



DAILY SOFTS CURRENCY COMMENTARY Monday March 06, 2017

DAILY COCOA COMMENTARY 03/06/17

Huge open interest means fuel for recovery bounce; firm

Cocoa has made a second sharp 2-day rebound from a new contract low in the past 2 1/2 weeks, but now may need to see indications of improved demand and/or lower West African output to sustain upside follow-through. For the week, May cocoa finished with a loss of 39 points (1.9% lower). Cocoa saw follow through strength on Friday after Thursday's bullish key reversal from a contract low, although the 86 point rebound over Thursday and Friday is well below the 152 point recovery over the two sessions following the outside-day up key reversal on February 15th. Cocoa exports from the Ivory Coast port of Abidjan fell 12% in January at 79,771 tonnes, indicating this season's supply bottlenecks took their toll on supply flow. Cameroon will merge three cocoa and coffee organizations in order to streamline efforts to improve their output. They have optimistically targeted their production at 600,000 tonnes of cocoa by 2020, but keep in mind that they are the one major West African producer which should see lower output this season. The latest COT report showed a sizable increase in cocoa's net spec short position which is now at its largest level since 2012. The Commitments of Traders report as of February 28th showed Non-Commercial traders were net short 27,041 contracts, an increase of 7,203 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 18,041 contracts, up 5,336 contracts for the week.



TODAY'S MARKET IDEAS:

This season's Ivory Coast supply bottlenecks make it difficult to fully gauge West African output until after the mid-crop harvest begins next month. Near-term support for May cocoa is at 1921 while resistance is at 1987. Consider buying set-backs.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/21/2017 - 2/28/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Softs							
Cocoa	-27,041	-7,203	18,041	+5,335	9,000	+1,867	

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) 03/06/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 1893. The next area of resistance is around 1981 and 1998, while 1st support hits today at 1929 and

below there at 1893.

DAILY COFFEE COMMENTARY 03/06/17

Strong recovery for key 2nd tier producers to limit support

There has been very little follow-through to the upside from Wednesday's positive technical action. For the week, May coffee finished with a loss of 2.95 cents (2.0% lower) for a second negative weekly result in a row. Concerns with this season's Vietnamese crop and the upcoming Brazilian crop continue to be a major source of strength for coffee prices, but there have been recent updates with second and third tier producers which had a bearish tone. Guatemalan February coffee exports climbed to 298,384 bags versus 202,859 bags last month and 286,677 bags last year, which follows the strong Honduran numbers last week that point to improvement with overall Central American production. There has been increased speculation that an El Nino weather event could develop during the second half of this year, which could be causing some Vietnamese producers to be reluctant to part with their remaining stocks of Robusta coffee. Before the possibility of El Nino, Vietnam was expected to see notable improvement with their 2017/18 crop which could help to offset the "off-year" decline in Brazilian production. In addition, traders see a big jump of near 10% for next season for the Indonesia crop. ICE exchange coffee stocks rose by 1,640 bags on Friday as they continue to increase from their year-end total. The Commitments of Traders reports as of February 28th showed Non-Commercial traders were net long 27,600 contracts, a decrease of 3,411 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 29,255 contracts, down 4,519 contracts for the week.



TODAY'S MARKET IDEAS:

Improvement with risk sentiment could in turn help to strengthen coffee's demand outlook and help the market to regain upside momentum. Near-term support for May coffee is at 141.50 with resistance at 146.50.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long May coffee 155.00 call from 200 with an objective of 590. Risk to 70.

Commitment of Traders - Futures and Options - 2/21/2017 - 2/28/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Coffee	27,600	-3,411	-29,255	+4,519	1,655	-1,108

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) 03/06/2017: The downside crossover of the 9 and 18 bar moving average is a negative signal. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 141.14. The next area of resistance is around 144.52 and 146.03, while 1st support hits today at 142.08 and below there at 141.14.

DAILY COTTON COMMENTARY 03/06/17

Stronger global economy continues to attract spec buying

The market does not seem to have the supply fundamentals to move much higher short-term but speculators remain active buyers and the market is right up on last week's highs this morning. The overbought condition, the start-up of sales from Chinese reserves and the outlook for a larger US crop are all seen as possible negative forces. The market experienced a solid recovery on Friday but stayed inside of Thursday's range. The reversal on Thursday could be a sign of a near-term top. China will begin auctions from their state reserves today according to the China Cotton Textile Association. China will offer around 30,000 tonnes of reserve cotton per day until the end of August 2017, according to the International Cotton Advisory Committee. Last year, around 2.6 million tonnes of cotton (11.94 million bales) were sold in auctions. World stocks are drawing down again this year, but this is a result of the shift in stocks from Chinese reserves to Chinese usage. Excluding China, stocks look to rise by 7%. The Commitments of Traders reports as of February 28th showed Non-Commercial traders were net long 124,082 contracts, an increase of 2,092 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 132,068 contracts, up 3,231 contracts for the week. This leaves the market extremely overbought.



TODAY'S MARKET IDEAS:

The COT report shows a near record net long position from speculators and if there is follow-through selling to confirm Thursday's reversal, long liquidation could intensify. Resistance for May cotton is at 79.18 with support at 75.57 and 74.46. A move under 76.32 would sour the charts. There is significant divergence on technical indicators near the recent highs suggesting a loss in upside momentum.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/21/2017 - 2/28/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cotton	124,082	+2,092	-132,068	-3,231	7,986	+1,139

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) 03/06/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 79.17. The next area of resistance is around 78.72 and 79.17, while 1st support hits today at 77.25 and below there at 76.22.

COTTON (DEC) 03/06/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 75.30. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 75.16 and 75.30, while 1st support hits today at 74.72 and below there at 74.41.

DAILY SUGAR COMMENTARY

03/06/17

Stiff resistance overhead/plenty of signs of higher production

The market has inched up to the highest level since February 27th this morning. For the week, May sugar finished with a loss of 29 ticks (1.4% lower) for a fourth consecutive negative weekly result. Indian sugar production this season is running more than 18% behind last season's pace, due in large part to a poor cane harvests in key producing states. On the other hand, their now top-producing state of Uttar Pradesh has more than 100 mills still in operation, which could fuel ideas that India may be able to avoid relaxing import duties later this season. A pullback in the Brazilian currency on Thursday and Friday encouraged additional selling from Brazilian producers that were mostly off-line earlier last week due to their "Carnival" holiday. Growing areas in Brazil's top-producing state of Sao Paolo will see an extended period of dry weather starting this upcoming weekend. However, consistent rainfall over the past few weeks boosted prospects for their 2017/18 cane crop that is generally expected to have a larger share devoted to sugar production than last season. Sugar saw a huge decline in its net spec long position that took it below the 200,000 contract level, but it still remains the largest net spec long of any Ag commodity by nearly 30,000 contracts. The Commitments of Traders reports as of February 28th showed Non-Commercial traders were net long 177,126 contracts, a decrease of 28,227 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 195,164 contracts, down 51,313 contracts for the week.



TODAY'S MARKET IDEAS:

The prospect of larger output from Brazil and the EU leaves the market needing additional near-term supply issues to find support. May sugar will find near-term support at 19.37 while resistance is at 19.91 and 20.15.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/21/2017 - 2/28/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Softs							
Sugar	177,126	-28,227	-195,163	+51,314	18,038	-23,086	

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/06/2017: A bullish signal was given with an upside crossover of the daily stochastics. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 upside target is 19.90. The next area of resistance is around 19.69 and 19.90, while 1st support hits today at 19.35 and below there at 19.21.

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) 03/06/2017: A bullish signal was given with an upside crossover of the daily stochastics. 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. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 171.90. The next area of resistance is around 170.70 and 171.90, while 1st support hits

today at 166.25 and below there at 162.95.

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	19.52	38.95	41.46	21.04	21.39	19.47	19.82	20.12	20.24	19.77
CTAK7	77.98	62.21	60.93	48.60	56.28	77.24	76.55	76.72	75.09	74.09
CTAZ7	74.94	70.25	69.06	81.45	84.29	74.74	74.33	74.27	72.56	71.76
CCAK7	1955	44.09	41.95	34.53	34.50	1922.25	1964.67	1973.72	2085.36	2129.30
OJAK7	168.45	55.31	50.67	44.99	52.41	164.00	164.82	166.40	171.21	177.92
KCAK7	143.30	38.51	40.79	31.55	29.71	143.76	146.12	146.59	148.22	147.07
MAH7	15.94	24.28	28.90	11.68	9.68	16.07	16.23	16.57	16.98	17.04

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

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	19.20	19.34	19.55	19.69	19.90
CTAK7	Cotton	76.21	77.24	77.69	78.72	79.17
CTAZ7	Cotton	74.40	74.71	74.85	75.16	75.30
CCAK7	Cocoa	1892	1928	1945	1981	1998
OJAK7	Orange Juice	162.90	166.20	167.40	170.70	171.90
KCAK7	Coffee	141.13	142.07	143.58	144.52	146.03
MAH7	Milk	15.84	15.88	15.96	16.00	16.07

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

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