



## DAILY SOFTS CURRENCY COMMENTARY

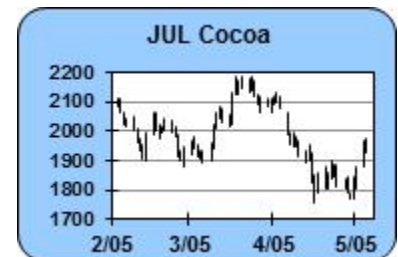
Wednesday May 10, 2017

### DAILY COCOA COMMENTARY

05/10/17

#### Minor supply and quality issues may support after price-in crops

After climbing nearly 10% in value over 3 sessions, cocoa was due for a near-term pullback. However, the market's ability to shake off pressure indicates that this recovery move should have further upside. While the cocoa market is still finding support from short-covering, there are also building quality concerns for this season's crop in the Ivory Coast as well as reports of black pod disease in southwestern Nigeria. Ghana's official purchases were running 13% ahead of last season's pace of as late April, which implies this season's production total will come in around 880,000 tonnes versus a forecast from the ICCO of 850,000 tonnes. Both Ghana's official agency Cocobod and their nation's major industry participants are having significant financial difficulties, with Cocobod having to borrow another \$400 million to complete this season's official purchases. There are reports that Ghana Cocoa Processing Company (CPC) is preparing to delist from Ghana's stock exchange, as they are currently running losses due to a lack of working capital to buy beans for processing while they are operating at less than 30% of annual capacity.



#### TODAY'S MARKET IDEAS:

Cocoa prices are approaching two key levels, the 50-day moving average as well as the 2000 area that has been a bull/bear line since early February. However, short-covering is still a risk. Near-term support for July cocoa is at 1921 with close-in resistance at the 50% mark of the March-April break at 1972. Additional resistance is at 2023.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

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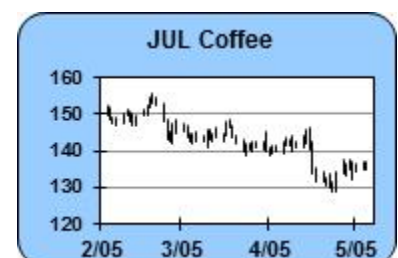
COCOA (JUL) 05/10/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 1999. The next area of resistance is around 1982 and 1999, while 1st support hits today at 1938 and below there at 1910.

### DAILY COFFEE COMMENTARY

05/10/17

#### Consolidation continues; big Robusta yields in Brazil; chop

Coffee prices have continue to see choppy price action since the start of May, but are holding ground within their recent consolidation zone. July coffee closed



lower yesterday. There are reports that Brazil has allowed small amounts of Robusta coffee from Vietnam, as long as those amounts are exported as soluble coffee. Given their tight near-term supply situation, more imports may occur before the upcoming harvest reaches full speed. However, early-harvested beans in Brazil's Robusta-growing region of Espirito Santo are exhibiting the best quality ever seen according to some analysts with yields also better than expected. Vietnam's April coffee exports were seen at 134,819 tonnes (2.25 million bags), which was down 27% from last year's 185,962 tonnes (3.09 million bags). Vietnam's coffee exports for January through April are down 11% at 588,121 tonnes (9.80 million bags) according to their General Customs Department, which provide further evidence of this season's lower production. Uganda's coffee group has raised their production estimate 9.0% to 3.5 million bags, up from a previous estimate of 3.2 million as rains over recent months have boosted crops with good tree recovery also seen in the drought affected south and southwestern regions.

#### **TODAY'S MARKET IDEAS:**

A bullish supply outlook should help to underpin coffee prices going forward as Brazil's improved Robusta output will be more than offset by a sharp drop in their Arabica production. In addition, a lukewarm demand outlook should benefit from any rebound in global risk sentiment. For the bulls, it will be important for support at 133.25 and 132.20 to hold. Near-term resistance is at 137.75.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COFFEE TECHNICAL OUTLOOK:**

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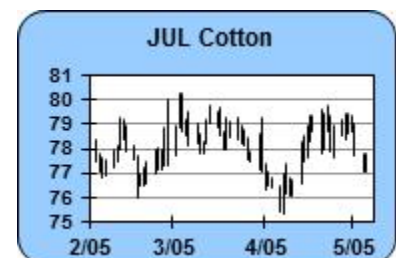
COFFEE (JUL) 05/10/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 1st swing support could weigh on the market. The next upside target is 137.72. The next area of resistance is around 136.25 and 137.72, while 1st support hits today at 134.05 and below there at 133.33.

#### **DAILY COTTON COMMENTARY**

05/10/17

#### **India planted area to jump 15%, US up 21% and others also up**

With the recent rally in cotton prices relative to other crops, traders see India cotton planted area up 15% this season. India revised their 2016/17 production slightly higher to 32.58 million bales. With higher planted acreage and news from the weather office chief in India that India is likely to get above normal monsoon rains this year, India is likely to shift back to an exporter for the new crop season. China production is expected to increase to 4.88 million tonnes from 4.72 million this past season. China is also an active seller of state reserves onto the market which should slow imports with another auction today with 18,400 tonnes sold.



The market looks set to see further long liquidation selling over the near-term as traders absorb the first look at the 2017/18 supply/demand set-up from the USDA. The market closed slightly higher yesterday after choppy and two-sided trade. Old crop ending stocks are likely to be revised down to near 3.5 million bales from 3.7 million last month due to strong export sales on the books. For new crop, traders see ending stocks at 4.6 million bales with a range of 3.5 to 5.9 million bales. Using an abandonment rate of 10% (5.3% was last year) and a yield of 850 pounds/acre vs. 869 last year, we see ending stocks at 5.57 million bales as compared with 3.7 million this year.

#### **TODAY'S MARKET IDEAS:**

Speculators hold a large net long position and if the new crop ending stocks come in at or above 5 million bales,

the market is likely to see another round of long liquidation selling. July cotton key support is at 77.03, and a close below this level would suggest a break to 73.67. The longer-term uptrend channel off of the February 29th, 2016 contract lows comes in at 76.36 today. Penetration of this level would turn the longer-term trend down. Resistance is at 78.09 and 78.40.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

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

**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 (JUL) 05/10/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative 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 76.69. The next area of resistance is around 77.80 and 78.18, while 1st support hits today at 77.06 and below there at 76.69.

COTTON (DEC) 05/10/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 72.47. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 73.39 and 73.88, while 1st support hits today at 72.69 and below there at 72.47.

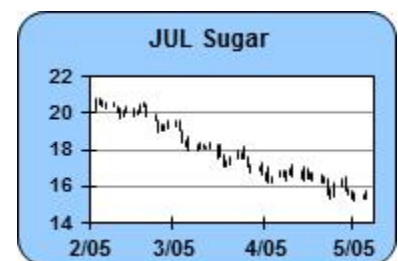
**DAILY SUGAR COMMENTARY**

05/10/17

**Still no sign of low; China production could jump 13.2%**

China production for the 2017/18 season is expected to reach 10.47 million tonnes which would be up 13.2% from last year. A major US-based trade house forecast a global supply deficit of 300,000 tonnes for the 2017/18 season. While this is down from their earlier estimate of 500,000 tonnes, their forecast is in sharp contrast to other trade estimates calling for a global production surplus of near 2-4 million tonnes. Cold weather over recent weeks is likely to have an impact on early-planted beet sugar plants in France, Germany and Poland.

However, France's sugar beet acreage is up 17% from last year to 472,000 hectares according to the French Ag Minister as more beets were planted before a quota system that caps EU sugar production ends in September that should allow the EU to export more sugar onto the world market. India's Farm Ministry has estimated 2016/17 sugar-cane output at 306.03 million tonnes down from the previous estimate of 309.9 million tonnes. India's Meteorology Department has raised their forecast for this year's monsoon rainfall to 96% of average, which would be the second "average" rainfall total in a row and should help both this season's and next season's cane crop to substantially improve on the 2016/17 total.



**TODAY'S MARKET IDEAS:**

Brazil's upcoming production will continue to shadow the market and while cold weather may take EU output below early forecasts, it will still see a sharp increase from last year's levels. July sugar will find near-term resistance at 15.79, with 15.08 and 14.92 as the next support.

**NEW RECOMMENDATIONS:**

None.

## PREVIOUS RECOMMENDATIONS:

None.

## SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/10/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 15.13. The next area of resistance is around 15.62 and 15.86, while 1st support hits today at 15.26 and below there at 15.13.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/10/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 under the swing pivot. The next downside target is now at 144.05. The next area of resistance is around 150.75 and 153.60, while 1st support hits today at 146.00 and below there at 144.05.

## 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
<b>SOFTS MARKETS COMPLEX</b>										
SBAN7	15.44	34.25	33.82	16.45	12.73	15.38	15.65	16.02	16.86	17.57
CTAN7	77.43	40.87	44.93	54.67	35.78	77.83	78.36	78.47	78.13	78.06
CTAZ7	73.04	29.60	36.55	54.34	30.12	73.81	74.27	74.43	74.48	74.46
CCAN7	1960	62.99	55.32	48.08	68.46	1905.00	1858.44	1863.83	1980.82	1979.18
OJAN7	148.40	38.10	39.39	26.94	23.76	147.31	151.44	153.30	160.35	161.20
KCAN7	135.15	46.03	44.53	37.55	42.26	135.68	135.02	136.02	139.97	142.11
MAM7	15.87	60.22	54.85	56.13	63.15	15.82	15.65	15.57	15.74	16.01

Calculations based on previous session. Data collected 05/09/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>SOFTS MARKETS COMPLEX</b>						
SBAN7	Sugar	15.12	15.25	15.49	15.62	15.86
CTAN7	Cotton	76.68	77.05	77.43	77.80	78.18
CTAZ7	Cotton	72.46	72.68	73.17	73.39	73.88
CCAN7	Cocoa	1909	1937	1954	1982	1999
OJAN7	Orange Juice	144.00	145.95	148.80	150.75	153.60
KCAN7	Coffee	133.32	134.05	135.52	136.25	137.72
MAM7	Milk	15.66	15.78	15.84	15.96	16.02

Calculations based on previous session. Data collected 05/09/2017

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