



## DAILY SOFTS COMMENTARY

Friday February 23, 2024

### DAILY COCOA COMMENTARY

2/23/2024

#### Ghana lowers its production expectations.

May cocoa extended its rally overnight to trade to another new contract high, with the nearby futures reaching another new all-time high, as more report of problems with West African production emerged. Ghana's 2023/24 production is expected to come in around 500,000 tonnes, 39% below the target of 820,000, according to sources from COCOBOD. They blame strong seasonal winds and a lack of rain, as well as damage caused by illegal gold mining and swollen shoot disease. A spokesman from COCOBOD said this week that about 150,000 tonnes of 2022/23 production was lost to smuggling and illegal gold mining. Traders have expressed concerns about demand from time to time, but the supply story continues to dominate the market and probably will continue to do so until West Africa weather improves. The trade is expecting a third straight global supply deficit in 2023/24, and the hot and dry conditions this winter have only widened trader's expectations of the shortfall. With end-users reportedly not well-covered for upcoming quarters, they may continue to emerge as buyers on setbacks.



#### TODAY'S MARKET IDEAS:

The steady decline in open interest on the rally is not bullish, but the market keeps making new highs after minor setbacks, with no top in sight. Reports are that end-users are under-sourced, which keeps them buying. Look for support in May cocoa at 5959 and 5903, with resistance at 6150 and 6200.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

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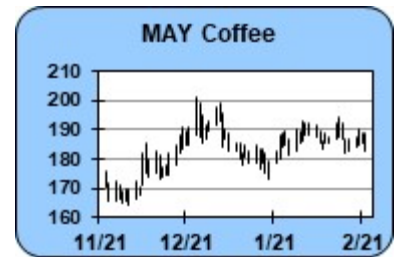
COCOA (MAY) 02/23/2024: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 6207. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 6038 and 6207, while 1st support hits today at 5682 and below there at 5495.

### DAILY COFFEE COMMENTARY

2/23/2024

## Rain in Brazil, increasing ICE stocks.

Recent rainfall in Brazil, lower robusta prices, increasing ICE exchange stocks, and disappointing demand numbers have pulled support from the coffee market. May coffee reversed lower yesterday and extended those losses overnight to fall to their lowest level since January 22. Key coffee growing regions in Brazil have received rainfall recently, which has eased concerns about dry conditions late last year and early this year. Minas Gerais, Brazil has rain in the forecast for today and tomorrow, with more returning next Thursday and expected to continue for at least another week. ICE exchange coffee stocks increased by 8,565 bags on Thursday to reach their highest level since November. There are over 120,000 bags pending review. Keurig Dr. Pepper reported that their quarterly US coffee sales volume fell 10.7% below last year's total due to a slowdown in at-home coffee consumption.



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

May coffee may find support today at the overnight low at 181.05, as that is the 0.618 retracement of the January-February recovery move. A failure to hold there would suggest a bigger decline back to the January low at 173.10. Look for resistance at 188.65.

### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

None.

### **COFFEE TECHNICAL OUTLOOK:**

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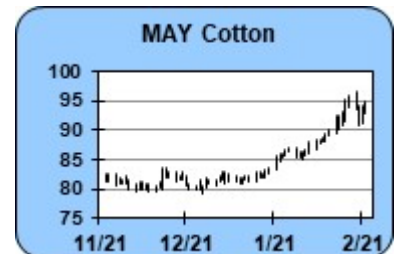
COFFEE (MAY) 02/23/2024: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 178.59. The next area of resistance is around 186.07 and 190.28, while 1st support hits today at 180.23 and below there at 178.59.

## **DAILY COTTON COMMENTARY**

**2/23/2024**

### **Quick bounce after a two-day setback.**

Traders will be looking for a bullish catalyst to spark a resumption of the rally off the December lows. The main item may be the weekly export sales data this morning, as the strong pace earlier this year sparked the move to contract highs. Last week's report showed net sales of 168,209 bales for the week ended February 8, down from 318,655 the previous week and the lowest since December 28. Another strong delivery number would be appreciated, as previous strong numbers have reduced the likelihood of cancellations. US



supplies are reportedly tight, and traders wonder to what degree Brazil will pull business away from the US. The weekly drought monitor showed 10% of the US cotton production area was experiencing drought as of February 20, down from 13% the previous week and 19% a week before that. A year ago, that number was 45%. This portends a good start for the US crop this year. China's imports of cotton yarn from Pakistan reached a record high \$695.6 million dollars in 2023, a 46.7% increase from the previous year, according to the China Chamber of Commerce for Import and Export of Textile Apparel. Recently the All Pakistan Mills Association released a report stating that due to the sharp rise in energy prices and power and gas supply interruptions, more than a thousand

textile factories have stopped production.

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

May cotton reached all-time highs last week on better-than-expected US exports this year, and if those exports start to slow down, the current bull market may lose its main driver. Look for resistance in May cotton at 96.42, with support at 90.84. The rally helps cotton pull acreage away from corn and soybeans.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COTTON (MAY) 02/23/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 91.88. The next area of resistance is around 95.58 and 96.36, while 1st support hits today at 93.34 and below there at 91.88.

COTTON (JUL) 02/23/2024: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next downside target is 91.52. The next area of resistance is around 94.58 and 95.35, while 1st support hits today at 92.66 and below there at 91.52.

### **DAILY SUGAR COMMENTARY**

**2/23/2024**

#### **Better crop prospects for Brazil.**

Recent rainfall over Brazil's Center-South cane growing regions is viewed as beneficial for the 2024/25 crop, and more rain is in the forecast for the next week. This marks a change from the dry conditions late last year and early this year, and this has undermined support for the sugar market. The two-week forecast for Center-South Brazil has a greater than 50% chance of rainfall in 11 out of the next 14 days. India's Food Secretary said that there are no new proposals to increase the amount of sugar that mills can divert to ethanol production beyond the current 1.7 million tonnes that have been allowed for the 2023/24 season. The government is promoting corn as an alternative feedstock for ethanol production. The current forecast for India's 2023/24 sugar production is 32.3-33.0 million tonnes, but traders are concerned this could be revised down given the government's interest in promoting alternative feedstocks for ethanol. It certainly highlights the Indian government's need to keep sugar supplies adequate. A main driver for the sugar market's recovery off its December lows was the weather: Brazil's dry conditions threatening their upcoming crop and India's reduced crop from El Nino last year. With wet conditions returning to Brazil and El Nino set to end this spring, those concerns could ease.



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

May sugar fell below the 50-day moving average yesterday (and the 50% retracement of the December-February rally) but bounced off its lows and closed above both lines. A break below yesterday's low of 21.56 would leave 21.27 as the next downside objective. Look for resistance at 22.25.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (MAY) 02/23/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 21.28. The next area of resistance is around 22.56 and 22.84, while 1st support hits today at 21.78 and below there at 21.28.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (MAR) 02/23/2024: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend could be turning up with the close back above the 18-day moving average. The upside daily closing price reversal gives the market a bullish tilt. A positive setup occurred with the close over the 1st swing resistance. The next downside target is 343.30. The next area of resistance is around 380.05 and 385.70, while 1st support hits today at 358.85 and below there at 343.30.

**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>										
SBAK24	22.17	40.25	44.74	30.26	26.47	22.31	22.55	22.77	21.94	22.28
CTAK24	94.46	67.77	69.01	80.03	76.01	93.45	93.23	90.46	85.67	84.50
CTAN24	93.62	64.34	66.50	78.04	71.07	93.11	93.12	90.68	86.13	84.96
CCAK24	5860	75.81	76.29	83.33	84.34	5672.75	5634.89	5312.61	4711.33	4575.12
OJAH24	369.40	56.89	57.16	52.00	44.55	369.11	364.62	367.02	337.70	346.51
KCAK24	183.15	42.25	45.93	40.04	31.12	186.05	186.98	187.53	186.40	184.41
MAH24	17.13	54.30	53.96	38.49	31.37	16.99	17.05	17.17	16.64	16.81

Calculations based on previous session. Data collected 02/22/2024

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>						
SBAK24	Sugar	21.28	21.78	22.06	22.56	22.84
CTAK24	Cotton	91.88	93.34	94.12	95.58	96.36
CTAN24	Cotton	91.51	92.66	93.43	94.58	95.35
CCAK24	Cocoa	5495	5682	5851	6038	6207
OJAH24	Orange Juice	343.25	358.80	364.50	380.05	385.70
KCAK24	Coffee	178.58	180.22	184.43	186.07	190.28
MAH24	Milk	16.79	16.95	17.14	17.30	17.49

Calculations based on previous session. Data collected 02/22/2024

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