



## DAILY SOFTS CURRENCY COMMENTARY

Wednesday June 07, 2017

### DAILY COCOA COMMENTARY

06/07/17

#### Market beginning to absorb big production surplus - higher lows

Cocoa prices are starting to consolidate after their recent volatile action and despite a fourth negative daily result in a row, remain over 100 points above their late-May lows. The latest weekly reading on Ivory Coast port arrivals was nearly double that of the comparable period last season. This would be "in-line" with the level of mid-crop output improvement needed for Ivory Coast production to reach high-end trade forecasts of 2 million tonnes this season. However, a second week in a row with heavy rainfall over West African growing areas has disrupted the mid-crop harvest and could diminish upcoming supply. Cargill expects that the recent slump in cocoa prices will trigger a strong rebound in bean processing that could reduce one of the largest global production surpluses on record. They feel that many traders are expecting global cocoa processing to jump 3.5% to 5% during the 2016/17 season, with Cargill's estimate on the higher end of that range. The recent strength in the Eurocurrency should provide an added boost to European demand prospects as well, with more than one-third of global grindings taking place in that region which has no domestic source for cocoa beans.



#### TODAY'S MARKET IDEAS:

Lukewarm demand has been a longer-term problem for the cocoa market, but multi-year low prices may be encouraging commercials to step up to the buy side again. If recent heavy rainfall can negatively impact West African mid-crop output, cocoa prices should remain fairly well supported at these current levels. Near-term support for July cocoa is at 1920 while resistance is at 2022.

#### 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.

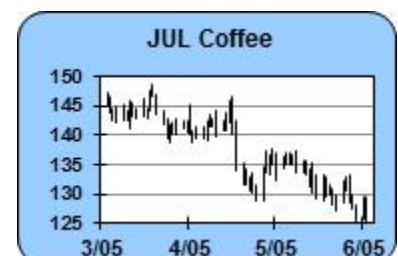
COCOA (JUL) 06/07/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 1926. The next area of resistance is around 1999 and 2023, while 1st support hits today at 1951 and below there at 1926.

### DAILY COFFEE COMMENTARY

06/07/17

#### Cold season ahead might spark some short-covering

Sluggish demand continues to drive prices further to the downside. ICE



exchange coffee stocks rose by 5,911 bags on Tuesday and have now climbed above the 1.495 million level, which is more than a 20% increase since the end of 2016. ICE exchange coffee stocks are also on-track for a sixth monthly increase in a row, which would be the first time that occurred in over four years. The Brazilian harvest is now underway which should help to replenish their currently tight domestic stocks, although their "off-year" Arabica crop could decline by more than 6 million bags from last year. There is rain in the forecast for early next week that could slow down the harvest, but another weather event before then could become a "wild card" factor for the coffee market. Areas in Brazil's major coffee-growing state of Minas Gerais could have potential frost as early as June 10th according to a local meteorological firm. The area that could be most vulnerable is the Pocos de Caldas region, but they account for a relative small part of total Minas Gerais coffee production according to a director of the Cooxupe cooperative.

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

Coffee now has a sizable net spec short position, so more indications of potential Brazilian frost this weekend could trigger a short-covering rebound. Unless there are clear signs that global demand is on the mend (such as consecutive daily ICE exchange stocks declines), coffee's near-term upside potential may be limited at best. July coffee will have near-term resistance at 129.55 with critical close-in support at 125.25 and 124.75.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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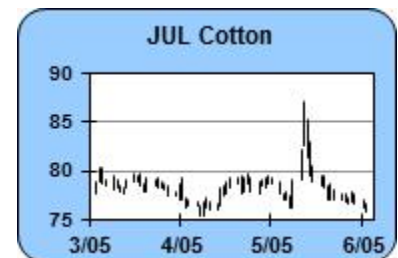
COFFEE (JUL) 06/07/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down is a negative signal. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is 122.39. The next area of resistance is around 127.62 and 130.68, while 1st support hits today at 123.48 and below there at 122.39.

#### **DAILY COTTON COMMENTARY**

06/07/17

#### **Adjustments in plantings and maybe yield could boost production**

With stochastics ready to cross near 6.5, the market is showing an extreme oversold condition and a bounce is possible. This clashes with the overbought reading of the COT report. With speculators holding a historically high net long position and the market trading at the lowest level since April 10th, futures look vulnerable to a significant long liquidation sell-off. Large and small speculators combined held a net long position of 108,129 contracts as of May 30th. The market inched lower in quiet trade yesterday after the weekly update on progress and conditions helped to pressure. Crops rated in good/excellent condition as of June 4th was 61% from 47% last year and 52% as the 20-year average. A good start to the season in the US and expectations for a much bigger crop in India has left the short-term supply fundamental news in the bear camp. With active purchases from mills in China of strategic stocks, import demand from India and China could slow over the next month. China sold 15,500 tonnes (89,563 bales) at their daily auction which was 65.83% of what was offered. The Supply/demand update on Friday may show a little higher production for the US and world.



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

At near 90,000 bales in purchases daily, China mill buying demand for imports could weaken ahead of the new crop season. Crop weather looks favorable for a good start to the growing season and the conditions report this week showed the crop is already above average. Georgia cotton is rated 71% good/excellent compared with 47%

as the 10-year average. July cotton technical indicators are very oversold. Resistance is at 77.31, with 71.97 as the next downside target.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

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COTTON (JUL) 06/07/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 75.41. The next area of resistance is around 76.39 and 76.90, while 1st support hits today at 75.65 and below there at 75.41.

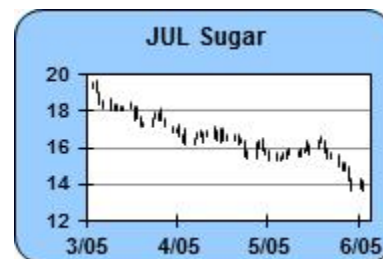
COTTON (DEC) 06/07/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 72.14. The next area of resistance is around 72.76 and 73.10, while 1st support hits today at 72.28 and below there at 72.14.

**DAILY SUGAR COMMENTARY**

06/07/17

**Perhaps wet weather in Brazil and dollar weakness may support**

From a deeply oversold level, the market is vulnerable to a corrective bounce and it should not take much in the way of positive news to spark a bounce. Open interest is up sharply in the past several weeks and reached the highest level since February as funds are building a large net short position. After the close, the US and Mexico announced a trade agreement between the two nations that reduces the allowed amount of refined (processed) sugar for Mexican imports from 53% to 30%. Several US sugar producers are not fully on board just yet as they see a "loophole" in that Mexico would now have a right of first refusal to supply the US with "additional sugar needs" as defined by the USDA. If this agreement is finalized, however, it would reduce the chances that Mexican sugar would be diverted onto global markets. Widespread rainfall is forecast early next week over Brazil's Center south region which could cause fresh delays for cane harvesting and crushing for several days. The Indian Meteorology Department (IMD) raised their monsoon rainfall forecast for this year to 98% of the 50-year average, which improves the chances that both this season and next season's Indian sugar production will come in above 25 million tonnes.



**TODAY'S MARKET IDEAS:**

The news flow has been very one-sided in recent weeks and slowing Brazil production might be enough to spark some short-covering. With sugar prices falling 8.7% last week and with the 14 day relative strength index (RSI) below 30%, the market is extremely oversold. There is not a "game-changing" event on the horizon just yet, but stronger energy prices combined with additional bullish supply news could fuel a near-term recovery move. July sugar will have near-term support at 13.82 while resistance is at 14.76 and 15.11.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 06/07/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 13.42. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 14.25 and 14.51, while 1st support hits today at 13.71 and below there at 13.42.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 06/07/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 139.55. The next area of resistance is around 135.40 and 139.55, while 1st support hits today at 129.70 and below there at 128.10.

## 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	13.98	26.10	29.48	13.51	9.54	13.96	14.68	15.32	15.84	16.29
CTAN7	76.02	35.71	40.48	7.79	4.21	76.66	76.96	78.62	78.13	78.20
CTAZ7	72.52	39.85	41.90	25.98	20.61	72.94	72.93	73.28	73.69	74.02
CCAN7	1975	48.40	49.86	59.81	56.69	1997.00	1972.78	2001.06	1952.76	1990.08
OJAN7	132.55	33.58	33.60	15.29	18.95	133.18	134.79	138.22	147.34	152.87
KCAN7	125.55	36.32	37.86	20.22	15.10	126.81	128.64	130.49	134.70	136.84
MAN7	16.86	50.23	53.35	58.47	47.01	16.95	17.02	16.91	16.42	16.42

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

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	13.41	13.70	13.96	14.25	14.51
CTAN7	Cotton	75.40	75.64	76.15	76.39	76.90
CTAZ7	Cotton	72.14	72.28	72.62	72.76	73.10
CCAN7	Cocoa	1925	1950	1974	1999	2023
OJAN7	Orange Juice	128.05	129.65	133.80	135.40	139.55
KCAN7	Coffee	122.38	123.47	126.53	127.62	130.68
MAN7	Milk	16.72	16.78	16.88	16.94	17.04

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

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