



## DAILY SOFTS COMMENTARY

Tuesday May 23, 2023

### DAILY COCOA COMMENTARY

5/23/2023

#### Weather concerns and second global production deficit in a row

Cocoa saw little upside follow-through from last Friday's outside-day higher close as near-term demand concerns remain a source of headwinds for the market. The supply side outlook remains bullish, however, and that should help cocoa remain well supported on a near-term pullback. The likelihood that an El Nino weather event later this year will have a negative impact on West's Africa's 2023/24 cocoa production provided an early boost to prices. However, lukewarm global risk sentiment early this week has weakened the demand outlook for discretionary items such as chocolate.



In addition, daily rainfall in the forecasts for West African growing areas through the end of May weighed on cocoa prices as that should improve the prospects for late harvested mid-crop beans. The latest weekly Ivory Coast port arrivals total came in above the comparable last year, which indicates that their mid-crop harvesting has picked up speed in recent weeks. However, the Ivory Coast full season arrivals total remains well behind last season's pace, and that increases the chances for a second sizable global production deficit in a row. If El Nino starts up during the third quarter, it would bring drier than normal conditions to West African growing areas.

#### TODAY'S MARKET IDEAS:

This could set the start for a third sizable global production deficit in a row, and that can help to underpin cocoa prices before they fall through their late May consolidation zone. Near-term support for July cocoa is at the 3012-2996 zone, with resistance at 3074 and 3112.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

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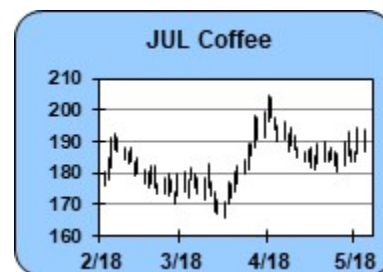
COCOA (JUL) 05/23/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 3096. The next area of resistance is around 3053 and 3096, while 1st support hits today at 2993 and below there at 2976.

### DAILY COFFEE COMMENTARY

5/23/2023

## July needs close over 195.60 for resumption of uptrend

Coffee prices continue to see coiling action that has kept the market from breaking out of its recent consolidation zone. Recent supply/demand news has been supportive, however, and that should help the coffee market hold its ground above the 50-day and 200-day moving averages. Tight near-term Robusta supplies continues to provide carryover support to the New York coffee market, as Vietnamese near-term stocks have been nearly depleted while Brazil's newly harvested Robusta crop will not see sizable exports until the third quarter. Robusta futures pushed to the highest level since 2008.



The USDA forecast Indonesia's 2023/24 Robusta production at 8.4 million bags, which would be a 20% decline from this season due to heavy rainfall. This should result in Indonesia's 2023/24 exports falling by 32% from this season, which will also impact global Robusta supply through year-end. Brazil's 2023/24 Arabica harvest is starting to speed up after a slow start, and that could put pressure on the coffee market. ICE exchange coffee stocks fell by 2,513 bags on Monday and have reached their lowest levels of 2023 so far.

### TODAY'S MARKET IDEAS:

While Brazil and Colombia are expected to have mild production increases during the 2023/24 season, demand should improve as inflation levels continue to decline. Coffee prices may see volatile action through month-end, but also have plenty of supply/demand support to regain upside momentum. Near-term support for July coffee is at 187.50, with 195.60 as next resistance.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

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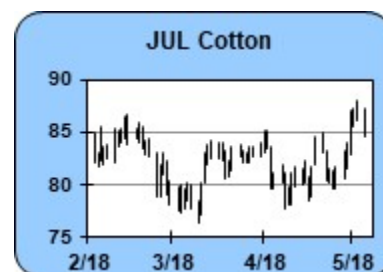
COFFEE (JUL) 05/23/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 196.87. The next area of resistance is around 192.80 and 196.87, while 1st support hits today at 185.60 and below there at 182.48.

## DAILY COTTON COMMENTARY

5/23/2023

### Weather still improving and demand uncertainties

July cotton turned lower on Friday from a key resistance level, and then the market fell sharply on the session yesterday. Demand concerns persist and the market saw selling pressure from a stronger US dollar and decent weather for the cotton belt. Talk of longer-term economic concerns due to difficult negotiations on the debt ceiling was seen as a bearish factor as well. April cotton imports from China reached only 80,000 tonnes, down 51.7% from last year. Year-to-date imports fell 51.8% to just 380,000 tonnes. Cotton planted as of May 21 was up 10% at 45%. This is down 7% versus last year and down 4% versus the 10 year average. The top producing states reported with Texas 35% (+5%), Georgia 51% (+19%), Oklahoma 27% (+11%), Arkansas 79% (+23%) and Alabama 67% (+16%).



### TODAY'S MARKET IDEAS:

The forecast for the next five days shows near 1 inch of rain for key growing areas of Texas. The 6-10 day and the 8-14 day forecast models show above normal precipitation for Texas growing areas. This is a bearish weather forecast. Resistance for July cotton moves down to 85.32 and 86.72, with 82.30 and 80.04 as support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

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COTTON (JUL) 05/23/2023: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 88.26. The next area of resistance is around 86.64 and 88.26, while 1st support hits today at 84.00 and below there at 82.99.

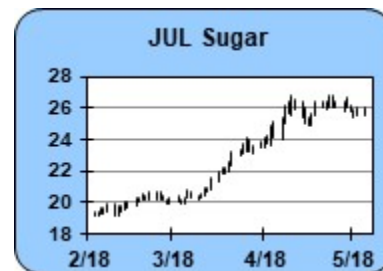
COTTON (DEC) 05/23/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside objective is 84.76. The next area of resistance is around 84.09 and 84.76, while 1st support hits today at 82.67 and below there at 81.91.

**DAILY SUGAR COMMENTARY**

**5/23/2023**

**Southeast Asia weather still a concern with El Nino ahead**

Sugar prices were able to benefit from bullish supply news and a rebound in key outside markets, but the market remains well below the recent highs. Until the market receives bullish developments from Brazil, sugar remains vulnerable to a near-term pullback. The International Sugar Organization (ISO) downwardly revised their 2022/23 global production surplus forecast from 4.15 million down to 854,000 tonnes, due in large part to a reduction in global production from 180.4 million down to 177.4 million tonnes.



The ISO had sizable cuts to 2022/23 production for India (down 1.5 million tonnes), Thailand (down 1.32 million) and China (down 840,000) while they increased Brazil's 2022/23 production by 950,000 tonnes. The EU's MARS agency said that heavy spring rain will delay sugar beet planting in several EU nations. Crude oil and RBOB gasoline were able to regain strength after the weekend, and that provided carryover support to the sugar market as it may help to improve ethanol demand, the Brazilian currency put together a moderate rebound that should ease pressure on Brazilian mills to produce sugar for export.

**TODAY'S MARKET IDEAS:**

Recent production issues in India, Thailand and China have been a front-and-center issue for the market since the start of this year, so the ISO's production forecast updates may not provide much more additional support. Brazil's Center-South cane harvest is well ahead of last year's pace, and that may continue to pressure. Near-term resistance for July sugar is at 26.09 and 26.26, with support at 25.62. Key support is back at 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) 05/23/2023: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 25.44. The next area of resistance is around 26.22 and 26.37, while 1st support hits today at 25.76 and below there at 25.44.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/23/2023: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 277.05. The next area of resistance is around 274.10 and 277.05, while 1st support hits today at 262.35 and below there at 253.50.

### DAILY TECHNICAL STATISTICS

|                              | CLOSE  | 9 DAY<br>RSI | 14 DAY<br>RSI | 14 DAY<br>SLOW<br>STOCH D | 14 DAY<br>SLOW<br>STOCH K | 4 DAY<br>M AVG | 9 DAY<br>M AVG | 18 DAY<br>M AVG | 45 DAY<br>M AVG | 60 DAY<br>M AVG |
|------------------------------|--------|--------------|---------------|---------------------------|---------------------------|----------------|----------------|-----------------|-----------------|-----------------|
| <b>SOFTS MARKETS COMPLEX</b> |        |              |               |                           |                           |                |                |                 |                 |                 |
| SBAN23                       | 25.99  | 55.94        | 59.85         | 60.82                     | 56.51                     | 25.82          | 26.06          | 25.96           | 23.97           | 23.02           |
| CTAN23                       | 85.32  | 60.13        | 58.04         | 74.16                     | 79.09                     | 86.41          | 83.59          | 82.44           | 81.78           | 82.01           |
| CTAZ23                       | 83.38  | 58.83        | 56.03         | 73.22                     | 82.87                     | 83.72          | 82.19          | 81.71           | 81.68           | 81.97           |
| CCAN23                       | 3023   | 59.13        | 59.41         | 75.62                     | 78.61                     | 3020.50        | 3008.00        | 2967.56         | 2918.67         | 2872.80         |
| OJAN23                       | 268.15 | 63.38        | 58.88         | 39.75                     | 55.79                     | 257.88         | 253.01         | 258.48          | 258.26          | 251.25          |
| KCAN23                       | 189.20 | 54.28        | 53.39         | 47.80                     | 58.11                     | 188.48         | 186.88         | 186.41          | 184.71          | 183.19          |
| MAM23                        | 16.32  | 37.13        | 35.02         | 12.38                     | 16.59                     | 16.16          | 16.45          | 16.77           | 17.62           | 17.84           |

Calculations based on previous session. Data collected 05/22/2023

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        | 25.43     | 25.75     | 25.90  | 26.22    | 26.37    |
| CTAN23                       | Cotton       | 82.98     | 84.00     | 85.62  | 86.64    | 88.26    |
| CTAZ23                       | Cotton       | 81.90     | 82.66     | 83.33  | 84.09    | 84.76    |
| CCAN23                       | Cocoa        | 2976      | 2993      | 3036   | 3053     | 3096     |
| OJAN23                       | Orange Juice | 253.40    | 262.30    | 265.25 | 274.10   | 277.05   |
| KCAN23                       | Coffee       | 182.47    | 185.60    | 189.67 | 192.80   | 196.87   |
| MAM23                        | Milk         | 15.94     | 16.15     | 16.27  | 16.48    | 16.60    |

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