



## DAILY SOFTS CURRENCY COMMENTARY

Thursday March 30, 2017

### DAILY COCOA COMMENTARY

03/30/17

#### More down short-term but key support 2028 and 1990 to hold

Cocoa prices have broken out of their recent six-session consolidation zone to the downside and could remain under pressure over the short-term. While there have been bearish supply-side developments this week, cocoa's recent pressure has been due in part to near-term weakness in the Eurocurrency and British Pound. The Ivory Coast is considering reducing the cocoa export tax, and a reduction of the current levy of 22% could speed up sales of the mid-crop beginning in April. Ghanaian officials revealed that \$1.8 billion borrowed to fund the official cocoa purchases has been exhausted, and they will need to borrow more funds for the rest of this season. Ghana was at roughly 670,000 tonnes purchased earlier this month and was projecting a full-season production total around 800,000 tonnes. Some market analysts have been projecting a larger output total (850,000 tonnes and higher) and have hinted that Ghana's funding problems were a reason that their official purchases were just fractionally ahead of last season's pace earlier this month. If these funding issues continue and Ghana (and West African) mid-crop output fails to match expectations, cocoa could be looking at tighter near-term supply fairly quickly.



#### TODAY'S MARKET IDEAS:

Cocoa's near-term prospects will hinge on whether risk sentiment can improve as a rebound in the Eurocurrency and British Pound could help to shore up European demand prospects. Near-term support for May cocoa is at 2028 with resistance at 2105 and 2121.

#### 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) 03/30/2017: 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 close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next downside target is 2057. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 2104 and 2130, while 1st support hits today at 2068 and below there at 2057.

### DAILY COFFEE COMMENTARY

03/30/17

#### Funds build up shorts but hook reversal may spark buying



With London Robusta futures showing signs of consolidation and the news flow improving slightly, the market may be in position to see a recovery bounce over the near-term. London May Robusta futures closed slightly higher yesterday and have traded inside of Monday's range for the past several days. The market is a bit higher this morning. May ICE coffee is still trading under the positive influence of the March 27th hook reversal and experienced a little follow-through buying to help confirm a low. A bit more trading above the 140.00 level for May coffee should be enough to confirm at least a temporary low. With the Indonesian harvest in April and the Brazilian harvest kicking off in May thru June, supply tightness should ease and the trade does not see any reason to build in weather premium just yet. Goldman Sachs cut their rating on Dunkin Donuts to a sell from neutral citing stiff competition from cheaper McDonald's coffee. Dunkin Donuts, with 55% of their stores in the Northeast, suffered from two large winter storms in that region during the first quarter. There is some increased talk from Brazilian commercial traders that the government may allow duty-free imports of 1 million bags of Robusta coffee from Vietnam for re-export onto the world market and this would ease Brazilian tightness going into their harvest.

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

The technical action is improving and the increasing open interest on the recent break might indicate that some fund traders are pressing the short-side. Minor support for May coffee is at 137.20, and this support held again yesterday. Don't rule out a short-covering recovery bounce to 145.00.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **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) 03/30/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 objective is 136.37. The next area of resistance is around 140.67 and 141.86, while 1st support hits today at 137.93 and below there at 136.37.

#### **DAILY COTTON COMMENTARY**

**03/30/17**

#### **Bear price set-up with weak supply fundamentals/overbought COT**

The lowest close since February combined with a near record high net spec long position opens the door for increased selling ahead of Friday's key USDA update. Strong export sales have helped to support the market in recent weeks and traders will monitor the weekly sales number closely. For the prospective plantings report on Friday, traders see cotton planted area for the coming year at 11.409 million acres (range of 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, and many traders see the fact that cotton has gained sharply on grains in the last six weeks as a reason to suspect plantings above 11.5 million acres. Ending stocks would likely come in near 6.5 million bales or higher for the 2017/18 season as compared with 4.5 million this year and from 3.8 million last year.



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

Technical indicators are reaching an oversold status but are not at an extreme yet. In addition, the COT is still showing a very overbought condition. Selling resistance for May cotton is at 76.95 and 77.47, with key support at 74.60. Consider selling into resistance looking for a break to 73.45.

**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) 03/30/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 75.39. The next area of resistance is around 76.63 and 77.34, while 1st support hits today at 75.65 and below there at 75.39.

COTTON (DEC) 03/30/2017: The major trend has turned down with the cross over back below the 40-day moving average. The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies trending lower at mid-range should accelerate a move lower 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 close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 73.30. The next area of resistance is around 74.60 and 75.30, while 1st support hits today at 73.60 and below there at 73.30.

**DAILY SUGAR COMMENTARY****03/30/17****Good Brazil weather and bearish outside market forces; more down**

The move to the lowest price level since May leaves the trend down and the chart pattern looking bearish, and this could attract increased selling ahead. The turn up in the US dollar, the outlook for good weather in Brazil into early April and more talk of a surge in planted area for sugar beets in Europe helped to pressure yesterday. Outside forces are bearish again today. May sugar traded lower again yesterday and is down as much as 15.4% from the March 6th high. Traders are still trying to determine the damage in Australia's sugar crop due to Cyclone Debbie. Most feel it's too early to make an accurate assessment but damage has been done. Brazil's President Michel Temer rejected a tax on fuel to balance the fiscal shortfall, which could lead to further declines in gasoline and diesel prices eroding the demand for ethanol demand and boosting sugar production. Thailand exported 590,297 tonnes of sugar in February, up 9.4%.

**TODAY'S MARKET IDEAS:**

An end to the rainy season in Brazil could help the new 2017/18 season get off to a good start which will add sugar to the world export market. Keep in mind that trend-following fund traders still held a net long position of 65,428 contracts as of March 21st, so the market could see increased selling as support levels are violated. Near-term resistance for May sugar is at 17.29 and 17.46, with 16.66 and 16.58 as downside targets.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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may appear elsewhere in this report.

**SUGAR (MAY) 03/30/2017:** 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. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 17.79. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 17.41 and 17.79, while 1st support hits today at 16.83 and below there at 16.62.

### OJ TECHNICAL OUTLOOK:

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**ORANGE JUICE (MAY) 03/30/2017:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 165.15. The next area of resistance is around 170.55 and 172.50, while 1st support hits today at 166.90 and below there at 165.15.

### 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
<b>SOFTS MARKETS COMPLEX</b>										
SBAK7	17.12	23.90	27.03	21.20	21.54	17.52	17.57	17.95	19.34	19.61
CTAK7	76.14	36.38	43.30	24.31	14.09	76.86	77.17	77.51	76.87	76.03
CTAZ7	74.10	32.09	41.36	56.93	35.47	74.88	75.15	75.23	74.29	73.52
CCAK7	2086	51.64	52.99	83.57	79.25	2124.00	2124.44	2048.11	2030.27	2070.63
OJAK7	168.75	35.63	41.98	53.65	30.81	173.65	180.32	177.45	170.76	172.19
KCAK7	139.30	40.37	40.95	31.04	28.73	138.74	141.02	141.16	145.46	146.63
MAJ7	15.19	41.21	38.21	26.23	28.80	15.09	15.18	15.41	16.28	16.57

Calculations based on previous session. Data collected 03/29/2017

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	16.61	16.82	17.20	17.41	17.79
CTAK7	Cotton	75.38	75.65	76.36	76.63	77.34
CTAZ7	Cotton	73.30	73.60	74.30	74.60	75.30
CCAK7	Cocoa	2056	2067	2093	2104	2130
OJAK7	Orange Juice	165.10	166.85	168.80	170.55	172.50
KCAK7	Coffee	136.36	137.92	139.11	140.67	141.86
MAJ7	Milk	14.92	15.05	15.20	15.32	15.47

Calculations based on previous session. Data collected 03/29/2017

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