



DAILY SOFTS CURRENCY COMMENTARY

Monday May 08, 2017

DAILY COCOA COMMENTARY

05/08/17

Extreme oversold condition with record net short funds

Cocoa is in position to extend this rebound if risk sentiment continues to improve early this week. For the week, July cocoa finished with a gain of 25 points (up 1.3%) which broke a streak of five consecutive lower weekly closes. In addition, cocoa's open interest is up for the third week in a row to 310,000 contracts which is the highest since 1995. European and North American demand remains subdued, but Europe received a mild boost when the Dollar found little lasting benefit from Friday's US jobs data. The Eurocurrency traded above the key 1.10 per Dollar for a second session in a row Friday, the first time it did that since mid-November, and may get a further boost this week with Emmanuel Macron's decisive victory in the French Presidential election second round.



Ivory Coast port arrivals are likely to remain well above last year's El Nino-impacted totals, but may have trouble holding onto those levels if there are further size and quality issues with cocoa beans. The latest COT report showed cocoa's net spec short position reaching a multi-year high. While that position was likely reduced by the over 4.5% rebound over Thursday and Friday's trading, it should remain large enough to fuel additional short-covering. The Commitments of Traders reports as of May 2nd showed Non-Commercial traders were net short a record high 34,764 contracts, an increase of 7,576 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 24,459 contracts, up 7,220 contracts for the week.

TODAY'S MARKET IDEAS:

A stronger Eurocurrency and improved risk sentiment should provide some help for cocoa's demand outlook, while the multi-year high in its net-spec short position could fuel short-covering early this week. Near-term support for July cocoa is at 1903 with 1984 and 2032 as resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cocoa	-34,764	-7,576	24,460	+7,221	10,305	+356

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 (JUL) 05/08/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-

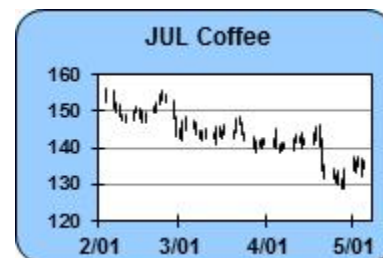
term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 1925. The next area of resistance is around 1902 and 1925, while 1st support hits today at 1830 and below there at 1782.

DAILY COFFEE COMMENTARY

05/08/17

Funds are active sellers and now building net short

July coffee kept within an inside price range Friday before finishing with a moderate gain. For the week, July coffee finished with a gain of 2.30 cents (1.7% higher) for a second weekly gain in a row following the 14-month low reached in late April. Coffee is likely to have a sizable 2017/18 global supply deficit, due in part to lower Brazilian output. Beneficial rains were seen in Brazil's Arabica-growing areas of Parana and Sao Paulo late last week, with more rains expected for Robusta-growing areas of Espirito Santo and Bahia over the weekend. With Brazil's harvest starting up in a few weeks, it may be difficult to significantly reduce the sizable downtick in their production that comes with an "off-year" crop. Colombia's April coffee output fell 20% to 834,000 bags due to delays in their crop flowering, although last month's exports for the same period were seen up 1% at 936,000 bags.



ICE exchange coffee stocks rose by 1,735 bags on Friday and continue to climb further above their 2016 year-end levels. In spite of a nearly 3% price gain between the April 25th and May 2nd measuring dates, coffee actually shifted from a net spec long to a net spec short position in the latest COT report. This could fuel additional short-covering early this week if a "risk on" mood can develop. The Commitments of Traders Futures and Options report as of May 2nd showed Non-Commercial traders were net short 4,142 contracts, an increase of 4,237 contracts which represents a change from a net long to net short position. Non-Commercial and Nonreportable combined traders held a net short position of 2,436 contracts. These traders have also gone from a net long to a net short position.

TODAY'S MARKET IDEAS:

Coffee may see volatile price action early this week, but the combination of a bullish longer-term supply outlook and a net spec short position could provide support. Near-term support for July coffee is at 133.25 with resistance at 141.15.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Coffee	-4,142	-4,237	2,435	+4,679	1,706	-443

COFFEE TECHNICAL OUTLOOK:

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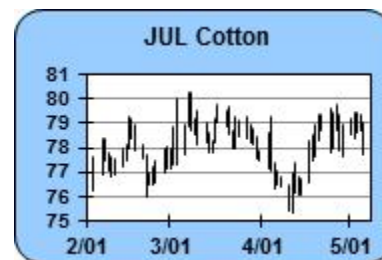
COFFEE (JUL) 05/08/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 137.58. The next area of resistance is around 136.77 and 137.58, while 1st support hits today at 134.63 and below there at 133.29.

DAILY COTTON COMMENTARY

05/08/17

Focus shift to the new crop season may turn trend down

July Cotton closed 114 lower on the session Friday, and this left the market down 104 points for the week. West Texas may see near 1 inch of rain this week which could slow planting progress but also leaves soil conditions near ideal for the season ahead. We continue to believe that the short-term supportive factor of strong US export sales and tightening old crop ending stocks are "less" important factors when considering the enormous supply situation which is possible for the new crop season. Old crop export sales remain strong which should tighten beginning stocks for the 2017/18 season (maybe by 200,000 bales) but with planted area up 21% from last year and maybe more, any yield close to last year leaves a surge in ending stocks to a multi-year high. If we use an 816 lbs./acre yield vs. 869 last year, ending stocks jump to 6.44 million bales which would be the highest since 2007/08 and compares with 3.7 million this year. In calculating the 6.44 million carryout, we used beginning stocks of 3.5 million bales.



Indian planted area is expanding by 7% with 3% in China and Pakistani production could be up 8-10% this year. As of April 27th, cumulative cotton sales stand at 102.9% of the USDA forecast versus a 5 year average of 97.0%. The Commitments of Traders reports as of May 2nd showed Non-Commercial traders were net long 113,255 contracts, an increase of 4,351 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 115,361 contracts, up 3,890 contracts for the week. Commodity Index traders held a net long position of 69,440 contracts, up 3,235 contracts for the week.

TODAY'S MARKET IDEAS:

The big expansion of acres for the 2017/18 season could move to the front burner this week with the first USDA estimate for the season in the monthly update. July cotton close-in selling resistance is at 78.38 with 77.03 as support. A close under support would leave 73.67 as a downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July cotton 77.00 put from 115 with an objective of 325. Risk to 50.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017

	Non-Commercial		Commercial	Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs				
Cotton	113,255	+4,351	-115,361	-3,890

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) 05/08/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside target is 79.10. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 80.20 and 80.86, while 1st support hits today at 79.32 and below there at 79.10.

COTTON (DEC) 05/08/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving

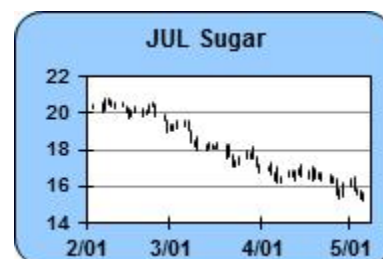
average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 73.54. The next area of resistance is around 74.50 and 75.05, while 1st support hits today at 73.74 and below there at 73.54.

DAILY SUGAR COMMENTARY

05/08/17

No sign of low yet with big EU crop helping to spark surplus

A bearish supply outlook is likely to have the market sliding further to the downside before it finds its footing. July sugar put together a modest recovery Friday, but once again could not sustain upside momentum and dropped to a new 11-month low. For the week, July sugar fell by 82 ticks (5.1% lower) and has now seen a negative weekly result for thirteen consecutive weeks. In spite of stronger key outside markets such as crude oil and corn, sugar's supply/demand outlook kept the market on the defensive. Record global sugar production along with health concerns that should curtail demand should tip the market back into a surplus for the 2017/18 season. A key trade house sees a global production surplus of 4.7 million, which would be the first surplus in three years and compares to a global supply deficit of 4.3 million tonnes for this season.



While Brazil's Center South cane crop is expected to be down 3.6% in 2017-18, EU sugar production was projected to rise 20% to 18.3 million tonnes while Thailand's output was estimated at 11 million tonnes. Sugar's net spec long position is now roughly one-tenth the size seen in early October, but it remains large enough to fuel long liquidation selling if there is a negative shift in risk appetites. The Commitments of Traders reports as of May 2nd showed Non-Commercial traders were net long 53,990 contracts, a decrease of 17,147 contracts for the week and the long liquidation selling trend is a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 40,322 contracts, a decrease of 21,484 contracts for the week.

TODAY'S MARKET IDEAS:

Even with a rebound in risk appetites, upcoming production increases in Brazil, India and Thailand will continue to weigh on prices and keep sugar on the defensive early this week. July sugar will find near-term resistance at 15.79, with 14.92 as the next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Sugar	53,990	-17,147	-40,323	+21,483	-13,668	-4,337

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 (JUL) 05/08/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 14.95. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 15.53 and 15.82, while 1st support hits today at 15.09 and below there at 14.95.

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) 05/08/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. More selling pressure is likely given yesterday's gap lower price action on the day session chart. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 147.30. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 147.25 and 147.25, while 1st support hits today at 147.30 and below there at 147.30.

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										
SBAN7	15.31	29.33	30.71	21.20	14.81	15.58	15.77	16.17	17.03	17.73
CTAK7	79.76	54.50	56.51	86.64	83.02	80.53	80.39	78.86	77.66	77.42
CTAZ7	74.12	42.72	46.39	76.95	66.43	74.58	74.67	74.44	74.56	74.49
CCAN7	1866	48.57	44.51	29.19	36.13	1822.50	1837.56	1866.06	1980.64	1980.30
OJAK7	147.25	28.25	33.23	21.90	9.95	153.14	156.32	158.76	166.77	166.63
KCAN7	135.69	47.92	45.32	32.54	37.53	136.09	134.02	136.63	140.35	142.58
MAK7	15.58	59.29	53.54	49.68	56.08	15.43	15.39	15.36	15.50	15.80

Calculations based on previous session. Data collected 05/05/2017

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						
SBAN7	Sugar	14.94	15.09	15.38	15.53	15.82
CTAK7	Cotton	79.10	79.32	79.98	80.20	80.86
CTAZ7	Cotton	73.53	73.73	74.29	74.50	75.05
CCAN7	Cocoa	1781	1830	1853	1902	1925
OJAK7	Orange Juice	147.25	147.25	147.25	147.25	147.25
KCAN7	Coffee	133.28	134.62	135.43	136.77	137.58
MAK7	Milk	15.37	15.48	15.56	15.67	15.75

Calculations based on previous session. Data collected 05/05/2017

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

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