

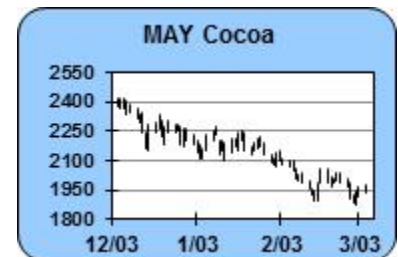


## DAILY SOFTS CURRENCY COMMENTARY Tuesday March 07, 2017

### DAILY COCOA COMMENTARY 03/07/17

#### Huge build in open interest into the lows; short-covering ahead

May cocoa traded up to the highest price level in four sessions yesterday, but fell back to finish with a moderate loss. Sluggish risk appetites coming out of the weekend weighed on cocoa prices, as well as a pullback in the Eurocurrency and British Pound that dampened European demand prospects. The latest reading on Ivory Coast cocoa arrivals were well above the comparable weekly total from last year while the season-long total continues to move further ahead of last season's pace. Ivory Coast cocoa grindings during the October-January timeframe were close to 5% ahead of last season's total, which is due in some part to cocoa beans that did not meet export grade being diverted into the domestic supply chain. However, there was a shift towards hotter and drier weather over West African growing regions in recent weeks. The region's "dry" season normally concludes in mid to late March and has been much milder than last season's El-Nino fueled period. West African mid-crop harvesting will begin in less than one month, however, so a negative shift in weather could make it difficult for the region's production to improve enough to meet or exceed lofty full-season forecasts.



#### TODAY'S MARKET IDEAS:

While it is late in their dry season, a shift towards negative weather over West African growing areas may be enough to help forge a low. Near-term support for May cocoa is at the 1904-1896 zone, with resistance 1964 and 1987. Consider buying breaks with 2133 as near-term 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) 03/07/2017: 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 daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 1905. The next area of resistance is around 1954 and 1982, while 1st support hits today at 1916 and below there at 1905.

### DAILY COFFEE COMMENTARY 03/07/17

#### Weak technical action continues with demand concerns

Coffee prices may still have supply issues in Brazil and Vietnam working in their favor, but a negative shift in risk sentiment could add to growing concerns with



its longer-term demand outlook. While a stronger Dollar and sluggish equity markets have weighed on coffee prices, the market is also finding selling pressure due to above normal rainfall over Brazil's Arabica-growing states of Minas Gerais and Sao Paulo during the past week. While Brazil will have an "off-year" in their biannual crop cycle during the 2017/18 season, decent precipitation since the start of this year could reduce the decline in Arabica output while increasing the potential for the Robusta crop to improve on last season. After several seasons of weather-related problems, Indonesian coffee output may be on the rise again as their farmers could harvest 11 million bags in the crop year starting in April, up from 10 million bags the previous year. Southeast Asia would be an early stop for any potential El Nino weather event but unlike the upcoming Vietnamese crop, a large portion of Indonesian coffee production should already be harvested before its possible arrival later this year.

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

Coffee prices look to be heading for a retest of its March 1st low and needs to see fresh supply news or long liquidation may persist. Near-term support for May coffee is at 139.65 and 137.10. Resistance is at 143.90.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

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

#### **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) 03/07/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 139.18. The next area of resistance is around 142.95 and 145.17, while 1st support hits today at 139.95 and below there at 139.18.

#### **DAILY COTTON COMMENTARY**

**03/07/17**

#### **Strong speculative buyers remain active; better China demand**

The cotton market managed to push sharply higher on the session yesterday to start out the week with a strong rally to a new three year high as traders noted strong demand for the start of the cotton auctions for state reserves. Better moisture for the Southeast US was seen as a negative force. China plans to offer near 30,000 tonnes daily from now until August 31st. On the first day of the auctions, China sold 30,200 tonnes which was 100% of what was offered.

Traders believe this is an indication that Chinese textile mills are caught short bought and that demand is strong. Speculative buyers have remained active in the past few weeks and there is still talk that too many US merchants sold cotton on a "on call" basis where mills have booked sales but wait to price later. Trend-following fund traders held a net long position of 107,001 contracts as of February 28th which was just shy of the all-time record of 114,179 contracts.



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

The large speculative net long positioning is only an important issue if support levels begin to give way. With ending stocks already at an 8 year high and planted acreage sharply higher for the coming year, it is tough to believe that there will be some type of squeeze. May cotton short-term support is at 77.75 and 77.41, with 79.74 and 80.27 as next resistance.

#### **NEW RECOMMENDATIONS:**

None.

### **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) 03/07/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 80.38. The next area of resistance is around 79.84 and 80.38, while 1st support hits today at 78.38 and below there at 77.46.

COTTON (DEC) 03/07/2017: The rally brought the market to a new contract high. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 75.95. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 75.76 and 75.95, while 1st support hits today at 75.12 and below there at 74.66.

### **DAILY SUGAR COMMENTARY**

**03/07/17**

#### **Bearish technical action with trend-following funds long 126K**

The sharp drop in open interest is a sign that speculators are still in a long liquidation selling mode and this leaves the short-term trend down. The likelihood that 2016/17 Indian sugar production will come in below 20 million tonnes remains a key near-term source of support. However, any further Indian output decline from here may be difficult as regions that are having severe problems (Maharashtra and Karantaka) have all but ended crushing operations while regions that are in good shape (Uttar Pradesh) will continue their processing. Australian sugar output was forecast at 5.2 million tonnes for the year starting July 1st, up from 5.1 million last year. Although there is a potential El Nino on the horizon, it will likely arrive in Australia well after the upcoming harvest has already begun. Upcoming Russian beet sugar output was estimated at 6.15 million tonnes, up 1% from the previous estimate according to the Russian Union of Sugar Producers which will add to the sharp uptick in EU beet sugar production this year. Egypt will eliminate custom duties on raw sugar until the end of 2017 according to their Cabinet, which could help to boost demand from a nation who has been aggressive with acquiring supply in recent months.



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

Another India trade association has lowered their production estimate to 20.3 million tonnes and Mexico has cancelled existing export permits to the US with an uncertain impact due to trade dispute. The short-term technical indicators are oversold but the COT report showed specs still hold a very large net long position and in a long liquidation selling mode. Close-in resistance for May sugar is at 19.43 with some support at 18.82 and then 18.41.

### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

None.

### **SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 03/07/2017: The daily stochastics have crossed over down which is a bearish indication. Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day down is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 18.60. The next area of resistance is around 19.51 and 20.03, while 1st support hits today at 18.79 and below there at 18.60.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/07/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 178.05. The next area of resistance is around 176.60 and 178.05, while 1st support hits today at 171.10 and below there at 167.00.

### 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	19.15	32.73	36.98	19.05	15.06	19.45	19.65	20.04	20.25	19.77
CTAK7	79.11	68.39	65.45	55.53	69.38	77.94	76.93	76.88	75.28	74.21
CTAZ7	75.44	76.09	72.96	84.08	89.32	75.01	74.46	74.35	72.70	71.85
CCAK7	1935	40.70	39.94	34.53	34.52	1928.75	1957.89	1969.17	2079.53	2122.37
OJAK7	173.80	63.77	57.08	52.98	68.97	166.96	165.32	166.86	170.94	177.28
KCAK7	141.45	33.92	37.60	29.04	24.02	143.48	144.97	146.39	148.34	147.02
MAH7	15.89	23.14	28.04	10.09	6.91	15.98	16.15	16.52	16.94	17.03

Calculations based on previous session. Data collected 03/06/2017

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	18.59	18.79	19.31	19.51	20.03
CTAK7	Cotton	77.45	78.38	78.92	79.84	80.38
CTAZ7	Cotton	74.65	75.11	75.30	75.76	75.95
CCAK7	Cocoa	1904	1915	1943	1954	1982
OJAK7	Orange Juice	166.95	171.05	172.50	176.60	178.05
KCAK7	Coffee	139.17	139.95	142.17	142.95	145.17
MAH7	Milk	15.82	15.85	15.90	15.93	15.98

Calculations based on previous session. Data collected 03/06/2017

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