

Forecast

Day	Flat
Week	Flat
Month	Down
1 Year +	Down

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Cocoa withdrawals will be troublesome

- Cocoa prices' recent rally seems to have paused at 12931 USD since the cocoa prices are hovering around 11557 USD as of today.
- As mentioned in the previous report, concerns about the expected supply in 2025 pulled the prices higher. However, these concerns have not yet been validated by hedge demand indicators. (Graph 2, second panel, purple line)
- In the same period, speculative purchases also increased, but to a limited extent, suggesting that speculators are not convinced about hedgers' concerns. (Chart 2, top panel, yellow line).
- The yellow line on the same graph shows the 1-year volatility. The fact that volatility is decreasing without making new highs supports the view that hedgers' concerns are not shared much by the market participants. However, the fact that the convenience yield - which is shown by the green line in the second graph and is closely related to volatility - did not increase during the period when volatility was rising. Thus it is highly possible that the volatility may retreat in the coming weeks.
- In this case, it is possible to say that cocoa prices will decline only slightly as potential sell-offs will coincide with falling volatility.
- The fact that the stochastic indicator of the cocoa price, shown by the orange line in the middle panel of Chart 1, is slowly retreating indicates that the decline in cocoa prices will be quite labored in the next one to two months.

Conclusion: Cocoa will continue to be an expensive commodity in the weeks and perhaps months to come. With this respect, commercial buyers should engage in buying and selling their merchandise as quickly as possible. As far as traders are concerned, they may buy cocoa on dips and close positions within short intervals.

Chart #1

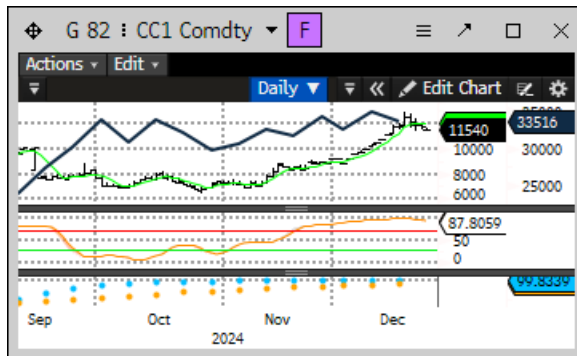


Chart #2

