



DAILY SOFTS CURRENCY COMMENTARY

Thursday April 13, 2017

DAILY COCOA COMMENTARY

04/13/17

Malaysia grind up 15.7% but expectations for big supply ahead

Concerns over global demand continue to rattle cocoa prices as the market may need to see stronger readings out of Asia and North America in order to turn the trend. Malaysia 1st quarter grind was up 15.7% from last year which is supportive. July cocoa closed yesterday with a moderate loss. An in-line reading for European first quarter grindings (up 1.1% year-over-year) is still considered lukewarm at best as cocoa prices were close to multi-year lows over much of that period. While they reported better than expected earnings that helped to drive their stock price to a new all-time high, Barry Callebaut also reported that their global chocolate sales fell 2.1% over the last six months with volume declining 2.0% in Europe and 3.4% in the Americas while expanding 1.6% in Asia. The market will get a strong gauge on Asian demand growth with the release of Malaysian first quarter grindings as most of the cocoa beans that are processed in that nation are imported. A major global trade house forecast that cocoa would have a 2016/17 global production surplus of 400,000 tonnes. The Cameroon government distributed 13% more cocoa seedlings to farmers for planting this season according to the Agriculture Minister, which is following with their plan to lift their nation's production up to a target of 600,000 tonnes of cocoa beans per year by 2020.



TODAY'S MARKET IDEAS:

The lackluster reaction to in-line European grindings results may indicate that cocoa needs to have a better demand tone before prices can turn higher. The next near-term support for July Cocoa is at 1931 with resistance at 1997.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

Long July Cocoa 2100/2300 bull call spread from 46 with an objective of 172. Risk to 9.

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 (JUL) 04/13/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 1932. The next area of resistance is around 1983 and 1997, while 1st support hits today at 1951 and below there at 1932.

DAILY COFFEE COMMENTARY

04/13/17

False break-out and coffee still consolidating; chop



Coffee may be finding longer-term support from the supply side of the market, but demand concerns are keeping prices on a bumpy ride. July coffee climbed to a new weekly high before turning sharply lower yesterday with an outside-day session and a moderate loss. Sluggish risk sentiment may be having an impact on global coffee demand prospects and continues to derail attempts for the market to sustain a recovery move. ICE exchange coffee stocks rose by a hefty 8,565 bags on Wednesday, with a rise so far during April of over 34,000 bags that is larger than the entire monthly increase during February or March. There has been fresh talk that Vietnamese supply is currently tighter than normal, which may indicate that this season's output will show a substantial decline from last season. Safras & Mercado forecast Brazil's 2017/18 coffee crop to fall 7.4% to 51 million bags with Arabica production pegged at 40.4 million bags versus 45.1 million in 2016/18 while Robusta production was seen at 10.6 million bags compared to 10.0 million last season. They also commented that Brazilian coffee sales for their current crop are stagnant after the recent slide in domestic prices as well as tight near-term supplies, but they should pick up again after with the start of harvest by early May.

TODAY'S MARKET IDEAS:

A sharp Dollar selloff could help coffee prices find their footing going into the holiday weekend. July Coffee will find near-term support at 139.35 while minor resistance is at the 143.65 to 144.85 level.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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COFFEE (JUL) 04/13/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The outside day down is a negative signal. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next upside objective is 145.56. The next area of resistance is around 142.72 and 145.56, while 1st support hits today at 138.48 and below there at 137.07.

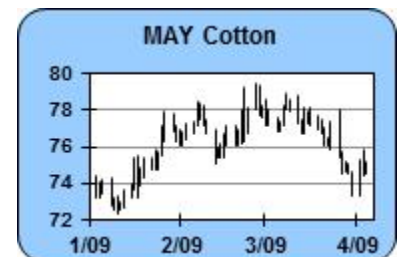
DAILY COTTON COMMENTARY

04/13/17

More signs of larger new crop supply to turn trend down

US dollar weakness helped to support bounce overnight. July cotton experienced the second lowest close since January yesterday and with speculators holding a much higher than normal long position, the market is still vulnerable to see increased selling on breaks. The shift in focus to the new crop season with good moisture in West Texas and producer intentions in the US to increase acreage by 21% has helped to keep a bearish tone to the market.

Traders will monitor the weekly export sales report for release today for any hints on demand but after the jump in exports from the supply/demand this week to 14 million bales (up 800,000 from the previous reading), it may be difficult to be impressive. The USDA FAS sees Brazilian production this year at 7 million bales from 6.7 million last year. At their daily auction, China officials sold 24,300 tonnes of state reserve cotton which was 81.2% of what was offered.



TODAY'S MARKET IDEAS:

The trend still looks like it is shifting from a strong and mature uptrend which peaked in early March, and we see the fundamental set-up for a downtrend into the summer. The 7-day forecast shows more than 2 inches of rain for the Lubbock, Texas region and while this will slow fieldwork, the base of subsoil moisture is seen as a reason to suspect that the non-irrigated acres will be off to a good start this year. Close-in selling resistance for July cotton

is at 76.96 and 77.23. The next downside targets are 74.58 and then 71.20.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAY) 04/13/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next upside target is 75.38. The next area of resistance is around 75.02 and 75.38, while 1st support hits today at 74.44 and below there at 74.22.

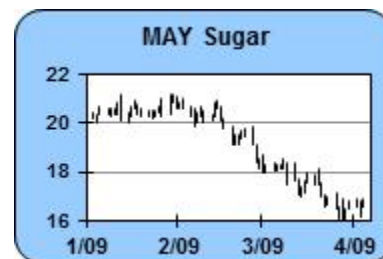
COTTON (DEC) 04/13/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 73.84. The next area of resistance is around 73.50 and 73.84, while 1st support hits today at 72.90 and below there at 72.63.

DAILY SUGAR COMMENTARY

04/13/17

Recovery bounce to back over 17 cents on weak US dollar

The sharp drop in the US dollar is enough to trigger higher trade this morning. With the Brazilian harvest starting to take center stage with the market, sugar prices need to have significant improvement with risk appetites in order to bounce much more. Brazil's Center-South sugar output fell 42% for the second half of March to 270,000 tonnes from 465,000 tonnes for the same period last year according to their trade group Unica. Center-South cane crushing dropped to 7.96 million tonnes from 14 million tonnes last year, while the percentage of total cane used for sugar was 35% versus ethanol at 65%. Keep in mind that last season's harvest started early due to a large amount of cane that went unharvested during the 2015/16 season, while the early Center-South crushing is normally weighted towards ethanol production. Many more Brazilian mills will start up their operations during April so crushing will be at full speed by the end of this month. This season's Thai cane harvest had a late start but is having a strong finish as their sugar production is running ahead of last season's pace and may reach 10 million tonnes. The Egyptian Supply Minister said the country's sugar stockpiles were sufficient for seven months in an interview in Cairo, which may keep them from fresh tenders over the next few months.



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TODAY'S MARKET IDEAS:

Sugar prices should benefit from the Dollar selloff on but the market may need to see several more weeks of Brazilian harvest results, as well as improving risk sentiment, in order to sustain a recovery move. Near-term support for July sugar is at 16.53. The market is creeping over the downtrend resistance today which could support a rally to resistance at the 17.17-17.39 zone.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 04/13/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The next upside target is 17.08. The next area of resistance is around 16.90 and 17.08, while 1st support hits today at 16.58 and below there at 16.45.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 04/13/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside objective is 163.55. The next area of resistance is around 162.40 and 163.55, while 1st support hits today at 159.90 and below there at 158.50.

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										
SBAN7	16.74	38.53	34.77	18.26	23.40	16.72	16.61	17.03	18.37	18.84
CTAK7	74.73	40.75	42.08	18.82	25.00	74.59	75.04	75.99	76.70	76.33
CTAZ7	73.20	41.19	42.17	23.89	26.81	73.02	73.26	74.09	74.44	73.88
CCAN7	1967	30.46	37.38	31.30	18.05	1981.50	2050.00	2094.22	2026.87	2054.12
OJAK7	161.15	40.39	41.86	28.00	30.59	164.48	160.76	169.40	169.58	168.57
KCAN7	140.60	41.37	41.63	31.05	35.39	141.89	141.02	142.06	145.03	147.42
MAK7	15.49	51.08	47.11	31.51	30.53	15.21	15.39	15.46	15.99	16.35

Calculations based on previous session. Data collected 04/12/2017

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						
SBAN7	Sugar	16.44	16.58	16.76	16.90	17.08
CTAK7	Cotton	74.22	74.44	74.80	75.02	75.38
CTAZ7	Cotton	72.62	72.89	73.23	73.50	73.84
CCAN7	Cocoa	1931	1950	1964	1983	1997
OJAK7	Orange Juice	158.45	159.85	161.00	162.40	163.55
KCAN7	Coffee	137.06	138.47	141.31	142.72	145.56
MAK7	Milk	15.21	15.37	15.43	15.59	15.65

Calculations based on previous session. Data collected 04/12/2017

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