



**DAILY COCOA COMMENTARY**  
05/30/17

**Too much rain beginning to be an issue with flooding concerns**

The cocoa market may have found its footing after a 2-day and 144 point selloff, but needs to find a fresh source of supply/demand support to sustain a recovery move. July cocoa traded up sharply this morning as heavy rainfall in key Ivory Coast growing areas caused fears of flooding issues and potential quality problems. For the week, July cocoa finished with a loss of 117 points (5.7% lower) which was the seventh negative weekly result over the past nine weeks.



Short-covering going into a holiday weekend both in New York and London helped to lift cocoa prices away from Thursday's 3-week low, but a sharp selloff in the British Pound and a sluggish Eurocurrency kept further gains in check. West African supply continues to weigh heavily on the market as demand in Europe and North America has been lukewarm at best. Ivory Coast cocoa grindings over the first seven months of the 2016/17 season were 10.6% ahead of last season pace, which is well below the year-over-year increase seen in their port arrivals over that same timeframe. There was significant rainfall over West African growing regions last week that could cause harvest delays to this year's mid-crop cocoa beans.

The latest COT report showed that cocoa's net spec short position actually fell by over 4,000 contracts between measuring data. However, last Wednesday and Thursday's downdraft followed by only a moderate recovery on Friday could have put that net spec short position back near multi-year high levels. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net short 23,176 contracts, a decrease of 6,601 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 19,644 contracts, down 4,532 contracts for the week.

**TODAY'S MARKET IDEAS:**

Ivory Coast beans that did not meet size and quality standards for export were expected to be diverted towards their domestic grinders. With that the case, a 10% year-on-year gain for October-April grindings could indicate that their full season production may not reach top-end estimates of 2 million tonnes. However, it may take additional evidence of lower West African output for cocoa prices to re-challenge their mid-May highs. Near-term support for July cocoa is at 1922 and 1877 while resistance is at 1972 and 2023.

**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.

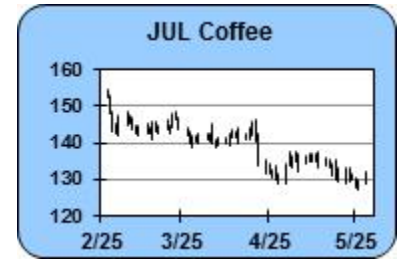
COCOA (JUL) 05/30/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 1869. The next area of resistance is around 1929 and 1941, while 1st support hits today at 1893 and below there at 1869.

## DAILY COFFEE COMMENTARY

05/30/17

### Brazilian output decline may provide underlying support

Coffee was able follow-through on last Thursday's reversal to lift clear of a 14 1/2 month low, but needs to find additional supply-side support to offset a lukewarm global demand outlook. July coffee traded up to 132.20 (2.2% higher) before finishing last Friday's session with a moderate gain. For the week, however, July coffee finished with a loss of 0.90 cent (0.7% lower) for a third straight negative weekly result. Brazilian Arabica-growing regions will have mostly dry weather in the forecast through the middle of next week. While this should take their harvest back to full speed, rainfall over the past few weeks have increase the chances for quality issues for this year's crop. Vietnam's coffee exports were seen at 105,000 tonnes (1.75 million bags) during the month of May according to the Ministry of Agriculture and Rural Development. This compares to April's monthly exports of 135,000 tonnes (2.25 million bags), which indicates that their domestic supply remains fairly tight due to this season's sharp drop in output.



The US attache has forecast next season's (2017/18) Costa Rican coffee production to rise 15% from this season, which is in-line with the gains expected from other Central American producers. ICE exchange coffee stocks rose by 7,523 bags on Friday and with 2 sessions left in May are on-course for a fifth monthly build in a row for the first time since early 2013, and the largest single-month build since February of 2013. The latest COT report showed that coffee's net spec short position continues to build, which leaves the market vulnerable to short-covering. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net short 7,825 contracts, an increase of 2,787 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 4,673 contracts, up 1,354 contracts for the week.

### TODAY'S MARKET IDEAS:

The Brazilian currency has stabilized above its May 18th spike low which should help to reduce pressure on coffee prices early this week. If Brazilian output remains on-course for at least a normal "off-year" crop decline, coffee prices should find enough supply-side support to lift further clear of their recent lows. July coffee near-term support is at 129.60 with initial key resistance at 134.50 and 136.70.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

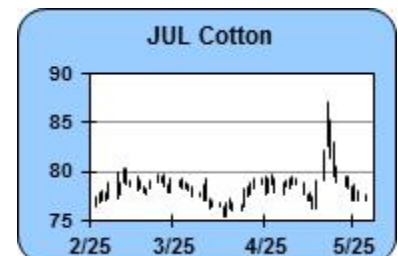
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COFFEE (JUL) 05/30/2017: The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 134.39. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 132.99 and 134.39, while 1st support hits today at 129.40 and below there at 127.20.

## DAILY COTTON COMMENTARY

05/30/17

### In position for a long liquidation sell-off



While short-term technical indicators are a bit oversold, the COT report shows a hefty net long position and also a long liquidation selling trend. The 5-day forecast shows 1-3 inches of rain across Texas with smaller amounts near Lubbock. The crop should get off to a fast start but traders will be looking for heat to emerge into the second week of June. Old crop weekly export sales on Thursday came in at just 16,200 bales. The old crop sales were a new marketing low and included some cancellations from India. This is the second week in a row of cancellations from India. With news of the start of the monsoons, traders might assume a much bigger crop out of India which would cause a shift for India from an importer this season to an exporter for the 2017/18 season. Pakistan production is also expected to increase by 8-9% for the new crop season.

US deliverable stocks are on the rise and China continues to be an active seller of reserve cotton stocks. ICE exchange deliverable stocks jumped to 421,994 bales from 418,593 bales the previous session. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net long 112,001 contracts, a decrease of 8,614 contracts for the week and the long liquidation selling trend is seen as a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 116,285 contracts, down 7,112 contracts in just one week. Commodity Index traders held a net long position of 69,783 contracts. This represents an increase of 625 contracts in the net long position held by these traders.

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

The COT report shows the market vulnerable to a long liquidation sell-off from speculators. July cotton is hovering right on the key up-trending channel support off of the contract low and the December low, so any lower close today would turn the chart pattern more bearish. A downside breakout would count down to 71.97 as a longer-term target. December cotton resistance is at 73.30, and a move under 72.15 would leave 71.00 as the next downside target.

#### **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 (JUL) 05/30/2017:** The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies are declining, but have fallen to oversold levels. 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 objective is now at 76.61. The next area of resistance is around 77.38 and 77.78, while 1st support hits today at 76.80 and below there at 76.61.

**COTTON (DEC) 05/30/2017:** 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 market tilt is slightly negative with the close under the pivot. The next downside objective is now at 72.17. The next area of resistance is around 73.17 and 73.69, while 1st support hits today at 72.41 and below there at 72.17.

### **DAILY SUGAR COMMENTARY**

**05/30/17**

#### **No sign of a low with bearish supply news from Brazil**

After threatening an upside breakout early last week, bearish supply news has turned the sugar market firmly to the downside. As of Friday, July sugar traded down to the lowest price level since April of 2016 before finishing with a heavy loss. For the week, July sugar finished with a loss of 133 ticks (8.1% lower) with an outside-week lower close and a fourteenth negative weekly result in the past 16 weeks. While a stable Brazilian currency and improving crude oil prices



should have provided support, supply-news out of Brazil meant that sugar would carry a negative tone into the holiday weekend. The Brazilian trade group Unica stated that Center-South millers produced 2.11 million tonnes of sugar during the first half of May versus 2.07 million over the same period last year. This was widely viewed as a bearish surprise given that Center-South harvesting and crushing were delayed by rainfall over much of that period. Sugar cane crushing was seen at 38.5 million tonnes, down from last year's 39.7 million while ethanol output fell to 1.48 billion liters, down from 1.62 billion last year.

In addition, Brazil's Petrobras said they will cut the average price of gasoline for refiners by 5.4%. This is likely to further erode prospects for improved ethanol demand while boosting the outlook for larger sugar production this season. Sugar's net spec long position saw a notable increase in the latest COT report, but a more than 5% selloff since the latest measuring date has likely reduced that position by a sizable margin. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net long 57,352 contracts, an increase of 22,448 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 51,354 contracts, up 22,028 contracts for the week.

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

News of the monsoons moving into India added to the bearish tone this morning. With much-improved production from India, Thailand and the EU on the horizon, the sugar market looks to be fairly well supplied during the 2017/18 season. With global demand prospects lukewarm at best due to a lower consumption outlook for developed economies, sugar prices are looking to have further downside left to go before they can find a near-term floor. July near-term resistance is at 15.20 and 15.45 with 14.73 as next downside target.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 05/30/2017: 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. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 14.59. The next area of resistance is around 15.34 and 15.76, while 1st support hits today at 14.76 and below there at 14.59.

#### **OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (JUL) 05/30/2017: The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 141.95. The next area of resistance is around 140.50 and 141.95, while 1st support hits today at 136.65 and below there at 134.20.

#### **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	15.05	32.67	36.03	46.11	29.72	15.56	15.93	15.73	16.24	16.72
CTAN7	77.09	40.26	43.86	22.10	13.68	77.25	78.62	78.93	78.31	78.42

CTAZ7	72.79	41.23	42.79	35.58	29.40	72.87	73.37	73.54	73.92	74.26
CCAN7	1911	41.48	44.61	60.91	41.80	1925.75	1993.11	1961.11	1967.11	1982.40
OJAN7	138.55	36.76	35.93	8.95	13.15	136.56	138.71	142.64	151.24	156.29
KCAN7	131.19	45.96	44.29	26.72	26.88	129.83	130.83	133.16	136.45	138.41
MAM7	16.51	63.70	61.11	77.38	77.14	16.39	16.36	16.17	15.84	15.89

Calculations based on previous session. Data collected 05/26/2017

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	14.58	14.75	15.17	15.34	15.76
CTAN7	Cotton	76.60	76.79	77.19	77.38	77.78
CTAZ7	Cotton	72.17	72.41	72.93	73.17	73.69
CCAN7	Cocoa	1869	1893	1905	1929	1941
OJAN7	Orange Juice	134.15	136.60	138.05	140.50	141.95
KCAN7	Coffee	127.19	129.39	130.79	132.99	134.39
MAM7	Milk	16.29	16.36	16.58	16.65	16.87

Calculations based on previous session. Data collected 05/26/2017

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