



## DAILY SOFTS CURRENCY COMMENTARY Wednesday May 31, 2017

### DAILY COCOA COMMENTARY 05/31/17

#### Short-covering and lack of commercial selling on rally supports

Coming out of the holiday weekend with a net spec short position that was likely close to a multi-year high, fresh bullish supply news helped to trigger a sharp recovery move. Monday's updraft was the second daily price change larger than 125 points in the past four sessions as cocoa also climbed back above its 50-day moving average. Heavy rainfall last week has caused flooding issues for West African growing areas that are likely to delay the region's mid-crop harvest. In addition, cocoa prices found support from news that the Ivory Coast has already forward-sold 950,000 tonnes of their 2017/18 production. Not only is this total more than 50% of what their government has forecast for this season's output (a record 1.9 million tonnes), it could also be signaling that there is very little supply left from this season's crop that still needs to be sold. The latest weekly update on Ivory Coast cocoa port arrivals continues to show this season well ahead of last season's pace, but also showed another weekly result that was less than 10,000 tonnes above last year's comparable total. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net short 23,176 contracts, a decrease of 6,601 contracts for the week. The short-covering trend is a short-term positive force.



#### TODAY'S MARKET IDEAS:

Cocoa's abrupt turnaround has lifted prices back into their mid-May consolidation, and did this with little help from the demand side of the market. If a strong set of Euro zone economic data can revive the Eurocurrency recent upside momentum, July cocoa may follow-through to the upside and reach a new 7-week high. Near-term support for July cocoa is at 2004 and 1977 and the 50-day moving average is 1985. Resistance is at 2084.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

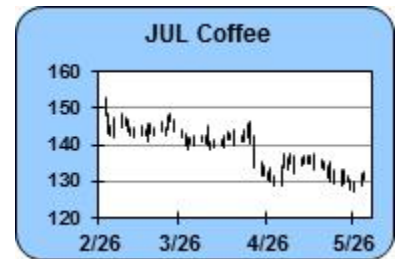
Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (JUL) 05/31/2017: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is 1888. The next area of resistance is around 2097 and 2129, while 1st support hits today at 1977 and below there at 1888.

### DAILY COFFEE COMMENTARY 05/31/17

## Cooler and wetter trend in Brazil may help to support

Coffee was able to extend its recovery move following last Thursday's reversal, and has done so with lukewarm global demand prospect still hanging over the market. The market has closed higher for three sessions in a row. In addition, the market has posted higher highs and higher lows in each of the last three sessions. The current Brazilian harvest remains front and center with the market. A cold air mass could send temperatures as low as 37 degrees Fahrenheit (3 degrees Celsius) in coffee growing regions of Brazil's top Arabica-producing state of Minas Gerais later this week. The cold front could also bring strong and persistent rains into the area that would interrupt a dry spell that was expected to last through the middle of next week. The Brazilian currency has calmed down after its volatile price moves earlier this month, but may be vulnerable to a fresh selloff if Brazilian political turmoil starts to flare up again. ICE exchange coffee stocks rose by 2,401 bags on Tuesday and are now more than 18% higher since the start of this year. The Commitments of Traders reports as of May 23rd showed Non-Commercial traders were net short 7,825 contracts, an increase of 2,787 contracts.



### TODAY'S MARKET IDEAS:

A bullish near-term supply outlook should help coffee prices remain fairly well supported. However, global demand needs to show some clear improvement through declining exchange stocks for coffee to sustain this current recovery move. July coffee near-term support is at 131.20 with 134.15 and 137.75 as resistance.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

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COFFEE (JUL) 05/31/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 134.11. The next area of resistance is around 133.22 and 134.11, while 1st support hits today at 130.98 and below there at 129.62.

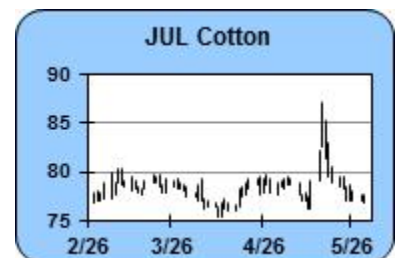
## DAILY COTTON COMMENTARY

05/31/17

### Texas 52% planted vs. 57% 10-yr ave; great subsoil moisture

While short-term technical indicators are slightly oversold, the COT report on Friday remains in overbought status and showed a significant long liquidation selling trend from speculators. If the weekly crop progress and crop condition reports begin to show the crop is off to a good start and yield potential is good, the market seems to be in position to see increased selling from speculators. With a normal yield, US cotton ending stocks are likely to reach a 10-year high.

US cotton plantings reached 63% complete compared to 52% last week and 57% last year. The 10-year average for this time of year is 69%. As of May 23rd, Non-Commercial traders were net long 112,001 contracts, a decrease of 8,614 contracts for the week and the long liquidation selling trend is seen as a short-term bearish force. The market inched higher in quiet trade yesterday with a lack of new news helping to keep the trade choppy. Personal consumption expenditures increased 0.4% in April and Personal Income was also up 0.4%. Spending on garments was up 0.7% from March but down 0.9% from last April. Indian monsoons are expected to be normal so production should recovery from last year. Cotton planted area in India is expected to be up 7% from last year, US planted area is up at least 21% and Pakistan's production is expected to jump near 8%. World production is expected to increase by 7% to 113.2 million bales.



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

A close under 77.28 today for July cotton could spark renewed selling pressure from speculators as this would be below the longer-term uptrend channel off of the contract lows. A downside breakout would leave 71.97 as a longer-term target. Close-in resistance is at 78.86 and 79.46. December cotton resistance is at 73.65, and a move under 72.15 would leave 71.00 as the next downside target.

### **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 (JUL) 05/31/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 now at 76.51. The next area of resistance is around 77.64 and 78.04, while 1st support hits today at 76.88 and below there at 76.51.

COTTON (DEC) 05/31/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside target is 72.21. The next area of resistance is around 72.97 and 73.09, while 1st support hits today at 72.53 and below there at 72.21.

## **DAILY SUGAR COMMENTARY**

**05/31/17**

### **Bounce off of key swing target at 14.73; could support some**

Improving global production prospects combined with a lukewarm demand outlook are keeping sugar on the defensive. This year's monsoon rainfall has reached the Indian mainland two days earlier than the traditional starting date of June 1st. Although this year's monsoon is forecast to have a slightly below average rainfall, that would be the second "normal" total in a row (within 5% of the 50-year average) following the well below normal totals in 2014 and 2015. If this occurs, India's 2017/18 sugar production should increase by over 4 million tonnes from this season's total. The only major sugar producing nations expected to see lower exports during the 2017/18 season are Australia, who saw growing areas in Queensland impacted by Cyclone Debbie earlier this year, and India due to a sizable drawdown in their mill stocks. In contrast, Thailand, Mexico and the EU could have a combined increase in 2017/18 sugar exports of over 2 million tonnes. Outside of a chance for mild showers on Thursday, Brazil's Center-South growing regions have a mostly dry forecast through the middle of next week that should get their harvesting and crushing moving back towards full speed.



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

Sugar's top 5 producers are all looking at larger production during the 2017/18 season, and will have lower Chinese and Indian imports to contend with as well. Unless there are weather issues that impact the supply outlook, sugar prices have further downside. July sugar bottomed yesterday right at a key downside swing target and the 14.73 level may act as short-term support. Near-term resistance is at 15.44 and 15.66 with 14.55 as the next support.

### **NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 05/31/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 14.53. The next area of resistance is around 15.25 and 15.46, while 1st support hits today at 14.79 and below there at 14.53.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (JUL) 05/31/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 142.25. The next area of resistance is around 138.85 and 142.25, while 1st support hits today at 134.00 and below there at 132.50.

**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
<b>SOFTS MARKETS COMPLEX</b>										
SBAN7	15.02	32.24	35.71	38.77	24.10	15.35	15.83	15.69	16.18	16.64
CTAN7	77.26	41.53	44.61	18.87	12.41	77.26	78.17	78.85	78.28	78.40
CTAZ7	72.75	40.81	42.51	32.47	26.26	72.96	73.20	73.44	73.86	74.23
CCAN7	2037	59.59	57.07	58.07	52.39	1929.75	1993.44	1975.39	1964.84	1983.63
OJAN7	136.40	31.72	33.04	10.64	14.04	136.73	137.94	141.92	150.44	155.84
KCAN7	132.10	49.20	46.40	29.27	34.36	130.29	130.91	132.87	136.28	138.19
MAN7	17.08	63.46	61.75	73.08	72.41	17.04	16.87	16.72	16.36	16.38

Calculations based on previous session. Data collected 05/30/2017

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	14.52	14.78	14.99	15.25	15.46
CTAN7	Cotton	76.50	76.87	77.27	77.64	78.04
CTAZ7	Cotton	72.21	72.53	72.65	72.97	73.09
CCAN7	Cocoa	1887	1976	2008	2097	2129
OJAN7	Orange Juice	132.40	133.95	137.30	138.85	142.25
KCAN7	Coffee	129.61	130.97	131.86	133.22	134.11
MAN7	Milk	16.79	16.93	17.08	17.22	17.37

Calculations based on previous session. Data collected 05/30/2017

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