

DAILY ENERGY COMPLEX COMMENTARY

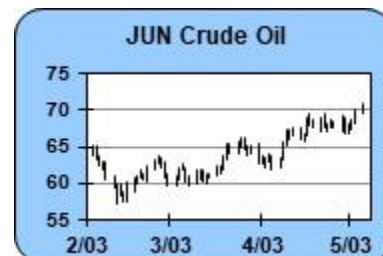
05/08/18

Major trend decision today with the markets significantly overbought

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

CRUDE -96, HEATING OIL -228, UNLEADED GAS -202

CRUDE OIL MARKET FUNDAMENTALS: All things considered the \$1 dollar decline in crude oil prices this morning would seem to be indicative of a market that has already priced in the reality of a US withdrawal from an Iranian nuclear deal. In fact the energy markets this morning have also discounted news of record Chinese crude oil imports in April, higher overall Chinese imports and most importantly news that the US might demand global buyers reduce Iranian oil purchases by a very significant 500,000 barrels per day. Chinese April crude oil imports reached 9.6 million barrels per day with fuel imports up 21% on a year-over-year basis. However it is clear the markets doubt that a widespread participation would take place to the tune of 500,000 barrels per day against Iran. The Trump administration is reportedly scheduled to announce its decision on the nuclear deal that expires this Saturday at 2 PM Eastern time today. We do suspect that the net spec and fund long positioning in crude oil yesterday reached a new all-time record high level and that could also be partly behind the profit-taking setback this morning. Certainly the threat against Venezuelan supply, ongoing violence in Yemen and Hezbollah election gains in Lebanon leave additional geopolitical support in the marketplace. In a potential negative later today the markets are likely to see another large build in API crude oil stocks even if expectations call for a decline as the US refinery rate recently has been running at soft levels. Uptrend channel support in June crude oil today is seen all the way down at \$68.07 but we doubt the president will announce a negotiated deal this afternoon and prices should be underpinned.



PRODUCT MARKET FUNDAMENTALS: While the crude oil market has "dragged the product markets higher" the markets have apparently already priced in some hardline stance from the Trump administration towards Iran later today. However, with the US refinery operating rate running below year ago levels and gasoline stocks expected to decline at the API later today the internal fundamental situation is supportive of gasoline. In fact one could expect product stocks to remain relatively tight especially given a stronger demand season directly ahead. However, the last two weeks implied gasoline demand readings have been extremely discouraging and the products are moderately overbought from a spec and fund perspective and the bulls clearly need Middle East supply-side support from crude oil today. Uptrend channel support in June gasoline today moves up to \$2.07 with uptrend channel support in June heating oil coming in at \$2.1235.

NATURAL GAS: June natural gas put in an outside day higher close yesterday but did settle well off the daily highs. Support is seen off of warmer than normal temperatures throughout the lower 48 as three high pressure systems dominate the Midwest, Southeast and East Coast regions. Temperatures are expected to remain 5-9 degrees warmer than average over the next ten days which could increase cooling demand. The second half of May could see even warmer temperatures as energy off the Pacific will diminish which could allow a ridge to build over the entire North American continent. There was heavy interest in upside call options yesterday with the June 2.90 and June 3.00 strikes the most active. June natural gas also pushed above the 50 day (\$2.763) and 100 day (\$2.758) moving averages yesterday, but could not settle above them. The early heat in the US along with storage levels down 40% from year ago levels and 28% below the five year average has some traders looking at upside protection and a move back up to \$2.80.

TODAY'S MARKET IDEAS:

The path of least resistance from a fundamental perspective remains up in crude oil as the prospect of a threat of another round of Iranian sanctions looms in the final negotiating stage of the deal. The deal expires this coming Saturday but the President's has pegged a 2:00 PM Eastern-time press conference today for his decision that that should produce a volatility event. However, as indicated in our coverage today, both crude oil and gasoline are excessively overbought and should begin to exhibit significant two-sided volatility. Uptrend channel support in the June crude oil contract today comes in at \$68.07 from the April and May lows. Also indicated in coverage over the prior week there might be little in the way of resistance on the crude charts until a weekly gap from 2014 up at \$71.37 and \$73.19. We don't expect the President to announce a deal as his style is always very aggressive and initially unbending.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

OTHER ENERGY CHARTS:



ENERGY COMPLEX 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.

CRUDE OIL (JUN) 05/08/2018: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 71.38. The next area of resistance is around 70.60 and 71.38, while 1st support hits today at 69.28 and below there at 68.73.

HEATING OIL (JUN) 05/08/2018: The crossover up in the daily stochastics is a bullish signal. 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 objective is at 220.43. The next area of resistance is around 218.67 and 220.43, while 1st support hits today at 215.19 and below there at 213.47.

RBOB GAS (JUN) 05/08/2018: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. 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 209.27. The next area of resistance is around 213.44 and 215.26, while 1st support hits today at 210.44 and below there at 209.27.

NATURAL GAS (JUN) 05/08/2018: 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 up on the daily chart is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 2.660. The next area of resistance is around 2.773 and 2.809, while 1st support hits today at 2.699 and below there at 2.660.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

	RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG	
ENERGY COMPLEX										
CLAM8	69.94	69.79	66.56	75.21	77.66	69.01	68.46	68.04	65.07	64.01
CLAN8	69.84	70.45	67.32	77.46	79.45	68.86	68.34	67.85	64.81	63.70
HOAM8	216.93	67.48	65.91	75.21	76.97	2.14	2.13	2.11	2.02	1.99
HOAN8	216.48	68.46	66.58	75.46	77.29	2.13	2.13	2.11	2.02	1.99
RBAM8	211.94	61.75	61.09	66.79	64.01	2.10	2.11	2.09	2.02	2.00
RBAN8	212.26	64.07	62.84	70.04	68.87	2.10	2.10	2.09	2.02	1.99
NGAM8	2.736	45.50	47.05	47.74	35.00	2.73	2.77	2.76	2.76	2.75
NGAN8	2.763	43.84	45.56	43.47	30.60	2.76	2.80	2.80	2.81	2.80

Calculations based on previous session. Data collected 05/07/2018
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAM8	Crude Oil	68.72	69.27	70.05	70.60	71.38
CLAN8	Crude Oil	68.64	69.18	69.95	70.49	71.26
HOAM8	Heating Oil	213.47	215.19	216.95	218.67	220.43
HOAN8	Heating Oil	212.89	214.70	216.45	218.26	220.01
RBAM8	RBOB Gas	209.26	210.44	212.26	213.44	215.26
RBAN8	RBOB Gas	209.61	210.78	212.56	213.73	215.51
NGAM8	Natural Gas	2.659	2.698	2.734	2.773	2.809
NGAN8	Natural Gas	2.686	2.725	2.761	2.800	2.836

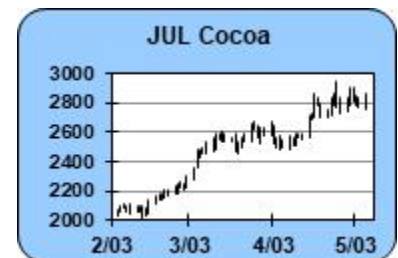
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DAILY COCOA COMMENTARY

05/08/18

Strong technical action in spite of overbought condition

Cocoa's abrupt turnaround on Monday indicates that many traders are not waiting for a sizable pullback in order to approach the long side of the market. July cocoa rallied more than 110 points above its early low before finishing with a sizable gain. The thin "semi-holiday" conditions due to the UK Bank Monday holiday strengthened upside momentum after July cocoa bounced back into positive territory after a sluggish start to the week. While the Eurocurrency slid to a new low for the move, mild strength in the British Pound as well as



improving equity markets in Europe and North America helped to shore up cocoa's demand outlook in both regions. The latest weekly reading on Ivory Coast cocoa port arrivals came in ahead of last year comparable period, but the full season arrivals total remains behind last season's pace. Recent weather over West African growing areas should be a positive factor for the region's mid-crop production whose harvest started in early April, although larger output totals may not be seen until later this month or early June.

TODAY'S MARKET IDEAS:

While cocoa has a very large net spec long position that leaves it vulnerable to a long liquidation trend, it also has a bullish supply outlook that leaves the market fairly well supported on near-term pullbacks. As long as global markets avoid a "risk off" mood, cocoa should be headed towards a retest of last week's highs. Near-term support for July cocoa is at 2811 and 2768, with 2943 and 3024 as next objectives. New buyers may want to wait for a more significant pullback.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COCOA TECHNICAL OUTLOOK:

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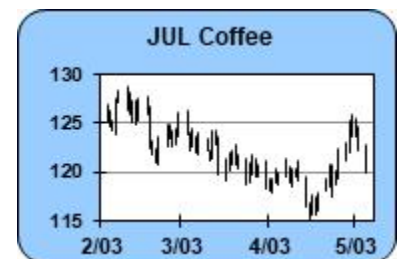
COCOA (JUL) 05/08/2018: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The outside day up is a positive signal. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 2716. The next area of resistance is around 2904 and 2939, while 1st support hits today at 2792 and below there at 2716.

DAILY COFFEE COMMENTARY

05/08/18

Big crop Brazil and currency encourages exports; weak

Coffee prices remain on the defensive early this week and have now fallen back below their 50-day moving average for the first time since April 27th. In spite of positive supply/demand developments, there have been few bullish supply developments out of Brazil recently which has made it difficult for coffee to regain upside momentum. One negative factor from Brazil was their ongoing weakness in their currency, which may encourage producers to export their coffee in spite of a tight near-term supply situation. Nestle agreed to pay Starbucks \$7.15 billion for the rights to sell, market and distribute Starbucks packaged coffee and tea products in all global "at home" and "away from home" channels. This could allow the Swiss maker of Nescafe and Nespresso coffee products to capture more upscale coffee drinkers in the US. ICE exchange coffee stocks rose by 4,125 bags on Monday, but remain lower for the month of May.



TODAY'S MARKET IDEAS:

Global demand may be showing early signs of improvement, but the market is now less than 6 weeks away from the Brazilian harvest being at full speed. Until there are clear signs that Brazil's crop will come in at the lower end of forecasts, coffee prices will have a tough time finding their footing. Near-term resistance for July coffee is at 122.20 with support at 119.40. A close under support would be bearish and suggest a test of the April lows.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COFFEE TECHNICAL OUTLOOK:

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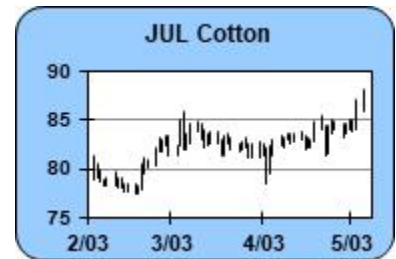
COFFEE (JUL) 05/08/2018: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 118.12. The next area of resistance is around 122.22 and 124.01, while 1st support hits today at 119.28 and below there at 118.12.

DAILY COTTON COMMENTARY

05/08/18

The 8-14 day model shows some rain chances; may deflate uptrend

The key reversal on Monday and close near the lows leaves the appearance that a short-term high may be in place. The market has seen an impressive run higher, and traders await the first look at the supply/demand outlook for the 2018/19 season on Thursday and perhaps we experienced some long liquidation selling after trading sharply higher early in the day. A continued advance in the US dollar and a break in the grain markets added to the bearish tone late in the day. The 1-5 day forecast is still very dry for West Texas, but the 6-10 day has switched from hot and dry trend to more normal temperatures and precipitation. The 8-14 day model calls for warm weather but above normal precipitation. There is still no drought busting rain in the forecast, but the models are clearly "less" bullish that late last week. The weekly planting report showed that 20% of the planting is now complete compared to 12% last week and 20% last year. The 10 year average for this time of year is 25%. The highest percent complete was 48% in 1994 while the lowest was 18% in 2013. Texas is now 19% planted as compared with the 10-year average of 21%. Exchange stocks deliverable and certified declined to 73,202 bales from 75,638 bales the previous session.



TODAY'S MARKET IDEAS:

The weather forecast is not as bullish as last week and the market is overbought, so we would respect the reversal for a least a temporary top. Rain chances are out in the 8-14 day forecast models. December cotton short-term selling resistance is at 80.85, with first key support back at 79.36 and then 78.70.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

COTTON TECHNICAL OUTLOOK:

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COTTON (JUL) 05/08/2018: A new contract high was made on the rally. Rising stochastics at overbought levels warrant some caution for bulls. 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. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 88.66. The next area of resistance is around 87.07 and 88.66, while 1st support hits today at 84.91 and below there at 84.33.

COTTON (DEC) 05/08/2018: The market made a new contract high on the rally. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 81.88. The next area of resistance is around 80.97 and 81.88, while 1st support hits today at 79.69 and below there at 79.31.

DAILY SUGAR COMMENTARY

05/08/18

Huge production surplus for 2nd year in a row for India bearish

Sugar has been unable to find its footing this week as a bearish global supply outlook continues to weigh on prices. Unless it can find carryover support from key outside markets, sugar may be heading for a retest of the late April lows. Although crude oil reached a new multi-year high, that was offset by a sluggish Brazilian currency that may encourage mills to produce sugar instead of ethanol. A stalled dry air mass over Brazil's Center-South cane-growing areas will continue to stress sugar cane crops. Areas in central and western Sao



Paulo, northern Parana and Mato Grosso do Sol states have not seen rain in over 7 weeks. While this will help speed up harvesting and crushing, recent forecasts continue to pull back on Brazil's Center-South sugar production. In fact, the Brazilian firm JOB Economia forecast their nation's 2018/19 Center-South output at 30 million tonnes versus 36.1 million the previous season. A USDA attache has forecast India's upcoming 2018/19 sugar production at 33.8 million tonnes, up 4.2% from this season's record high production.

TODAY'S MARKET IDEAS:

While India may have logistical difficulty exporting significant amounts of sugar over the next few months, back to back seasons with production coming in above 31 million tonnes are going to weigh heavily on sugar prices. Unless energy prices climb well above their multi-year highs and encourage more Brazilian ethanol production, sugar looks to be heading towards new low ground. Near-term resistance for July sugar is at 11.52 and 11.66, with support at 11.30. A close under 11.30 would leave 10.56 as next target.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/08/2018: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 1st swing support could weigh on the market. The next upside objective is 11.64. The next area of resistance is around 11.45 and 11.64, while 1st support hits today at 11.19 and below there at 11.11.

OJ TECHNICAL OUTLOOK:

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ORANGE JUICE (JUL) 05/08/2018: The daily stochastics gave a bullish indicator with a crossover up. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 next upside target is 167.15. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 166.15 and 167.15, while 1st support hits today at 163.05 and below there at 160.85.

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										
SBAN8	11.32	33.01	34.07	42.94	44.58	11.57	11.53	11.70	12.35	12.64
CTAN8	85.99	62.07	60.05	77.31	77.94	85.52	84.78	83.96	83.16	82.47
CTAZ8	80.33	65.83	63.22	74.68	77.42	79.98	79.41	79.04	78.40	77.87
CCAN8	2848	59.67	60.89	69.61	64.12	2819.75	2829.67	2771.33	2637.80	2523.43
OJAN8	164.55	88.17	83.54	94.10	94.46	161.46	157.34	150.61	143.79	144.29
KCAN8	120.75	47.90	49.43	76.05	68.84	122.86	122.21	120.13	120.61	121.56
MAM8	15.77	70.67	68.81	78.45	76.21	15.65	15.61	15.45	15.05	14.96

Calculations based on previous session. Data collected 05/07/2018

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						
SBAN8	Sugar	11.10	11.18	11.37	11.45	11.64
CTAN8	Cotton	84.32	84.90	86.49	87.07	88.66
CTAZ8	Cotton	79.30	79.68	80.59	80.97	81.88
CCAN8	Cocoa	2715	2792	2827	2904	2939
OJAN8	Orange Juice	160.80	163.00	164.00	166.15	167.15
KCAN8	Coffee	118.11	119.27	121.06	122.22	124.01
MAM8	Milk	15.58	15.69	15.73	15.84	15.88

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