



**DAILY SOFTS CURRENCY COMMENTARY**  
**Monday February 27, 2017**

**DAILY COCOA COMMENTARY**  
**02/27/17**

**Less uncertainty plus oversold condition plus index buying; firm**

For the week, May cocoa finishing with a more modest loss of 6 points that was the sixth negative weekly result in the past seven weeks. Although cocoa prices are benefiting now that the prospect of large-scale Ivory Coast sales has been diminished, there is still the issue of increased West African production to contend with. Traders see an increase in full-season Ivory Coast production but some doubt that production could reach up to high-end forecasts of 1.9 to 2.0 million tonnes. Other West African nations who had no supply bottlenecks as the Ivory Coast saw are not seeing that size of production increase. Ivory Coast is seeking to curb speculation in the cocoa market by asking overseas buyers to commit to locking in prices when they purchase beans from local exporters. The move is to limit speculation by local shippers which have defaulted on contracts, but that will be a much easier task now that prices are still relatively close to multi-year lows. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net short 19,838 contracts, a decrease of 570 contracts. Non-Commercial and Nonreportable combined traders held a net short position of 12,705 contracts, down just 279 contracts for the week and this leaves the market oversold.



**TODAY'S MARKET IDEAS:**

Commodity Index traders held a net long position of 17,846 contracts, up a significant 1,822 contracts in just one week. Indications that large-scale Ivory Coast sales are done should at least keep the market well clear of its contract low. Close-in support for May cocoa is at 1955 with 2036 and 2081 as resistance.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
Softs	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Cocoa	-19,838	+570	12,706	-277	7,133	-291

**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) 02/27/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The near-term upside objective is at 2046. The next area of resistance is around 2016 and 2046, while 1st support hits today at 1972 and below there at 1957.

## DAILY COFFEE COMMENTARY

02/27/17

### Bulls need close over 151.75 to turn the trend back up

The market is trading back towards the mid-February lows. While the longer-term supply outlook remains bullish, it may take some improvement with coffee's demand prospects for the market to find its footing. May coffee experienced a sizable loss on Friday and for the week, lost 3.30 cents (down 2.2%) which was the fourth week out of the last five with a negative close. Technical selling below the 50 day moving average was evident as volume accelerated after breaching that level, and that follows a move below its 200-day moving average earlier last week. Commercial activity in Brazil has slowed as that nation entered into the "Carnival" period and may not resume full speed until later this week, but there has also a notable softening of global demand since the start of 2017. While several US packaged coffee retailers raised prices earlier this month, many in the market remember how that type of move backfired on those companies in the recent past. ICE exchange coffee stocks fell by 4,912 bags on Friday for a second monthly build in a row as well as the highest month-end total since April of 2016. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 31,011 contracts, an increase of 3,986 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 33,774 contracts, up 4,120 contracts for the week.



### TODAY'S MARKET IDEAS:

There may be enough support from near-term Vietnamese supply concerns and longer-term Brazilian concerns for coffee prices to hold support. Near-term support for May coffee is at 144.40 while resistance is at 150.05. A close outside of this range might trigger a break-out.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017

	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
<b>Softs</b>							
Coffee	31,011	+3,986	-33,774	-4,119	2,763	+134	

### COFFEE 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.

COFFEE (MAY) 02/27/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The near-term upside objective is at 152.76. The next area of resistance is around 149.02 and 152.76, while 1st support hits today at 143.48 and below there at 141.67.

## DAILY COTTON COMMENTARY

02/27/17

### Supply fundamentals look to provide bearish tilt to new crop



May cotton managed to close 47 higher on the session Friday and this left the market with a 105 point gain for last week's trading. Very strong export sales have helped to keep speculative buyers active. Weekly export sales came in at 367,200 bales for the current marketing year and 128,400 for the next marketing year for a total of 495,600 bales. As of February 16th, cumulative cotton sales stand at 89.7% of the USDA forecast versus a 5 year average of 86.8%. Sales of 51,000 bales are needed each week to reach the USDA forecast. The USDA's Agriculture Outlook Forum this past week presented the first full look at the supply/demand outlooks for the 2017/18 marketing year. Traders see world consumption exceeding production for the third year in a row. While declining stock levels are a positive fundamental force, the USDA still has global ending stocks at 83.9% of annual usage which is high relative to the 40%-51% readings that were seen between 2000 and 2010. Chinese ending stocks are expected to decline as well, but they should still represent 107.1% of annual usage. The market has seen strong gains in recent months as speculators have built a record high net long position. However, the outlook for higher planted acreage in the US and India for the 2017/18 season, bearish spread action and continued increases in exchange deliverable stocks are all factors that could turn the trend lower in the weeks ahead.

The Outlook Forum put US planted area at 11.5 million acres, up 14.2% from last year. They used a relatively low yield estimate of only 816 pounds per acre, even though the Texas subsoil conditions look favorable going into the planting season. But even with the jump in exports to a seven year high, the USDA sees ending stocks moving up to 5.2 million bales, a nine-year high. If we assume a slightly better yield of 860 pounds/acre and a somewhat higher harvested-to-planted ratio, ending stocks could come closer to 6.73 million bales, a ten-year high. This would be up from just 3.8 million bales in 2015/16. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 121,990 contracts, a decrease of 9,189 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 128,837 contracts, down 11,922 contracts from the previous week's record high. Commodity Index traders held a net long position of 69,814 contracts. This represents a decrease of 2,342 contracts in the net long position held by these traders.

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

The long liquidation selling trend seen in the COT update is seen as a bearish short-term force.

#### **NEW RECOMMENDATIONS:**

\* Sell July cotton at 78.02 with an objective of 72.65. Risk the trade to 79.32.

#### **PREVIOUS RECOMMENDATIONS:**

Short May cotton 80.00 call from 108 with an objective of zero. Risk to 150.

<b>Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017</b>						
	<b>Non-Commercial</b>			<b>Commercial</b>		<b>Non-Reportable</b>
	<b>Net Position</b>	<b>Weekly Net Change</b>	<b>Net Position</b>	<b>Weekly Net Change</b>	<b>Net Position</b>	<b>Weekly Net Change</b>
<b>Softs</b>						
<b>Cotton</b>	121,990	-9,189	-128,837	+11,921	6,847	-2,733

#### **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) 02/27/2017:** A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 75.52. The next area of resistance is around 77.11 and 77.69, while 1st support hits today at 76.03 and below there at 75.52.

**COTTON (DEC) 02/27/2017:** Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 73.48. The next area of resistance is around 74.20 and 74.37, while 1st support hits today at 73.76 and below there at 73.48.

**DAILY SUGAR COMMENTARY**  
02/27/17

**Clash of supportive old crop news and surplus outlook continues**

May sugar traded to a 1 1/2 month low on Friday with a second sizable loss in as many days. For last week, May sugar finished with a loss of 45 ticks (2.2% lower) which was a fourth negative weekly result in the past five weeks. The expiration of the March ICE contract this week may have caused some near-term anxiety in the market, so that event may need to be in sugar's rear-view mirror before prices can undertake any recovery move. FC Stone raised their 2016/17 global sugar deficit forecast to 8.5 million tonnes from their November estimate of 7.8 million while estimating this season's Indian sugar production at 20.0 million tonnes, down from a 23.0 million estimate in November that joins other trade forecast in the 19.0 to 20.0 million range. They also projected a 2017/18 global supply deficit of 500,000 tonnes, however, which is in contrast to other trade estimates of a global production surplus of 1 million tonnes or higher. The USDA supply demand outlook for 2017-18 lowered US ending stocks to 1.692 million tonnes from 1.808 million this year. The Commitments of Traders reports as of February 21st showed Non-Commercial traders were net long 205,353 contracts, an increase of 8,027 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 246,477 contracts, up 9,326 contracts for the week.



**TODAY'S MARKET IDEAS:**

Commodity Index traders held a net long position of 175,385 contracts, up a significant 22,026 contracts in just one week. The bears will have control and with a net spec long position over 246,000 contracts, there will be plenty of fuel for a sizable downmove early this week as sugar may not receive an "all clear" signal until the March ICE expiration and delivery is completed. May sugar will find support near 19.49 with resistance at 20.31 and 20.48.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

\* Hit stop on short May sugar 19.75 put for a 22 point loss.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Softs</b>						
<b>Sugar</b>	205,353	+8,027	-246,477	-9,326	41,124	+1,299

**SUGAR 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.

SUGAR (MAY) 02/27/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The next downside target is now at 19.44. The next area of resistance is around 20.04 and 20.35, while 1st support hits today at 19.58 and below there at 19.44.

**OJ 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.

ORANGE JUICE (MAY) 02/27/2017: A crossover down in the daily stochastics is a bearish signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 160.20. The next area of resistance is around 167.95 and 171.75, while 1st support hits today at 162.20 and below there at 160.20.

## 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	19.80	35.89	41.45	35.77	26.15	20.34	20.30	20.48	20.09	19.73
CTAK7	76.57	54.74	56.33	43.16	37.06	75.96	76.62	76.64	74.33	73.64
CTAZ7	73.98	57.59	61.58	80.05	71.95	73.95	74.16	73.86	71.93	71.35
CCAK7	1994	43.81	42.03	40.20	47.99	2002.75	1985.56	2016.94	2119.22	2166.98
OJAK7	165.05	40.78	41.34	56.14	50.29	167.50	168.10	167.11	174.38	182.11
KCAK7	146.25	39.52	42.96	45.09	45.81	149.74	148.48	148.38	148.06	147.64
MAH7	16.27	24.84	31.04	17.76	11.17	16.41	16.69	16.87	17.11	17.09

Calculations based on previous session. Data collected 02/24/2017

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	19.43	19.57	19.89	20.04	20.35
CTAK7	Cotton	75.51	76.02	76.60	77.11	77.69
CTAZ7	Cotton	73.47	73.75	73.92	74.20	74.37
CCAK7	Cocoa	1956	1971	2001	2016	2046
OJAK7	Orange Juice	160.15	162.15	165.95	167.95	171.75
KCAK7	Coffee	141.66	143.47	147.21	149.02	152.76
MAH7	Milk	16.15	16.19	16.30	16.34	16.45

Calculations based on previous session. Data collected 02/24/2017

Data sources can & do produce bad ticks. Verify before use.

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