



## DAILY SOFTS CURRENCY COMMENTARY Tuesday March 21, 2017

### DAILY COCOA COMMENTARY 03/21/17

#### Priced-in big crop and big global surplus; short-cover

May cocoa traded as much as 5.5% higher yesterday and to the highest price level since February 1st, the largest single-day gain in several years. In addition, this was May cocoa's first close above its 50-day moving average since August. Given the large gain in prices between COT measuring dates, a surprisingly large net spec short position fueled short-covering. The latest reading on Ivory Coast cocoa ports arrivals came in above the comparable period last year, but was also notably below recent weekly totals. There has been talk that while weekly port arrivals readings should remain above last year's depleted results, they are likely to stay below those seen early this year as many cocoa beans may not meet the size and quality standard for export. The West African "dry" season is winding down but there are some areas in the region which are still seeing hot and dry conditions. This in turn could have a negative impact on their upcoming midcrop production, which needs to come in much higher than last year for full-season output to match early trade forecasts.



#### TODAY'S MARKET IDEAS:

Cocoa may see volatile price action over the rest of this week, but it appears now that a near-term low has finally been put in. Near-term support for May cocoa is at 2065 with resistance at 2171 and 2264. Consider buying breaks.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

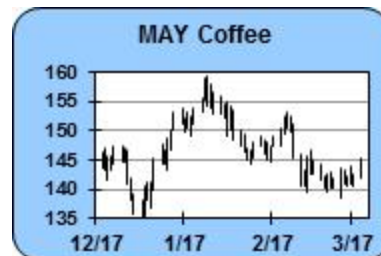
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (MAY) 03/21/2017: The major trend could be turning up with the close back above the 60-day moving average. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 2203. The next area of resistance is around 2171 and 2203, while 1st support hits today at 2061 and below there at 1982.

### DAILY COFFEE COMMENTARY 03/21/17

#### In position for significant gain; build weather premium

Coffee prices have lifted clear of the recent consolidation. May coffee traded up as much as 2.4% higher on the session yesterday and to the highest level since March 2nd. The market is finding support on forecasts of dry weather in Vietnam



through the end of March. While the current season's harvest is now complete, their upcoming 2017/18 crop had been forecast to see significant improvement over this season's production that could end up with a decline of as much as 20% from the 2015/16 crop. With the potential for an El Nino event later this year added into the equation, dry conditions during the first half of this year could limit the chances for a sizable output recovery. While they have seen plentiful rainfall over the last month, growing regions in Brazil's top Arabica producing state of Minas Gerais have mostly dry weather in their forecast through late next week that could limit the chances for this season's crop to see a less than expected decline for "off-year" production. ICE exchange coffee stocks rose by 1,140 bags.

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

While demand remains a concern, a further shift in focus towards lower upcoming production could help to fuel a recovery move in coffee prices. May coffee support is at 143.20, with 148.95 and 151.40 as next key resistance. Use a pullback to buy.

#### **NEW RECOMMENDATIONS:**

\* Buy July Coffee at 144.65 with an objective of 160.40. Risk to 141.80.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COFFEE (MAY) 03/21/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 148.05. The next area of resistance is around 147.04 and 148.05, while 1st support hits today at 143.45 and below there at 140.85.

#### **DAILY COTTON COMMENTARY**

**03/21/17**

#### **Trend-following funds hold largest long for agriculture markets**

Minor technical weakness could quickly snowball into a major corrective break given the extreme overbought condition of the market basis the COT report. December cotton pushed to a new contract high again yesterday, but closed just slightly higher on the session. May cotton closed sharply lower on the session as the market lacked new buying interest and the market is creeping below uptrend channel support this morning which might be seen as a bearish development. The May/July cotton spread pushed down to a new contract low which does not bode well for traders expecting some type of squeeze or any tightness in the cash market. Open interest remains very high and traders hold a huge net long position. In fact, as of March 14th, trend-following fund traders held a net long position of 113,369 contracts as compared with the record high of 114,582 contracts. This is the highest net long position for any agricultural market.



China remains an active seller of cotton out of their reserves. China sold 24,200 tonnes of cotton from reserves on Monday which represented 79.2% of the total offered. The prospective plantings report will be released at the end of the month and traders suspect a jump of near 14% in plantings. Keep in mind that the USDA Outlook conference used a preliminary planted acreage estimate of 11.5 million acres. They also dropped yield by 6% from last year and held exports very high and still came up with an ending stocks estimate of 5.2 million bales, a 9-year high.

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

The market may need to be fed bullish supply news in order to avoid a long liquidation selling mode ahead.

Resistance for May cotton is at 78.33, with key support back at 74.32 and 72.73. Consider selling a minor bounce.

**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) 03/21/2017: A crossover down in the daily stochastics is a bearish signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The outside day down is somewhat negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 76.24. The next area of resistance is around 78.05 and 79.11, while 1st support hits today at 76.61 and below there at 76.24.

COTTON (DEC) 03/21/2017: The market rallied to a new contract high. Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 76.00. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 75.87 and 76.00, while 1st support hits today at 75.47 and below there at 75.19.

**DAILY SUGAR COMMENTARY**

**03/21/17**

**No sign of low yet as increasing supply issues spark liquidation**

Expectations for larger upcoming production have put the market on the verge of reaching a new 9-month low. May sugar traded sharply lower yesterday. Brazil's cane harvest will get started in early April and with good rains since the start of the year, as well as Brazilian mills focusing their crushing on sugar over ethanol, recent production estimates have been rising up to 37-38 million tonnes. There is talk that Brazil could resume taxing ethanol imports again which could help to stimulate domestic production. However, global ethanol

demand has been done few favors by sluggish crude oil prices that are having trouble climbing back above the \$50 per barrel level. The EU will not have output quotas this season and are expected to have a sizable uptick in their production. Given the continued decline in Indian crop estimates for this season, there is still some chance that nation will decide to relax sugar import duties over the next few months. However, India's mills will prefer to work down their current sugar stocks before their crushing operations start up again in October.



**TODAY'S MARKET IDEAS:**

Unless there are fresh developments on relaxing Indian import duties, sugar prices will continue to be weighed down by expectations of larger upcoming production and are likely to reach a new low for the move. Near-term resistance for May sugar is at 18.01 with 17.50 and 17.11 as next support.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/21/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under 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 18.56. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 18.05 and 18.56, while 1st support hits today at 17.35 and below there at 17.15.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 03/21/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 186.30. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 184.60 and 186.30, while 1st support hits today at 181.10 and below there at 179.25.

## 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	17.70	21.45	26.77	12.28	13.82	18.09	18.15	18.77	19.81	19.73
CTAK7	77.33	48.57	51.77	54.72	51.59	77.99	77.68	77.45	76.33	75.28
CTAZ7	75.67	70.28	69.01	89.15	92.37	75.53	75.37	75.00	73.70	72.84
CCAK7	2116	69.70	62.12	70.06	81.47	2051.00	2002.56	1975.89	2037.76	2077.67
OJAK7	182.80	73.92	66.08	88.91	92.84	179.85	176.19	171.20	168.88	173.31
KCAK7	145.25	59.39	52.62	29.22	43.35	142.41	141.87	142.85	147.57	146.53
MAH7	15.72	29.71	30.32	7.58	8.73	15.70	15.74	15.92	16.60	16.77

Calculations based on previous session. Data collected 03/20/2017  
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	17.14	17.34	17.85	18.05	18.56
CTAK7	Cotton	76.23	76.61	77.67	78.05	79.11
CTAZ7	Cotton	75.18	75.46	75.59	75.87	76.00
CCAK7	Cocoa	1981	2060	2092	2171	2203
OJAK7	Orange Juice	179.20	181.05	182.75	184.60	186.30
KCAK7	Coffee	140.84	143.44	144.44	147.04	148.05
MAH7	Milk	15.69	15.70	15.73	15.74	15.77

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