



DAILY SOFTS COMMENTARY

Thursday May 11, 2023

DAILY COCOA COMMENTARY

5/11/2023

A bit overbought after 5 days straight up; 3047 next

After a sluggish start to the month, cocoa prices have posted five positive daily results in a row. With support coming from both the supply and demand sides of the market, cocoa should be able to extend its May rally. July cocoa maintained upside momentum as it reached a new 7-year high yesterday. While the April US CPI and German CPI readings were in-line with trade forecasts, both year-over-year rates had downticks from March, and extended their long-term decline from multi-decade highs last year. This provided a boost to cocoa prices as lower inflation should lead to improved demand for discretionary items such as chocolate.



Indications that Ivory Coast growing areas are seeing an outbreak of swollen shoot disease has provided additional support to the market, as this will make it more difficult for their cocoa production to exceed last season's output. Ghana's 2022/23 production should improve from last season but will come in well below their 1.05 million tonne output during the 2021/22 season. As a result, there is a growing consensus in the market that cocoa will have a sizable global production deficit for a second season in a row.

TODAY'S MARKET IDEAS:

There will be Chinese CPI before the open and US PPI at midsession that could rattle the market, but cocoa appears to have cleared the key inflation reading that may have eroded near-term demand prospects. With bullish West African supply factors providing support, cocoa should be able to extend its May rally. Near-term support for July cocoa is at 2979, with 3047 and 3088 as next resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COCOA TECHNICAL OUTLOOK:

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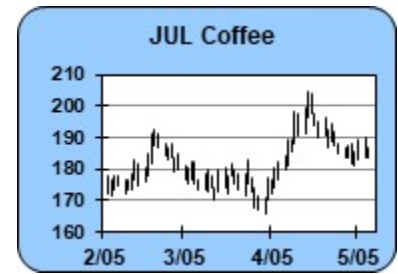
COCOA (JUL) 05/11/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 3073. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 3052 and 3073, while 1st support hits today at 3000 and below there at 2969.

DAILY COFFEE COMMENTARY

5/11/2023

Oversold and in position for a recovery bounce

Coffee prices continue to see coiling action. The market has seen four sessions in a row with a "higher low", and that may be setting the stage for an upside breakout. In-line CPI readings from the US and Germany showed more evidence of a longer-term decline in inflation, and that provided support to coffee prices as that should strength out-of-home consumption. ICE exchange coffee stocks fell by 1,140 bags on Wednesday to reach a new 2023 low, which also reflect some improvement with Euro zone demand. Brazilian Arabica growing areas should see dry weather over the next week which will help to speed up their current harvest, which pressured coffee prices late yesterday.



The Brazilian trade group Cecafe said that Brazil's April Arabica exports were 2.271 million bags, which was 13.8% below last year and their lowest April total since 2019. However, Cecafe forecast that Brazil's coffee exports should improve in May and June as farmers and buyers have become more active with sales. While Brazilian exports will increase by the end of the second quarter, this may be offset by Colombia continuing to have production hold near 9-year lows.

TODAY'S MARKET IDEAS:

If global risk sentiment can see improvement after today's key US PPI data, coffee may have an upside breakout from its late April/May consolidation. Near-term support for July coffee is at 184.20 while resistance is at 190.15 and 193.00.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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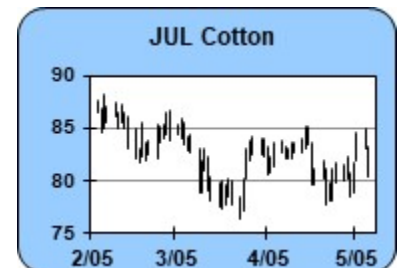
COFFEE (JUL) 05/11/2023: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 189.37. The next area of resistance is around 187.59 and 189.37, while 1st support hits today at 184.30 and below there at 182.78.

DAILY COTTON COMMENTARY

5/11/2023

Shift to better soil conditions in Texas

July cotton closed moderately lower yesterday after chopping around in the lower end of Tuesday's big range down. Traders are gearing up for the weekly Export Sales report on today and the monthly USDA supply/demand (WASDE) report on Friday. For the supply/demand report, the average trade expectation for US 2023/24 cotton production is 15.78 million bales, with a range of expectations from 14.70 to 18.05 million. This would be up from 14.68 million in 2022/23. US ending stocks are expected to come in around 4.18 million bales (range 3.33-5.05 million) versus 4.10 million in 2022/23. World ending stocks are expected to come in around 90.34 million bales versus 92.01 million in 2022/23.



Last week's export sales reports showed US cotton sales for the week ending April 27 coming at 258,202 bales, which was the highest since March 23. Cumulative sales for 2022/23 had reached 107% of the USDA forecast for the marketing year versus a five-year average of 105% for this point in the season. Drought-stricken west Texas has seen a significant increase in rainfall this week. The 1-5 day forecast calls for rainfall of up to 5 inches, and the 6-10 and 8-14 day forecasts show above normal chances of rain. It will be interesting to see if the weekly US drought monitor, which is released on Thursday, shows any improvement.

TODAY'S MARKET IDEAS:

July cotton close in resistance is at 81.83, with support at 79.74 and 78.60. December cotton resistance is at 81.85, with support at 80.21 and 78.95.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (JUL) 05/11/2023: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 near-term upside target is at 82.23. The next area of resistance is around 81.46 and 82.23, while 1st support hits today at 80.06 and below there at 79.43.

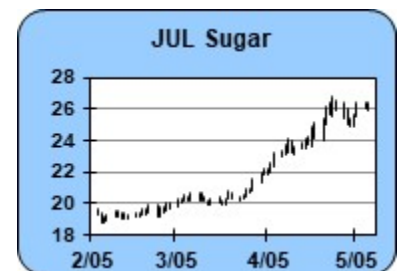
COTTON (DEC) 05/11/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 82.12. The next area of resistance is around 81.38 and 82.12, while 1st support hits today at 80.14 and below there at 79.63.

DAILY SUGAR COMMENTARY

5/11/2023

Asia tightness continues to support; smaller Thai crop

After several days of consolidation, sugar prices have regained upside momentum and are within striking distance of a new 11-year high. While Brazil's cane harvesting and crushing are underway, the sugar market continues to find support from Asian supply developments. Indications that India will not allow further sugar exports this season continues to provide support, as recent 2022/23 production are showing more than a 3 million tonne decline from last season. In addition, Czarnikow forecast Thailand's 2023/24 cane crop will decline 21% from this season as farmers switch to other crops.



A moderate rebound in the Brazilian currency gave sugar prices further strength as that should ease pressure on Center-South mills to produce sugar for the global export marketplace. There has been a shift towards drier weather over Center-South cane growing regions over recent weeks, and that should help harvesting and crushing reach full speed this month.

While crude oil and gasoline prices are well above last week's lows, mills should keep sugar's share of crushing above last season's levels. Both energy prices and the Brazilian currency have rallied from their recent lows which has provided a boost to sugar prices this week.

TODAY'S MARKET IDEAS:

While the market may reach a new 11-year high this week, sugar remains vulnerable to a downside move with Brazil's Center-South cane harvest underway. Near-term resistance for July sugar is at 26.83 and 27.24, with support at 26.09.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July Sugar 25.00 put from 60 with an objective of 129. Risk to 32.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/11/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 27.24. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 27.02 and 27.24, while 1st support hits today at 26.30 and below there at 25.79.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/11/2023: 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. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 238.30. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 253.00 and 259.70, while 1st support hits today at 242.30 and below there at 238.30.

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										
SBAN23	26.66	71.83	71.95	75.74	80.63	26.32	25.89	25.39	22.96	22.14
CTAN23	80.76	47.11	47.78	50.15	51.27	82.24	81.33	81.22	81.22	81.94
CTAZ23	80.76	46.34	47.08	47.67	49.29	82.00	81.25	81.29	81.54	82.05
CCAN23	3026	70.03	65.80	61.52	76.22	2978.00	2938.44	2945.22	2862.73	2837.97
OJAN23	247.65	28.99	38.04	23.70	12.33	256.25	261.88	265.96	254.20	247.45
KCAN23	185.95	47.85	49.73	24.46	24.94	186.11	185.69	190.03	182.74	182.88
MAM23	17.19	44.23	40.59	14.79	17.13	17.03	17.06	17.37	18.01	18.17

Calculations based on previous session. Data collected 05/10/2023

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						
SBAN23	Sugar	25.78	26.29	26.51	27.02	27.24
CTAN23	Cotton	79.43	80.06	80.83	81.46	82.23
CTAZ23	Cotton	79.62	80.13	80.87	81.38	82.12
CCAN23	Cocoa	2969	3000	3021	3052	3073

OJAN23	Orange Juice	238.25	242.25	249.00	253.00	259.70
KCAN23	Coffee	182.77	184.30	186.07	187.59	189.37
MAM23	Milk	16.69	16.97	17.13	17.41	17.57

Calculations based on previous session. Data collected 05/10/2023

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