



DAILY SOFTS CURRENCY COMMENTARY Monday March 27, 2017

DAILY COCOA COMMENTARY 03/27/17

Still uneasy with outlook for surge in production; firm

May cocoa closed lower on Friday but for the week managed to rally 118 points (5.8% higher) which represents a second straight positive weekly result. This would be the first time that cocoa has put together back-to-back weekly gains since December. The negative shift in risk sentiment approaching last Friday's health-care reform vote may have encouraged some longs to head to the sidelines, but risk appetites showed mild improvement after the vote was delayed. Over the weekend, there was a threat of attack to Ivory Coast ports that led to an increase in security, which in turn could create some supply-side anxiety early this week. Economic concerns for West African producers and for other cocoa-producing nations are casting doubt whether the region's output will be able to have a sizable output increase over the next few years. In fact, a decision from Ghana's monetary policy committee to cut rates would be their second rate cut in 4 months as their GDP rose by only 3.6% last year, their slowest growth rate since 1994. Cocoa's net spec short position had a sizable downtick in the latest COT report but remains large enough to fuel additional short-covering. The Commitments of Traders reports as of March 21st showed Non-Commercial traders were net short 19,255 contracts, a decrease of 7,507 contracts for the week. Non-Commercial and Nonreportable combined traders held a net short position of 11,410 contracts, down 6,579 contracts for the week.



TODAY'S MARKET IDEAS:

Commodity Index traders held a net long position of 13,685 contracts. This represents a decrease of 8,567 contracts in just one week. A weaker Dollar should provide some demand-side support, but cocoa may come under near-term pressure if risk sentiment has a negative tone early this week. Near-term support for May cocoa is at 2118 and 2096, with resistance at 2213. Consider buying pullbacks.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017

Softs	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	Net Position	Weekly Net Change
Cocoa	-19,255	+7,507	11,411	-6,577	7,845	-928	

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) 03/27/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the 1st swing support number suggests a moderately negative setup

for today. The near-term upside target is at 2187. The next area of resistance is around 2154 and 2187, while 1st support hits today at 2108 and below there at 2094.

DAILY COFFEE COMMENTARY

03/27/17

Four days straight down on weak demand tone; long liquidation

Coffee's severe change in fortune last week has taken the market to its lowest price levels since early January. While the longer-term supply outlook remains supportive, coffee may have further downside ahead before it can find a near-term floor. May coffee finished an outside week with a loss of 4.45 cents (down 3.1%). Risk appetites remain sluggish even after their mild rebound late Friday, which will weight particularly hard on coffee given ongoing concerns with global demand. In fact, ICE exchange coffee stocks rose by 4,370 bags on Friday and are now above 1.35 million which puts them on course for a sizable build during the first quarter of 2017. World coffee exports rose 0.2% to 9.71 million bags during February compared to 9.69 million last year, with exports over the October/February timeframe up 6.7% versus last year at 49.52 million bags. Guatemalan coffee production could be 10-15% lower than the previous estimate of 3.1 million bags due to adverse weather according to their National Coffee Association, which would be a change in tone from recent trade expectations that overall Central American coffee output will show improvement this season. The Commitments of Traders reports as of March 21st showed Non-Commercial traders were net long 22,668 contracts, an increase of 2,560 contracts for the week. Non-Commercial and Nonreportable combined traders held a net long position of 25,369 contracts, up 2,567 contracts for the week.



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TODAY'S MARKET IDEAS:

A weaker Dollar could help, but coffee may not get the rebound in risk sentiment needed to improve its demand outlook and so could see downside follow-through early this week. May coffee will have near-term support at 135.70 with resistance at 140.80.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

* Hit stop on long July coffee position for a loss of 310 points.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Softs						
Coffee	22,668	+2,560	-25,368	-2,567	2,701	+7

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) 03/27/2017: The daily stochastics gave a bearish indicator with a crossover down. 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 134.95. The next area of resistance is around 139.19 and 141.35, while 1st support hits today at 136.00 and below there at 134.95.

DAILY COTTON COMMENTARY

03/27/17

New crop supply outlook appears burdensome; weak



Traders continue to wait for mills to fix on-call sales and believe that supply is tight enough to support a continued advance. However, if the focus shifts over to the new crop outlook, expecting tightness ahead is a difficult task. With very high open interest and a near record net long position from speculators, the market looks vulnerable to a near-term break. For the acreage report on Friday, traders see cotton planted area for the coming year at 11.409 million bales (range 10.5-12.3 million) as compared with the USDA Outlook forum preliminary estimate of 11.5 million acres. This would be an increase of 13.2% from last year. Cotton has moved higher and grain markets lower since the Outlook Forum, so many traders see cotton acreage moving up as well. Bullish weekly export sales data supported the market late last week but for the week, May cotton was down 89 points.

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The expected 13.2% jump in planted area would suggest an ending stocks number for the new crop season near 6.5-7.0 million bales from 4.5 million this year and from 3.8 million last year. The Commitments of Traders reports as of March 21st showed Non-Commercial traders were net long 126,722 contracts, a decrease of 3,748 contracts for the month and the long liquidation selling trend is a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 132,277 contracts, down 5,360 contracts for the week.

TODAY'S MARKET IDEAS:

The market remains in a consolidation pattern as bulls await further supply tightness, but this clashes with the potential bearish outlook for the new crop season. Selling resistance for May cotton is at 78.06 and 78.39, with key support levels at 75.75 and 74.60. Consider selling a bounce looking for a setback to at least 73.45.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017						
	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Cotton	126,722	-3,748	-132,277	+5,360	5,555	-1,612

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) 03/27/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 76.59. The next area of resistance is around 77.95 and 78.54, while 1st support hits today at 76.98 and below there at 76.59.

COTTON (DEC) 03/27/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 75.11. The next area of resistance is around 75.65 and 75.76, while 1st support hits today at 75.33 and below there at 75.11.

DAILY SUGAR COMMENTARY
03/27/17

Correcting oversold condition with recovery bounce

May sugar traded 2.1% higher on Friday before finishing with a moderate gain and a third positive daily result in a row. For the week, however, May sugar finished with a loss of 46 ticks (2.5% lower) that was the seventh negative weekly result in a row. Brazil's Center South sugar output fell 48% in the first half of March to 72,612 tonnes compared to 140,528 tonnes in the same period last year, while cane crushing dropped to 3.264 million tonnes from 5.301 million according to the Brazilian trade group Unica. Last year's Brazilian harvest started one month earlier than normal due to sizable amounts of unharvested cane from the 2015/16 season, so this season's early shortfall is not a surprise as Center-South cane production still looks to be heading above 600 million tonnes. The percentage of cane used for sugar was 24% and the percentage used for ethanol was 76% which would normally be supportive for sugar prices, but keep in mind that early-harvested cane normally is directed more towards ethanol production.



The India Meteorological Department (IMD) has forecast the upcoming El Nino weather event will not impact this year's monsoon season, which boosts the chances that their upcoming sugar production will see significant improvement from this season's sub-20 million tonne total. The Commitments of Traders reports as of March 21st showed Non-Commercial traders were net long 111,686 contracts, a decrease of 18,524 contracts for the week and the long liquidation selling is a short-term bearish force. Non-Commercial and Nonreportable combined traders held a net long position of 114,040 contracts, down 24,506 contracts for the week.

TODAY'S MARKET IDEAS:

The recovery bounce is helping to alleviate the severe oversold condition but the market will need supply issues to develop to expect a shift in trend. Near-term support for May sugar is at 17.49 with 18.10 and 18.38 as resistance.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Softs						
Sugar	111,686	-18,524	-114,040	+24,506	2,354	-5,982

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAY) 03/27/2017: 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 close over the pivot swing is a somewhat positive setup. The near-term upside target is at 18.16. The next area of resistance is around 17.92 and 18.16, while 1st support hits today at 17.50 and below there at 17.31.

OJ 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.

ORANGE JUICE (MAY) 03/27/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. 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 next downside target is 176.15. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 182.65 and 185.35, while 1st support hits today at 178.05 and below there at 176.15.

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	17.71	34.39	33.54	15.00	19.58	17.48	17.82	18.30	19.54	19.69
CTAK7	77.47	51.12	52.71	37.49	30.99	77.23	77.56	77.66	76.72	75.73
CTAZ7	75.48	59.25	61.22	78.11	76.21	75.26	75.35	75.26	74.09	73.25
CCAK7	2131	63.63	60.11	84.74	87.79	2156.50	2098.67	2015.61	2033.76	2072.37
OJAK7	180.30	54.03	55.60	84.23	74.52	186.20	182.17	176.33	170.20	173.07
KCAK7	137.60	31.44	35.47	37.11	28.57	141.14	141.72	142.00	146.59	146.55
MAJ7	14.99	32.44	32.47	26.56	25.34	15.23	15.22	15.54	16.44	16.69

Calculations based on previous session. Data collected 03/24/2017

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	17.30	17.49	17.73	17.92	18.16
CTAK7	Cotton	76.58	76.97	77.56	77.95	78.54
CTAZ7	Cotton	75.10	75.32	75.43	75.65	75.76
CCAK7	Cocoa	2093	2107	2140	2154	2187
OJAK7	Orange Juice	176.10	178.00	180.75	182.65	185.35
KCAK7	Coffee	134.94	135.99	138.14	139.19	141.35
MAJ7	Milk	14.87	14.92	15.01	15.06	15.15

Calculations based on previous session. Data collected 03/24/2017

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