



DAILY SOFTS COMMENTARY

Friday December 16, 2022

DAILY COCOA COMMENTARY

12/16/2022

Outside forces bearish and may spark more back-and-fill

Cocoa prices have been pressured by negative guidance on inflation during the past 2 sessions, but they remain well above the November lows. Euro zone inflation comments from ECB President Lagarde that the Euro zone would face a mild recession while hiking rates weighed on the cocoa market. This may weaken near-term demand prospects for a region which is the largest processor of cocoa beans. In addition, a negative shift in risk sentiment led to heavy losses in European and US equity markets, the British Pound and the Eurocurrency, all of which put carryover pressure on cocoa prices. In spite of China continuing their Zero Covid policy into the fourth quarter, Asian demand is expected to stay fairly resilient following second and third quarter grindings totals coming in above last year's levels. West Africa is well into their dry season with mild Harmattan winds arriving in some areas, but soil moisture levels should remain adequate through year-end. Global demand remains in a longer-term uptrend with 2022/23 grinding likely to post a third record high full-season total in a row.



TODAY'S MARKET IDEAS:

With the market already supported by bullish West African supply developments, cocoa should extend its November/December uptrend into the New Year. Near-term support for March cocoa is at 2494 and 2477, with resistance at 2544 and 2577.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COCOA TECHNICAL OUTLOOK:

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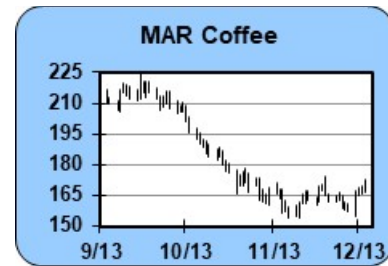
COCOA (MAR) 12/16/2022: A crossover down in the daily stochastics is a bearish signal. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 2487. The next area of resistance is around 2534 and 2556, while 1st support hits today at 2500 and below there at 2487.

DAILY COFFEE COMMENTARY

12/16/2022

Building base of support; 181.90 is next upside target

Coffee prices will continue to face headwinds from near-term demand concern, but they appear to have taken a decisive move above the November and December lows. The market rallied to a 2-week high and closed higher for a fourth positive daily result in a row. The Brazilian government agency Conab upwardly adjusted their nation's 2022/23 Arabica production forecast by only 310,000 bags to 32.7 million. This would still be their second lowest Arabica crop over the past 9 "on-year" seasons and provided a significant boost to coffee prices. The current La Nina weather event has negatively impact upcoming production in Brazil and Colombia, and that provided additional strength to the coffee market with both nations combined accounting for half of global Arabica output. US green coffee stocks finished November at 6.390 million bags which was a 70,267 increase from their October month-end total, but that followed monthly declines in September and October. ICE exchange coffee stocks rose by 10,369 bags Thursday to reach a 5-month high as they are now more than 151,000 bags above their November month-end total.



TODAY'S MARKET IDEAS:

Near-term demand concerns have been given added weight from this week's negative central bank guidance on inflation, but coffee continues to have a bullish supply outlook that is fueling this week's upsurge. Near-term support for March coffee is at 166.80, with next resistance 174.35 and 181.90.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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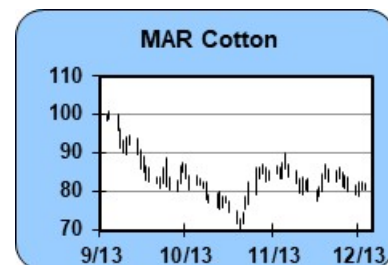
COFFEE (MAR) 12/16/2022: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 177.56. The next area of resistance is around 175.17 and 177.56, while 1st support hits today at 168.33 and below there at 163.87.

DAILY COTTON COMMENTARY

12/16/2022

Even if planted area drops 15%, ending stocks increase

Given the bearish outside market forces this week, the market has held up fairly well. The market has stayed in a consolidation pattern since early November and some traders see the price as too cheap. Even if planted area is down 15% from this year, if we assume 10-year average yield and 10-year average abandonment and this year's total usage, ending stocks would still increase to 5.78 million bales as compared with 3.5 million this year. A sharp break in the stock market plus weakness in energy and metal markets plus a rally in the US dollar were all seen as negative forces. The sharp break during September and October pushed the market down to so-called bargain price levels. However, the break does not seem to have stimulated export demand.



The weekly export sales report showed that for the week ending December 8, net cotton sales came in at just 18,647 bales for the current marketing year and 28,192 for the next marketing year for a total of 46,839. Cumulative sales have reached 72.5% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 71.8%. Sales need to average 87,000 bales per week to reach the USDA forecast. 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. The USDA lowered its global consumption forecast by 3.3 million bales for a 4.9% decline in world cotton usage.

TODAY'S MARKET IDEAS:

Even if planted area is down 15% from this year, ending stocks could increase to 5.78 million bales as compared with 3.5 million this year. Resistance for March cotton is at 82.35, with support at 77.67. If support gives way, look for a quick test of the October low.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (MAR) 12/16/2022: The market back below the 40-day moving average suggests the longer-term trend could be turning down. 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 under the swing pivot. The next downside objective is 79.55. The next area of resistance is around 81.81 and 82.67, while 1st support hits today at 80.25 and below there at 79.55.

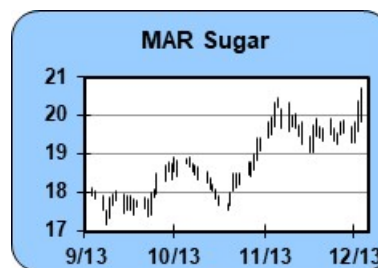
COTTON (MAY) 12/16/2022: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 79.94. The next area of resistance is around 81.91 and 82.63, while 1st support hits today at 80.57 and below there at 79.94.

DAILY SUGAR COMMENTARY

12/16/2022

Key reversal from 5 1/2 year high suggests major top in place

The sweeping key reversal would suggest that a major top may be in place. While sugar prices have found carryover support from key outside markets, they continue to have a bearish longer-term supply outlook. The market rallied up to a new 5 1/2 year high before closing sharply lower on the session yesterday. Reports of early harvest delays in Thailand provided sugar prices with early support as that will cut into their December and January exports. India's Food Secretary said that their government would consider allowing an additional tranche of sugar exports as soon as next month, which may be earlier than the market expected and bodes well for their full-season production outlook.



Pakistan lifted a ban on sugar exports, which is a strong sign that they will not be an aggressive importer this season. A negative turnaround in crude oil and RBOB gasoline prices put carryover pressure on the sugar market as they could diminish near-term ethanol demand in Brazil and India. When combined with a moderate pullback in the Brazilian currency, it triggered a wave of profit-taking and additional long liquidation in the sugar market.

TODAY'S MARKET IDEAS:

Further weakness in crude oil could put further pressure on the sugar market. With a sizable net spec long position in the latest COT report, the market is vulnerable to increased selling if support is violated. Near-term resistance for March sugar is at 20.28, with support at 19.66 and 19.38.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (MAR) 12/16/2022: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 21.00. The next area of resistance is around 20.41 and 21.00, while 1st support hits today at 19.55 and below there at 19.27.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (MAR) 12/16/2022: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 190.50. The next area of resistance is around 203.10 and 206.35, while 1st support hits today at 195.20 and below there at 190.50.

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										
SBAH23	19.98	59.15	58.95	54.77	61.76	19.85	19.68	19.62	19.14	18.87
CTAH23	81.03	45.87	46.88	38.75	37.46	80.86	81.72	81.83	81.33	82.31
CTAK23	81.23	48.06	48.42	44.35	44.30	80.96	81.61	81.46	80.83	81.56
CCAH23	2517	54.76	56.08	63.86	63.10	2521.00	2509.78	2496.78	2438.82	2409.05
OJAH23	199.15	48.32	50.26	43.30	38.24	199.09	201.39	200.34	197.95	193.36
KCAH23	171.75	64.64	55.97	54.06	66.40	168.71	164.22	164.49	170.36	180.75
MAF23	19.64	48.73	46.90	25.07	33.22	19.36	19.51	19.76	19.81	19.99

Calculations based on previous session. Data collected 12/15/2022

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						
SBAH23	Sugar	19.26	19.54	20.13	20.41	21.00
CTAH23	Cotton	79.55	80.25	81.11	81.81	82.67

CTAK23	Cotton	79.93	80.56	81.28	81.91	82.63
CCAH23	Cocoa	2486	2499	2521	2534	2556
OJAH23	Orange Juice	190.45	195.15	198.40	203.10	206.35
KCAH23	Coffee	163.86	168.32	170.71	175.17	177.56
MAF23	Milk	19.23	19.43	19.64	19.84	20.05

Calculations based on previous session. Data collected 12/15/2022

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