



## DAILY SOFTS COMMENTARY Thursday December 15, 2022

### DAILY COCOA COMMENTARY 12/15/2022

#### Holding up well in spite of bearish outside market forces

The cocoa market has held up fairly well over the past two sessions and will start the day on-track for a positive weekly result. If cocoa can hold its ground during today's eventful session, the market will remain in position to extend its recovery move. The latest UK CPI reading came in lower than trade forecasts but still posted a "double-digit" year-over-year result, which weighed on cocoa prices as that may indicate that inflation will remain at very high levels well into 2023. While a rebound in global risk sentiment helped cocoa to regain lost ground, the FOMC's quarterly economic projections saw upward adjustments to their PCE and core PCE forecasts for 2023 and 2024 which indicates US inflation may remain fairly high over the next few years.



Early today, the Bank of England and European Central Bank are both expected to have rate hikes and will have post-meeting comments on high inflation which could put further pressure on cocoa prices. The Executive Director of the International Cocoa Organization said 2022's holiday season should see global chocolate consumption return to pre-pandemic levels due to less Covid restrictions. Europe is the region with the largest share of cocoa grindings, so inflation guidance from the ECB and BOE could add additional pressure to cocoa prices.

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

With a bullish longer-term demand outlook, cocoa prices should remain well supported on a near-term pullback. Near-term support for March cocoa is at 2517 and 2498, with 2637 as next upside target.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COCOA TECHNICAL OUTLOOK:**

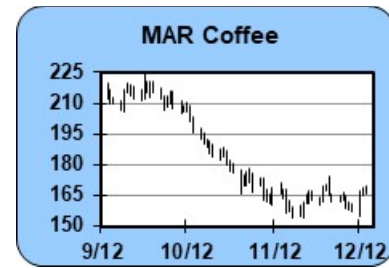
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COCOA (MAR) 12/15/2022: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 2551. The next area of resistance is around 2536 and 2551, while 1st support hits today at 2512 and below there at 2502.

### DAILY COFFEE COMMENTARY 12/15/2022

## Choppy trade continues; still correcting oversold

Coffee prices have put together their first 3-day winning streak since August and remain on-track for a positive weekly result. While the demand outlook has been pressured by inflation guidance, coffee should continue to find support from a bullish longer-term supply outlook. A sharp selloff in the Brazilian currency weighed on coffee prices as that could lead to Brazil's farmers becoming more aggressive with marketing their remaining near-term supply. Recent indications that inflation levels are starting to recede kept coffee prices at the high end of Monday's updraft as they can help to shore up out-of-home consumption levels.



The latest FOMC economic projections had upward revisions for their US inflation forecasts over the next 2 years, and there will be inflation guidance from the European Central Bank and Bank of England early today. As a result, the outlook for restaurant and retail shop coffee consumption may be diminished if inflation is expected to remain at high levels over the next few years. ICE exchange coffee stocks increased by 14,995 bags on Wednesday and have reached their highest levels since July. Out-of-home consumption is a significant part of coffee demand, so today's inflation guidance could put early pressure on coffee prices.

### TODAY'S MARKET IDEAS:

Vietnam exports for the first 11 months of 2022 reached 1.58 million tons, up 12.9% from a year ago pace. The market is still in the process of correcting the oversold condition. Support for March coffee is at 164.45 and 162.15, with 174.35 and 178.20 as resistance.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

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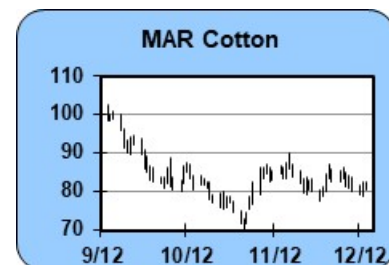
COFFEE (MAR) 12/15/2022: The market now above the 40-day moving average suggests the longer-term trend has turned up. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 171.47. The next area of resistance is around 169.90 and 171.47, while 1st support hits today at 166.40 and below there at 164.48.

## DAILY COTTON COMMENTARY

12/15/2022

### Consolidation is normally a continuation pattern

The cotton market seemed to have the supportive outside market forces in order to follow-through from Tuesday's positive technical developments. However, the market closed lower yesterday which is disappointing to the bulls. Energy markets were sharply higher and the stock market was up strong before the Fed's decision on interest rates. March cotton remains in a choppy trading range since early November as traders feel the massive break during September and October pushed the market down to bargain price levels. However, the break in



prices does not seem to have stimulated export demand and traders will monitor the weekly export sales report to see if demand is improving.

With slow consumer demand for apparel in Asia, Europe and the US, it may be difficult to keep the pipeline flowing and this could cause import demand to drop further. China demand remains sluggish as well as apparel sales to the rest of the world are slow. The USDA in the World Agricultural Supply and Demand report last week lowered its global consumption forecast by 3.3 million bales, projecting a 4.9% decline in world cotton usage.

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

Traders will monitor weekly export sales news closely as recent weeks have shown poor results. Resistance for March cotton is at 82.35 and 83.71, with support at 80.01 and 77.67. A close through support would turn the charts quite bearish.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **COTTON TECHNICAL OUTLOOK:**

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COTTON (MAR) 12/15/2022: 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. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 79.56. The next area of resistance is around 82.33 and 83.40, while 1st support hits today at 80.41 and below there at 79.56.

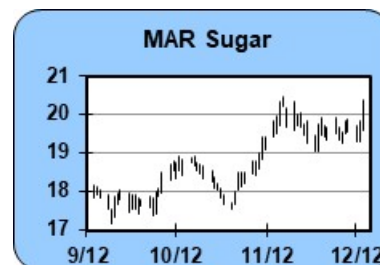
COTTON (MAY) 12/15/2022: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 79.79. The next area of resistance is around 82.29 and 83.24, while 1st support hits today at 80.57 and below there at 79.79.

### **DAILY SUGAR COMMENTARY**

12/15/2022

#### **Bullish technical action leaves 21.02 as next target**

Sugar prices are now within striking distance of a new 7 1/2 month high, due in large part to this week's recovery move in energy prices. The global supply outlook remains bearish, however, and that can leave sugar vulnerable to a near-term pullback. Crude oil and RBOB gasoline extended their rebound to new 1 1/2 week highs which provided carryover support to the sugar market as it should provide a boost to ethanol demand in Brazil and India. While ethanol demand has seen some improvement during the fourth quarter, many mills in Brazil's Center-South will continue to operate into early 2023 and will keep sugar's share of crushing well above year-ago levels.



In fact, India's government is encouraging their mills to divert their excess cane to ethanol production in order to reduce their nation's carryover sugar stocks. India's 2022/23 sugar output may not meet early forecasts with the NFCSF trade group estimating this season's production at 35.0 million tonnes versus 35.9 million last season.

Keep in mind, however, that the ISMA had India's October/November sugar production 1.5% ahead of last year's pace. There are reports of early delays to Thailand's cane harvest, which gave a boost to sugar prices as that could result in lower than expected exports in December and January.

**TODAY'S MARKET IDEAS:**

While the market may climb above the mid-November highs, sugar could turn lower at any time. Near-term support for March sugar is at 19.94, with 20.48 and 21.02 as next resistance.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

\* Hit stop on short March Sugar position for a loss of 37 points.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAR) 12/15/2022: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 20.96. The next area of resistance is around 20.70 and 20.96, while 1st support hits today at 19.88 and below there at 19.33.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (JAN) 12/15/2022: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 206.70. The next area of resistance is around 211.90 and 213.55, while 1st support hits today at 208.50 and below there at 206.70.

**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>										
SBAH23	20.29	69.72	65.91	51.28	66.33	19.76	19.62	19.63	19.11	18.83
CTAH23	81.37	47.23	47.66	39.39	38.04	80.84	81.96	81.99	81.39	82.52
CTAK23	81.43	48.88	48.89	44.37	44.08	80.87	81.75	81.56	80.86	81.74
CCAH23	2524	56.87	57.42	64.24	66.37	2517.75	2511.89	2493.39	2434.22	2406.18
OJAF23	210.20	51.98	53.31	56.41	48.44	210.56	211.41	208.02	204.15	198.62
KCAH23	168.15	58.42	51.55	47.90	56.21	165.31	163.21	163.57	171.02	181.47
MAF23	19.52	44.94	44.38	20.99	24.11	19.26	19.55	19.82	19.82	20.01

Calculations based on previous session. Data collected 12/14/2022

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>						
SBAH23	Sugar	19.32	19.88	20.14	20.70	20.96
CTAH23	Cotton	79.56	80.41	81.48	82.33	83.40

CTAK23	Cotton	79.78	80.56	81.51	82.29	83.24
CCAH23	Cocoa	2501	2511	2526	2536	2551
OJAF23	Orange Juice	206.65	208.45	210.10	211.90	213.55
KCAH23	Coffee	164.47	166.40	167.97	169.90	171.47
MAF23	Milk	19.18	19.38	19.45	19.65	19.72

**Calculations based on previous session. Data collected 12/14/2022**

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