



## DAILY SOFTS CURRENCY COMMENTARY

Wednesday January 18, 2017

### DAILY COCOA COMMENTARY

01/18/17

#### Some positive demand news could spark significant buying

The market rallied sharply yesterday with an outside day up and a moderate gain and filled in the January 6th/9th chart gap. The British Pound bounced more than 4 cents off of its early low and along with a stronger Eurocurrency helped to repair European demand prospects that were deflated by a disappointing fourth quarter grindings result. In addition, there were reports of more unrest in the Ivory Coast as shots were being fired in military camps in several cities. While the violence appears to be contained for now, this makes for a second weekend in a row with conflict in the world's top cocoa producer. Although there has been no lasting impact on the shipment of cocoa beans to their main ports of Abidjan and San Pedro, the 2010/11 Ivory Coast Civil War remains fresh in the memory of many traders so there will be some measure of risk anxiety in the market until these incidents wind down. The Ivory Coast's Cocoa and Coffee Council will cancel 300,000 tonnes of export contracts held by domestic firms and resell them to international exporters. While new transactions are likely to be done at lower prices than the original transactions, this is unlikely to create a short-term surge of export supply onto global markets.



#### TODAY'S MARKET IDEAS:

The market is back on-track for re-challenging the early January highs. Near-term support is at 2198 with resistance at 2291 and then 2361 for March Cocoa.

#### NEW RECOMMENDATIONS:

\* Buy the May cocoa 2200 put and also sell the May Cocoa 2450 call for a net premium paid of 36 points. Once filled, buy May cocoa at the market.

#### 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) 01/18/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance 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. A positive signal was given by the outside day up. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 2309. The next area of resistance is around 2279 and 2309, while 1st support hits today at 2191 and below there at 2134.

### DAILY COFFEE COMMENTARY

01/18/17

#### Short-term overbought technical condition; back and fill



Coffee continues to benefit from supply-side support, but some fresh questions on the demand side leaves the market vulnerable to a near-term pullback. March coffee traded to a new high close for the move yesterday and the 10th positive daily result in the past 12 sessions. Brazil's 2017/18 coffee production was seen at 43.7 to 47.5 million bags according to their government agency Conab. This is down 15.0% from last year's 51.4 million bag total as their coffee trees are in the lower yielding "off-year" of their biannual cycle. Conab's forecast for 2017/18 Robusta production is 8.64-9.63 million bags which is an improvement on last season's abysmal 7.99 million bags. However, Conab's forecast for 2017/18 Arabica production is at 35.0-37.9 million bags, which is down sharply from 43.4 million bags last season.

Vietnam's December coffee exports were seen at 148,074 tonnes (2.47 million bags), up 29% from November while their January-December exports were estimated at 1.78 million tonnes (29.67 million bags), up 33.0% versus last year. Keep in mind that Vietnam's exporters were holding back on marketing their supplies last year, so the year-over-year export gain will be exaggerated. US green coffee stocks rose by 57,657 bags during December to 6.256 million, while ICE exchange coffee stocks rose by 7,253 bags on Tuesday, both of which show some softening of demand over the past few weeks.

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

The market remains in a short-term overbought condition and the market has struggled to close above key resistance at 150.70. A bullish longer-term supply set-up should support the market on corrective breaks. Near-term support for March coffee is at 144.55 with 156.20 as next target. Use a near-term pullback to the 144.55 level to establish long call strategies.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COFFEE (MAR) 01/18/2017: Momentum studies are trending higher but have entered overbought levels. 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 near-term upside target is at 152.31. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 151.22 and 152.31, while 1st support hits today at 148.58 and below there at 147.02.

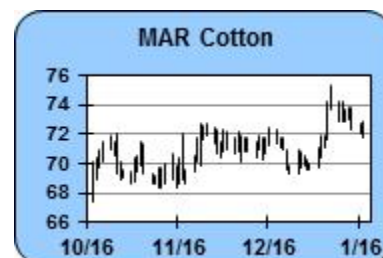
#### **DAILY COTTON COMMENTARY**

**01/18/17**

#### **Record spec net long position with eroding price**

The cotton market is in a short-term downtrend and with large and small speculators holding a record high net long position as of January 10th, minor bearish news could spark aggressive long liquidation selling. Trend-following fund traders hold a record high 110,898 net long position. March cotton has closed lower for the fourth session in a row with the market sellers active again; even with the weak US dollar, a sharp rally in grains and a surge up in gold.

This is relatively weak action and leaves the market vulnerable to long liquidation selling if support levels are violated. ICE cotton deliverable stocks increased to 111,498 bales on Tuesday, 110,974 bales on Monday and 109,313 bales from Friday. This is up from near 40,000 bales just two weeks ago. Thursday's USDA update pushed US ending stocks to an 8-year high with increased world stocks and lower world demand. Fears that India, Pakistan, and the US could see increased in planted area remain as a bearish force.



**TODAY'S MARKET IDEAS:**

The market is extremely overbought basis the COT report and some short-term sell signals have been reached. The market may need to move to a lower price level in order to stimulate demand. Short-term selling resistance for March cotton is at 73.17, with key uptrend channel support back at 70.45 today. Initial key support is at 69.52 which is also the initial target.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

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COTTON (MAR) 01/18/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. 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 next downside target is now at 71.17. The next area of resistance is around 72.63 and 73.28, while 1st support hits today at 71.58 and below there at 71.17.

COTTON (MAY) 01/18/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 71.78. The next area of resistance is around 73.10 and 73.71, while 1st support hits today at 72.14 and below there at 71.78.

**DAILY SUGAR COMMENTARY**

01/18/17

**Sideways action for past ten days; a bit overbought**

March sugar shook off early pressure yesterday to finish with a moderate gain. India's top producing state of Maharashtra has so far produced 27% less sugar than last year with a third of their mills already having stopped crushing due to cane shortage according to government officials. Sugar mills in India have produced 10.5 million tonnes of sugar for the Oct 1 to Jan 15 time frame, down 5.3% from last year's pace. Thailand's sugar production is showing signs of improvement in recent weeks, however, with recent forecasts rising from the 9.0 to 9.2 million tonnes range seen late last year. A late start to this year's harvest has led to a lack of visibility for this season's crop, so it may take several more weeks before a clear picture of Thai sugar output is seen by the market. A Brazilian trade group reported that nation's fuel sales fell for a second straight year in 2016 that were highlighted by a 26.8% drop in for ethanol sales. Brazilian mills have shifted their emphasis towards sugar production, but higher crude oil in the wake of the Oil Producers agreement could help to shift their processing back toward ethanol over the next few months.

**TODAY'S MARKET IDEAS:**

Lackluster price action and mixed supply-side news may leave sugar prices vulnerable to a near-term pullback, but Asian difficulties do not appear to be going away. Near-term support for March sugar is at 20.54, with resistance and the next upside target at 21.57. The first key support is back at 19.90.

**NEW RECOMMENDATIONS:**

None.

## PREVIOUS RECOMMENDATIONS:

None.

## SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 01/18/2017: 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. The close over the pivot swing is a somewhat positive setup. The next upside target is 21.01. The next area of resistance is around 20.88 and 21.01, while 1st support hits today at 20.58 and below there at 20.40.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 01/18/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 164.80. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 179.30 and 187.65, while 1st support hits today at 167.90 and below there at 164.80.

## 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>										
SBAH7	20.73	66.63	61.85	81.28	82.39	20.64	20.65	19.76	19.72	20.34
CTAH7	72.11	49.97	52.54	57.60	51.70	72.47	73.10	71.66	71.39	70.90
CTAK7	72.62	51.34	53.49	62.33	56.89	72.97	73.49	72.05	71.82	71.36
CCAH7	2235	51.60	48.46	49.62	56.78	2201.25	2217.33	2213.50	2303.84	2376.30
OJAH7	173.55	23.49	27.48	22.84	18.32	181.29	183.78	188.02	199.93	202.15
KCAH7	149.90	70.76	60.61	82.47	88.31	149.45	146.46	142.19	148.10	153.05
MAF7	16.79	59.61	56.83	49.05	66.79	16.78	16.68	16.65	16.56	16.33

Calculations based on previous session. Data collected 01/17/2017

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>						
SBAH7	Sugar	20.39	20.57	20.70	20.88	21.01
CTAH7	Cotton	71.16	71.57	72.22	72.63	73.28
CTAK7	Cotton	71.77	72.13	72.74	73.10	73.71
CCAH7	Cocoa	2133	2191	2221	2279	2309
OJAH7	Orange Juice	164.75	167.85	176.20	179.30	187.65
KCAH7	Coffee	147.01	148.57	149.66	151.22	152.31
MAF7	Milk	16.76	16.77	16.79	16.80	16.82

Calculations based on previous session. Data collected 01/17/2017

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