



DAILY SOFTS CURRENCY COMMENTARY

Thursday March 02, 2017

DAILY COCOA COMMENTARY

03/02/17

Big supply and sluggish demand news keeps trend down

Cocoa prices remain under pressure from an abundant supply outlook for this season, and have yet to see global demand prospects improve from what are multi-year low prices. May cocoa traded down to a new contract low at 1888 and while making a mild comeback, still finished Wednesday's trading session with a moderate loss. A strong rally in the Dollar resulted in sizable losses for the Eurocurrency and British Pound that weakened the chances for improvement with European grindings, a region that accounts for one-third of global processing in spite of having no domestic source for cocoa beans. While the International Cocoa Organization forecast a 2.9% increase for global cocoa grindings during the 2016/17 season, most of those gains will occur in Asia (due to stronger emerging market consumption) and Africa (as "origin" grindings take on a larger role). A major US chocolate maker announced that they will reduce their hourly workforce by 15% (roughly 2,700 employees), with most of those job cuts occurring outside the US. Although this move is part of a longer-term move to streamline their company, they also lowered their long-term sales growth forecast from a 3% to 5% range to a 2% to 4% range.



TODAY'S MARKET IDEAS:

Demand may not improve at the retail level for several more months, but commercials are likely seeing prices under the 2000 level as a "value" that may help to keep further downside limited for cocoa prices. The move under the February 15th lows leaves 1825 as next target for May cocoa. Resistance is at 1955.

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) 03/02/2017: The market broke to a new contract low. Daily stochastics are trending lower but have declined into oversold territory. 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 under the swing pivot. The next downside objective is 1867. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 1914 and 1936, while 1st support hits today at 1880 and below there at 1867.

DAILY COFFEE COMMENTARY

03/02/17

Could begin to build some weather premium into spring

The market appears to have posted a short-term low and seems to have the



supply fundamentals to trade higher and build a weather premium.

Although there are concerns over softer demand, coffee's supply outlook remains bullish which has put some brakes on its recent downdraft. With upcoming Brazilian production likely to decline by 6 million bags from last season while the current Vietnamese crop is expected to drop by at least 15% from the previous season's total, other supply issues may be starting to develop. Costa Rica coffee exports declined 25.1% during February to 108,276 bags versus 144,469 a year ago and while they are not the largest producer in Central America, this drop-off is notable as they tend to be a higher-end source of coffee beans to the US market. Honduras exports were up 36% to 953,831 bags. There are also reports that Mexican coffee production could drop by more than 50% this season due to the Roya fungus, which was a serious issue with several Central American nations a few years ago. ICE exchange coffee stocks rose by 1,665 bags Wednesday and have maintained their uptrend this year. While they are well below their historic high above 5 million bags in the summer of 2004, they are up over 87,000 bags (7% higher) since the start of 2017.

TODAY'S MARKET IDEAS:

The outside day higher should lead to upside follow-through buying today and with potential supply difficulties developing for Vietnam and Brazil, this may help to offset demand concerns going forward. Near-term support for May coffee is at 143.15 with 147.15 and 149.50 as resistance.

NEW RECOMMENDATIONS:

* Buy May coffee 155.00 call at 250 with an objective of 590. Risk a total of 130 points from entry.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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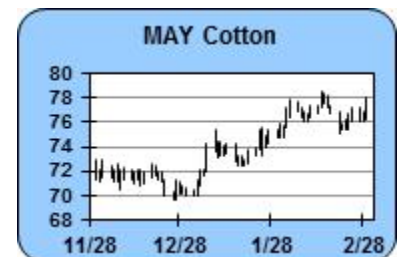
COFFEE (MAY) 03/02/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day up is a positive signal. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 137.84. The next area of resistance is around 147.72 and 149.53, while 1st support hits today at 141.88 and below there at 137.84.

DAILY COTTON COMMENTARY

03/02/17

Bullish technical action as trade suspects very strong demand

The cotton market surged higher yesterday and closed within close striking distance of the February 13th contract highs. A surge to all-time highs for the stock market and an optimistic economic outlook continued to attract new buying interest from speculators and a jump in grain prices added to the positive tone. The International Cotton Advisory Committee sees global production for the 2017/18 season at 23.11 million tonnes which is down from 23.39 million last month but up from 22.69 million last year. Global consumption is pegged at 24.33 million tonnes which is up from 24.29 million last month and up from 24.05 million last year. Ending stocks are expected to decline to 16.66 million tonnes (17.88 million this year) but this represent 68.5% of one year's usage. Other traders indicated that if one excludes China's stocks drawdown, world cotton stocks are expected to increase by 7%. There was also talk that mills still need to fix needs for cotton and chased the rally this week. Some see better basis bids to attract cotton from producers as a sign that export sales could remain strong.



TODAY'S MARKET IDEAS:

While there is talk of strong demand helping to support the aggressive speculative buying, spread activity would not indicate any tightness in the cash market. US ending stocks are projected at an 8-year high this season and are likely to grow for the 2017/18 season. Resistance for May cotton is at 78.45 with support at 76.35. A push

through resistance would project a continued advance to 79.74.

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) 03/02/2017: The daily stochastics have crossed over up which is a bullish indication. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. 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 next upside objective is 79.27. The next area of resistance is around 78.76 and 79.27, while 1st support hits today at 76.96 and below there at 75.66.

COTTON (DEC) 03/02/2017: The rally brought the market to a new contract high. The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-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 target is at 75.45. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 75.26 and 75.45, while 1st support hits today at 74.54 and below there at 74.01.

DAILY SUGAR COMMENTARY

03/02/17

Showing some signs of support in spite of US dollar strength

Sugar prices still have more work to do in order to climb back towards their January/February consolidation zone, but they are showing early signs that a near-term low may be in. Sugar has been finding pressure from prospects for a global production surplus during the upcoming 2017/18 season that follows several years with global supply deficits. However, near-term supply concerns may be regaining the upper hand with market focus centering on India where production forecasts continue to be reduced. Although their government and trade groups are currently saying that they are not in need of imports, an increasing amount of analysts are expecting that their import duties will be relaxed later this year. With Chinese demand expected to remain strong in spite of their improved production, the near-term Asian supply situation is likely to remain tight over the next few months.



TODAY'S MARKET IDEAS:

With a "risk on" mood developing across many markets, sugar should remain fairly well supported. May sugar will find near-term support at 19.13 while resistance is at 19.89.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/02/2017: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 18.97. The next area of resistance is around 19.69 and 19.82, while 1st support hits today at 19.27 and below there at 18.97.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/02/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 155.50. The next area of resistance is around 164.30 and 167.35, while 1st support hits today at 158.40 and below there at 155.50.

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	19.48	36.67	40.12	20.97	15.45	19.42	19.98	20.27	20.17	19.74
CTAK7	77.86	65.48	62.91	43.20	51.49	76.72	76.27	76.65	74.77	73.89
CTAZ7	74.90	72.12	70.16	79.02	83.59	74.35	74.15	74.17	72.30	71.59
CCAK7	1897	29.92	33.24	37.24	28.28	1945.50	1982.33	1987.94	2098.82	2143.67
OJAK7	161.30	39.56	40.05	41.49	35.46	161.44	165.87	166.01	172.15	179.50
KCAK7	144.80	42.52	43.51	33.04	29.56	143.69	147.27	147.01	147.93	147.19
MAH7	16.04	26.59	30.63	13.16	10.69	16.17	16.43	16.69	17.03	17.07

Calculations based on previous session. Data collected 03/01/2017

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	18.96	19.26	19.39	19.69	19.82
CTAK7	Cotton	75.65	76.95	77.46	78.76	79.27
CTAZ7	Cotton	74.01	74.54	74.73	75.26	75.45
CCAK7	Cocoa	1866	1879	1901	1914	1936
OJAK7	Orange Juice	155.45	158.35	161.40	164.30	167.35
KCAK7	Coffee	137.83	141.87	143.68	147.72	149.53
MAH7	Milk	15.74	15.86	16.09	16.21	16.44

Calculations based on previous session. Data collected 03/01/2017

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