needs to see clear improvement on the demand side of the equation to put some brakes on the downdraft. Near-term support for May coffee is at 137.90 while resistance is at 145.45.

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.

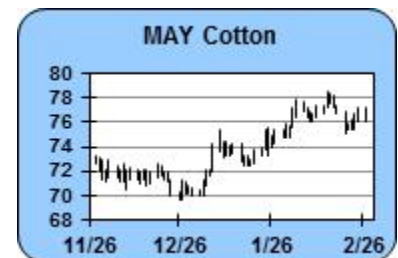
COFFEE (MAY) 02/28/2017: The daily stochastics have crossed over down which is a bearish indication. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 136.80. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 143.79 and 147.60, while 1st support hits today at 138.40 and below there at 136.80.

DAILY COTTON COMMENTARY

02/28/17

Outlook Conference uses low yield and stocks still rising

The market bounced overnight but is still shy of yesterday's highs as the stock market strength supports. July cotton pushed up to the highest level since February 16th yesterday before closing lower and with a somewhat bearish outlook for the 2017/18 season from the USDA Outlook Conference, the market looks vulnerable to turn down into March. With a normal yield this year, US ending stocks could easily jump to the highest level in 10 years. In addition, traders see higher planted acreage for cotton in China and a 7% jump in India which could slow import demand and increase competition on the world export market. A minor selloff in grain markets was also seen as a bearish force. Trend-following fund traders reduced their net long position by 8,938 contracts for the week ending February 21st and this was down from the previous week's record high net long position of 114,179 contracts. The big net long position suggests there is plenty of bearish fuel if support levels are violated and the long liquidation selling trend from last week is bearish. The May/July cotton spread pushed down to yet another new contract low on Monday which is also seen as a bearish development. Exchange deliverable certified cotton stocks increased to 325,397 bales from 323,678 the previous session.



TODAY'S MARKET IDEAS:

The long liquidation selling trend looks to continue over the near-term. Spread action and the steady rise in deliverable stocks remain as bearish forces as well. May cotton selling resistance is at the 76.75 to 77.15 zone. Look for 73.70 and 72.22 as initial downside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Short July cotton from 78.02 with an objective of 72.65. Risk the trade to 79.32. 2) 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) 02/28/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 75.25. The next area of resistance is around 76.67 and 77.46, while 1st support hits today at 75.57 and below there at 75.25.

COTTON (DEC) 02/28/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 73.78. The next area of resistance is around 74.30 and 74.39, while 1st support hits today at 74.00 and below there at 73.78.

DAILY SUGAR COMMENTARY

02/28/17

Speculative long liquidation selling persists; OI down

With a very large net spec long position providing fuel for long liquidation selling, sugar needs to find fresh bullish supply news quickly in order to put some brakes on its current downdraft. May sugar traded to a two month low yesterday and finished with a heavy loss. The market has been down for 4 consecutive days (losing 7.6% in value over that timeframe) due in part to continued concerns of heavy deliveries against the March contract after it expires later today, with trade forecasts ranging from 500,000 to 1 million tonnes. Some beneficial rains over northeast growing regions of Brazil provided relief for the sugar crop in that area while their top producing state of Sao Paulo has rainfall in the forecast each day until the middle of next week. With their harvest not reaching full speed until late April/early May, there is considerable uncertainty over the eventual size of Brazil's 2017/18 Center-South cane crop but consistent rain over the past few weeks will clearly help. This season's Indian production estimates continue to be downgraded with a consensus now forming around a range of 19 million to 20 million tonnes. Unless the Indian government allows for relaxed sugar import duties later this season, however, much of this support may already be factored-into prices.

**TODAY'S MARKET IDEAS:**

Until the March ICE expiration is out of the way, sugar prices are likely to remain on the defensive but with Asian supply issues unlikely to go away anytime soon are working their way down into a "value zone". May sugar will find near-term resistance at 19.80 while support is at 19.02.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 02/28/2017: The close under the 60-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 close below the 9-day moving average is an indication the short-term trend remains negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 18.57. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 19.52 and 20.05, while 1st support hits today at 18.78 and below there at 18.57.

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) 02/28/2017: 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 close below the 2nd swing support number puts the market on the defensive. The next downside target is 148.75. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 162.30 and 168.60, while 1st support hits today at 152.40 and below there at 148.75.

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	19.15	26.86	33.94	29.24	16.17	19.94	20.21	20.41	20.11	19.73
CTAK7	76.12	49.49	52.91	40.52	35.23	76.07	76.38	76.67	74.48	73.71
CTAZ7	74.15	60.79	63.33	77.26	71.69	73.94	74.12	73.99	72.05	71.43
CCAK7	1982	41.69	40.79	43.35	49.67	1999.25	1991.89	2010.28	2113.24	2159.90
OJAK7	157.30	28.10	32.82	48.83	34.20	164.50	167.27	166.43	173.49	181.23
KCAK7	141.10	28.11	34.25	39.82	29.29	147.05	147.88	147.77	147.95	147.40
MAH7	16.10	21.27	28.08	14.88	9.13	16.30	16.61	16.81	17.08	17.09

Calculations based on previous session. Data collected 02/27/2017

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	18.57	18.78	19.31	19.52	20.05
CTAK7	Cotton	75.24	75.56	76.35	76.67	77.46
CTAZ7	Cotton	73.77	73.99	74.08	74.30	74.39
CCAK7	Cocoa	1943	1961	1984	2002	2025
OJAK7	Orange Juice	148.70	152.35	158.65	162.30	168.60
KCAK7	Coffee	136.79	138.39	142.19	143.79	147.60
MAH7	Milk	15.96	16.02	16.11	16.17	16.26

Calculations based on previous session. Data collected 02/27/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.