



DAILY SOFTS CURRENCY COMMENTARY

Thursday February 09, 2017

DAILY COCOA COMMENTARY

02/09/17

Still oversold and should see better demand news ahead

The market is trading higher this morning on talk of the oversold condition and a weak US dollar. There were reports of gunfire erupting for a second day in Ivory Coast, after another army revolt over salaries resumed the protests that started last month. While there is some fear that cocoa shipments could once again be delayed, this week's incident was located in southeast Ivory Coast which is away from their major growing areas or ports. While it is difficult to fully gauge the amount of Ivory Coast cocoa beans waiting to be marketed due to this season's supply bottlenecks and political unrest, stories of beans piling up in their ports of Abidjan and San Pedro will reinforce ideas of a near-term supply glut. Demand prospects should start to benefit from multi-year low prices, although recent weakness in the Eurocurrency could dampen grindings from that region during the first quarter. Once again, the strongest region for upcoming demand growth appears to be Asia which has had its last two quarterly grindings results post "double digit" gains over the previous year's total.



TODAY'S MARKET IDEAS:

Given that the market is well into oversold territory while Ivory Coast political tensions continue to simmer, it may not take much in the way of bullish supply/demand news to at least lift cocoa prices clear of the lows. Near-term support for May cocoa is at 2006 and then 1965 while resistance is at 2050. A move over 2073 is needed to turn the minor trend up.

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) 02/09/2017: The market was pushed to a new contract low. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 1986. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 2024 and 2039, while 1st support hits today at 1998 and below there at 1986.

DAILY COFFEE COMMENTARY

02/09/17

Move over 149.55 for May coffee could spark move up

With the oversold condition, a move above the well-defined downtrend channel might be enough to spark significant buying. May coffee will penetrate this



channel on a move over 149.55 today or 148.75 tomorrow. May coffee rebounded from an early 4-week low yesterday to finish with a moderate gain. Vietnamese January coffee exports fell 5.2% from December to 140,346 tonnes (2.34 million bags), which was also down from last year's total of 176,628 tonnes (2.94 million bags), indicating that their near-term supply may be relatively tight even with their harvest all but completed. Marex Spectron is projecting a 3.0 million bag global supply deficit for the 2017/18 season, while they estimate Brazilian production will come in around 50.5 million bags. Brazil's largest co-op Cooxupe is even more pessimistic by forecasting their nation's coffee crop will be between 43 to 47 million bags and while they are on the low end of estimates, a crop that small would all but erase Brazil's domestic stocks by the start of the 2018/19 season. Citigroup has cut their first half 2017 Arabica coffee price forecast to \$1.51 per pound while noting that recent weather outlooks have eased supply concerns with good rainfall in key growing areas of Brazil and Vietnam, but also stated they would maintain a bullish longer term view on coffee with a \$1.60 per pound target. ICE exchange coffee stocks rose by 4,962 bags on Wednesday and are now on-track to see two monthly increases in a row for the first time since February/March 2015.

TODAY'S MARKET IDEAS:

Last month's Vietnamese export figure was clearly cut by the Tet holiday, but may provide a clue that this season's crop could be closer to a 20% decline from last season than a 10% drop. Near-term support for May coffee is at 145.45 and 144.40 while resistance is at 149.95 and 151.75. Watch for bounce to at least 153.50.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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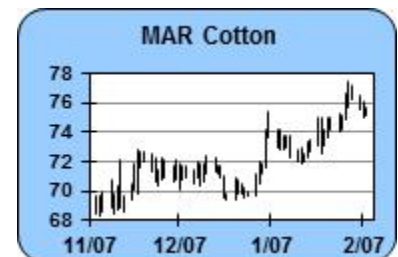
COFFEE (MAY) 02/09/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 142.88. The next area of resistance is around 146.54 and 147.87, while 1st support hits today at 144.05 and below there at 142.88.

DAILY COTTON COMMENTARY

02/09/17

USDA report today; better exports may tighten stocks some

The turn down in open interest with speculators holding a near record net long position plus weak action in spreads plus surging exchange stocks are all warning flags for the bulls. It should not take much in the way of negative news to see a jump in long liquidation selling from the speculators. Open interest fell 4,550 contracts to 283,531 contracts on the break on Tuesday. For the USDA report today, 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. Higher prices in India have allowed the US export sales to jump in the past few months. India plans to boost planted area this year by 7% and US acreage is thought to be up sharply. World numbers are not expected to change much. ICE certified stocks deliverable to the exchange jumped to 235,024 bales from 224,737 bales the previous session and from 153,635 bales just last week. This is up from near 40,000 earlier this year. Daily stochastics turned lower from overbought levels this week which is bearish and will tend to reinforce a downside break, especially if support is penetrated. The May/July cotton spread pushed down to a new contract low this week.



TODAY'S MARKET IDEAS:

The market will need to see some positive news against expectations for the USDA report to remain in a steady

uptrend. Watch for a technical sign of a top soon. 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:

None.

PREVIOUS RECOMMENDATIONS:

Short May Cotton 80.00 call and long May cotton 73.00 put for a net premium received of 39 points. Use an objective of +390 points on the spread and risk a total of 105 points from entry.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 02/09/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 75.75. The next area of resistance is around 76.77 and 77.12, while 1st support hits today at 76.09 and below there at 75.75.

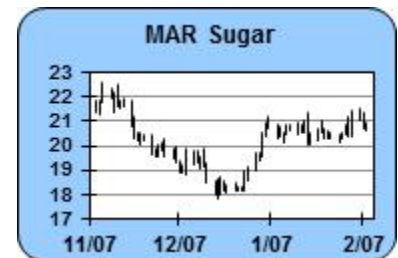
COTTON (DEC) 02/09/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 74.36. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 74.23 and 74.36, while 1st support hits today at 73.73 and below there at 73.37.

DAILY SUGAR COMMENTARY

02/09/17

Brazil new crop does not start until April; price up India

The market should see short-term support due to supply tightness but the 2017/18 outlook may bring a global supply surplus as long as weather is normal. This is a limiting factor on a continued advance. The market has lacked strong upside momentum since Monday's bearish technical action but continues to hold its ground within the January/February consolidation zone. The well-respected analytics group F.O. Licht estimated this season's (2016/17) global supply deficit at 5.5 million tonnes, up from a previous estimate of 4.9 million, but have forecast that next season (2017/18) will have a global production surplus of 2.0 million tonnes. Prospects for another strong Brazilian cane crop have been boosted by recent rainfall, and it is likely that Brazilian mills will devote a larger share of crushing to sugar versus ethanol during the upcoming season. India's domestic sugar prices have reached extreme levels as this season's crop prospects continue to deteriorate. At this point, many analysts have already lowered their 2016/17 Indian sugar production forecast below 21 million tonnes, which would be at least a 15% decline from last season's total.



TODAY'S MARKET IDEAS:

Sugar prices should remain well supported as long as risk appetites do not turn negative, but it may take fresh bullish news out of India and/or Thailand to spark renewed buying. Near-term support for May sugar is at 20.62, with 21.61 and 21.75 as the next upside 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) 02/09/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 21.00. The next area of resistance is around 20.87 and 21.00, while 1st support hits today at 20.59 and below there at 20.43.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 02/09/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. 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 indicates the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The near-term upside objective is at 172.15. The next area of resistance is around 170.30 and 172.15, while 1st support hits today at 166.05 and below there at 163.60.

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										
SBAK7	20.73	57.77	58.46	57.28	59.35	20.81	20.63	20.55	19.64	19.64
CTAK7	76.43	62.06	62.72	79.14	74.12	76.50	76.27	75.01	73.07	72.77
CTAZ7	73.98	81.45	75.53	92.16	96.11	73.98	73.01	72.15	70.81	70.64
CCAK7	2011	26.94	32.73	12.03	6.71	2041.75	2073.00	2129.17	2191.51	2246.67
OJAK7	168.15	48.72	43.59	33.27	39.70	164.80	167.04	166.83	182.83	189.21
KCAK7	145.30	31.19	38.65	23.41	10.67	146.40	149.69	151.86	147.17	150.50
MAH7	16.94	41.76	44.42	32.81	28.67	16.97	17.09	17.17	17.22	16.98

Calculations based on previous session. Data collected 02/08/2017

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						
SBAK7	Sugar	20.42	20.58	20.71	20.87	21.00
CTAK7	Cotton	75.74	76.08	76.43	76.77	77.12
CTAZ7	Cotton	73.36	73.73	73.86	74.23	74.36
CCAK7	Cocoa	1985	1997	2012	2024	2039
OJAK7	Orange Juice	163.55	166.00	167.85	170.30	172.15
KCAK7	Coffee	142.87	144.04	145.37	146.54	147.87
MAH7	Milk	16.70	16.84	16.89	17.03	17.08

Calculations based on previous session. Data collected 02/08/2017

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