



## DAILY SOFTS CURRENCY COMMENTARY

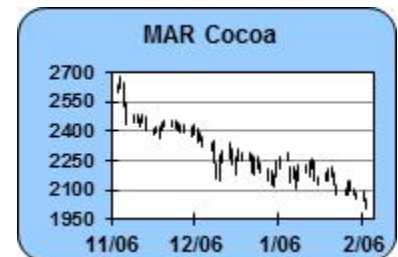
Wednesday February 08, 2017

### DAILY COCOA COMMENTARY

02/08/17

#### Higher close today could be sign of short-term low

After posting a new contract low overnight, the market is trading well up from the lows and slightly higher on the day early. While multi-year low prices have failed to spark global demand just yet, bearish supply expectations continue to drive the cocoa market further to the downside. March cocoa has pushed down to the lowest front-month price since December of 2011. For some perspective, that followed the 2010/11 season that produced the largest global production surplus on record (328,000 tonnes) and was during a season that resulted in a global surplus of 82,000 tonnes. While both those seasons had the two highest stock/grindings ratios in the past 10 years, (44.3 and 46.0), the last 3 seasons have produced the 3 lowest stock/grinding ratios in the past 30 years (35.6, 35.9, 35.7).



A Reuters poll of traders and analysts produced a median forecast for the 2016/17 global production surplus at 250,000 tonnes. While last season's ICCO global supply deficit reading of 150,000 tonnes will be reduced, even steady demand growth (which is unlikely given multi-year low prices) will mean that most of this turnaround has to come from the supply side of the market. A median forecast for this season's Ivory Coast production came in at 1.9 million tonnes, which would not only be a more than 300,000 tonne increase from last season, it would also be their all-time largest production total by a margin of more than 100,000 tonnes! The poll also had a median Ghanaian output forecast of 850,000 tonnes which is at the lower end of their government's target range.

#### TODAY'S MARKET IDEAS:

Cocoa prices are in need of fresh bullish supply/demand news to reverse trend but with the market well into oversold territory and with a comparatively large net spec short position, it may not take much for the market to find its footing. Near-term support for May cocoa is at 2006 while resistance is at 2066. A higher close today would be seen as supportive. Downtrend channel resistance is at 2141.

#### 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 (MAY) 02/08/2017: The market broke to a new contract low. 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 market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 1982. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 2038 and 2067, while 1st support hits today at 1996 and below there at 1982.

## DAILY COFFEE COMMENTARY

02/08/17

### Some short-term weather news negative; turn up soon

While its longer-term outlook remains bullish, near-term supply/demand factors are clearly weighing on coffee prices early this week. May coffee traded to a one month low before finishing with a moderate loss yesterday that left the market more than 14 cents below its January 24th high. Heavy rains are forecast over Indonesian coffee-growing regions during the next 48 hours according to the Indonesian Meteorology Agency which should aid their crop development. Indonesia is coming off of a disappointing crop and has had to deal with weather-related issues over the past few years, so this would be a step in the right direction for boosting their upcoming production. Beneficial rains are also seen in Brazil's northern regions which should boost production prospects for the Robusta area of Espirito Santo.



Brazilian producers have estimated that their nation currently has 4 million bags of Robusta stocks, and they feel that Brazil does not need to allow for coffee imports during the first half of 2017. Vietnamese activity has been subdued following their holiday break, so there is still no clear picture on the eventual size of this season's crop. ICE exchange coffee stocks fell by 2,525 bags on Tuesday but remain up more than 62,000 bags (5.0% higher) from their ending 2016 total. Vietnam exports in January reached 140,346 tonnes, down 5.2% from December and down 21% from last year.

### TODAY'S MARKET IDEAS:

With risk appetites subdued at best, coffee prices may need to see fresh signs that Vietnam's crop will be closer to a 20% decline than a 10% decline in order to put some brakes on this current slide. Near-term support for May coffee is at 144.50 while resistance is at 150.10. A push back over 149.95 turns the short-term trend up with 164.40 as target. Consider selling the May 137.50 puts.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

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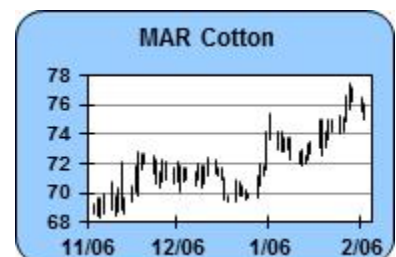
COFFEE (MAY) 02/08/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 143.60. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 146.00 and 147.40, while 1st support hits today at 144.10 and below there at 143.60.

## DAILY COTTON COMMENTARY

02/08/17

### Deliverable stocks, spreads and COT report all bull warnings

The cotton market is trading higher this morning after closing lower for the third session in a row. Talk of the hefty and near record high net long position of the speculator plus the overbought condition plus talk that some speculators may move to the sidelines ahead of the USDA report on Thursday helped to pressure. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break, especially if support is penetrated. For



the USDA report, traders see the possibility of a drop in ending stocks of near 200,000 bales to 4.8 million compared with 3.8 million last year due to a 200,000 bale increase in exports. World numbers are not expected to change much. ICE certified stocks deliverable to the exchange jumped to 224,737 bales as compared with the previous five sessions at 214,550, 205,230 bales, 194,718, 153,635 and 135,759 bales. This is up from near 40,000 earlier this year.

The surge in deliverable supply could soon be seen as a negative force. Talk of a 7% jump in Indian acreage for the 2017/18 season plus indications that US plantings will be up sharply could soon emerge as a bearish force. The sharp break in the July/Dec spread in the last few days is not bullish. In addition, the May/July cotton spread pushed down to a new contract low. December cotton has closed higher in 5 of the past six sessions. If the market can take out the August highs, more spec buying is likely.

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

Spread action is bearish, exchange stocks are in a steep uptrend and the COT report shows a near record spec net long position. The market is showing more and more signs of putting in at least a short-term peak. Close-in selling resistance for May cotton is at the 77.08 to 77.50 zone, with 74.79 as 1st key support.

#### **NEW RECOMMENDATIONS:**

\* Sell May Cotton 80.00 call and buy the May cotton 73.00 put for a net premium paid of 20 points. Use an objective of +390 points on the spread and risk a total of 105 points from entry.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COTTON (MAY) 02/08/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 75.45. The next area of resistance is around 76.57 and 77.17, while 1st support hits today at 75.71 and below there at 75.45.

COTTON (DEC) 02/08/2017: 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 has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 74.44. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 74.26 and 74.44, while 1st support hits today at 73.74 and below there at 73.39.

## **DAILY SUGAR COMMENTARY**

02/08/17

### **Back into long consolidation in tact since January 4th**

Sugar prices have failed again to sustain an upside breakout from its January consolidation. With expectations that 2017/18 could produce the first global production surplus in several seasons, the market may need fresh bullish supply news in order to regain upside momentum. May sugar closed with a sizable loss yesterday. Indian production estimates continue to be reduced with some trade forecasts now below 20 million tonnes. With their domestic prices up more than 25% in the past year, the chances that India will relax their sugar import duties are on the rise which in turn will keep a tight Asian near-term supply situation front and center with the market.

Brazil's 2017/18 harvest will start in a few months, and with recent plentiful rainfall over the Center-South region is likely to produce another cane crop well above 600 million tonnes. However, Brazilian mills are likely to allocate more of their cane crushing to sugar as lukewarm crude oil prices may keep ethanol demand growth subdued at



best. Thailand's harvest has picked up in recent weeks and while should see lower sugar production this season, a sizable decline below the 9 million tonne level may be off the table for now.

**TODAY'S MARKET IDEAS:**

With Asian near-term supply already tight, India's production problems appear to be getting worse which should help prices to hold their ground. If the market will resume the uptrend, May sugar close-in support should hold at the 20.62-20.48 zone. Keep 21.61 and 21.75 as next targets.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

Short May sugar 19.75 put from 61 with an objective of 0. Risk to 83.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 02/08/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next upside objective is 21.22. The next area of resistance is around 20.87 and 21.22, while 1st support hits today at 20.39 and below there at 20.25.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAY) 02/08/2017: A bullish signal was given with an upside crossover of the daily stochastics. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close below the 9-day moving average is a negative 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 next upside objective is 168.80. The next area of resistance is around 167.55 and 168.80, while 1st support hits today at 163.55 and below there at 160.70.

**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>										
SBAK7	20.63	55.02	56.83	56.24	59.36	20.76	20.59	20.53	19.59	19.64
CTAK7	76.14	59.70	61.25	81.64	76.79	76.79	76.08	74.82	72.96	72.68
CTAZ7	74.00	82.07	75.89	90.19	95.96	73.88	72.73	71.99	70.72	70.56
CCAK7	2017	27.64	33.21	14.69	7.91	2063.00	2087.33	2140.39	2199.84	2253.83
OJAK7	165.55	43.00	39.66	30.05	31.68	163.54	166.32	167.58	183.85	189.90
KCAK7	145.05	29.85	37.92	29.78	12.63	147.20	150.66	152.23	147.24	150.88
MAH7	16.80	34.81	40.17	34.88	27.93	17.08	17.10	17.21	17.22	16.96

Calculations based on previous session. Data collected 02/07/2017

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>						
SBAK7	Sugar	20.24	20.38	20.73	20.87	21.22
CTAK7	Cotton	75.45	75.71	76.31	76.57	77.17
CTAZ7	Cotton	73.38	73.73	73.91	74.26	74.44
CCAK7	Cocoa	1981	1995	2024	2038	2067

OJAK7	Orange Juice	160.65	163.50	164.75	167.55	168.80
KCAK7	Coffee	143.60	144.10	145.50	146.00	147.40
MAH7	Milk	16.63	16.73	16.78	16.88	16.93

**Calculations based on previous session. Data collected 02/07/2017**

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