



DAILY SOFTS CURRENCY COMMENTARY Friday March 03, 2017

DAILY COCOA COMMENTARY 03/03/17

Sweeping key reversal with record open interest; fuel for bounce

After reaching the lowest price level in nearly 9 1/2 years, May cocoa saw a strong recovery yesterday to close with a moderate gain and a key reversal. There was no major supply/demand to trigger the market's turnaround, but cocoa was able to defy a "risk off" mood that put pressure on other commodity prices. Commercials were reported to be noted buyers, which could indicate that there are starting to see current price levels as a "bargain". The ICE cocoa contract reached a record high open interest total on Wednesday, which may have encouraged some shorts to head to the sidelines with prices losing 38% in value since mid-August. The International Cocoa Organization's update this week projected European and North American grindings this season with only minimal gains from last season. If both regions can see stronger demand, it should help to offset some of the price weakness due to lofty production estimates. The latest COT report will be released after today's close and will reflect an 87 point decline between measuring dates. This could result in cocoa seeing a hefty increase in its net spec short position.



TODAY'S MARKET IDEAS:

Cocoa has been at this point before with a fourth positive key reversal since the start of 2017. While the first three clearly did not signal a solid low, cocoa prices may have a better chance now if commercial buyers start to be more aggressive. Near-term support for May cocoa is at 1896 while resistance is at 1964. Consider buying into support.

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) 03/03/2017: The market made a new contract low on the break. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. A positive signal was given by the outside day up. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 1846. The next area of resistance is around 1963 and 1987, while 1st support hits today at 1893 and below there at 1846.

DAILY COFFEE COMMENTARY 03/03/17

With positive long-term fundamentals, may attract fund buyers



Coffee has seen positive technical action late this week and a close over 146.25 today would be higher for the week for May coffee. While coffee's supply outlook generally remains bullish, yesterday's negative shift in risk appetites weighed on prices. In addition, a sharp selloff in the Brazilian currency to its lowest level since February 1st put pressure on coffee as it gives further incentive to exporters to market their supply to foreign customers. Brazilian coffee exports during February were at 2.3 million bags, down 13.8% from last year which is due in large part to the poor Robusta crop this season. Vietnamese coffee exports this month are expected to increase by 160,000 to 500,000 bags from February's total, which could indicate that producers may be more willing to part with their supply. Honduran coffee exports in February were up 36% from last year's total, reflecting a surge in this season's production that is in sharp contrast to problems seen in Costa Rica and Mexico. ICE exchange coffee stocks rose by 5,835 bags. Coffee fell by 9.25 cents (6.1% lower) between the February 21st and 28th measuring dates, so today's COT report should show a sizable decline in coffee's net spec long position.

TODAY'S MARKET IDEAS:

Near-term support for May coffee is at 143.15 while resistance is at 148.05. Consider buying into support with 158.50 as upside target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Long May coffee 155.00 call from 200 with an objective of 590. Risk to 70.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 03/03/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 140.37. The next area of resistance is around 146.37 and 148.46, while 1st support hits today at 142.33 and below there at 140.37.

DAILY COTTON COMMENTARY

03/03/17

Reversal action could be sign of peak; stocks on rise

The reversal could be a sign of a near-term top. May cotton closed 108 lower on the session yesterday and a whopping 240 points off of the early highs. A surging US stock market and very strong weekly export sales report helped to drive the market higher early in the day as the rally pushed the market up to the highest level since June of 2014. China will begin auctions from their state reserves on March 6th according to the China Cotton Textile Association. China will offer around 30,000 tonnes of reserve cotton per day until the end of August 2017, according to the International Cotton Advisory Committee. Last year, around 2.6 million tonnes of cotton (11.94 million bales) were sold in auctions. Weekly export sales came in at 481,400 bales for the current marketing year and 62,900 for the next marketing year for a total of 544,300 bales. As of February 23rd, cumulative cotton sales stand at 93.8% of the USDA forecast for 2016/2017 (current) marketing year versus a 5 year average of 87.8%.



TODAY'S MARKET IDEAS:

The market does not seem to have the supply fundamentals to move higher and the lack of new buying interest on the rally yesterday illustrates the lack of commercial support for the market. World stocks are drawing down again this year, but this is a result of the shift in stocks from China reserves to China usage. Excluding China, stocks look to rise by 7%. US stocks are already at an 8-year high and will likely expand again for the coming season. Resistance for May cotton is at 77.70 with support at 75.57 and 74.46. The bearish technical action plus

plenty of divergence on technical indicators points to lower trade ahead.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

1) * Hit stop on short July cotton position for a loss of 130 points. 2) * Hit stop on short May cotton 80.00 call position for a 42 point loss.

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) 03/03/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 80.12. The next area of resistance is around 78.20 and 80.12, while 1st support hits today at 75.35 and below there at 74.41.

COTTON (DEC) 03/03/2017: A new contract high was made on the rally. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 75.86. The next area of resistance is around 75.34 and 75.86, while 1st support hits today at 74.16 and below there at 73.49.

DAILY SUGAR COMMENTARY

03/03/17

Oversold and big drop in open interest; need reason to bounce

May sugar closed with a moderate gain yesterday in spite of a broad-based "risk off" mood that put pressure on key outside markets such as crude oil, corn and the Brazilian currency. India's October thru February sugar production was forecast at 16.25 million tonnes, which is down 19% from last year over the same timeframe. Indonesia is targeting their 2017 sugar output at 2.75 million tonnes, up from last year's 2.3 million tonnes but that may only have a modest impact in what is still a fairly tight Asian near-term supply situation as their domestic consumption continues to rise. There is a growing market consensus that the 2017/18 season will produce a global production surplus after several deficits in a row. An uptick in Brazilian sugar output will be a major part of that equation, so daily rainfall through the end of next week for Center-South growing areas is likely to weigh on prices. The latest COT report will reflect a hefty 151 tick decline (7.3% lower) between the measuring dates that should result in a sizable decline in sugar's net spec long position.



TODAY'S MARKET IDEAS:

May sugar will find near-term support at 19.13 while resistance is at the 50-day moving average of 19.99. Wait for additional signs that a near-term low has been put in before approaching the long side of the market.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/03/2017: Momentum studies are declining, but have fallen to oversold levels. 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 19.25. The next area of resistance is around 19.83 and 19.93, while 1st support hits today at 19.49 and below there at 19.25.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 160.40. The next area of resistance is around 165.90 and 167.15, while 1st support hits today at 162.55 and below there at 160.40.

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	19.66	41.61	43.29	20.86	20.64	19.38	19.90	20.20	20.21	19.75
CTAK7	76.78	53.49	55.03	44.76	47.88	76.78	76.27	76.63	74.91	73.98
CTAZ7	74.75	67.57	67.39	80.04	82.06	74.55	74.19	74.21	72.42	71.67
CCAK7	1928	37.87	38.04	34.55	29.16	1929.00	1969.67	1979.33	2091.49	2136.03
OJAK7	164.20	46.59	44.62	41.27	40.84	161.23	165.18	166.04	171.63	178.67
KCAK7	144.35	41.33	42.70	32.46	31.31	143.21	146.82	146.77	148.06	147.13
MAH7	16.03	26.37	30.46	12.68	11.74	16.11	16.33	16.62	17.01	17.06

Calculations based on previous session. Data collected 03/02/2017

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	19.25	19.49	19.59	19.83	19.93
CTAK7	Cotton	74.40	75.34	77.26	78.20	80.12
CTAZ7	Cotton	73.48	74.15	74.67	75.34	75.86
CCAK7	Cocoa	1845	1892	1916	1963	1987
OJAK7	Orange Juice	160.30	162.50	163.75	165.90	167.15
KCAK7	Coffee	140.36	142.32	144.41	146.37	148.46
MAH7	Milk	15.80	15.93	15.99	16.12	16.18

Calculations based on previous session. Data collected 03/02/2017

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