



DAILY SOFTS CURRENCY COMMENTARY

Wednesday February 15, 2017

DAILY COCOA COMMENTARY

02/15/17

More insight on port conditions might slow selling pressures

The market continues to slide further into oversold territory, but at least is starting to see some bullish supply/demand news have an impact on sentiment. May cocoa posted a new contract low for an eighth consecutive session yesterday and closed lower for a ninth straight negative daily result. However, March cocoa finished with a sizable gain. There are reports that Ghana has revised their 2016/17 output target down to 800,000 tonnes versus their earlier estimate of 850,000 to 900,000 tonnes. Last season's Ghanaian cocoa production was 780,000 tonnes, so an improvement of only 20,000 tonnes (2.6% higher) would be in sharp contrast to early optimism that West African production could reach up to record high levels. The latest Ivory Coast port arrivals total (covering February 6th-12th) was well above the comparable period last year, but still leaves this season's total slightly ahead of last season's pace going into mid-February. The uptick in Ivory Coast arrivals could indicate that some of their supply bottlenecks are being relieved.



TODAY'S MARKET IDEAS:

If the estimates from Ghana are accurate, it may prove difficult for Ivory Coast late main crop and mid-crop output to bring the overall season production total close to a record high total. Near-term support for May cocoa is at 1893 and 1875, with resistance is at 1960. Watch for a bounce to 1990.

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) 02/15/2017: The market broke to a new contract low. Momentum studies are declining, but have fallen to oversold levels. 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 1862. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 1930 and 1961, while 1st support hits today at 1880 and below there at 1862.

DAILY COFFEE COMMENTARY

02/15/17

Weak action with strong Brazil currency; poised for bounce

With the oversold condition and tightening supply situation ahead, a decisive move above the downtrend channel could be enough to confirm a turn higher



soon. Coffee prices slumped yesterday in spite of stronger equity markets and a Brazilian currency that reached its highest value since June of 2015, both of which should have given a boost to prices. Brazil's Chamber of Foreign Trade (Camex) will decide on allowing imports of Robusta in a meeting on February 22nd and while their Ag Minister has endorsed the idea, Brazilian producers are clearly not very happy above opening the door to coffee imports. Even so, continued concerns that this year's Brazilian crop could be down significantly remain a source of underlying support. Vietnamese producers have been reluctant to part with their supplies over the past few weeks as they anticipate higher prices over the near future. There are also reports that Colombian truckers are close to striking again, which could obstruct the flow of coffee for a nation which has seen improving production in recent years. ICE exchange coffee stocks rose by a hefty 7,028 bags yesterday.

TODAY'S MARKET IDEAS:

The lack of positive reaction to stronger outside markets that normally would provide a source of carryover support is a concern for the bulls. Near-term support for May coffee is at 144.20 while resistance is at 146.30. A decisive close through resistance opens the door for a resumption of the uptrend with 149.95 and 151.75 as initial resistance. Don't rule out another leg up to 165.05 as a longer-term objective.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 02/15/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 142.98. The next area of resistance is around 147.55 and 149.37, while 1st support hits today at 144.35 and below there at 142.98.

DAILY COTTON COMMENTARY

02/15/17

Extreme overbought; bulls will need to be fed daily or correct

The market remains vulnerable to a short-term set-back. Exchange deliverable stocks continue to trend higher and reached 285,246 bales, up 4,820 bales on the day. Cotton futures inched lower in quiet trade yesterday as a firm US dollar helped to pressure. The March/May spread pushed to a new contract low and the May/July bull spread bounced off of Monday's contract lows. The market remains extremely overbought basis the COT update with speculators holding a record high net long position. With the recent strong gains, we see planted area near 11.3 million acres for the coming season. The USDA has already pushed US exports for the 2016/17 season to 12.7 million bales, up 38.7% from last year. Even if we boost exports for the 2017/18 season another 10% to 14 million bales, a 10-year average yield will leave ending stocks at 5.83 million bales from 4.8 million this year, 3.8 million last year and from 2.35 million bales for the 2013/14 season. If yield is the same as 2012/13 season, ending stocks surge to 7.34 million bales.



TODAY'S MARKET IDEAS:

If focus shifts to the new crop season, it will take a significant weather issue to avoid a further increase in ending stocks from the 8-year high this season. Close-in resistance for May cotton is at 78.60 with support back at 76.13 and 75.41.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 02/15/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 78.79. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 78.37 and 78.79, while 1st support hits today at 77.53 and below there at 77.10.

COTTON (DEC) 02/15/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 75.04. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 74.83 and 75.04, while 1st support hits today at 74.15 and below there at 73.67.

DAILY SUGAR COMMENTARY

02/15/17

Back into consolidation as surplus outlook down the road

Sugar's abrupt change of fortune has kept the market within its January/February consolidation, but it does show that a near-term bullish supply set-up could help the market avoid serious chart damage over the near future. May sugar finished with a sizable gain yesterday. Tropical Research Services has forecast that India will need to import 2.4 million tonnes of sugar for domestic use as their crop falls to about 20 to 20.2 million tonnes, while they estimated that 2016/17 Indian consumption at 25.4 million tonnes. This joins other trade group who are now forecasting India will end up having to relax their sugar import duties this season as their crop continues to get downgraded. While the state of Uttar Pradesh is seeing fairly decent growing conditions, things are much worse in the states of Maharashtra and Karnataka where many mills have already closed their operations for the year. The situation in Thailand is not as dire, but there is still an outside chance that this season's production could fall below 9 million tonnes if the later stages of their harvest do not produce stronger results. The prospect of a global production surplus for the 2017/18 season will continue to shadow the market, however as Brazil, Russia and the EU look to have strong output levels.



TODAY'S MARKET IDEAS:

Sugar will have to face a global production surplus next season, but supply issues in India and Thailand should keep spot supply tight. May sugar will find near-term support at 20.03 while resistance is at 20.71.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Short May sugar 19.75 put from 61 with an objective of 41. Risk to 83.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 02/15/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 19.87. The next area of resistance is around 20.58 and 20.72, while 1st support hits today at 20.16 and below there at 19.87.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 02/15/2017: 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. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 171.05. The next area of resistance is around 168.10 and 171.05, while 1st support hits today at 163.65 and below there at 162.10.

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	20.37	47.97	50.83	41.18	32.82	20.36	20.58	20.52	19.77	19.62
CTAK7	77.95	70.45	68.43	80.61	84.11	77.48	77.05	76.04	73.60	73.22
CTAZ7	74.48	83.41	77.65	96.31	97.38	74.31	74.08	72.90	71.21	70.95
CCAK7	1905	16.73	24.95	5.68	3.71	1947.00	2005.67	2072.61	2157.98	2215.13
OJAK7	165.80	44.66	41.65	43.14	44.88	166.49	165.36	165.74	178.88	186.67
KCAK7	145.95	37.59	41.68	18.60	16.99	147.06	146.93	150.72	147.38	149.18
MAH7	16.91	42.52	44.45	28.02	25.77	16.91	16.99	17.06	17.24	17.04

Calculations based on previous session. Data collected 02/14/2017

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	19.86	20.15	20.29	20.58	20.72
CTAK7	Cotton	77.09	77.52	77.94	78.37	78.79
CTAZ7	Cotton	73.66	74.14	74.35	74.83	75.04
CCAK7	Cocoa	1861	1880	1911	1930	1961
OJAK7	Orange Juice	162.05	163.60	166.55	168.10	171.05
KCAK7	Coffee	142.97	144.35	146.17	147.55	149.37
MAH7	Milk	16.67	16.80	16.88	17.01	17.09

Calculations based on previous session. Data collected 02/14/2017

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