

### DAILY COCOA COMMENTARY

04/21/17

**Hit downside target at 1761; selling may be exhausted**

Cocoa prices remain in a tailspin and are on course for a sizable weekly loss in spite of positive demand-side news. July cocoa was on the defensive yesterday and fell to a new 9 1/2 year low. Asian first quarter cocoa grindings were 19.2% above year-ago levels, which was well above trade forecasts looking for a 10% year-over-year gain. However, Asian grindings fell by over 5% from the fourth quarter 2016 levels in spite of lower cocoa prices. After the close, North American fourth quarter grindings came in at a 1.15% year-over-year gain that was roughly in-line with market estimates. Asian and emerging market demand continues to be strong, but modest gains from Europe and North America may reinforce ideas of lukewarm global demand prospects. Keep in mind that many Ivory Coast cocoa beans did not meet size and quality standards for export and were diverted towards their domestic processors, instead of being ground in Europe or North America. The latest COT report will be released after today's close and will reflect a 72 point decline between the April 11th and 18th measuring dates. With the market falling another 117 points on Wednesday and Thursday, cocoa's net spec short position may be back into close proximity to the multi-year highs seen in early March.



#### TODAY'S MARKET IDEAS:

The market received major quarterly grindings totals that were either in-line (Europe, North America) or well above forecasts (Asia), and the market still fell by more than 180 points (9.5% lower) over the 6 sessions of the grindings total release window. Open interest is up on the recent collapse so funds are pressing the short side. The short-term target at 1761 was achieved on the break. Near-term support for July cocoa is at 1799 with 1879 resistance.

#### 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) 04/21/2017: The market made a new contract low on the break. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 objective is 1708. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 1845 and 1893, while 1st support hits today at 1753 and below there at 1708.

### DAILY COFFEE COMMENTARY

04/21/17

**Bearish downside break-out but already hit swing target 135.55**



July coffee reached and exceeded the downside technical swing target yesterday and looks poised for a bounce. Demand concerns appear to have caught up to coffee prices as the market broke out of its recent consolidation zone to the downside. July coffee saw another late washout as prices dropped to a new 10-month low of 133.85 (down 4.8%) before finishing yesterday with a second heavy loss in a row. Brazil's harvest will not reach full speed until early June, so it may be difficult to gauge the extent of this season's production decline. While Brazilian coffee stocks will be very tight until then, US warehouses were holding over 6.7 million bags green coffee at the end of March which is the largest amount of unroasted coffee since 1994. The surge in US reserves since the start of this year could keep a cap on coffee prices, especially as North American demand normally slows during the warmer summer months. ICE exchange coffee stocks fell by 2,905 bags on Thursday for a second straight daily draw, but they remain above the 1.4 million bag level and have risen more than 12% since the end of December.

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

Even if there is a revival of commodity risk sentiment today, coffee is looking at a sizable outside-week down to the lowest weekly close since last June that could fuel additional long liquidation. July coffee near-term support is at 132.00, with resistance up at 137.50.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COFFEE (JUL) 04/21/2017: The daily stochastics gave a bearish indicator with a crossover down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 objective is now at 127.52. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 138.67 and 145.01, while 1st support hits today at 129.93 and below there at 127.52.

#### **DAILY COTTON COMMENTARY**

04/21/17

#### **Strong demand continues to support; commercial short covering**

With open interest down to the lowest level since September 19th, traders see the overbought condition as corrected. Short-covering has been active. The close above 78.40 for July cotton is bullish and leaves 82.14 as the next upside target. The market continues to find support from indications of a stronger US and world economy, talk of improving consumer sentiment and continued strong demand for old crop US cotton. Net weekly export sales for cotton came in at 226,200 bales for the current marketing year and 117,100 for the next marketing year for a total of 343,300 bales. As of April 13th, cumulative cotton sales stand at 100.8% of the USDA forecast for the 2016/2017 (current) marketing year versus a 5 year average of 94.8%. The USDA has raised the export forecast in the last several monthly supply/demand updates, and the data suggests that the USDA is likely to increase exports (lower ending stocks) again for the May update. The USDA Foreign Agriculture Service believes that 2017/18 imports for Vietnam will reach 5.8 million bales from 5.27 million this year.



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

Until weather becomes an issue and the focus of attention shifts to the more burdensome supply outlook for the new crop season, the strong old crop demand continues to support. July cotton support comes in at 78.40 and 77.81, with 80.27 and 82.14 as next resistance.

**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) 04/21/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. 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 bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 82.62. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 81.57 and 82.62, while 1st support hits today at 78.57 and below there at 76.62.

COTTON (DEC) 04/21/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 75.25. The next area of resistance is around 75.10 and 75.25, while 1st support hits today at 74.61 and below there at 74.26.

**DAILY SUGAR COMMENTARY**

04/21/17

**No sign of low as consolidation normally continuation pattern**

Sugar prices have managed to hold within the recent consolidation zone, but may need to see stronger commodity risk sentiment to avoid a downside breakout. The prospects for increased Brazilian production continue to weigh heavily on sugar prices, particularly with the likelihood that India and Thailand will improve on last season's totals. There are reports that India will extend stocks limits on their domestic mills, which makes it more likely that this season's imports will be kept at 500,000 tonnes which is a negative. Forty percent of Brazil's 420 sugar mills are in financial distress even after last year's price rise according to FTI consulting. Those mills have had poor ethanol margins because of Brazil's government policy keeping gas prices below international levels. When ethanol reaches 70% of gasoline prices, drivers of flex-fuel cars often shift to gasoline. Cane-growing regions in the Brazilian states of Mato Grosso do Sul and Parana could get more than 2 inches of rain that could disrupt harvesting while boosting plant development for the second half of the year. Soda consumption in the US fell for the 12th year in a row in 2016, which feeds into ideas that global demand will remain at lukewarm levels going forward.

**TODAY'S MARKET IDEAS:**

The weather in Brazil might give the market a bounce. Resistance for July sugar is at 16.95 and 17.17. If support at 16.22 cannot hold, 15.87 becomes next downside target.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 04/21/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 16.86. The next area of resistance is around 16.59 and 16.86, while 1st support hits today at 16.23 and below there at 16.13.

## OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAY) 04/21/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The near-term upside objective is at 167.85. The next area of resistance is around 164.00 and 167.85, while 1st support hits today at 158.15 and below there at 156.10.

## 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>										
SBAN7	16.41	35.28	33.91	24.40	25.49	16.57	16.63	16.77	17.97	18.54
CTAK7	80.07	74.86	67.55	59.11	78.56	77.90	76.17	76.04	76.72	76.63
CTAZ7	74.86	64.02	58.32	56.39	74.74	74.49	73.72	73.80	74.45	74.13
CCAN7	1799	16.68	24.75	14.78	12.36	1878.75	1928.44	2020.11	2017.33	2029.10
OJAK7	161.05	43.46	43.79	43.03	51.36	162.44	163.16	162.89	169.06	168.37
KCAN7	134.30	29.33	33.05	41.91	29.22	141.00	141.42	141.14	144.15	146.10
MAK7	15.33	49.09	45.95	24.77	25.41	15.22	15.21	15.39	15.78	16.15

Calculations based on previous session. Data collected 04/20/2017

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>						
SBAN7	Sugar	16.12	16.22	16.49	16.59	16.86
CTAK7	Cotton	76.62	78.57	79.62	81.57	82.62
CTAZ7	Cotton	74.25	74.60	74.75	75.10	75.25
CCAN7	Cocoa	1707	1752	1800	1845	1893
OJAK7	Orange Juice	156.05	158.10	161.95	164.00	167.85
KCAN7	Coffee	127.51	129.92	136.26	138.67	145.01
MAK7	Milk	15.09	15.22	15.30	15.43	15.51

Calculations based on previous session. Data collected 04/20/2017

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