



DAILY SOFTS CURRENCY COMMENTARY

Thursday January 12, 2017

DAILY COCOA COMMENTARY

01/12/17

Surging Malaysia grind numbers may support better demand tone

Significant weakness in the US dollar plus news this morning that Malaysia 4th quarter grindings hit 57,029 tonnes (up 18.7%) helped to support strong gains. March cocoa slumped to a new contract low (down over 4.5%) on the session yesterday before finishing with a sizable loss. Sharp selloffs in the Eurocurrency and British Pound weighed on cocoa prices early, but when both currencies recovered it allowed March cocoa to put together a moderate rebound from its low. Expectations of a large recovery in global production this season remain a source of pressure, even though output results so far have been roughly in-line with last season's comparable totals. Nigeria's December cocoa exports declined to 13,444 tonnes, down 31% from November total of 19,413 and compared to 13,748 tonnes shipped last year, which adds to recent updates from Ivory Coast and Ghana that are mildly ahead of last season's pace. At current price levels, the market has priced-in a 2016/17 global production surplus of over 200,000 tonnes. If global demand hold steady, world cocoa production will have to rise by at least 300,000 tonnes in order to match those surplus expectations with most of that improvement coming from the late main crop and mid-crop harvest.



TODAY'S MARKET IDEAS:

Cocoa has been able to bounce back from selloffs into new low ground over the past month and a half. Even so, the market is well into "value zone" territory and could see a sizable turnaround if there is fresh bullish supply/demand news for the market to digest. If Malaysia grind numbers are matched by other regions, a more promising demand tone may persist. Near-term support is at 2135 while resistance is at 2198 and 2220.

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 (MAR) 01/12/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 2045. The next area of resistance is around 2175 and 2236, while 1st support hits today at 2079 and below there at 2045.

DAILY COFFEE COMMENTARY

01/12/17

Strong recovery off of the December lows; a bit overdone



The market is up again this morning and coffee has only posted one negative result since December 28th as bullish supply developments continue to fuel its recovery move. March coffee traded to a high of 150.90 (up 2.1% and the highest the market has traded since December 1st) before finishing with a moderate gain yesterday. Coffee-growing areas Vietnam's Central Highlands province of Daklak will see little to no rain through January 20th according to their provincial Meteorology and Hydrology department. The province of Daklak produces about 30% of Vietnam's coffee and while this season's harvest is nearly complete, dry conditions early last year had government officials looking at a 10% to 20% decline in production. Espirito Santo is the top Robusta growing state in Brazil and is coming off a poor harvest this season and dryness concerns persist. Next season (2017/18) will be the "off year" in Brazil's biannual crop cycle with early forecasts calling for the world's top coffee grower to see around a 6 million bag decline from this season. ICE exchange coffee stocks rose by 7,921 bags.

TODAY'S MARKET IDEAS:

The rally is leaving traditional technical indicators in an overbought condition but there is still no sign of a short-term peak. Key resistance is at 150.70 for March coffee and a decisive move above this level would leave 156.20 as next target. Support is back at 144.00.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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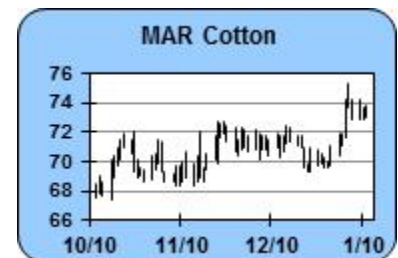
COFFEE (MAR) 01/12/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 152.53. The next area of resistance is around 150.72 and 152.53, while 1st support hits today at 147.28 and below there at 145.64.

DAILY COTTON COMMENTARY

01/12/17

USDA update today may need to show tighter stocks or down

A US dollar break is helping to support the market overnight. An early rally failed to attract new buying interest yesterday as March cotton closed lower on the session. Traders seem to be positioning ahead of the supply/demand update from the USDA for release during the session today and without help from the USDA report, the market focus will shift to the new crop planted acreage outlook. For the report, traders see US production estimates near unchanged from 16.5 million bales reported in the December update. Traders see exports increasing by 200,000 bales to 12.4 million. Ending stocks are expected to decline by 200,000 bales to 4.6 million. The early rally yesterday failed to hold even with a shift from sharply higher to lower on the day for the US dollar. Keep in mind that large and small specs combined held a net long position of 123,588 contracts in the last COT report and this compares with the record high (12 years of data) 129,020 contract net long position. ICE cotton certified deliverable stocks jumped to 108,133 bales yesterday from 101,900 bales Tuesday, 101,612 bales Monday, 90,639 Friday and up from near 40,000 bales on Thursday, January 5th. A further advance in stocks will be seen as a bearish force. In addition, a surge in moisture for West Texas is a longer-term bearish weather factor.



TODAY'S MARKET IDEAS:

Without help from the USDA report today, the focus may shift to prospective plantings for the coming year, which

might be seen as a negative factor. There is talk that Chinese, US and Pakistani acreage could increase. Short-term selling resistance for March cotton is at the 73.79, with 71.73 and 70.61 as key support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 01/12/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 74.09. The next area of resistance is around 73.55 and 74.09, while 1st support hits today at 72.73 and below there at 72.45.

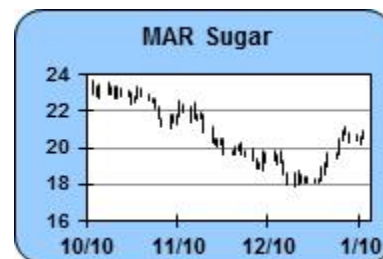
COTTON (MAY) 01/12/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next upside target is 74.50. The next area of resistance is around 74.04 and 74.50, while 1st support hits today at 73.28 and below there at 72.99.

DAILY SUGAR COMMENTARY

01/12/17

Still overbought and may see more re-balance selling this week

Sugar prices are having a bumpy ride during the annual commodity index fund rebalancing, but so far have avoided any large-scale pullback from its recent highs. Despite expectations for significant long liquidation due to re-balance selling, sugar prices have only posted one negative daily result so far this week. Sugar found carryover support from a stronger Brazilian currency and crude oil prices, but is also benefiting from bullish supply developments as well. The Indian government is not considering a cut to import duties in the near term according to their Food Minister, even though domestic sugar prices have risen more than 10% in the past month. India is widely expected to see a decline in sugar production this season, due in large part to poor monsoon seasons in 2014 and 2015 as well as lower planted area in their top producing state of Maharashtra. Traders see dryness in northeastern producing areas as a production issue ahead.



TODAY'S MARKET IDEAS:

It will be difficult for sugar to post a new 1 1/2 month high with rebalancing selling hanging above the market this week, but a bullish near-term supply setup will continue to keep near-term pullback relatively shallow in nature. Near-term support for March sugar is at 20.30 and 19.90, with 20.94 and 21.97 as next resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/12/2017: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 21.03. The next area of resistance is around 20.76 and 21.03, while 1st support hits today at 20.36 and below there at 20.22.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/12/2017: The daily stochastics have crossed over up which is a bullish indication. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 186.50. The next area of resistance is around 185.40 and 186.50, while 1st support hits today at 182.35 and below there at 180.40.

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										
SBAH7	20.56	67.91	61.57	79.68	80.45	20.55	20.38	19.37	19.82	20.46
CTAH7	73.14	62.61	60.52	64.80	65.60	73.33	72.68	71.41	71.18	70.86
CTAK7	73.66	65.10	62.06	68.48	70.59	73.76	73.02	71.77	71.63	71.31
CCA7	2127	36.78	38.05	42.51	36.62	2194.75	2192.78	2219.33	2319.02	2396.68
OJAH7	183.90	35.59	35.92	21.81	23.18	182.14	187.96	190.28	202.16	202.60
KCAH7	149.00	69.72	59.36	70.63	84.56	145.94	142.13	141.08	149.75	153.64
MAF7	16.74	57.39	55.43	24.69	32.61	16.67	16.58	16.69	16.51	16.26

Calculations based on previous session. Data collected 01/11/2017

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						
SBAH7	Sugar	20.21	20.35	20.62	20.76	21.03
CTAH7	Cotton	72.45	72.73	73.27	73.55	74.09
CTAK7	Cotton	72.98	73.28	73.74	74.04	74.50
CCA7	Cocoa	2044	2079	2140	2175	2236
OJAH7	Orange Juice	180.30	182.30	183.40	185.40	186.50
KCAH7	Coffee	145.63	147.27	149.08	150.72	152.53
MAF7	Milk	16.69	16.71	16.74	16.76	16.79

Calculations based on previous session. Data collected 01/11/2017

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