



DAILY SOFTS CURRENCY COMMENTARY Friday June 02, 2017

DAILY COCOA COMMENTARY 06/02/17

Hefty supply outlook may already be priced; OI still falling

Cocoa may face fresh headwinds from the demand side of the market today, but its recent trading action suggests that a near-term bearish supply outlook may already be priced-in. July cocoa traded down 3.7% lower but was able to rebound off the lows yesterday to finish with a moderate loss. A sluggish Eurocurrency may have dampened the demand outlook from a region that accounts for one-third of all global grindings, but many analysts already expect European demand will rise by less than 2% annually over the next few years.

The Eurocurrency could have a volatile reaction to today's US jobs data, however, as a potential sharp selloff could weigh heavily on cocoa prices going into the weekend. The ICCO's forecast for a global production surplus of 382,000 tonnes may not be a surprise to the market given that recent trade forecasts have been running above the 300,000 tonne level. Exports from the Ivory Coast's port of San Pedro totaled 89,540 metric tonnes in April, which was double that of a year ago but is due in large part to last season's poor mid-crop output. The latest COT report will reflect a 16 point increase between the May 23rd and 30th measuring dates.



TODAY'S MARKET IDEAS:

Ivory Coast and Ghana production forecasts may be "maxed out" at the ICCO's levels, so any further growth in the global production surplus may have to come from weaker demand. If the Eurocurrency can avoid a post-US jobs data selloff, cocoa should be in good shape to finish with a sizable weekly gain. Near-term support for July cocoa is at the 50-day moving average of 1978 while resistance is at 2066.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

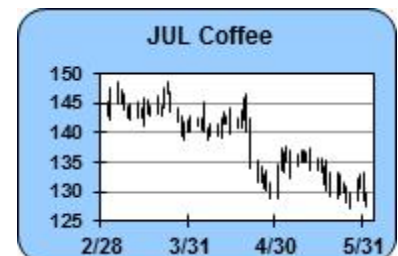
COCOA TECHNICAL OUTLOOK:

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) 06/02/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. 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. The close below the 1st swing support could weigh on the market. The near-term upside target is at 2081. The next area of resistance is around 2057 and 2081, while 1st support hits today at 1991 and below there at 1948.

DAILY COFFEE COMMENTARY 06/02/17

Big Central America crops and huge stocks US and Europe



Brazil's upcoming "off-year" output decline of more than 5 million bags from last season has helped to keep a bullish tone for coffee's near-term supply outlook. However, it has been bearish supply developments from other top-producing nations that put coffee back on the defensive. Central American nations are looking at sizable output increases this season which have weighed on coffee prices over recent weeks. Costa Rican May coffee exports rose to 182,180 bags, up 13.1% from last month's 147,862 bags and up 6.0% from last year's 171,830 bags according to the Costa Rican Coffee Institute. Honduras coffee exports surged 51% in May to 1.09 million bags from 722,011 bags last year according to the Honduran Coffee Institute. Vietnam's Central Highlands coffee belt is projected to get between 15%-30% more rainfall than the historical average according to their National Center for Hydro-Meteorological Forecasting, which should provide a boost to their upcoming 2017/18 crop that has its harvest starting in October. ICE exchange coffee stocks rose by 1,931 bags on Thursday, and are now more than 18% higher since the start of 2017.

TODAY'S MARKET IDEAS:

Building ICE exchange stocks points towards a lukewarm demand outlook that needs to see significant improvement for coffee to sustain a recovery move. Unless global markets come through today's US data with a "risk on" mood, coffee is likely to finish this week by sliding down into new low ground. July coffee will have critical close-in support at 127.15 while near-term resistance is at 130.00. Look for break to 124.75.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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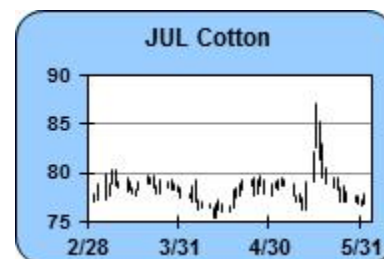
COFFEE (JUL) 06/02/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 125.73. The next area of resistance is around 128.94 and 130.72, while 1st support hits today at 126.45 and below there at 125.73.

DAILY COTTON COMMENTARY

06/02/17

Good weather may get US crop off to good start; more down

Traders await weekly export sales news today after two weeks in a row which showed some old crop sales cancellations from India. With a short-term oversold condition and weather uncertainty in the months ahead, the market found solid buying support on Thursday on news that the US and world economies are growing faster than expected. ADP reported that private payrolls grew by 235,000 people last month which was well above expectations for a gain of 185,000 jobs. In addition, an index of factory activity ticked higher from last month. July cotton found speculative buying support to trade moderately higher on the session yesterday and the buying supported the highest close since May 22nd. The International Cotton Advisory Committee raised their global production forecast for the 2017/18 season to 24.01 million bales from 23.58 million last month. Consumption was also increased to leave their ending stocks estimate unchanged. With cotton price action and soybean price action in the last several months, many traders are considering increasing their planted area estimates for the US and India even with the current estimates for a 21% and 8% increase already expected. Key growing areas of Texas look to receive 3/4 to 1 1/2 inches of rain in the next five days which might slow plantings but should benefit a great start to the non-irrigated acres.



TODAY'S MARKET IDEAS:

With very oversold readings for stochastics, a technical recovery bounce is possible over the near-term but rallies still look like selling opportunities. July cotton key resistance is up at 79.87 and 80.71, with 76.34 as support. Keep 71.97 as a longer-term target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (JUL) 06/02/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 76.47. The next area of resistance is around 78.13 and 78.47, while 1st support hits today at 77.13 and below there at 76.47.

COTTON (DEC) 06/02/2017: The daily stochastics have crossed over up which is a bullish indication. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 74.51. The next area of resistance is around 74.11 and 74.51, while 1st support hits today at 72.89 and below there at 72.08.

DAILY SUGAR COMMENTARY

06/02/17

Jump in open interest suggests that funds shift to net short

Sugar remains squarely on the defensive with another new low this morning. July sugar extended lower yesterday (down more than 4.5%) to push down to a new 15-month low. In addition, sugar prices have been down for seven consecutive sessions and posted a fourth consecutive lower monthly close on Wednesday. Weaker energy prices and a pullback in the Brazilian currency did not help matters, but a bearish supply/demand outlook remains the main source of pressure on the sugar market. The International Sugar Organization (ISO)



forecast a 3 million tonne surplus for the 2017-18 season assuming normal weather which is on the higher end of recent trade estimates. The ISO also lowered 2016-17 global sugar consumption to 172.39 million tonnes from 174.2 million and lowered global production to 165.93 million tonnes from 168.3 million. Brazil's Center South 2017-18 cane production was seen dropping to 596 million tonnes from 607 million in 2016-17. They expect Brazilian mills will have their crushing allocation for sugar at 48% from 46.3% in 2016-17, while Center South ethanol production 2017-18 is expected to fall to 24.2 billion liters. The latest COT report will be released after today's close and will reflect an 85 tick decline (5.3% lower) between the May 23rd and 30th measuring dates.

TODAY'S MARKET IDEAS:

At this point, sugar's net spec long position has shrunk to the point that any post-US jobs data "risk on" mood may not be of much lasting benefit. Unless there are fresh weather issues for Brazilian harvesting and crushing, sugar is likely to finish the week with a further descent into new low ground. However, after seven days down, a technical bounce is possible. July sugar near-term resistance is at 14.73 with 13.99 and 13.80 as next support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 06/02/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 13.61. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 14.63 and 15.22, while 1st support hits today at 13.83 and below there at 13.61.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 06/02/2017: The daily stochastics gave a bearish indicator with a crossover down. 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 lower than the pivot swing number. The next downside target is 129.90. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 133.05 and 134.45, while 1st support hits today at 130.80 and below there at 129.90.

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	14.23	22.56	28.24	24.86	10.93	14.79	15.47	15.60	16.05	16.50
CTAN7	77.63	45.36	46.66	14.13	10.09	77.24	77.64	78.74	78.23	78.32
CTAZ7	73.50	52.14	49.58	30.20	30.88	72.96	73.00	73.30	73.77	74.15
CCAN7	2024	56.68	55.27	61.03	64.60	2005.00	1986.11	1995.78	1959.96	1986.97
OJAN7	131.90	23.64	27.81	10.20	8.84	135.13	135.99	140.43	148.94	154.59
KCAN7	127.70	36.58	38.50	27.33	22.96	130.09	130.13	132.11	135.71	137.69
MAN7	17.12	61.27	60.67	72.80	71.31	17.13	16.98	16.82	16.40	16.41

Calculations based on previous session. Data collected 06/01/2017

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	13.60	13.82	14.41	14.63	15.22
CTAN7	Cotton	76.47	77.13	77.47	78.13	78.47
CTAZ7	Cotton	72.07	72.89	73.29	74.11	74.51
CCAN7	Cocoa	1947	1990	2014	2057	2081
OJAN7	Orange Juice	129.80	130.75	132.15	133.05	134.45
KCAN7	Coffee	125.72	126.44	128.22	128.94	130.72
MAN7	Milk	16.59	16.85	17.12	17.38	17.65

Calculations based on previous session. Data collected 06/01/2017

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