

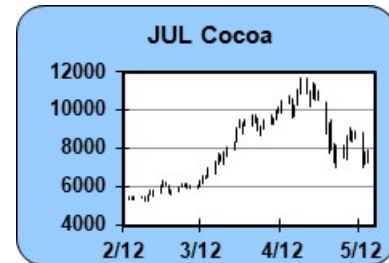


## DAILY SOFTS COMMENTARY Thursday May 16, 2024

### DAILY COCOA COMMENTARY 5/16/2024

#### West Africa still needs rain.

July cocoa drew mild support from bullish outside factors yesterday but not enough to spark a substantial move off this month's lows. The lower-than-expected US CPI for April sparked a steep decline in the dollar and a rally to new all-time highs in US stock indices, which was a boost to risk appetites, but this did not seem to attract much speculator buying in cocoa. Specs have been backing off from this market since January. The Euro and British pound reached new five-week highs, which should put European grinders in a better position to buy cocoa. West African rainfall has shown some improvement in recent weeks, but Ivory Coast growers still complained that it came up short of what they need. The global cocoa production deficit is expected to continue into 2024/25, but it is also expected to be smaller than the current season. West Africa needs good rainfall to salvage the mid-crop. Last summer, they were plagued by too much rain, which hurt the main crop.



#### TODAY'S MARKET IDEAS:

Cocoa's open interest reached a 13 1/2 year low early this week, and the managed money net long is down to about 18% of where it was at its peak last year. Key support in July cocoa is at 6975, the 50% retracement of the move from the contract low to the contract high. A break below there would leave a target down at 5855. The market has tested that level twice this month. Look for resistance at 8095 and 9078.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

#### COCOA TECHNICAL OUTLOOK:

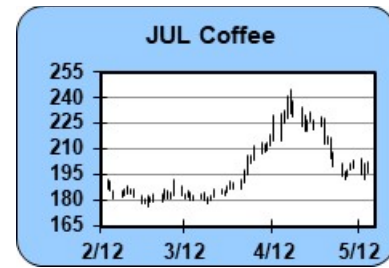
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COCOA (JUL) 05/16/2024: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 7093. The next area of resistance is around 8157 and 8350, while 1st support hits today at 7529 and below there at 7093.

### DAILY COFFEE COMMENTARY 5/16/2024

## ICE stocks continue to climb.

Coffee prices have been able to lift clear of their May low, but they continue to have trouble sustaining a recovery move. A rally in US equity markets and a weaker dollar yesterday were not enough to offset bearish supply-side developments. Strong Brazilian exports in front of this year's arabica harvest continue to weigh on prices. Colombia's production pace has been steadily increasing from the 9 1/2-year low last August. Uganda's April coffee exports were 5% above last year's levels. ICE exchange arabica stocks increased by 4,755 bags yesterday. Halfway through the month they are on-track to have their second largest monthly increase since 2022. Vietnam coffee growers said they have seen a lot more rain in May than in previous months, but they are still guarded about their crops' prospects. Recall that Vietnam's coffee exports for January-April were up 2.8% from last year.



### TODAY'S MARKET IDEAS:

Drier than normal conditions over the past few months in Brazil are expected to have a negative impact on their 2024/25 crop, but the market may need to get past the peak of harvest to see those concerns support prices. The two-week consolidation may be a pause in the downtrend. Key support in July coffee comes in at 192.15. A break below there would project to 184.35. Near-term resistance comes in at 203.50.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### COFFEE TECHNICAL OUTLOOK:

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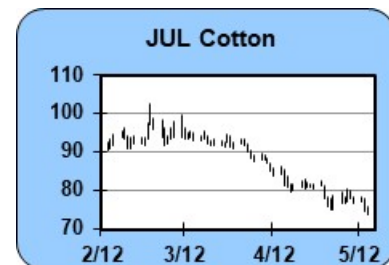
COFFEE (JUL) 05/16/2024: The close below the 60-day moving average is an indication the longer-term trend has turned down. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market could take on a defensive posture with the daily closing price reversal down. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 205.60. The next area of resistance is around 202.45 and 205.60, while 1st support hits today at 196.35 and below there at 193.40.

## DAILY COTTON COMMENTARY

5/16/2024

### Fund selling could still pressure.

July cotton bounced off its lows yesterday and extended its gains overnight, perhaps because the current price level does not leave much cushion if there is a weather problem. The market has benefited from improved global risk sentiment after US CPI came in at +0.3% for the month of April, which was slightly lower than expected. Core CPI was +3.6% on an annual basis, which was the lowest since April 2021. This initiated a sharp selloff in the dollar. This makes US exports more competitive on the world market. The lower inflation readings and stock market rally were supportive to domestic demand as well. US export sales have picked up over the past few weeks, and traders may be anxious to see if the trend continues in today's update. Last week's report showed net sales for the week ending May 2 at 253,660 bales for the 2023/24



(current) crop and 158,872 for 2024/25 for a total of 412,532. That was the highest current-crop sale since February 1 and the highest overall sale since January 11. Cumulative sales for 2023/24 are the lowest since the 2015/16 marketing year, but part of that can be attributed to the small US crop last year. Shipments last week totaled 249,618 bales, the second lowest since February 1. Traders have noted heavy fund selling in recent weeks, with the managed money position falling from a near-record net long of 96,361 contracts as of March 5 to a net short of 13,699 on May 7. The net short is not big enough to be considered "oversold," and the selling trend is negative. West Texas has some hot and dry weather showing up in the 6-10-day forecast, but conditions moderate after that.

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

Fund selling could continue to pressure the market, as the net short is still relatively modest. On the other hand, technical indicators suggest a loss of downward momentum, and selling could slow down until the US crop is established. Look for resistance in July cotton at 78.19 and 80.96, with support at 73.68 and 72.18.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

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

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COTTON (JUL) 05/16/2024: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 72.88. The next area of resistance is around 76.52 and 77.33, while 1st support hits today at 74.30 and below there at 72.88.

COTTON (DEC) 05/16/2024: 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 market tilt is slightly negative with the close under the pivot. The next downside objective is now at 73.09. The next area of resistance is around 74.91 and 75.58, while 1st support hits today at 73.67 and below there at 73.09.

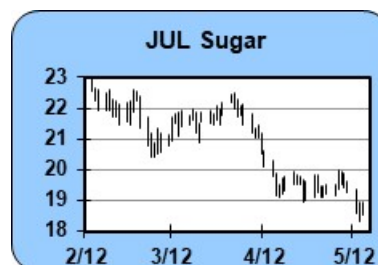
## **DAILY SUGAR COMMENTARY**

**5/16/2024**

### **UNICA report even more bearish than expected.**

July sugar extended this week's losses overnight and traded to their its level in over a year. The UNICA supply report yesterday showed Brazilian Center South sugar production for the second half of April at 1.843 million tonnes, 84% higher than the same period last year. Expectations were calling for a 50% increase. Cumulative production since April 1 has reached 2.558 million tonnes, up 66% from last year. Sugar cane harvest for the second half of April was up 61% from a year ago, and the cumulative harvest is up 43%. The dry weather Brazil saw earlier this year could pull production down as the season progresses.

The India Meteorological Department expects the monsoon to arrive on Karala around May 31, which would be considered "on time." They usually arrive around June 1. Last year, the rain arrived in Karala on June 8, the latest in four years. Total monsoon rainfall last year was 6% below the long period average. This was blamed on El Nino, which is expected to depart this summer. La Nina is expected to arrive soon after, and the IMD is calling for rainfall amounts to be 106% of average this year. "Normal" is 96%-104%. Australia's largest sugar producer, Wilmar Sugar, said today that strikes by its employees would delay the start of cane processing at its factories by



several days but that the action is not expected to affect overall output. They have had two 24-hour strikes this month, and two more stoppages are planned for next Tuesday and Thursday. Indonesia has set a target to increase 2024 sugar output to 2.59 million tonnes, driven by heavier planting area following last year's weak cane harvest. White sugar output fell 4% last year to 2.3 million tonnes, due to a longer than usual dry season. They are currently the world's biggest sugar importer, and their goal is to become self-sufficient by 2028.

**TODAY'S MARKET IDEAS:**

Brazilian sugar output is beating expectations, and India is expected to see good monsoon rainfall this summer. Nearby sugar fell below the 50% retracement of the rally from the 2020 low to the 2023 high this week (at 18.59), which is a long-term bearish indicator and leaves the next target down at 16.31.

**NEW RECOMMENDATIONS:**

Long an August sugar 20.00/23.00 bull call spread at 0.32 with an objective of 2.50. Risk the entire spread premium on the trade.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 05/16/2024: 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. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 18.23. The next area of resistance is around 18.88 and 19.15, while 1st support hits today at 18.42 and below there at 18.23.

**OJ TECHNICAL OUTLOOK:**

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ORANGE JUICE (JUL) 05/16/2024: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 448.50. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 438.75 and 448.50, while 1st support hits today at 418.25 and below there at 407.45.

**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>										
SBAN24	18.65	33.45	35.02	33.30	26.94	18.86	19.26	19.35	20.46	20.72
CTAN24	75.41	34.91	34.57	26.96	22.36	76.25	77.36	78.64	85.02	87.48
CTAZ24	74.29	35.96	35.82	27.36	20.98	74.81	75.60	76.34	79.97	80.88
CCAN24	7843	41.90	43.41	23.48	19.68	7805.50	8099.33	8937.67	9021.36	8270.88
OJAN24	428.50	86.08	78.40	85.81	91.42	412.78	390.67	379.44	368.88	366.79
KCAN24	199.40	39.46	42.58	16.30	17.67	199.36	198.78	210.16	205.08	199.53
MAM24	20.85	76.54	74.32	90.76	86.39	20.87	20.24	19.30	17.98	17.92

Calculations based on previous session. Data collected 05/15/2024

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>						
SBAN24	Sugar	18.23	18.42	18.69	18.88	19.15
CTAN24	Cotton	72.87	74.29	75.10	76.52	77.33
CTAZ24	Cotton	73.08	73.66	74.33	74.91	75.58
CCAN24	Cocoa	7092	7528	7721	8157	8350
OJAN24	Orange Juice	407.40	418.20	427.95	438.75	448.50
KCAN24	Coffee	193.40	196.35	199.50	202.45	205.60
MAM24	Milk	20.21	20.59	20.72	21.10	21.23

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