



DAILY SOFTS CURRENCY COMMENTARY

Thursday June 01, 2017

DAILY COCOA COMMENTARY

06/01/17

Positive technical action in spite of surplus confirmation

The technical action remains positive in spite of confirmation of a bearish supply situation. The International Cocoa Organization (ICCO) released their second quarter supply/demand update which raised their forecast for a 2016/17 global production surplus to 382,000 tonnes (up from 264,000). This is by far the largest global production surplus since their records began with the 1960/61 season. This season's global grindings are forecast to reach a record high of 4.263 million tonnes, although most of the increase from last season will come from Asia (up 6.4%) and Africa (up 9.4%). Global cocoa production is expected to reach a record high of 4.692 million tonnes, which is up a massive 720,000 tonnes from last season. Most of that increase will come from Ivory Coast (1.98 million tonnes, up 399,000 from last season) and Ghana (950,000 tonnes, up 172,000 from last season). Of cocoa's top 7 producing nations that now account for over 88% of global output, only Indonesia is expected by the ICCO to have lower 2016/17 production at 310,000 tonnes (down 10,000). The Eurocurrency overcame mixed economic data from the region to post a sizable gain yesterday that provided a boost to cocoa's global demand prospects. ICCO estimates provide some support for trade forecasts having Ivory Coast production reach 2 million tonnes this season, but other are still skeptical that conditions were "that good" for their output to increase nearly 400,000 tonnes (over a 25% jump) from last season.



TODAY'S MARKET IDEAS:

Keep in mind that Ghana's main crop official purchases were 812,153 tonnes and with their mid-crop target of 70,000 tonnes, they could fall well short of the ICCO's 950,000 tonne estimate. Near-term support for July cocoa is at 2004 and 1977, with 2088 and 2172 as next key resistance.

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.

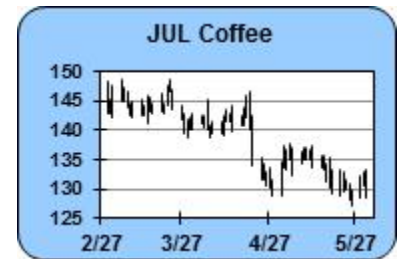
COCOA (JUL) 06/01/2017: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 2079. The next area of resistance is around 2065 and 2079, while 1st support hits today at 2031 and below there at 2012.

DAILY COFFEE COMMENTARY

06/01/17

Sluggish demand from US and Europe plus harvest ahead

Coffee still has a bullish near-term supply outlook to provide underlying support, but sluggish demand signals continues to derail the market's attempts to lift clear of recent lows. ICE exchange coffee rose by 2,602 bags on Wednesday and finished May at 1,474,778 bags, which is up more than 66,000 for the month. This is the largest monthly gain since February of 2013, the highest month-end total since February of 2016 and the first 5-month build streak since March of 2013. The ICE exchange uses warehouses in both the US and Europe, so these figures reflect soft demand on both sides of the Atlantic since the start of this year. A USDA attache forecast that Mexico's 2017/18 coffee production would come in at 3.8 million bags, which would be their highest total in 4 seasons and is in-line with the output increase seen from other Central American producers. World coffee exports in April fell 5.3% this year to 9.54 million bags versus 10.07 million last year. However, this season's October/April exports were 3.1% higher than last season at 69.5 million bags. A major Wall Street firm cut their 2017 Arabica coffee price forecast to \$1.46/pound (down \$0.06/pound) while also cutting their 2018 price forecast by 4.7% to \$1.62/pound, and commented that improving production prospects combined with a weaker Brazilian currency were the reason for their price adjustment.



TODAY'S MARKET IDEAS:

Lukewarm global demand remains a major source of pressure on coffee prices, and may require a consistent pattern of declines with ICE exchange stocks for the market to find lasting relief. Unless there is fresh bullish supply news from Brazil, coffee may be in danger of sliding down into new low ground. July coffee will find close-in support at 127.15 and 124.75, with resistance is at 131.70 and 134.50.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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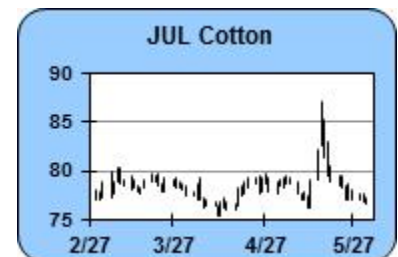
COFFEE (JUL) 06/01/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside target is at 135.20. The next area of resistance is around 131.90 and 135.20, while 1st support hits today at 126.80 and below there at 125.00.

DAILY COTTON COMMENTARY

06/01/17

More rain in next week for Texas to help crop start strong

The cotton market looks vulnerable to a significant downside break over the near-term if fund traders who are holding a near record net long position find a good reason to exit. Many of the key supply factors such as planted area, subsoil conditions, yield potential and global planted area are looking bearish at the start of the 2017/18 season, and the situation could get even more bearish if the weather continues to cooperate. Typically in years with a slow plantings pace, early heat and dryness have producers in the non-irrigated areas of West Texas waiting for rain to plant. This year, the plantings pace is slow as producers are waiting for the rains to slow to get the crop planted. There are a few drier areas in far western areas of the key Lubbock, Texas region, but subsoil conditions appear near ideal. In addition, with low prices for soybeans, corn and sorghum, planted area could shift lower for these crops and higher for cotton for the USDA acreage report at the end of June. In India,



cotton prices are high and soybean prices very low historically and there could be a significant shift for the planting season ahead. China sold 20,600 tonnes of cotton from state reserves on Wednesday which was 69.9% of what was offered. Exchange warehouse deliverable stocks fell to 419,434 bales from 423,190 the previous session.

TODAY'S MARKET IDEAS:

July cotton closed under 77.28 yesterday, and this turns the longer-term chart pattern bearish. With speculators holding a massive net long position (managed money traders net long near record 95,904 contracts), the market is vulnerable to increased selling if support is violated. Improving crop prospects for India and the US could add to the selling pressures. The downside breakout leaves 71.97 as a longer-term target. Close-in resistance is at 77.51 and 78.86. December cotton resistance is at 73.30 with 71.00 as the next downside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (JUL) 06/01/2017: Daily stochastics are trending lower but have declined into oversold territory. 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 objective is 76.37. The next area of resistance is around 77.29 and 77.64, while 1st support hits today at 76.66 and below there at 76.37.

COTTON (DEC) 06/01/2017: Daily stochastics are trending lower but have declined into oversold territory. 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 objective is 72.16. The next area of resistance is around 73.06 and 73.25, while 1st support hits today at 72.52 and below there at 72.16.

DAILY SUGAR COMMENTARY

06/01/17

Bearish supply fundamentals plus weak energy pressures

The market is still lacking in bullish supply/demand factors that could fuel more than a recovery bounce. July sugar finished lower for a fourth consecutive month and seven of the past eight months while falling 7.8% during the month of May. Improving weather in Brazil, Petrobras cutting Brazilian domestic gas prices which should curb ethanol demand, beneficial monsoon in India and China's new import duties all helped to keep selling pressure on prices during the month. The Brazilian currency put together a moderate recovery and reached a new 2-week high, which provided some underlying support to sugar prices. Given the expected increase in sugar exports during the 2017/18 season from other major producers, however, Brazilian firms may remain aggressive with marketing their supplies to foreign customers. An Indian trade group forecast their 2017/18 sugar production at 25 million tonnes due to normal monsoon rainfall, which included a 62% increase from the state of Maharashtra. Pakistan has delayed a decision to export their excess sugar supplies until after Ramadan which ends in late June. Pakistan has surplus sugar stocks of 1.8 million tonnes while their domestic demand is forecast at 5.1 million tonnes. According to their nation's latest economic survey, Pakistan sees a 12.4% increase in sugar cane output to 73.6 million tonnes during the year ending June 30th.



TODAY'S MARKET IDEAS:

Weather issues that interrupt Brazilian harvesting and crushing along with an extended recovery move in energy prices could help sugar prices find a short-term low. Unless that occurs, the sugar market looks to be headed

further down into new low ground. July sugar near-term resistance is at 15.35 with 14.55 as next support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 06/01/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's 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 14.51. The next area of resistance is around 15.07 and 15.32, while 1st support hits today at 14.67 and below there at 14.51.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 06/01/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next upside target is 137.55. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 135.30 and 137.55, while 1st support hits today at 131.80 and below there at 130.50.

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	14.87	30.02	34.10	31.82	17.91	15.15	15.67	15.66	16.12	16.57
CTAN7	76.98	39.95	43.58	16.15	10.72	77.12	77.81	78.74	78.25	78.35
CTAZ7	72.79	41.47	42.91	29.86	24.62	72.89	73.01	73.34	73.81	74.18
CCAN7	2048	60.78	57.95	59.24	61.59	1968.25	1992.78	1987.00	1962.42	1985.37
OJAN7	133.55	26.25	29.59	10.88	11.34	136.14	137.02	141.24	149.67	155.24
KCAN7	129.35	40.79	41.26	29.51	29.99	130.49	130.34	132.56	136.01	137.95
MAN7	17.26	68.14	65.02	73.54	74.46	17.16	16.92	16.78	16.38	16.40

Calculations based on previous session. Data collected 05/31/2017

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	14.50	14.66	14.91	15.07	15.32
CTAN7	Cotton	76.36	76.65	77.00	77.29	77.64
CTAZ7	Cotton	72.15	72.51	72.70	73.06	73.25
CCAN7	Cocoa	2011	2031	2045	2065	2079
OJAN7	Orange Juice	130.45	131.75	134.00	135.30	137.55
KCAN7	Coffee	125.00	126.80	130.10	131.90	135.20
MAN7	Milk	17.13	17.20	17.24	17.31	17.35

Calculations based on previous session. Data collected 05/31/2017

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