



DAILY SOFTS CURRENCY COMMENTARY Thursday January 19, 2017

DAILY COCOA COMMENTARY 01/19/17

Built a solid base of support; need positive demand news

Cocoa's recovery move from last week's contract low has come with volatile price action, but the market is starting to find fresh supply/demand support as well. A stronger Dollar was a noted source of pressure on cocoa yesterday as the Eurocurrency and British Pound gave back sizable portions of Tuesday's rally. Military unrest has unfolded for a third time over the past two weeks as soldiers and policemen in the Ivory Coast fired shots and disrupted operations at the country's largest port of Abidjan. While the Ivory Coast government reached a tentative deal with soldiers earlier this month over unpaid bonuses and better living conditions, tensions continue to simmer which in turn will keep residual supply anxiety in the market. The Ivory Coast's Coffee & Cocoa Council denied reports that they were cancelling export contracts with domestic firms to resell that supply to international exporters, although there was little chance that event could have caused any surge of cocoa onto global markets. The North American fourth quarter grindings total will be released after today's close with many traders and analysts looking for unchanged to up 3% from 2015 levels. Keep in mind that US end-users had the advantage of a much stronger Dollar for much of the fourth quarter, which could help shift results towards the upper range of forecasts.



TODAY'S MARKET IDEAS:

Demand remains front and center with the cocoa market this week with the North American grinding data out after today's close. Near-term support is at 2194 while resistance is at 2289. Use 2362 and 2482 as initial upside targets.

NEW RECOMMENDATIONS:

* Buy the May cocoa 2400 call at 42 with an objective of 122. Risk a total of 24 points.

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 (MAR) 01/19/2017: 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 daily closing price reversal down is a negative indicator for prices. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 2281. The next area of resistance is around 2257 and 2281, while 1st support hits today at 2209 and below there at 2186.

DAILY COFFEE COMMENTARY 01/19/17

Still short-term overbought and in need of correction



The market is starting to look a little top-heavy and vulnerable to a near-term pullback. Heavy rains are forecast for the Indonesian coffee-growing regions of Sumatra, Aceh, Lampung and most of Java over the next 48 hours which should benefit their crop development. Indonesia is coming off sluggish coffee production this season due in part to last year's El Nino but with the current La Nina weather event is showing early signs of improved production for the 2017/18 season. A major Brazilian bank has lowered its average Arabica coffee price to \$1.55 per pound in 2017 (down from its November estimate of \$1.70 per pound) as they are lowering their forecast after an upward revision of Brazil's 2017/18 crop prospects. The 2017/18 season will be the "off-year" in Brazil's 2-year crop cycle, but a normal weather pattern over their Robusta growing region of Espirito Santo should result in an uptick in that state's coffee production. Vietnam domestic prices pushed up to the highest level in five years.

TODAY'S MARKET IDEAS:

The market remains in a short-term overbought condition and has struggled to close above key resistance at 150.70. A bullish longer-term supply set-up should support the market on corrective breaks. Near-term support for March coffee is at 144.55 with 156.20 as next target. Use a near-term pullback to the 144.55 level to establish long call strategies.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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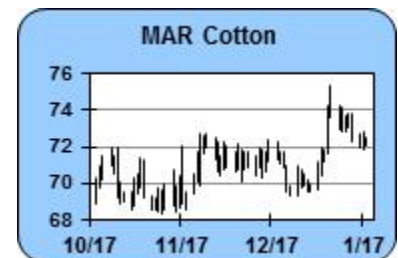
COFFEE (MAR) 01/19/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 152.03. The next area of resistance is around 150.82 and 152.03, while 1st support hits today at 147.58 and below there at 145.54.

DAILY COTTON COMMENTARY

01/19/17

Positive technical action today with appearance of bull flag

The short-term cash fundamentals appear somewhat bearish while the outside market forces of general economic conditions and strength in the other grains are positive forces. The supportive economic news plus the outlook for pro-growth spending and tax policies are the reasons that small and large speculators have built up a record high net long position. Exchange stocks are on the rise, global demand was revised lower and US ending stocks were pushed up to an eight-year high in the USDA report last week and the market has not made a new high since January 5th. ICE certified deliverable warehouse stocks as of January 17th increased to 112,556 bales which is up from 111,498 bales from the previous session and up from near 40,000 bales just two weeks ago.



TODAY'S MARKET IDEAS:

Speculators hold a record high net long position which means commercial traders hold a huge net short position. With increased producer selling, higher stocks and increasing exchange stocks, the market looks to continue to drift lower. Short-term downtrend channel resistance at 72.54 for March cotton was violated and the chart pattern improved today. Key uptrend channel support is at 70.52 today. Keep 69.52 as downside target and look for stiff resistance at the 73.59-74.01 zone.

NEW RECOMMENDATIONS:

None.

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 (MAR) 01/19/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 over the pivot swing is a somewhat positive setup. The next downside objective is 71.75. The next area of resistance is around 72.52 and 72.80, while 1st support hits today at 72.00 and below there at 71.75.

COTTON (MAY) 01/19/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 72.26. The next area of resistance is around 72.99 and 73.25, while 1st support hits today at 72.50 and below there at 72.26.

DAILY SUGAR COMMENTARY

01/19/17

More tightness issues in India with slow production pace

Bullish supply-side developments are helping to keep the market in a steady uptrend. March sugar experienced a moderate gain yesterday that was also its highest close since mid-November. Sugar was able to find upside momentum in spite of a sharp selloff in crude oil and a sluggish Brazilian currency as its longer-term supply outlook remains bullish. India's sugar output fell 5.3% versus last year to 10.48 million tons as of January 15th as a growing number of mills in their states of Maharashtra and Karnataka have already wound down their

operations for the season due to a lack of cane to process. Many in the market feel that India may have enough supply held at mills to avoid importing sugar, but recent ideas that nation could still end up cutting their import duty hints at a very tight supply situation later this year. Once again, India officials indicated that they have no plans to lower import duty. A major Brazilian bank forecast an average price for sugar in 2017 around 21.50 cents per pound and also sees the 2016-17 global sugar deficit at 3.6 million tonnes.



TODAY'S MARKET IDEAS:

Near-term pullbacks should be viewed as opportunities to approach the long side of the market. Near-term support for March sugar is at 20.79, with resistance and the next upside target at 21.57. The next key resistance is at 21.71.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/19/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. With

the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 21.32. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 21.20 and 21.32, while 1st support hits today at 20.76 and below there at 20.43.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/19/2017: 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. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 162.85. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 173.55 and 178.00, while 1st support hits today at 166.00 and below there at 162.85.

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										
SBAH7	20.98	70.58	64.61	82.65	85.38	20.75	20.66	19.91	19.71	20.31
CTAH7	72.26	51.89	53.62	55.02	49.84	72.25	72.90	71.82	71.44	70.93
CTAK7	72.75	53.03	54.45	59.87	54.95	72.75	73.33	72.22	71.87	71.39
CCAH7	2233	51.31	48.29	53.32	60.72	2227.75	2216.89	2212.22	2299.22	2369.68
OJAH7	169.75	20.44	25.02	19.96	14.20	177.75	181.09	186.42	198.97	201.77
KCAH7	149.20	66.84	58.69	84.29	87.93	149.50	147.28	142.48	147.73	152.88
MAH7	17.28	48.58	52.47	62.31	63.03	17.45	17.34	17.31	16.92	16.67

Calculations based on previous session. Data collected 01/18/2017

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						
SBAH7	Sugar	20.42	20.75	20.87	21.20	21.32
CTAH7	Cotton	71.74	71.99	72.27	72.52	72.80
CTAK7	Cotton	72.25	72.49	72.75	72.99	73.25
CCAH7	Cocoa	2185	2209	2233	2257	2281
OJAH7	Orange Juice	162.80	165.95	170.40	173.55	178.00
KCAH7	Coffee	145.53	147.57	148.78	150.82	152.03
MAH7	Milk	17.07	17.16	17.31	17.40	17.55

Calculations based on previous session. Data collected 01/18/2017

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