Perfect Storm Brewing Against Coffee Bulls

FYI – MJNCO

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In last Thur's Technical Webcast we discussed the importance of 26-Sep's 149.00 low and key risk parameter that needed to hold to maintain a broader bullish count. The market's failure to do so not only confirms a bearish divergence in daily momentum that defines 22-Sep's 160.90 high as the END of the rally from 17-Aug's 137.85 low, ancillary evidence warns that that high might have completed the entire 2016 bull market. As a direct result of today's resumed weakness below 149.00, the hourly chart below shows that the market has identified Fri's 152.65 high and Thur's 154.95 high as the latest smaller- and larger-degree corrective highs that now serve as our new short- and longer-term parameters from which the risk of all non-bullish decisions like long-covers and cautious bearish punts may now be objectively based and managed.

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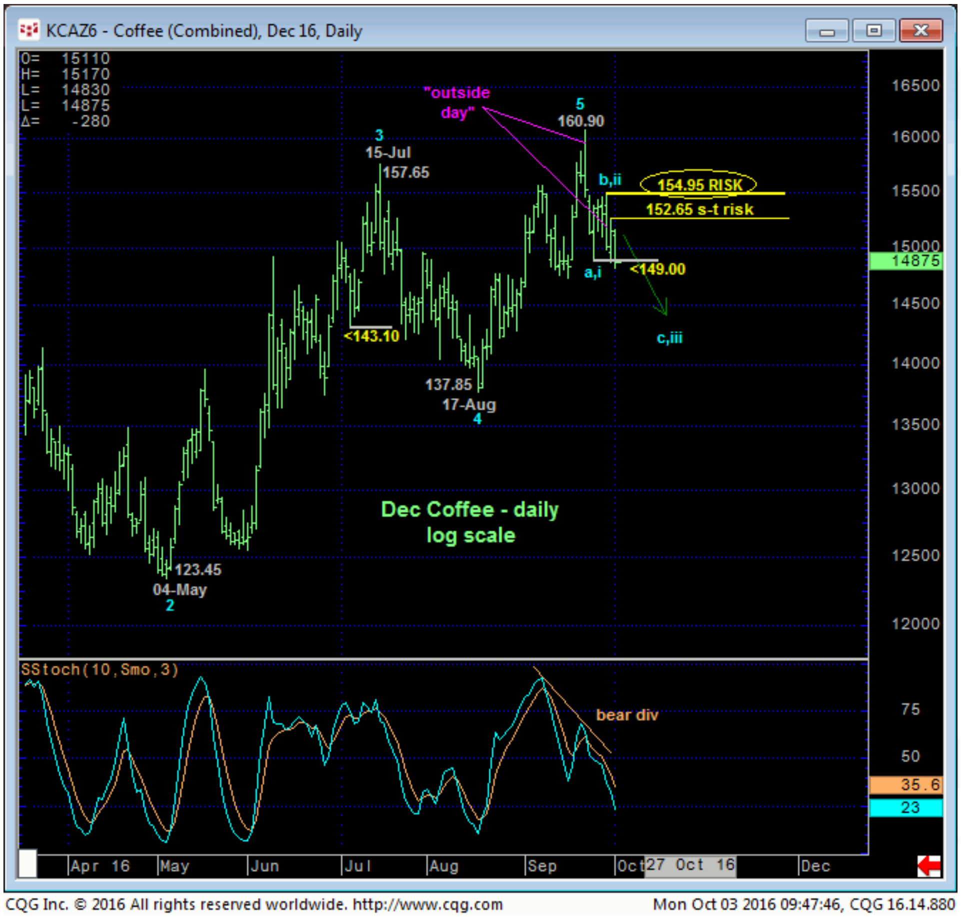

On a larger scale shown in the daily (above) and weekly (below) log scale charts, the combination of:

- the confirmed bearish divergence in daily momentum
- developing potential for a bearish divergence in WEEKLY mo (below)
- historically frothy levels in our RJO Bullish Sentiment Index
- arguable complete 5-wave Elliott sequence up from 20-Jan's 111.05 low
- rejection of the (158.23-area) 50% retrace of 2014 - 2016's 225.50 - 111.05 decline and
- two "outside days" down over the past week-and-a-half

presents a sort of perfect storm of technical evidence that warns of a peak/reversal environment that could be major in scope. If we're wrong in this peak/reversal-threat call, the market will need to first threaten it with a recovery above 152.65. Further strength above last week's 154.95 high is needed to render the past couple weeks' sell-off attempt a 3-wave and thus corrective affair that would re-expose 2016's major uptrend. UNTIL such strength is shown however, the factors sighted above warn of a peak/reversal environment that could be major in scope, correcting or reversing this entire YEAR'S rally from 111.05 to 160.90.

These issues considered, all previously recommended bullish exposure has been nullified and traders are advised to move to a new cautious bearish policy from current 148.75-area prices with protective buy-stops above 152.65 and/or 154.95 commensurate with one's personal risk profile. In lieu of strength above these levels we anticipate further and possibly severe losses straight away.

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