



Weekly Futures Market Summary

February 28, 2022

by the ADMIS Research Team

BONDS:

In retrospect, the treasury markets should have come under more significant liquidation at the end of last week as the markets overall seem to embrace a coming end to the war, a cease-fire, or simply signs that Russia is willing to undertake some diplomatic efforts. Even more impressive is the treasury's capacity to stand up against an avalanche of positive US scheduled data which included an extremely hot PCE!

The action in treasury prices at the start of this week is disappointing to the bull camp, as an early rally to 15-day highs was reversed and the markets do not appear to be overly sensitive to the anxiety flowing from Ukrainian headlines. However, the situation in Ukraine is likely to rekindle significant flight to quality buying once the Russian and Ukraine negotiations fail to reach an agreement.

On the other hand, it is possible the Russians will declare a cease-fire in a veiled move to allow for widespread "resupply". In fact, we expect Russia to declare a cease-fire and then violate the cease-fire as soon as they feel tactically strong. From a technical perspective, the net spec and fund short positions in bonds and notes continues to be reduced which could remove the potential for speculative short covering buying ahead. The February 22nd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net bought 16,421 contracts and are now net short 35,971 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders were net short 525,083 contracts after decreasing their short position by 48,030 contracts.

On the other hand, from a fundamental perspective, talk of delays in hiking rates are surfacing from both sides of the Atlantic even though the brunt of the trade sees the US Fed going ahead with the March hike. While the US economic report slate is active early this week, those readings are likely to have little if any impact on prices. However, treasury bulls are certainly nervous about recent Fed statements regarding price pressures after the Fed's "Pet" inflation measure (PCE) for January jumped sharply. If it were not for the looming Fed meeting (still 3 weeks out) flight to quality buying would likely have thrown March bonds up to 156-00 and March Notes up to 128-00.

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CURRENCIES:

As in other financial markets, the currency markets appeared to be embracing a moderating of anxiety/uncertainty from the Ukraine situation late last week, with the flight to quality dollar pivoting to the downside and oversold non-dollar currencies showing noted bounces. However, the crisis should not be considered over as the Russians have not been forthright in their statements to the west. With a dollar flare at the start of this week forging the 3rd highest trade of the contract life, the bias is pointing upward. Certainly, flight to quality is moderated into and through the Russian/Ukrainian talks, but we expect no progress from those talks and a quick return of flight to quality buying interest.

However, it is possible that Russia could surprise by agreeing to a cease-fire as that could allow them to resupply and regroup. On the other hand, we expect Russia to violate a cease-fire without notice as soon as they feel they have the resources for a final sweep of the Ukraine. In fact, the light of day in the Ukraine is likely to bring images of atrocities against Ukrainian citizens and that is likely to usher in wave after wave of fresh international sanctions against Russia. Dollar positioning in the Commitments of Traders for the week ending February 22nd showed Non-Commercial & Non-Reportable traders were net long 41,326 contracts after decreasing their long position by 178 contracts.

With European stocks lower and many sanctions likely to provide headwinds to the euro zone economy, the fundamental path of least resistance remains down in the euro. At this point, European economic news is of little importance to the action in the euro futures. Furthermore, the most recent positioning report showed a large net spec and fund long which is likely to foster stop loss selling. The Commitments of Traders report for the week ending February 22nd showed Euro Non-Commercial & Non-Reportable traders added 12,522 contracts to their already long position and are now net long 97,819.

The action in the Yen continues to be extremely discouraging to the bulls. In fact, the Yen remains pinned down to the recent lows and it is very clear that the flight to quality interest in the Yen is nearly absent. While the Swiss franc managed to aggressively reject a probe below 1.08, scheduled data from Switzerland favors the bear camp, but that news is secondary to fear of substantial economic headwinds for all of Europe. Nonetheless, the Swiss is likely to remain within a range defined as 1.078 on the downside and 1.0920 on the upside.

The charts in the Pound are patently bearish and news of large UK firms unilaterally halting business with Russia creates economic headwinds for the Pound. In the near term, we will not rule out a return to the early December consolidation low down, especially if the UK continues to take steps to injure Russia at the expense of UK economic interest. Like the UK, Canada continues to ratchet up its sanctions against Russia and has raised the potential angst of the Russian leader by banning Russian airline flights in Canadian airspace. In the end, the charts in the Canadian are bearish, with a recent pattern of lower highs and lower lows. We suggest traders utilize a cease-fire rally in the Canadian as a selling opportunity!

STOCKS:

It seems that the source of the significant recovery bounce late last week was relief that Russia might be willing to attempt diplomatic talks to end the crisis. However, by the time Russia agrees to diplomatic

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interaction, the war could be over. Other internal positives for equities came from a settlement by the 3 largest US drug distributors and drugmakers from the US opiate epidemic, and several stronger than expected reports on the US economy. Global equity markets at the start of this week were mixed with some markets playing catch-up to large gains in the US on Friday and other markets particularly those in Europe tracking lower. While some markets were higher in Asia, the US market started out with the Dow projected to open more than 300 points lower.

However, we see the markets supported ahead of the US opening as Ukraine/Russian negotiations are underway, but we expect the talks will end without progress. In fact, Russia is likely to offer very significant escalation threats and talk of the use of overwhelming force so they can achieve their objectives before sanctions become untenable for their economy. The Russians have already doubled their interest rates to 20%, halted international trade in the Russian stock market and have announced they will continue to buy gold reserves. In the end, the Russians look to gain their objectives even if the cost is significant economic isolation.

With sanctions against Russia reaching into the international capital flow markets (SWIFT) there are concerns of a lack of global liquidity and that should keep some investors on the sidelines and prompt other investors to move to the sidelines. So far, the damage on the S&P chart has been minimal, with the market showing some respect for the 4300 level. Given recent events in the Ukraine, a swift end to the crisis is unlikely and some investors who picked bottoms last week are likely to flee to the sidelines once the talks fail. However, the bull camp maintains a slight edge if the March S&P can respect support at 4251.50. The February 22nd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders added 44,223 contracts to their already long position and are now net long 251,038.

As mentioned already, the cash Dow Jones was expected to open more than 300 points lower, but the Dow Jones futures might hold up slightly better if prices maintain above 33,322. Fortunately for the bull camp, the most recent positioning report showed a "net spec and fund short" which should limit stop loss selling on weakness and provide some short covering on strength. Dow Jones \$5 positioning in the Commitments of Traders for the week ending February 22nd showed Non-Commercial & Non-Reportable traders net sold 3,211 contracts and are now net short 10,479 contracts. Therefore, a rally in the March Dow futures above 33,800 could foster significant short covering.

Not surprisingly the NASDAQ charts remain the most negative of the actively traded futures contracts with the threat of Russian hacking and reports of some US shipping companies halting business to Russia and the Ukraine leaving investors cold. We see a failure with a decline below 13,760 with 13,500 possible once Russia/Ukraine talks break up without progress. It should also be noted that the positioning in the NASDAQ is net long leaving the market vulnerable to stop loss selling. The February 22nd Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders went from a net short to a net long position of 6,147 contracts after net buying 11,679 contracts.

GOLD, SILVER & PLATINUM:

The gold and silver markets were tracking higher at the start of this week off reports that aggressive Ukrainian resistance is slowing the Russian advance, and therefore the upcoming Ukraine/Russian talks

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are less likely to result in any change in the crisis. Apparently, negotiating parties were gathering to meet along the border of Belarus with the Russians expected to call for a total surrender and the Ukrainians expected to push for a cease-fire. Over the weekend, Russia captured two small cities and now have positioning for resupply from ships on the Black Sea. We were expecting a significant setback in gold prices early this week off signs that Russia was going to make it apparent that resistance is futile.

In our mind, the Russians biggest problem will be resistance by the average citizen with over 44 million Ukrainians in the country. We do think there will be some declines in gold and silver prices at the start of negotiations, but little is to be gained with both sides still at unyielding positions. Not surprisingly, the gold and silver markets failed to show significant positive action following key US inflation data last week, with the precious metal markets holding onto the view that the Fed will stem inflation with their March interest rate hike. On the other hand, the Russian central Bank indicated they would resume buying of gold on their domestic market starting Monday and that could increase global demand for gold, or the trade might see it as a sign of Russian scrambling to garner international currency from its citizens.

In the end, the Ukrainian situation will remain a significant volatility force, but with Russian troops encircling key cities and massive Russian reinforcements moving into the area, we suspect the crisis will come to a head this week. It should also be noted that Russia raised interest rates to 20% and imposed capital controls domestically to defend against the economic sanctions. Therefore, those with long gold and silver positions should implement long put protection, with strike prices near to their initial entry price. Fortunately for the bull camp, the correction from the high back below the level where this week's gold positioning report was calculated, should leave the market with buying capacity.

The Commitments of Traders report for the week ending February 22nd showed Gold Managed Money traders net bought 35,336 contracts and are now net long 160,982 contracts. Non-Commercial & Non-Reportable traders net bought 39,558 contracts and are now net long 307,240 contracts. The Commitments of Traders report for the week ending February 22nd showed Silver Managed Money traders added 8,445 contracts to their already long position and are now net long 26,090. Non-Commercial & Non-Reportable traders added 8,728 contracts to their already long position and are now net long 45,981. While the silver contract is trading higher to start today, the market ranged sharply higher and gave up the gains into the early US trade.

Obviously, the ratcheting up of Western sanctions, visions of death and destruction in the press and an upward adjustment in Russian nuclear force preparedness provides a revitalized threat against palladium supply. However, the inability to hold the majority of last week's major range up action leaves the palladium bear camp hopeful and the bull camp less convinced in their positioning. In our opinion, the potential for an international blockage of strategic metals becomes more likely with proof of atrocities against Ukrainian civilians, but also because the West is prepared to continue to raise sanctions and therefore it is becoming more likely that palladium and platinum could fall under upcoming embargoes. Fortunately for the bull camp, the palladium market posted a surprisingly small net spec and fund long which should leave short covering buying and outright speculative buying in the offing.

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Palladium positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders added 12 contracts to their already short position and are now net short 13. Non-Commercial & Non-Reportable traders added 114 contracts to their already short position and are now net short 1,114. In the event the Russians quickly hit their objectives, that would dissipate the threat of locked in supply. With a relatively overbought net spec and fund "long" we see July platinum vulnerable to any failure to hold \$1,045. The Commitments of Traders report for the week ending February 22nd showed Platinum Managed Money traders added 9,535 contracts to their already long position and are now net long 15,597. Non-Commercial & Non-Reportable traders added 8,168 contracts to their already long position and are now net long 26,362.

COPPER:

Fortunately for the bull camp in copper, the market did not see a significant run up in advance of the Russian invasion as that would have left the market vulnerable to demand destruction fears. Therefore, copper should be less fundamentally and technical technically vulnerable to a large washout. However, despite believable efforts of the Ukrainian fighters, Russia clearly has overwhelming force and they have captured several key cities giving them better resupply capacity.

If the end comes quick, the threat against disrupted Russian copper flow will evaporate and selling looks to surface. As in the gold market, those long copper should bank/exit or purchase puts coverage or fresh outright speculative short positions using puts. Copper positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders reduced their net long position by 3,457 contracts to a net long 33,411 contracts. Non-Commercial & Non-Reportable traders were net long 34,948 contracts after decreasing their long position by 4,403 contracts.

ENERGY COMPLEX:

With talks between Russia and Ukrainian officials not expected to yield positive results, if there is a cease-fire agreement, the Russians plan to use that as time to regroup without being attacked. While the trade has constantly focused on the potential for a western embargo of Russian oil, it is increasingly possible that Russia could embargo oil gas exports as an economic threat against wave after wave of sanctions placed on them. Reports of stiff Ukrainian resistance lowers the potential for the Russians to obtain objectives before the bite of sanctions cripples the Russia economy. On the other hand, if pockets of Ukrainian resistance remain a force for weeks, the conclusion is likely to be capitulation or domination. On the other hand, the Russian president over the weekend raised his country's nuclear alert level in a development that is certainly attention-getting on the world stage and that is probably the main reason behind a \$4.00 plus rally.

In our opinion, with the avalanche of sanctions now known to the market, the direct threat against disrupted Russian oil shipments is not expected early this week. In the end, the path of least resistance is up but the potential for 180 degree shifts in sentiment is very high thereby leaving massive volatility in place. However, the bear camp is not without ammunition as crude oil in floating storage reportedly rose by 3.2% last week and Iranian talks this week could yield progress. The Commitments of Traders report for the week ending February 22nd showed Crude Oil Managed Money traders reduced their net

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long position by 19,021 contracts to a net long 272,360 contracts. Non-Commercial & Non-Reportable traders net sold 18,953 contracts and are now net long 450,242 contracts.

We continue to see the gasoline market as the least bullish component of the energy complex with US gasoline stocks consistently running at a surplus and talk that extremely cheap ethanol will be brought into the market. With the net spec and fund trade adding minimally to its pre-existing net long on last week's major flare-up, the market retains buying fuel. As indicated in other coverage, we see a potential quick end to the crisis which in turn would put significant pressure on gasoline. Gas (RBOB) positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders are net long 80,990 contracts after net selling 150 contracts. Non-Commercial & Non-Reportable traders net bought 2,058 contracts and are now net long 75,579 contracts.

The diesel market remains the tightest component of the energy sector from both technical and fundamental perspectives. In fact, the trade was already embracing a global diesel supply shortage and with the Russians very important contributors to the worldwide diesel supply flow, we could see diesel lead on upside moves and lag on downside moves. Heating Oil positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders reduced their net long position by 1,809 contracts to a net long 22,447 contracts. Non-Commercial & Non-Reportable traders net sold 529 contracts and are now net long 28,231 contracts.

After some very violent action last week, the natural gas market could have entered the new week vulnerable to further liquidation action. However, colder European weather and a very real potential for supply disruption from Russia could provide a powerful range up move. In fact, several LNG buyers have halted purchases from Russia and German data had power prices early this week jumping by 14% from the previous day and are now up 60% from week ago levels. On the other hand, there are reports that the Russian national gas company booked capacity from Yamal to Europe in that pipeline and that would be a major bearish development if that gas is indeed flowing west!

Fortunately for the bull camp, the most recent COT positioning report showed the natural gas market retaining a substantial "net spec short" and that could slow losses ahead. The February 22nd Commitments of Traders report showed Natural Gas Managed Money traders net bought 6,151 contracts and are now net short 201 contracts. Non-Commercial & Non-Reportable traders net bought 4,011 contracts and are now net short 95,759 contracts.

BEANS:

Talk of nuclear readiness sparked fear and uncertainty for the market overnight but any signs of de-escalation in the Ukraine/Russia conflict can help prices turn back down. May soybeans closed 4.2% lower on Friday and experienced significant follow-through selling from Thursday's key reversal. This helps to confirm that a major top may be in place. The market experienced the lowest close since February 15, and the market is already down as much as \$1.80 1/4 from Thursday's peak which was also the range for the week. May soybean meal also experienced follow-through selling from Thursday's key reversal and the selling push the market down to the lowest level since February 16.

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On top of the weekly sales data, exporters announced the sale of 334,000 tonnes of US soybeans sold to China, and 285,000 tonnes of US soybeans sold to unknown destination. Once again, the sales to China were for the new crop season as China buyers see the big discount as an incentive to book needs. The weekly export sales report showed that for the week ending February 17, net soybean sales came in at 1,232,513 tonnes for the current marketing year and 866,500 for the next marketing year for a total of 2,099,013 as compared with expectations for 500,000-1.2 million tonnes for old crop and 450,000-850,000 tonnes for new crop. Cumulative soybean sales have reached 88.4% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 85.6%.

Net meal sales came in at 231,854 tonnes from expectations for 100,000-400,000 for old crop and zero-100,000 tonnes for new crop. Cumulative meal sales have reached 63.0% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 64.7%. Net oil sales came in at 35,470 tonnes from expectations for 8,000-40,000 tonnes for old crop and zero-20,000 tonnes for new crop. Cumulative oil sales have reached 85.9% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 58.4%.

The February 22nd Commitments of Traders report showed Soybeans Managed Money traders net bought 4,962 contracts and are now net long 180,334 contracts. Non-Commercial & Non-Reportable traders added 7,957 contracts to their already long position and are now net long 183,016. For Soyoil, Managed Money traders are net long 79,200 contracts after net buying 8,819 contracts for the week. Non-Commercial & Non-Reportable traders are net long 91,943 contracts after net buying 10,268 contracts.

For Soymeal, Managed Money traders were net long 90,417 contracts after increasing their already long position by 1,247 contracts. Soymeal CIT traders hit a new extreme long of 131,370 contracts. Non-Commercial & Non-Reportable traders added 2,596 contracts to their already long position and are now net long 137,889. With the key reversal for November soybeans, and follow-through selling Friday to confirm the reversal, the market appears to have put in a major top.

CORN:

The market closed just three cents higher on the week last week with a 61 cent range. Open interest showed aggressive long liquidation selling in recent days. US demand is already strong due to sharp reductions in South America production, and demand will just strengthen if Ukraine is unable to export. May corn closed sharply lower on the session Friday and experienced the lowest close since February 18. Ideas that the conflict in the Black Sea region will eventually be over, rumors that Russia is willing to negotiate plus talk that even if Russia occupies Ukraine that they will ship Ukraine corn to China were all seen as potential negative factors. Strong gains in the US stock market also suggest that there is a little less concern for a major extended conflict.

US demand numbers remain very strong. The weekly export sales report showed that for the week ending February 17, net corn sales came in at 1,040,946 tonnes for the current marketing year and 117,376 for the next marketing year for a total of 1,158,322. This was well above trade expectations for 500,000-900,000 tonnes for old crop, and 0-300,000 tonnes for new crop. Cumulative sales have reached 77.2% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 70.8%.

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On top of the strong pace so far for exports, US exports could be adjusted even higher if the Ukraine situation drags on as South America supplies have been adjusted dramatically lower.

In addition, corn used in last week's ethanol production is estimated at 103.9 million bushels. Corn use needs to average 99.8 million bushels per week to meet this crop year's USDA estimate. Ethanol is currently 50-60 cents per gallon cheaper than gasoline at most terminals, and we think that spread will continue to widen in the weeks ahead," said Geoff Cooper, head of the Renewable Fuels Association. The February 22nd Commitments of Traders report showed Corn Managed Money traders are net long 354,436 contracts after net buying 28,922 contracts. Non-Commercial & Non-Reportable traders net bought 28,123 contracts and are now net long 405,248 contracts.

WHEAT:

May wheat closed 55 3/4 cents higher on the week last week (up 6.9%) with the extreme volatility after reaching the highest level since mid-2008. The range for the week was \$1.63 3/4. Russia is the world's largest exporter of wheat while Ukraine is the fifth largest exporter, and many Black Sea export terminals are currently closed. On top of the current year export situation, traders are nervous that the conditions for Ukraine yield are far from ideal, and even the harvest activity for 2022 wheat crop is in question as Ukraine producers are unlikely in position for taking care of their crop.

May wheat closed 75 cents lower on the session Friday and more than a \$1.00 off of the highs of the day. The sweeping outside day down is a key reversal and suggests a significant top is in place. The general idea that the Black Sea region will see export terminals reopen up soon enough to avoid much of a slowdown in exports from the region helped to pressure. Egypt is tendering for wheat this week and traders will monitor this transaction closely as Black Sea exporters have held the lion's share (50% Russia and 30% Ukraine) of exports to Egypt. French wheat is said to be the lowest price for the tender.

Egypt officials indicate they are working on plans to buy wheat from other regions rather than Russia and Ukraine. Milling wheat futures in Europe closed 8% lower after the early rally pushed the market to a new all-time high. The weekly export sales report showed that for the week ending February 17, net wheat sales came in at 516,926 tonnes for the current marketing year and 169,218 for the next marketing year for a total of 686,144. This was well ahead of trade expectations for 100,000 to 450,000 old crop and 0-100,000 tonnes for new crop.

Cumulative sales have reached 81.6% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 86.3%. India is set to benefit from the shifts in global wheat trade as Russia's invasion of Ukraine leaves a vital source of supply hanging in balance. India's exports could exceed a record 7 million tons in 2021-22 if the conflict drags on. Indonesia, one of the biggest buyers of Ukraine wheat, is starting to seek alternatives and eying supplies from Argentina, Brazil, India and other European countries.

The February 22nd Commitments of Traders report showed Wheat Managed Money traders are net short 18,053 contracts after net buying 16,605 contracts for the week. Non-Commercial No CIT traders were net short 40,327 contracts after decreasing their short position by 15,661 contracts for the week. For KC Wheat, Managed Money traders were net long 40,780 contracts after increasing their already

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long position by 4,730 contracts for the week. Non-Commercial & Non-Reportable traders were net long 39,225 contracts after increasing their already long position by 5,110 contracts. On top of the Russia situation, traders are monitoring the extreme dry conditions of the central and southern US Plains. The five day forecast is very dry, but the 6-10 day and 8-14 day forecast models show above normal precipitation for the Plains.

HOGS:

April hogs closed sharply lower on the session Friday and the market is down as much as 930 points in just three sessions. Ideas that slaughter may begin to come in closer to expectations, instead of well short of expectations has helped to pressure. The premium of futures to the cash market, plus concerns that exports will remain low and that imports could pick up steam were seen as bearish forces. The CME Lean Hog Index as of February 23 was 98.04, down from 98.16 the previous session but up from 94.24 the previous week. The USDA pork cutout, released after the close Friday, came in at \$111.38, down 96 cents from Thursday but up from \$107.51 the previous week. The market is also correcting the overbought condition.

U.S. pork export sales for the week ending February 17 came in at 26,600 tonnes compared with the average of the previous four weeks of 29,000 tonnes. Cumulative sales for the 2022 marketing year have reached 421,300 tonnes, down 5.7% versus last year's pace. Increases were primarily for Mexico at 12,800 tonnes, Canada 6,700 tonnes, Japan 3,100 tonnes, the Dominican Republic 1,100 tonnes, and Honduras 900 tonnes. Exports of 30,200 tonnes were down 3 percent from the previous week and from the prior 4-week average. The destinations were primarily Mexico at 14,000 tonnes, Japan 4,200 tonnes, China 3,700 tonnes, South Korea 2,700 tonnes, and Canada 1,400 tonnes.

The USDA estimated hog slaughter came in at 477,000 head Friday and 131,000 head for Saturday. This brought the total for last week to 2.507 million head, up from 2.498 million the previous week but down from 2.649 million a year ago. Estimated US pork production last week was 548.2 million pounds, up from 546.8 the previous week and down from 575.2 a year ago. China's national average spot pig price as of February 28 was up 0.71% from the previous day. For the week prices are up 0.71%, down 8.04% for the month and down 21.62% year to date.

China plans to purchase 40,000 tonnes of pork from state reserves this week as they look to stockpile more pork. They are also attempting to provide some relief to pork producers who have seen prices drop dramatically. The February 22nd Commitments of Traders report showed Hogs Managed Money traders reduced their net long position by 2,281 contracts to a net long 76,961 contracts. Non-Commercial No CIT traders reduced their net long position by 1,033 contracts to a net long 56,046 contracts.

CATTLE:

For the Cattle on Feed report Friday, placements for the month of January came in at 98.8% of last year as compared with the average trade expectation for placements to come in near 99.2% of last year (97.4-103.8 range). This is slightly supportive against trade expectations and near the low end of the range. January marketings came in at 96.9% as compared with expectations for 97.3% of last year. This

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is slightly bearish. As a result, On-Feed supply for February 1 came in at 100.8% of last year which was right near the expectation for 100.7% of last year. The USDA report news was very neutral and should not have much impact on the market Monday. Traders viewed the cash market as disappointing last week with mostly steady trade at \$142.

The USDA boxed beef cutout was up 53 cents at mid-session Friday and closed 97 cents lower at \$258.27. This was down from \$265.85 the previous week and the lowest level for the beef market since April 2nd. April cattle closed lower on the session Friday and the selling pushed the market down to the lowest price level since January 28. The early strong rally failed to attract new buying interest. Open interest remains high and traders are nervous with the current demand set up which has kept sellers active. The USDA estimated cattle slaughter came in at 119,000 head Friday and 50,000 head for Saturday. This brought the total for last week to 647,000 head, down from 660,000 the previous week and down from 665,000 a year ago.

The average estimated dressed cattle weight last week was 844 pounds, down from 845 the previous week and up from 830 a year ago. The 5-year average weight for that week is 823.0 pounds. Estimated beef production last week was 544.7 million pounds, down from 550.3 million a year ago. U.S. beef export sales for the week ending February 17 came in at 14,500 tonnes compared with the average of the previous four weeks of 19,200 tonnes. Cumulative sales have reached 348,500 tonnes, up 2.2% versus last year's pace. Increases were primarily for Japan 4,900 tonnes, South Korea 2,300 tonnes, China 1,900 tonnes, Taiwan 1,500 tonnes, and Indonesia 1,000 tonnes.

Exports of 15,300 tonnes were down 7 percent from the previous week and 2 percent from the prior 4-week average. The destinations were primarily to Japan 4,400 tonnes, South Korea 4,200 tonnes, China 2,200 tonnes, Taiwan 1,100 tonnes, and Mexico 1,000 tonnes. The Commitments of Traders report for the week ending February 22nd showed Cattle Managed Money traders reduced their net long position by 628 contracts to a net long 85,433 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,773 contracts to a net long 84,526 contracts.

COCOA:

Cocoa prices continue to be driven by the ebb and flow of global risk sentiment in the wake of Russia's invasion of Ukraine, as that will impact near-term European demand prospects. While ongoing tensions may put pressure on the market early this week, cocoa would be a major beneficiary if and when the Ukraine/Russia conflict finally concludes. May cocoa finished a volatile trading week with choppy two-side action as it closed Friday with a modest loss that was an eight negative daily result over the past 10 sessions.

For the week, May cocoa finished with a loss of 26 points (down 1.0%) and a second negative weekly result in a row. The Eurocurrency, British Pound, European and US equity markets put together sizable recovery moves which were sources of early carryover support to the cocoa market. With fighting in Ukraine showing signs of going into this week, however, there was end-of-week long liquidation that put cocoa prices on the defensive late in the day. Russia, Ukraine and Belarus combined account for just over 5% of European grindings.

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This current conflict is likely to have a chilling effect on travel throughout Western Europe during March and into the second quarter which could have a notable impact on chocolate consumption in the region. Starting on Tuesday, there is daily rainfall in the forecast for major West African growing regions through early next week. While daily totals are unlikely to climb above 0.25 inch, this should provide some benefit to the region's upcoming mid-crop cocoa production, and may be an early sign that the West African "dry" season is coming to a close.

The Commitments of Traders report for the week ending February 22nd showed Cocoa Managed Money traders were net long 33,856 contracts after decreasing their long position by 8,398 contracts. CIT traders net bought 409 contracts and are now net long 35,775 contracts. Non-Commercial No CIT traders net sold 8,003 contracts and are now net long 13,524 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,733 contracts to a net long 41,809 contracts.

COFFEE:

Coffee prices have been able to hold their ground above last Thursday's low and the early February low as it continues to find support from bullish supply developments. The market continues to have a very large net spec short position, however, so a negative shift in global risk sentiment early this week could put coffee prices back on the defensive. May coffee prices kept within a fairly tight trading range as they finished Friday's inside-day session with a modest gain. For the week, May coffee finished with a loss of 7.35 cents (down 3.0%) and a second negative weekly result in a row.

The Brazilian currency remained under pressure for a second day in a row, which in turn weighed on coffee prices as that may encourage Brazil's farmers to market their remaining near-term supply. However, a bullish supply outlook continued to underpin the coffee market going into the weekend. After a strong start to the season, several Central American producing nations have dialed back their 2021/22 coffee production forecasts due to part to leaf rust.

Both Brazil and Colombia (who combined account for more than half of global Arabica output) will continue to have weather issues with their upcoming coffee production as the current La Nina is expected to last well into the second quarter. The current conflict between Ukraine and Russia could dampen out-of-home coffee consumption, particularly in Europe. ICE exchange coffee stocks (most of which are located in Euro zone warehouses) rose by 7,867 bags on Friday, but they remain below the 1 million level and just above last Thursday's 22-year low.

Coffee positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders are net long 57,749 contracts after net selling 2,384 contracts. CIT traders are net long 45,225 contracts after net buying 55 contracts. Non-Commercial No CIT traders were net long 50,392 contracts after decreasing their long position by 2,887 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,003 contracts to a net long 73,941 contracts.

COTTON:

May cotton experienced the lowest close since January 25 on Friday, but the market managed to bounce well off of the lows of the day. The selling pushed the market down to the lowest level since January 18.

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The sharp break in the grain markets and a surge higher in the stock market had some traders feeling that there was some hope that the war would not last much longer, and that the impact might not be as severe as believed. Traders remain concerned that a major conflict in the Black Sea region could hurt the global economy, and might spark lower demand for cotton. From the USDA Outlook Forum, the first preliminary outlook for the 2022/2023 season showed a 13.2% jump in US planted area from last year to 12.7 million acres. Ending stocks are expected to increase to 3.6 million bales, but this assumes a big jump in exports to 15.5 million bales from 14.8 million this year.

While the West Texas key growing regions are showing very dry soils because of drought conditions over the past few months, the 6-10 and 8-14 day forecast models show above normal precipitation. The weekly export sales report showed that for the week ending February 17, net cotton sales came in at 247,234 bales for the current marketing year and 218,156 for the next marketing year for a total of 465,390. This was well above trade expectations but the sales occurred before Russia invaded Ukraine. Cumulative sales have reached 87.9% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 86.9%. Cotton positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders are net long 74,657 contracts after net selling 3,014 contracts for the week. This is a long liquidation selling trend. Non-Commercial No CIT traders net sold 2,998 contracts and are now net long 69,716 contracts.

SUGAR:

Sugar's abrupt turnaround late last week left prices nearly 4% below last Thursday's 4-week high and just above their February lows. With the market already receiving positive ethanol demand news, a sizable rebound in key outside market could lift sugar prices back above their recent consolidation zone early this week. After a mild start, May sugar turned sharply to the downside as it finished Friday's trading session with a sizable loss. For the week, May sugar finished with a loss of 2 ticks (down 0.1%) which was a negative weekly reversal.

Energy prices followed through to the downside as they saw heavy losses again on Friday, which put carryover pressure on the sugar market as that may weaken near-term ethanol demand in Brazil and India. Brazil's Center-South domestic ethanol sales have come in below last year's levels over the past 6 months, but hydrous ethanol sales during the first half of February were 22% above their first-half January total. The weekend announcement that Russia will be removed from the SWIFT banking system could drive crude oil back towards multi-year highs, and that could give sugar prices an additional boost early this week.

The Brazilian currency continued to slide further below 7 1/2 month highs on Friday, and that may be a source of pressure on sugar prices if sluggish global risk sentiment keeps that currency on the defensive early this week. At last week's Outlook Forum, the USDA estimated US 2022/23 sugar consumption at 12.41 million tons (11.26 million tonnes), which would be a 0.6% increase on the 2021/22 season. This is due to increased food sector usage, but also reflects the general expectation that global sugar demand will continue to improve.

Sugar positioning in the Commitments of Traders for the week ending February 22nd showed Managed Money traders are net long 53,782 contracts after net selling 4,565 contracts. CIT traders are net long

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193,530 contracts after net buying 330 contracts. Non-Commercial No CIT traders are net long 29,725 contracts after net buying 1,930 contracts. Non-Commercial & Non-Reportable traders are net long 98,941 contracts after net buying 6,009 contracts.

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