



DAILY SOFTS CURRENCY COMMENTARY

Wednesday March 01, 2017

DAILY COCOA COMMENTARY

03/01/17

Hard to absorb large supply outlook with port stocks high

While there are signs that Ivory Coast supply bottlenecks are clearing up, the cocoa market will have to deal with stronger global production as a front and center issue over the near-term. May cocoa closed yesterday with a heavy loss that put the market back within striking distance of its contract lows. The International Cocoa Organization released its first forecast for the 2016/17 season and projected a global production surplus of 264,000 tonnes, which is at the higher end of trade forecasts. The ICCO projected that global cocoa production would reach 4.55 million tonnes, which would be an all-time record high and was highlighted by Ivory Coast also posting an all-time high record crop of 1.9 million tonnes. They also estimated that global grindings would come in at 4.24 million tonnes, a 2.9% increase over last season that was highlighted by an 8% increase for Africa (boosted by cocoa beans not making export grade and processed domestically) and a 5% increase for Asia.



However, the ICCO kept European and North American 2016/17 grindings close to unchanged levels. On the other hand, the ICCO actually raised last season's (2015/16) global supply deficit from 150,000 to 196,000 tonnes after giving strong hints in late January that it would be cut to below 100,000 tonnes. 2015/17 global cocoa production was cut to 3.97 million tonnes which would be the second lowest output total in the last 7 seasons. A major Asian Ag company forecast that cocoa grinding margins would continue to decline through mid-year, although they also expect that continued low prices would ultimately have a supportive impact on cocoa and chocolate demand.

TODAY'S MARKET IDEAS:

While West African growing conditions are clearly better than last year, we are skeptical that global production will increase by 580,000 tonnes. Critical near-term support for May cocoa is at 1890 while resistance is at 1943. Breaking support would leave 18.25 as next technical target.

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) 03/01/2017: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 1849. The next area of resistance is around 1947 and 2002, while 1st support hits today at 1871 and below there at 1849.

DAILY COFFEE COMMENTARY

03/01/17

Probing for short-term low with ample short-term supply

The market held steady overnight even with the strong US dollar as agricultural markets see some positive influence to a strong US and global economy. After falling nearly 13 cents (8.4%) since last week's high, coffee prices were able to break a four session losing streak yesterday but may need to find fresh supply-side support to sustain a recovery move. World coffee exports rose 6.7% to 9.84 million bags in January compared to 9.22 million bags last year, according to the International Coffee Organization (ICO). October through January exports were at 39.98 million bags, which was up 8.9% from the comparable period last season. The ICO did note that January Robusta exports were virtually unchanged from last year, due in large part to what have been slow marketings out of Vietnam and a very small crop in Brazil. Brazilian Robusta-growing regions should see increased production that runs counter to the 2017/18 season being an "off year" in their biannual crop cycle, but there are still concerns that this season's Vietnamese crop may come close to a 20% decline from last season's output. ICE exchange coffee rose by 2,082 bags on Tuesday and finished February at 1,330,969, which is the highest month-end total since April 2016, the first back-to-back monthly builds since February/March 2015 and the highest 2-month increase since February/March of 2013.



TODAY'S MARKET IDEAS:

Demand remains a concern for coffee prices, but supply issues both in the near-term (Vietnam) and longer-term (Brazil) should help the market hold its ground and put together a recovery move. Near-term support for May coffee is at 139.95 while resistance is at 145.80 and 147.60.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 03/01/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 139.48. The next area of resistance is around 143.95 and 144.87, while 1st support hits today at 141.25 and below there at 139.48.

DAILY COTTON COMMENTARY

03/01/17

Strong economic outlook clashes with strong dollar/big supply

The market still looks vulnerable to a short-term selloff due to the bearish preliminary outlook from the USDA last week and due to a hefty net long position from speculators. The market managed to bounce yesterday led by strength in the grain markets and a firmer tone to the US dollar. The US State of the Union Address helped to support a bullish tone for global economies and this helped to offset the impact of the sharp rally in the US dollar. Fund traders appeared to be active buyers in many agricultural markets. The May/July cotton spread is at contract lows which is a bearish signal for the cash market. The COT report on Friday showed a long liquidation selling trend with speculators holding a near record net long position. ICE exchange deliverable



certified stocks have increased to 325,590 bales which is up from near 40,000 bales earlier this year.

TODAY'S MARKET IDEAS:

The long liquidation selling trend looks to continue over the near-term. Spread action, increasing deliverable stocks and a bearish ending stocks outlook plus the jump in planted area are all seen as potential bearish forces. May cotton selling resistance is at the 76.75 to 77.15 zone. Look for 73.70 and 72.22 as initial downside targets.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) Short July cotton from 78.02 with an objective of 72.65. Risk the trade to 79.32. 2) Short May cotton 80.00 call from 108 with an objective of zero. Risk to 150.

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) 03/01/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 75.63. The next area of resistance is around 76.73 and 77.20, while 1st support hits today at 75.95 and below there at 75.63.

COTTON (DEC) 03/01/2017: 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. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 73.94. The next area of resistance is around 74.55 and 74.66, while 1st support hits today at 74.20 and below there at 73.94.

DAILY SUGAR COMMENTARY

03/01/17

Strong US dollar failed to pressure overnight; firm

The market has put a major risk event in its rear-view mirror. After the close, there were reports that 1.182 million tonnes of sugar were delivered against the March ICE contract. This was above trade forecasts of 500,000 to 1 million tonnes, and in fact was the largest delivery ever against the March ICE contract. A single firm appears to have taken down the entire delivery, and this Asian-based firm has taken the entire delivery in seven of the last eight ICE sugar contracts. Some analysts feel that this recent selloff tied in large part to the

potential deliveries of the expiring March contract is indicating a weak physical market. Brazil's harvest will be starting up in just over a month and with decent rainfall since the start of the year, there are expectations that Center-South cane output will at least match last season's total. Brazilian mills have shifted more of their crushing towards sugar production and away from ethanol. Asian near-term supplies remain very tight, however, and the potential for India to relax their sugar import duties later on this season remains firmly on the table.



TODAY'S MARKET IDEAS:

With the potential expanding ethanol usage in the US, the market may have found some support. May sugar will find near-term support at 18.91 while resistance is at 19.70. While oversold, there is still no technical sign of a short-term low.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/01/2017: 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 tilt is slightly negative with the close under the pivot. The next downside target is 18.84. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 19.44 and 19.71, while 1st support hits today at 19.01 and below there at 18.84.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/01/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 154.40. The next area of resistance is around 165.05 and 166.75, while 1st support hits today at 158.90 and below there at 154.40.

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	19.23	29.29	35.47	23.73	12.73	19.58	20.08	20.33	20.14	19.73
CTAK7	76.34	52.02	54.37	39.05	36.12	76.28	76.21	76.63	74.61	73.78
CTAZ7	74.38	64.83	65.62	76.74	75.70	74.10	74.11	74.10	72.17	71.50
CCAK7	1909	31.29	34.19	41.72	38.46	1977.75	1992.33	1999.00	2105.20	2152.05
OJAK7	162.00	40.64	40.76	44.50	35.84	163.14	166.84	166.10	172.80	180.40
KCAK7	142.60	34.32	38.18	34.78	24.69	144.98	147.51	147.22	147.86	147.23
MAH7	16.27	32.23	34.78	14.39	13.40	16.27	16.54	16.76	17.06	17.08

Calculations based on previous session. Data collected 02/28/2017

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	18.83	19.00	19.27	19.44	19.71
CTAK7	Cotton	75.62	75.94	76.41	76.73	77.20
CTAZ7	Cotton	73.94	74.19	74.30	74.55	74.66
CCAK7	Cocoa	1848	1870	1925	1947	2002
OJAK7	Orange Juice	154.35	158.85	160.55	165.05	166.75
KCAK7	Coffee	139.47	141.25	142.17	143.95	144.87
MAH7	Milk	15.98	16.13	16.26	16.41	16.54

Calculations based on previous session. Data collected 02/28/2017

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