



## DAILY SOFTS CURRENCY COMMENTARY

Wednesday February 22, 2017

### DAILY COCOA COMMENTARY

02/22/17

#### Weekly reversal last week should help support on set-backs

Demand prospects remain lukewarm at best, so a selloff in the Eurocurrency to a 6-week low close may have been a decisive factor with the market finishing lower yesterday. West African supply issues are still weighing on prices, and will likely do so until the Ivory Coast exporter default situation is resolved. Ivory Coast cocoa beans have been smuggled into other nations in order for producers to generate some revenue, with Ghana likely the most popular destination. Keep in mind that while Ghana's official purchases for the 2016/17 season have reached 650,000 tonnes, their total through mid-January was roughly 10,000 tonnes behind last season's pace which ended up with a total of 778,043 tonnes due to excessive desert winds and poor rainfall. Ghanaian cocoa buyers are reported to be having problem with acquiring financing for their upcoming purchases, so this marketing route may not be as popular over the next few months.



#### TODAY'S MARKET IDEAS:

A sustained recovery may have to wait on better visibility on West African near-term supply, but cocoa prices are showing early signs that a near-term low may be in. Near-term support for May cocoa is at 1975 and 1955 while resistance is at 2054.

#### 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) 02/22/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 near-term upside target is at 2041. The next area of resistance is around 2020 and 2041, while 1st support hits today at 1972 and below there at 1944.

### DAILY COFFEE COMMENTARY

02/22/17

#### Tight enough supply now and smaller Brazil crop ahead

Coffee prices have lifted clear of the recent consolidation zone as near-term supply issues remain front and center with the market. May coffee surged up 2.0% before finishing with a moderate gain yesterday and a fourth positive daily result in a row. In addition, May coffee closed above its 200-day moving



average for the first time since February 1st. A Congressman has filed a bill in Brazil's Senate to nullify their government's decision to import Robusta coffee from Vietnam, with some lawmakers feeling the decision must be reversed or else producers in their Espirito Santo will be severely affected. Brazil's is the world "swing" producer of both coffee and sugar (35.8% and 22.1% of global production, respectively) so those farmers and industries carry a lot of clout with a Brazilian government trying to move past recent political scandals. Keep in mind that if coffee imports are ultimately not approved, their domestic supplies will be very tight until the 2017/18 harvest reaches full speed. Robusta coffee prices in Vietnam were seen rising to a record high because of low supply and some quality issues according to the Vietnam Coffee and Cocoa Association. Vietnamese producers may be holding back on marketing this season's crop in anticipation of higher prices. ICE exchange coffee stocks fell by 1,907 bags but remain well above their levels at the end of December.

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

Even if Brazil does not decide to allow imports, global near-term supply will remain tight enough for coffee prices to extend this current upmove. Near-term support for May coffee is at 149.95 while resistance is at 153.55. A close through resistance leaves 165.05 as next upside target.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COFFEE (MAY) 02/22/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 154.42. The next area of resistance is around 153.35 and 154.42, while 1st support hits today at 150.35 and below there at 148.43.

#### **DAILY COTTON COMMENTARY**

**02/22/17**

#### **In position for further long liquidation selling; spreads weak**

After breaking key uptrend channel support on Friday from an extreme overbought level, the market looks vulnerable to further long liquidation selling ahead. The market closed slightly higher on the session yesterday as solid January imports by China was enough to support the bounce. A sharp rally in the US dollar was offset by another new all-time high for the stock market and this leaves traders optimistic over the global economy and an expansion in demand. News that China imports for January reached 114,900 tonnes, up 20.2% from last year may have supported the market but last year's exports were slow. Ahead of March first notice day, the March/May bull spread has collapsed to new contract low again this week to a 214 point discount to May from 61 under on February 1st. May was 32 points premium to July in mid-December and pushed to a new contract low 105 under yesterday. The COT report as of February 14th showed the "combined" spec and fund net long position has hit a new record high level at 140,759 contracts, an increase of 2,478 contracts for the week and this leaves the market vulnerable to increased selling if support is violated. Exchange deliverable stocks jumped to 315,884 bales from 306,705, 300,235, 292,743 and 285,246 bales the previous four sessions.



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

The penetration of the key uptrend channel on Friday is bearish and this, along with the record high spec net long position and surging exchange stocks, are all seen as bearish forces. The market looks vulnerable to a significant selloff ahead. Close-in resistance for May cotton comes in at 76.35 and 76.75, with 73.70 and 72.25 as initial key

support.

**NEW RECOMMENDATIONS:**

\* Sell May cotton 80.00 call at 108 with an objective of zero. Risk a total of 42 points from entry.

**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON 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.

COTTON (MAY) 02/22/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. 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 target is 75.16. The next area of resistance is around 75.91 and 76.17, while 1st support hits today at 75.41 and below there at 75.16.

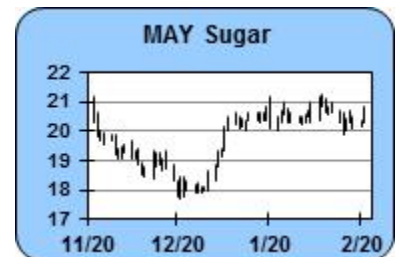
COTTON (DEC) 02/22/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 73.52. The next area of resistance is around 74.46 and 74.59, while 1st support hits today at 73.92 and below there at 73.52.

**DAILY SUGAR COMMENTARY**

02/22/17

**Two years of major deficits leaves stocks lowest since 2010/11**

The push through 20.71 resistance opens the door for another test of the consolidation highs. The International Sugar Organization (ISO) adjusted their 2016/17 global supply deficit forecast down by 321,000 tonnes to 5.869 million, which still leaves the last two seasons with global supply deficits above 5 million tonnes. While the ISO expects a global production surplus in 2017/18, they feel that that the global supply/demand balance will be tight and could tighten even further if there are unexpected production issues. There are now ideas that an El Nino weather event could form by later this year and while the world's "swing" sugar producer Brazil may not see any major impact this season, India, China, Thailand and Australia are traditionally early "stops" on any El Nino itinerary. Beet sugar production in the European Union (EU) is forecast to see a sharp uptick due to the removal of output quotas, but some dryness during the winter months could delay plantings and in turn could negatively impact the region's production.



**TODAY'S MARKET IDEAS:**

World stocks are thought to be the lowest since the 2010/11 season. May sugar near-term support is at 20.55, while resistance is at 21.21. A move through resistance would suggest a bounce to 21.71.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

\* Short May sugar 19.75 put from 61 with an objective of 16. Risk to 83.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 02/22/2017: The daily stochastics gave a bullish indicator with a crossover up. 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. 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 near-term upside target is at 21.21. The next area of resistance is around 21.02 and 21.21, while 1st support hits today at 20.46 and below there at 20.08.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 02/22/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next upside objective is 172.50. The next area of resistance is around 170.75 and 172.50, while 1st support hits today at 167.95 and below there at 166.85.

### 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	20.74	58.64	57.14	38.14	42.98	20.43	20.43	20.51	19.95	19.68
CTAK7	75.66	44.11	50.47	61.64	44.37	76.31	76.84	76.46	74.00	73.45
CTAZ7	74.19	63.72	66.20	91.70	87.47	74.21	74.23	73.48	71.63	71.18
CCAK7	1996	43.26	41.24	26.47	36.24	2006.25	1980.44	2033.89	2136.20	2187.35
OJAK7	169.30	51.57	47.29	57.70	65.22	170.40	168.41	167.36	176.12	184.23
KCAK7	151.85	62.83	57.09	31.70	45.82	149.19	147.81	149.23	147.81	148.13
MAH7	16.57	30.40	36.06	27.34	24.62	16.85	16.89	16.99	17.18	17.08

Calculations based on previous session. Data collected 02/21/2017

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	20.07	20.45	20.64	21.02	21.21
CTAK7	Cotton	75.15	75.40	75.66	75.91	76.17
CTAZ7	Cotton	73.51	73.92	74.05	74.46	74.59
CCAK7	Cocoa	1943	1971	1992	2020	2041
OJAK7	Orange Juice	166.80	167.90	169.65	170.75	172.50
KCAK7	Coffee	148.42	150.35	151.42	153.35	154.42
MAH7	Milk	16.04	16.29	16.57	16.83	17.11

Calculations based on previous session. Data collected 02/21/2017

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