



## DAILY SOFTS COMMENTARY

Thursday May 18, 2023

### DAILY COCOA COMMENTARY

5/18/2023

#### Still in need of correction and still May 12 key reversal

Cocoa's demand issues will not be fully soothed until inflation has fallen to lower levels. With the market already receiving bullish supply developments, however, cocoa prices should be well supported on corrective breaks. While their latest reading was in-line with trade forecasts, an uptick in the year-over-year Euro zone CPI reading pressured cocoa prices early in the day. While well below last year's levels, high inflation may weaken near-term chocolate demand in Europe which remains the largest grinding region.



A rebound in global risk sentiment and US equity markets helped cocoa prices to regain upside momentum late in the session yesterday. West Africa's early mid-crop harvest has seen many cocoa beans that are smaller and have lower quality than normal. Those beans will be diverted towards their domestic cocoa processing firms, and that should result in Ivory Coast increasing its lead as the world's largest cocoa grinding nation. This could also result in lower than expected full-season production and will likely reduce the amount of export-quality beans available to buyers.

#### TODAY'S MARKET IDEAS:

Given the market's positive supply/demand outlook, a near-term pullback would provide a fresh opportunity for traders to approach the long side of the cocoa market. Near-term support for July cocoa is at 2930 and 2904.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

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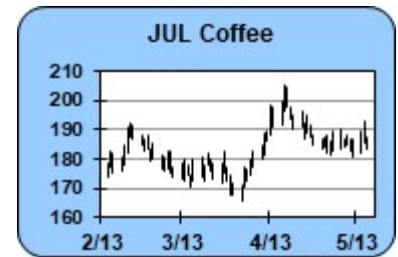
COCOA (JUL) 05/18/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 3039. The next area of resistance is around 3022 and 3039, while 1st support hits today at 2978 and below there at 2951.

### DAILY COFFEE COMMENTARY

5/18/2023

## Consolidation is normally a continuation pattern

Coffee prices continue to have trouble maintaining upside momentum as Tuesday's upside breakout move failed to lift the market above its recent consolidation zone. However, the market has seen a bullish shift in recent supply/demand news. There is dry weather in the forecast for Brazil's major Arabica growing regions through late next week, and that has pressured coffee prices as that should help to speed up this year's harvest.



Brazil's Robusta harvest started earlier and is 30% complete in some locations, which will help to ease tight global supply levels and has put carryover pressure on Arabica prices. In addition, reports that Peru's upcoming 2023/24 coffee production will have a 16% increase from this season also weighed on coffee prices. ICE exchange coffee stocks fell 4,832 bags on Tuesday and remain on-track for a fourth monthly decline in a row. In addition, it has been over a month since any coffee went through the ICE exchange grading process. The longer-term drawdown in ICE exchange coffee stocks reflects some improvement with demand, particularly in Europe.

### TODAY'S MARKET IDEAS:

If global risk sentiment can regain and sustain a positive tone, coffee should lift decisively above its late April/May consolidation zone. Near-term support for July coffee is at 180.60, with resistance at 189.85 and 192.75.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

## COFFEE TECHNICAL OUTLOOK:

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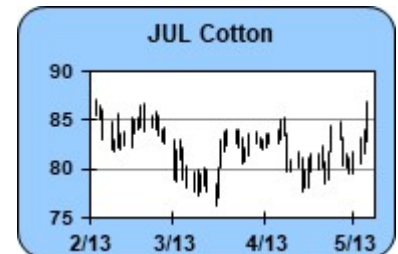
COFFEE (JUL) 05/18/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 190.01. The next area of resistance is around 188.12 and 190.01, while 1st support hits today at 183.98 and below there at 181.72.

## DAILY COTTON COMMENTARY

5/18/2023

### Impressive run higher in the face of higher US dollar

July cotton traded to its highest level since February 13 yesterday, taking out previous highs from May 8, April 19, and March 2. The market has closed higher for four straight sessions. This has come in the wake of last Friday's USDA supply demand report, in which US ending stocks for 2022/23 were lowered from 4.10 million bales to 3.50 million. This would be their lowest since 2020/21 and their second lowest since 2016/17. The fact that the market rallied so sharply in the face of a stronger dollar and a steep selloff in the grains was impressive, although it did garner support from gains in equities and crude oil. The weekly export sales reports have been consistently strong for the past three weeks, and another strong report on Thursday would help justify Wednesday's rally. However, if the report comes up short, it could spark a selloff.



Last week's report showed US cotton export sales for the week ending May 4 at 259,577 tonnes, which was the highest since March 23 and third straight week above 200,000. We suspect there could be some disappointment if this week's report is below that level. For new crop, there is a potential concern for India if the potential El Nino

disrupts planting or reduces yield. Rain totals for west Texas are slightly below last week, but this is still a major improvement over the trend of the past year. The 1-5-day maps call for up to 2 inches in the Panhandle and diminishing to 1/4 inch further south. The 6-10 and 8-14-day maps continue to show above normal chances of rain. Last Thursday's US Drought Monitor showed little improvement over the previous week, and it will be interesting to see if there is any improvement in Thursday's update.

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

The move in the July contract back above key resistance leaves the next upside target at 90.79. Initial resistance comes in at 87.50, and then the January high of 89.59. Support comes in at 86.00 and 83.97. December cotton reacted less strongly. Resistance comes in at 84.50, with support at 81.70 and 81.18.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COTTON TECHNICAL OUTLOOK:**

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COTTON (JUL) 05/18/2023: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 90.09. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 89.02 and 90.09, while 1st support hits today at 84.86 and below there at 81.77.

COTTON (DEC) 05/18/2023: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 85.38. The next area of resistance is around 84.88 and 85.38, while 1st support hits today at 82.90 and below there at 81.41.

#### **DAILY SUGAR COMMENTARY**

5/18/2023

#### **Funds hold big net long; sellers could get more active on break**

Sugar's coiling action during May so far has kept the market in close proximity to its multi-year high from late April. However, an inability to benefit from significant carryover support from key outside markets may indicate that sugar may be set up for a sizable downside move. Brazil's Petrobras has changed their pricing policy for their domestic gasoline prices, which in turn has pressured the sugar market. Brazil's Center-South domestic ethanol sales last month came in below last year's total, and the prospect of lower gasoline prices may further erode Brazilian ethanol demand.



A shift towards drier weather may help to speed up Brazil's Center-South cane harvesting and crushing, which also pressured the sugar market as sugar production over the past 1 1/2 months has been running well ahead of 2022's pace. After normal and above normal rainfall during the past four monsoons, India's reservoirs were 22% above their 10-year average late last week. This would provide a cushion for India's 2023/24 cane production if the start of an El Nino weather event has a negative impact on this year's monsoon rainfall.

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

Brazil's Center-South remains on-track for a sizable production increase this season, with most of that increased supply heading into the global export marketplace. With Petrobras wholesale gasoline prices likely to fall by more than 10% by the end of May, sugar prices may be setting up for a downside breakout move. Near-term resistance for July sugar is at 26.15 and 26.26. A close under 25.62 would suggest a break to 24.17.

#### 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) 05/18/2023: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 25.60. The next area of resistance is around 26.08 and 26.29, while 1st support hits today at 25.74 and below there at 25.60.

#### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/18/2023: 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 near-term upside objective is at 257.25. The next area of resistance is around 254.40 and 257.25, while 1st support hits today at 249.55 and below there at 247.50.

#### 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
<b>SOFTS MARKETS COMPLEX</b>										
SBAN23	25.91	54.61	60.04	71.39	66.25	26.12	26.20	25.94	23.59	22.70
CTAN23	86.94	70.10	64.02	58.32	73.67	83.31	82.42	81.27	81.32	81.87
CTAZ23	83.89	63.52	58.62	53.26	68.07	82.08	81.77	81.09	81.46	81.93
CCAN23	3000	61.30	60.34	70.59	72.04	2990.25	2986.22	2954.33	2894.96	2859.52
OJAN23	251.95	43.21	45.29	23.62	30.29	250.18	252.76	260.96	256.44	249.82
KCAN23	186.05	49.11	50.02	32.84	39.36	186.28	185.84	186.72	183.78	183.16
MAM23	16.32	24.24	27.31	11.89	12.16	16.41	16.74	16.98	17.80	17.97

Calculations based on previous session. Data collected 05/17/2023

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>						
SBAN23	Sugar	25.59	25.73	25.94	26.08	26.29
CTAN23	Cotton	81.77	84.86	85.93	89.02	90.09
CTAZ23	Cotton	81.40	82.89	83.39	84.88	85.38
CCAN23	Cocoa	2951	2978	2995	3022	3039
OJAN23	Orange Juice	247.45	249.50	252.35	254.40	257.25
KCAN23	Coffee	181.71	183.97	185.86	188.12	190.01

MAM23	Milk	15.99	16.14	16.35	16.50	16.71
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**Calculations based on previous session. Data collected 05/17/2023**

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