



## DAILY SOFTS CURRENCY COMMENTARY Thursday March 16, 2017

### DAILY COCOA COMMENTARY 03/16/17

#### Demand tone improves and downside supply adjustments likely

Cocoa's recovery move ran out of steam after climbing more than 200 points from last week's lows, but the market may get a boost from yesterday afternoon's events. May cocoa traded to its highest price since February 6th yesterday before closing lower on the day. After the close, the Fed's post-FOMC meeting guidance was less hawkish than the market was expecting, and this sent the dollar into a nosedive. The British Pound was a major beneficiary, while the Eurocurrency received added benefit from Dutch election results that showed Geert Wilders' Party of Freedom not receiving the largest amount of parliamentary seats. European grinders account for one-third of global cocoa processing without having a domestic source of beans, so a rebound in the Eurocurrency and British Pound should help the region's demand prospects. Nigerian February cocoa exports fell 37% to 8,383 tonnes compared to 13,258 tonnes for the same period last year. That along with recent updates from Cameroon and Ghana indicates that West African production may not reach the lofty levels that had been projected in early trade forecasts. There have been reports that cocoa grinders in Ivory Coast are rejecting beans because of high acidity levels and small bean size, which adds credence to previous reports that nation's port arrivals will decline by nearly half this year due to a lack of export-quality cocoa beans.



#### TODAY'S MARKET IDEAS:

The demand side has been given a boost by the Fed and the Dutch election result, which could help to underpin cocoa prices. Near-term support for May cocoa is at the 2012 to 1987 zone, with close-in resistance at 2067. Keep 2133 as initial upside target, and consider buying call options.

#### 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) 03/16/2017: Momentum studies are trending higher but have entered overbought levels. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 2095. The next area of resistance is around 2069 and 2095, while 1st support hits today at 2027 and below there at 2011.

### DAILY COFFEE COMMENTARY 03/16/17

#### Outside market forces to provide boost; build premium?



After the market closed yesterday, the announcement of an increase in interest rates by the Fed, which had been expected, helped to drive the US dollar sharply to its lowest level since February 9th, and this supported higher trade in coffee overnight. The Brazilian Real jumped nearly 2% after the rate hike, which might be seen as a positive force. Coffee traded a little lower yesterday on slow volume and in a tight range. Espirito Santo-based coop Coaabriel said it expects its Robusta output to be 660,000 bags in 2017, up from 600,000 bags in 2016. They also commented that this year's crop will have bigger beans with better quality and that they expect to start harvest activities in 30 days. In a report from Rabobank, Brazil's 2017-18 coffee crop is seen at 49.2 million bags, down from 54 million bags in 2016-17, with Arabica coffee trees in an off-cycle in many Brazilian regions. Arabica output was estimated at 36.7 million bags versus 42 million last year and Robusta output was seen rising to 12.5 million bags from 12.0 million last year. US green coffee stocks at the end of February came in at 6.445 million bags, up 123,007 bags for the month. Exchange deliverable stocks for the day were down 7,150 bags to 1.339 million bags.

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

The market seems to be in a position to begin to build some weather premium for the Brazilian harvest into the early summer. May coffee support is near 139.65, with 145.95 and 147.65 as initial resistance on a bounce.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COFFEE TECHNICAL OUTLOOK:**

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COFFEE (MAY) 03/16/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 142.90. The next area of resistance is around 141.80 and 142.90, while 1st support hits today at 140.00 and below there at 139.30.

#### **DAILY COTTON COMMENTARY**

03/16/17

#### **Mixed news but technical action stays positive; weekly sales?**

The cotton market closed sharply higher on the session yesterday and pushed higher again overnight. This negated some of the negative technical developments from earlier this week. The export pace has been very strong, and the economic news has traders expecting that pace to continue. News of strong Chinese imports for January and February helped to support the rally. Chinese sales of government-owned stocks started in March, and the sales have been very strong so far. China sold 24,400 tonnes of cotton from reserves yesterday, which was 76.1% of what was offered. China sold 21,893 tonnes of cotton from reserves today, 70.4% of what was offered. Traders will monitor the weekly export sales report closely this morning to see if the recent move to a higher price level has slowed interest in US cotton.



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

While we continue to have a bearish tilt fundamentally, the technical action is impressive and the trend is still up. A close above 78.44 for May cotton would leave 80.47 as the next upside target. On the other hand, a close back under 76.73 might spark increased long liquidation selling and a break to 73.37.

#### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

None.

### **COTTON TECHNICAL OUTLOOK:**

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COTTON (MAY) 03/16/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next downside objective is 76.81. The next area of resistance is around 78.62 and 78.98, while 1st support hits today at 77.54 and below there at 76.81.

COTTON (DEC) 03/16/2017: 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 short-term trend is positive on the close above the 9-day moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 74.80. The next area of resistance is around 75.59 and 75.75, while 1st support hits today at 75.11 and below there at 74.80.

### **DAILY SUGAR COMMENTARY**

03/16/17

#### **Plenty of room for at least a recovery bounce; Brazil wet**

The short-term fundamental news remains bearish, and the market seems to be in a long liquidation downtrend, but outside market forces turned positive yesterday after the close, and sugar gapped higher overnight. The Fed increased interest rates as expected, and the action sparked an aggressive selloff in the US dollar and a jump in the Brazilian currency, and this action might spark some short-term buying in sugar. Gold also jumped sharply as well late yesterday and overnight. May sugar traded to a low of 18.13 yesterday in a low volume session. The market has shown stability over the last four days, but it continues to search for bullish inputs. A potential record cane crop in Brazil will also see a shift to a higher percentage being used for sugar and instead of ethanol. There is also speculation that China could impose a duty on sugar imports as soon as March 22nd. Heavy rains are causing some transportation delays in Brazil, and this could slow the beginning of the 2017/18 harvest. Egypt is seeking to buy 50,000 tonnes of raw sugar.



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

There is still no technical sign of a low and the short-term cash fundamental news remains sloppy, but a spark from outside market forces plus oversold technical indicators (stochastics at 10.7) might be enough to trigger a decent recovery bounce. Support for May sugar is at 18.09 with 18.68 and 18.90 as resistance.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

### **SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 03/16/2017: 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 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 near-term upside objective is at 18.38. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 18.30 and 18.38, while 1st support hits today at 18.15 and below there at 18.06.

### OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/16/2017: 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 has a slightly positive tilt with the close over the swing pivot. The next upside target is 183.05. The next area of resistance is around 181.05 and 183.05, while 1st support hits today at 175.15 and below there at 171.20.

### 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	18.23	29.17	32.10	8.39	8.57	18.20	18.47	19.19	19.97	19.73
CTAK7	78.08	58.11	57.68	54.69	52.23	77.35	77.83	77.05	76.03	74.90
CTAZ7	75.35	64.58	65.68	86.23	84.66	75.16	75.25	74.72	73.41	72.51
CCAK7	2048	63.94	56.29	54.27	72.44	2014.25	1963.78	1966.72	2045.82	2088.20
OJAK7	178.05	67.80	61.15	81.51	87.70	174.56	173.58	169.38	168.91	174.02
KCAK7	140.90	38.11	39.58	17.88	18.24	141.46	141.50	144.16	148.12	146.67
MAH7	15.66	22.43	26.48	7.20	5.93	15.70	15.81	16.07	16.72	16.86

Calculations based on previous session. Data collected 03/15/2017

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	18.05	18.14	18.22	18.30	18.38
CTAK7	Cotton	76.80	77.53	77.89	78.62	78.98
CTAZ7	Cotton	74.79	75.11	75.27	75.59	75.75
CCAK7	Cocoa	2011	2027	2053	2069	2095
OJAK7	Orange Juice	171.15	175.10	177.10	181.05	183.05
KCAK7	Coffee	139.30	140.00	141.10	141.80	142.90
MAH7	Milk	15.59	15.62	15.67	15.70	15.75

Calculations based on previous session. Data collected 03/15/2017

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