



DAILY SOFTS CURRENCY COMMENTARY

Wednesday March 08, 2017

DAILY COCOA COMMENTARY

03/08/17

If cannot hold last week's lows, 1825 becomes next target

Near-term prospects are being dampened by a stronger Dollar and the negative shift in risk appetites early this week. In addition, the Swiss chocolate maker Lindt & Spruengli forecast sales growth of around 6% this year, which is in-line with 2016 results but near the lower end of analyst estimates as their US market shrank with Russell Stover products being eliminated. Lindt is looking for gradual improvement in global chocolate demand, which clearly could take some time before it has a longer-term impact on cocoa prices as other major global chocolate makers saw sales growth last year that stayed below 2%. Soil moisture remains sufficient in most areas of the Ivory Coast for their main crop early flowering period, but a recent shift towards hotter and drier weather could cause difficulties for their upcoming production. The West African mid-crop harvest will reach full speed next month, so there should be a better gauge on whether Ivory Coast production can meet trade forecasts of 1.9 million to 2.0 million tonnes for the 2016/17 season.



TODAY'S MARKET IDEAS:

Lukewarm risk appetites may keep demand prospects subdued for now, but multi-year low prices may be encouraging commercials to pick up supply at "bargain" levels. Near-term support for May cocoa is at 1888 while resistance is at 1955. If last week's lows cannot hold, 1825 is next downside swing 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) 03/08/2017: 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. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 1884. The next area of resistance is around 1935 and 1957, while 1st support hits today at 1899 and below there at 1884.

DAILY COFFEE COMMENTARY

03/08/17

Oversold and low open interest but supply news bearish tilt

Coffee prices survived a retest of last week's low, but are in need of fresh bullish supply news to avoid sliding further to the downside. Colombian coffee output during February came in at 1.293 million bags, which was 17% above last year's total and the second month in a row with a "double-digit" gain over the 2016



result, while their coffee exports were 7% above last year at 1.19 million bags. This puts Colombia on pace to exceed last season's output total by a decent margin and while this does not fully make up for production declines in Vietnam and Brazil, it adds to the strong results seen from Honduras and Guatemala recently. Kenya's February coffee sales were 99,690 bags compared to 84,966 bags in January as total sales for the 2016/17 season so far are at 275,991 bags, up 30% from last year's 212,383 bags over the same timeframe. Along with strong Ugandan results, East African production looks to have strong production this season. ICE exchange coffee stocks rose by 2,731 bags on Tuesday as they are maintaining an uptrend since the start of this year.

TODAY'S MARKET IDEAS:

Lukewarm demand over the past few months has taken its toll on coffee prices, which now need to find fresh bullish supply news to avoid more selling. However, open interest is low and technical indicators oversold. Support for May coffee is at 139.65 and 138.15 with resistance at 144.85 and 146.45.

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) 03/08/2017: Momentum studies are declining, but have fallen to oversold levels. 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 now at 138.65. The next area of resistance is around 141.84 and 143.24, while 1st support hits today at 139.55 and below there at 138.65.

DAILY COTTON COMMENTARY

03/08/17

Too much old crop supply and new crop looks big; weak

The market does not seem to have the supply fundamentals to move much higher as demand is strong but the large US supply should saturate the demand soon. In addition, traders see US planted area up 14.2% from last year and India up 7% so a normal yield could easily push US stocks to a 10-year high. While world ending stocks are expected to tighten, virtually all of that decline is as a result of the movement from Chinese reserves to Chinese consumption. As a result of the active buying from the reserve, China is likely to reduce imports.

China plans to offer near 30,000 tonnes daily from now until August 31st. On the 2nd day of the auctions, China sold 30,000 tonnes which was 100% of what was offered today and also sold 100% Monday. Today, China sold 29,900 tonnes of cotton from reserves which was 99.54% of what was offered. Speculators hold a near record high net long position. The market closed sharply lower on Tuesday as weakness in grain markets and a firm US dollar sparked some selling. Open interest jumped 5,245 contracts on the rally on Monday.



TODAY'S MARKET IDEAS:

It remains difficult to believe that there will be some type of squeeze in the market as there seems to be plenty of supply. China sold nearly all that was offered from their reserves for the third day in a row. May cotton short-term resistance is at 79.11 with close-in support at 77.25 and 76.73. Aggressive short-term traders might consider selling the July/Dec spread as the inversion may not hold.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 03/08/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 79.96. The next area of resistance is around 78.87 and 79.96, while 1st support hits today at 77.19 and below there at 76.59.

COTTON (DEC) 03/08/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 75.86. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 75.59 and 75.86, while 1st support hits today at 74.97 and below there at 74.61.

DAILY SUGAR COMMENTARY

03/08/17

Unwind of spec net long; no imports India, weak Brazil ethanol

With a huge spec net long position, weak technical action and uncertainty over Mexico trade issues, the market traded sharply lower yesterday. Ethanol prices are at a six month low in Brazil and this will encourage sugar production when the season begins next month. The selling drove May sugar to the lowest level since December 28th. Mexico has canceled their existing sugar export permits to the US to avoid penalties in a dispute over the timing of the shipments. Mexico's sugar chamber said those existing permits would be re-issued in April.

Import quotas from Mexico vary from year to year with the 2016-17 season quota at 820,000 tonnes. India's 2016/17 sugar production could total 20.3 million tonnes according to the Indian Sugar Mills Association, while their 2016/17 domestic sugar consumption may total 23.8 to 24 million tonnes versus 24.8 million tonnes last season. The ISMA also commented that there was no need to supplement domestic sugar supplies with imports. Indian sugar mills clearly have a vested interest with restricting imports but as we have seen with the potential for Brazilian coffee imports this season, government officials tend to listen very closely to industries that have a prominent role in their nation's economy.

**TODAY'S MARKET IDEAS:**

Brazil's harvest starts in less than a month and the prospect of increased output from the world's top producer could weigh on prices going forward. May sugar will find near-term resistance at 18.90 and 19.08, with next support at 18.17 and 17.92.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/08/2017: Momentum studies are still bearish but are now at oversold levels and will tend to

support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 17.79. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 18.79 and 19.36, while 1st support hits today at 18.01 and below there at 17.79.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/08/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 178.45. The next area of resistance is around 177.20 and 178.45, while 1st support hits today at 173.80 and below there at 171.60.

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	18.40	24.00	29.94	15.84	9.44	19.18	19.39	19.91	20.23	19.76
CTAK7	78.03	58.09	58.43	59.93	68.74	77.98	77.21	76.97	75.44	74.32
CTAZ7	75.28	71.07	69.92	86.03	89.94	75.10	74.63	74.42	72.83	71.95
CCAK7	1917	37.75	38.17	33.48	31.38	1933.75	1949.22	1963.94	2074.16	2115.67
OJAK7	175.50	65.98	58.84	61.70	79.14	170.50	166.21	167.27	170.63	176.71
KCAK7	140.70	32.17	36.36	25.51	18.46	142.45	143.83	146.13	148.41	146.97
MAH7	15.95	27.73	30.70	10.15	10.25	15.95	16.10	16.46	16.91	17.02

Calculations based on previous session. Data collected 03/07/2017

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	17.78	18.00	18.57	18.79	19.36
CTAK7	Cotton	76.58	77.18	78.27	78.87	79.96
CTAZ7	Cotton	74.60	74.96	75.23	75.59	75.86
CCAK7	Cocoa	1883	1898	1920	1935	1957
OJAK7	Orange Juice	171.55	173.75	175.00	177.20	178.45
KCAK7	Coffee	138.65	139.54	140.94	141.84	143.24
MAH7	Milk	15.68	15.84	15.89	16.05	16.10

Calculations based on previous session. Data collected 03/07/2017

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