



DAILY SOFTS CURRENCY COMMENTARY Wednesday March 15, 2017

DAILY COCOA COMMENTARY 03/15/17

With near record OI and he short position, buyers active

Risk anxiety in front of today's key financial events cast a long shadow over many commodities yesterday, but cocoa was an exception, with May cocoa posted a sizable gain. There are reports that Ivory Coast port arrivals may fall by half over the next few weeks due to quality issues and that they may stay that way until well into the mid-crop harvest in late May and June. Some of this arrival slowdown was due to storage difficulties that resulted from supply-chain bottlenecks from earlier in the season. However, there has been a notable shift towards smaller cocoa bean sizes that are allowable for export, which is a sign that dry weather has negatively impacted production levels throughout the region.



The latest weekly results for Ivory Coast port arrivals were roughly 25,000 tonnes above the comparable period last year, with the full season total continuing to move further ahead of last season's pace. It may take several weeks for this to develop, but if weekly arrivals totals do fall by roughly half, overall Ivory Coast production may not climb beyond a 10% increase on last season, which would put it around 1.74 million tonnes versus recent trade forecasts of 1.9 million to 2.0 million tonnes. Ghanaian officials have already dialed back their 2016/17 output forecast to 800,000 tonnes (a 3% increase on last season).

TODAY'S MARKET IDEAS:

A multi-year high in cocoa's its spec net short position is clearly fueling short-covering, but this week's developments may be an early sign that West African production will not match market forecasts and that cocoa prices are in a "value zone." Near-term support for May cocoa is at 2012 and 1987. Consider buying a break, using 2133 and 2171 as initial upside targets.

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) 03/15/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 2105. The next area of resistance is around 2087 and 2105, while 1st support hits today at 2029 and below there at 1988.

DAILY COFFEE COMMENTARY 03/15/17

Under positive technical influence of Monday's reversal

The coffee market continues to probe for a near-term low, and the recent consolidation with rising open interest and the two sweeping reversals since March 1st might indicate that the market has at least stopped going down. If the US dollar turns lower today, it could support the market as well. Brazilian weather for the new crop season has been nearly ideal for the past several months, but the market may soon see the need to build some weather premium. The ability of the market to consolidate in a period where energy and other agricultural markets have been having a difficult time and the US Dollar has been strong suggests that coffee is showing some relative strength.



Coffee stockpiles at European ports rose 0.7% in December to 715,266 tonnes compared to 710,270 tonnes in November, according to the European Coffee Federation. Stevedores and other port workers in Brazil plan to halt activities for 24 hours starting at 7 AM local time today. There should not be a significant impact on volumes of exports or vessel schedules according to exported group Anec, but this needs to be monitored. Some traders see the possibility that the heavy rains that fell in December and early January in Vietnam and slowed harvest and hurt quality could have also caused uneven flowering for the 2017/18 crop, which could cause production problems ahead.

TODAY'S MARKET IDEAS:

With the oversold condition of traditional technical indicators and some supply uncertainties ahead, the market could build some weather premium. May coffee should show good support on any test of this week's lows. Look for a bounce to close-in resistance at 145.95 and 147.65.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (MAY) 03/15/2017: The crossover up in the daily stochastics is a bullish signal. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 144.21. The next area of resistance is around 142.52 and 144.21, while 1st support hits today at 139.98 and below there at 139.12.

DAILY COTTON COMMENTARY

03/15/17

Still overbought and still vulnerable but \$ and China?

The cotton market experienced a bounce yesterday and was higher overnight, but the technical damage on Monday and the shift in focus to the new crop production outlook are seen as bearish forces. Monday's close under the key channel support off of the December-March uptrend is seen as a bearish technical development, especially given the overbought condition of the market basis the COT report and the high level of open interest. The outlook for a 14.3% jump in planted area this season opens the door for a further increase in ending stocks for 2017/18 after they reached an eight-year high in 2016/17. If India has a larger crop this coming year, the increased competition on the export market could slow demand for US cotton. China has sold 24,400 tonnes of cotton from their reserve, which was 76% of what was offered. In the January-February time frame,



China imported 253,500 tonnes, up 67% from last year's pace. Their import pace could slow in the months ahead given the strong pace of sales from their reserves was this past week.

TODAY'S MARKET IDEAS:

The market appears be vulnerable to increased long liquidation if risk sentiment does not show improvement. May cotton closed below uptrend channel support for the second day in a row Tuesday. Another close under 77.49 today would keep the chart pattern a bit negative. May cotton short-term resistance is at 78.68, with support at 75.75 and 74.60. It may take a close back over 78.15 to turn the charts a bit more positive.

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) 03/15/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 76.57. The next area of resistance is around 77.42 and 77.65, while 1st support hits today at 76.88 and below there at 76.57.

COTTON (DEC) 03/15/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 74.47. The next area of resistance is around 75.28 and 75.50, while 1st support hits today at 74.77 and below there at 74.47.

DAILY SUGAR COMMENTARY

03/15/17

Dollar movement today could spark volatility; trend down

Since last week's collapse, the market has stabilized for three days in a row with talk of the short-term oversold condition of the market and some light concerns on the supply outlook due to weather uncertainty helping the market to slow the long liquidation selling seen recently. May sugar closed slightly lower on the session yesterday after trading a relatively tight, 23-point range. Heavy rains in the Center South region of Brazil could delay early harvesting progress, but the new season does not typically get started before early April. A double dose of bearish news for sugar comes from the outlook for a record cane crop from Brazil (as well as higher production in India and Europe and Thailand) and plus a shift to a higher percentage of Brazil's cane crop expected to be used for sugar and not ethanol. There is also talk that China may impose a duty on sugar imports as soon as March 22nd. India's Food Minister has upgraded his sugar output forecast to 22 million tonnes or more, calling the Indian Sugar Mills Associations' estimate of 20.3 million tonnes too low. The Minister also commented that there is no shortage of sugar in India and that there is no need to import sugar in 2016-17.



TODAY'S MARKET IDEAS:

The sharp drop in crude oil prices leave Brazilian millers in a position to shift more of their cane input to sugar production as opposed to ethanol, and this just adds to the short-term bearish supply outlook for sugar. Keep in mind that large and small specs combined still held a net long position of 163,992 contracts in the last COT

update, so the talk of the short-term oversold condition of the market does not carry much weight. Resistance for May sugar is at the 18.50-18.68 zone with 17.96 and 17.57 as next support.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/15/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 17.96. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 18.27 and 18.41, while 1st support hits today at 18.05 and below there at 17.96.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/15/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. A positive signal was given by the outside day up. The market's close above the 2nd swing resistance number is a bullish indication. The next upside objective is 182.55. The next area of resistance is around 179.55 and 182.55, while 1st support hits today at 171.05 and below there at 165.45.

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	18.16	26.48	30.54	8.31	7.17	18.14	18.63	19.30	20.01	19.73
CTAK7	77.15	49.81	52.60	55.92	49.08	77.28	77.68	76.98	75.92	74.80
CTAZ7	75.03	58.09	62.11	87.01	82.26	75.20	75.18	74.67	73.31	72.42
CCAK7	2058	66.39	57.66	45.19	65.09	1976.75	1950.44	1966.39	2048.49	2091.43
OJAK7	175.30	63.10	57.79	78.42	83.29	172.88	172.03	168.95	168.89	174.25
KCAK7	141.25	39.32	40.31	17.71	18.07	141.35	141.88	144.58	148.24	146.73
MAH7	15.72	24.33	27.72	7.84	7.15	15.74	15.85	16.14	16.76	16.89

Calculations based on previous session. Data collected 03/14/2017

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	17.95	18.04	18.18	18.27	18.41
CTAK7	Cotton	76.56	76.88	77.11	77.42	77.65
CTAZ7	Cotton	74.46	74.77	74.98	75.28	75.50
CCAK7	Cocoa	1987	2028	2046	2087	2105
OJAK7	Orange Juice	165.40	171.00	174.00	179.55	182.55
KCAK7	Coffee	139.11	139.97	141.66	142.52	144.21
MAH7	Milk	15.63	15.68	15.71	15.76	15.79

Calculations based on previous session. Data collected 03/14/2017

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