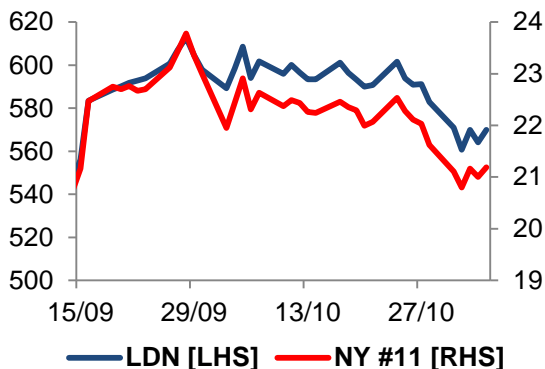




Monday, 07 November 2016

Market Commentary

Second Month Continuation



Commitment of Traders

	Net Spec. Pos.	Change
Futures	319,187	-34,114
Fut & Opt.	326,971	-46,409
Index Funds		
Sup.	172,989	999
Spec Pos.	267,530	-46,679

London Funds 17,487 837

NY Options

Call Volume	10,558
Put Volume	5,330
Call OI	396,760
Put OI	304,824

Source: Bloomberg, Sucden Financial

Data Tables.....2

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The markets are up this morning and having breached the next point of resistance on the charts. March NY is 30 points higher than Friday's settlement and 21.85 has just been breached, electing buy stops. The next points are 22.12 and the 20 day average at 22.49. We estimate support will emerge at 21.28, the 100 day average at 21.18 and the recent low of 21.08. The structure is also firming up of late with March/May spreads back out to 61 pts inverse and May/July at 69 points.

The past fortnight has seen substantial liquidation of speculative and Fund longs. The flat price has suffered as a result but the action in the structure has been supportive as whilst there is not any major fresh bullish news, the medium term outlook is of tightness in 1st H 2017 bearing in mind the tail-off in the CS Brazil crop this season and expectations that the next season will start later. The Thai crop, which traditionally makes up for shortfalls out of Brazil will not this year make its presence felt as expectations are of lower numbers, and on the consumption side, India is still expected to be a major importer and China also now that the window for imports has been opened. This means that despite the recent liquidation, outright values are encouraging pricing by end user and buying of spreads by the trade.

The Commitment of Traders report, out on Friday as usual, shows that in the week to 1st November, Funds and large speculators had reduced longs by 34.7K lots and smaller (non-reportable) speculators had reduced longs by a further 11.8K lots. The total reduction brings the Non-Index Fund and spec net long position including options to 267.5 K, a drop of over 46.K bringing the position to 24.73% of the Open Interest. The overall OI including options only reduced by 11.3 K over the week and the Commercial short position was reduced by 45.6 K lots showing that there has been a transfer of positions between Funds and specs and Trade and end users.

Over the next couple of days, most of the attention will be centred on the US presidential election. The market still believes in a Clinton win and should be the case; we would expect the USD to firm up, especially as the economic picture in the US still points to a FED increase in rates in December following continuing healthy employment figures released on Friday. Whilst the headline figure of 161K new jobs was slightly lower than the 175K expected, revisions to previous figures were up, showing a healthy employment situation. The market does not like uncertainty and we must assume neither does the Fed so over the next 3 days the FX markets will be volatile and we must expect commodities to be as jumpy.

With sugar back over 22 cents and well above the 100 day average and with the spreads strengthening once more, it seems we could be in consolidation mode. The rise has been in low volume however (only 12K lots traded on March NY so far). The problem will be if the Fund community merely takes this rise as a signal to take more profit. We believe this may be the case and foresee another drop to test the 100 day average and 21 cents, especially if the USD strengthens further after the uncertainty is over in the US and Mrs Clinton gets elected as president. Should Mr Trump prevail against all odds, then all bets are off and we will get a bumpy ride.

Nick Penney, Senior Trader

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Data Tables

NY #11 Raws PDC

Month	High	Low	Settle	Net Change	Open Interest	OI Change	Volume	High	Low	Last	Volume
MAR 17	21.81	21.28	21.73	0.25	446640	-1440	46906	22.05	21.73	22.04	12643
MAY 17	21.26	20.85	21.19	0.19	144280	812	22921	21.44	21.18	21.44	4071
JUL 17	20.63	20.29	20.57	0.17	115886	812	11341	20.77	20.55	20.77	2029
OCT 17	20.15	19.85	20.11	0.15	75794	-396	4283	20.25	20.06	20.25	1268
MAR 18	19.93	19.6	19.88	0.16	34388	-486	1066	20	19.83	19.99	611
MAY 18	19.28	18.98	19.24	0.17	11218	-3	256	19.3	19.16	19.29	125

NY #11 Raws Last

London Whites PDC

Month	High	Low	Settle	Net Change	Open Interest	OI Change	Volume	High	Low	Last	Volume
DEC 16	575.5	564.7	574.4	6.20	27634	2031	7888	575.4	569.6	575	2215
MAR 17	571	560.6	569.9	5.80	28775	-2038	4742	572.9	566.8	572.7	1510
MAY 17	564.3	555.1	563.6	5.40	17051	-319	660	566.6	560.9	566.5	386
AUG 17	551.8	545	551.1	3.90	7810	-131	481	553.4	549.2	553.4	96
OCT 17	533.4	527.9	532.7	3.1	9908	9696	245	534.7	531.3	534.7	134
DEC 17	523	520.6	522.3	2.7	1961	-17	50	523	521.3	523	7

London Whites Last

Spreads

NY	London	Whites Premium	Kingsman				
Mch17/May17	55/56	Dec16/Mch17	4.30 last	Mch17/Mch17	89.00/89.75	Raws FOB	455
May17/Jul17	63/64	Mch17/May17	6.10 last	May17/May17	94.75/95.75	Raws C&F	467.5
July17/Oct 17	47/48	May17/Aug17	12.40 last	Aug17/July17	94.75/97.75	Whites FOB	539
Oct17/Mch18	23/24	Aug17/Oct17	18.10 last	Oct17/Oct17	88.25/89.75		

Calendar

NY	Expiry	London	Expiry
Dec opts exp	15/11/2016	Dec fut expiry	15/12/2016
Jan opts exp	15/12/2016	Mch fut exp	13/02/2017
Feb opts exp	16/01/2016	May fut exp	13/04/2017

Other Markets

	Last	% Change
CBOT Soybean	1000.25	0.96
CBOT Corn	348.75	0.00
CBOT Wheat	415.5	0.30
WTI Crude	44.83	1.72
NY Cocoa	2506	-1.03
NY Coffee	172.3	0.55
S&P 500	2085.18	-0.17
Brazilian real	3.2148	0.67

Sources: Bloomberg, Sucden Financial
Last Update #####