



## Weekly Futures Market Summary

**April 18, 2022**

**by the ADMIS Research Team**

### **BONDS:**

Apparently the Treasury markets saw last Thursday's mixed US scheduled report slate as bearish. On the other hand, hawkish ECB comments, recent central bank rate hikes and in particular comments from the Fed's Waller indicating the need for "fast rate hikes" clearly keeps fundamental pressure in place. While treasury prices have rebounded from the latest spike down to contract low with early action this week, fundamental and technical considerations remain in favor of the bear camp. In fact, in the most recent COT positioning report spec and fund positions combined were still net long 5,274 contracts with the net long rivaling the highest net spec and fund long since January 2018! Bonds positioning in the Commitments of Traders for the week ending April 12th showed Non-Commercial & Non-Reportable traders are net long 5,274 contracts after net buying 4,774 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 36,769 contracts and are now net short 497,511 contracts.

However, the most recent Federal Reserve dialogue clearly favors the bear camp with the Cleveland Federal Reserve Bank President late last week voicing a desire to implement further hawkish movement to "bring inflation under control. China released better-than-expected industrial production, better than expected GDP and softer than expected retail sales readings for March leaving a slightly positive Chinese economic view in the marketplace. In fact, the markets are anticipating furthermore aggressive support from the Chinese central bank after a disappointing result from a reserve rate requirement cut. Furthermore, most foreign central bank dialogue has kept foreign rates in an upward track.

### **CURRENCIES:**

While the Dollar showed significant two-sided volatility in the first half of the trade today, the bull camp ultimately gained control. We think the brunt of the gains in the Dollar came from an upside breakout in US Treasury yields as US scheduled data favored the bear camp. While the June Dollar index "did not" post a new contract high at the start of this week, the index remained in a very positive technical posture. From a fundamental perspective, the dollar remained in vogue off the widely embraced idea that the US Fed will raise rates quicker than other large economies, with the magnitude of higher rate talk expanding daily. Some Dollar bulls suggest that under "deflation" and "inflation" the dollar remains the place to be. The Commitments of Traders report for the week ending April 12th showed Dollar Non-Commercial & Non-Reportable traders are net long 36,042 contracts after net buying 858 contracts.

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Like the dollar, the euro did not post a fresh breakout, but with the war thought to be intensifying and the markets fearful of a complete EU ban of Russian energy, the risk of money in Europe is unattractive relative to potential reward. Many economists see a recession inspired by burdensome energy prices in the event of an EU Russian energy ban. The Commitments of Traders report for the week ending April 12th showed Euro Non-Commercial & Non-Reportable traders are net long 55,521 contracts after net buying 6,922 contracts.

With the Yen gapping lower to start this week and the currency unable to hold a "bounce" following supportive comments from a Japanese central bank policy maker, the trade is fully embracing the bear case. Furthermore, with reports of snarled Chinese port activity, fears of recession from rising rates, the bear camp in the Yen has a firm fundamental grip. While the Swiss franc aggressively rejected a spike down move and respected the early March spike down low early this week, the currency is merely exhibiting a temporary short-term oversold balancing bounce action. In fact, with chatter suggesting the EU could enforce a complete ban on Russian energy (which could spark recession in Europe) and the war intensifying, the path of least resistance in the Swiss franc remains down.

In defense of the bulls, the Pound has respected consolidation low support for nearly 30 days and the UK has by and large managed to avoid negative headline flow regarding UK infections. However, negative economic headwind chatter from the war and the potential ban of Russian energy imports, we see the Pound holding near last week's lows. Apparently, the promise from the Bank of Canada for more rate hikes (to head off inflation) is receding into the background with a fresh negative for the Canadian dollar seen from news late last week that Canada was sending military personnel to Poland.

## **STOCKS:**

Clearly US equity markets were undermined late last week by the latest upside breakout in US interest rates. Cushioning the market was strength in health care shares and favorable earnings from Wells Fargo. In the bear's camp is the lack of tech sector support in the wake of the Twitter build and a softening in growth shares. While some markets were closed for the Easter holiday, global equity markets early this week were mixed with Asian stocks lower and European stocks fighting into marginally higher ground. However, with a fresh upside breakout in US treasury yields early on and news from the war front producing intensified fighting, fundamental influences favor the bear camp. In fact, many foreign central banks have joined the US in attempting to jawbone inflation fears lower and are also talking up even more rate hikes ahead.

At the beginning of the trading week, we find it difficult to isolate a specific bullish fundamental capable of altering the downward bias entrenched since the late March high. Fortunately for the bull camp, threats of rising interest rates are becoming very commonplace and could be accepted at some point in the future. However, the bear camp has its own support in the headlines with recession and/or deflation chatter also in play. The April 12th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders went from a net short to a net long position of 79,895 contracts after net buying 90,813 contracts.

The Dow charts continue to be in relatively better shape than the S&P and NASDAQ charts, but that is unlikely to prevent further declines to key consolidation support. Fortunately for the bull camp, the most recent positioning report in the Dow futures showed a "net short" which could help June Dow futures respect critical consolidation support. Dow Jones \$5 positioning in the Commitments of Traders for the week ending April 12th showed Non-Commercial & Non-Reportable traders are net short 23,570 contracts after net selling 5,641 contracts. With the Twitter board battling the Musk takeover effort with a classic poison pill, a portion of the bullish buzz for the tech leaning NASDAQ is lost. The April 12th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 310 contracts after decreasing their short position by 26,227 contracts.

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## **GOLD, SILVER & PLATINUM:**

While some press outlets labeled the sharp rally in gold at the start of this week as the result of "deflation", the inflation set up is very broad and strengthening. Unfortunately for the bull camp in gold and silver, US treasury yields have broken out to the upside again, the dollar is stronger and energy prices are slightly lower to start. Last week, gold ETF holdings increased by 507,766 ounces to finish the week up 9% year-to-date! Silver ETF holdings last week reduced their holdings by 2.5 million ounces, but those holdings remain 1.5% higher on the year. While the primary headline coverage has not presented views that Chinese lockdowns are rekindling widespread supply chain problems, evidence is stacking up in favor of further downstream price shocks.

On the other hand, the press is suggesting further sanctions involving Russian oil is likely to inspire more energy inspired inflation pressures ahead. Apparently, the trade thinks the EU is drifting toward a total ban on gas and oil from Russia after weeks of debate. From a technical perspective, the high in June gold obviously shifts the charts in favor of the bull camp with the psychological \$2,000 level likely to be regained early this week. In possible bullish demand developments, reports have the discount of gold in India declining to the lowest level in 2 months and with the discount following in an upward track of flat prices, Indian buyers are not showing price sensitivity and demand appears to be improving. With the net spec and fund long in gold increasing last week, sitting at lofty levels, and June gold since the last report was measured trading \$28 higher, the net spec and fund long in gold could be rivaling the highest level since March 2020!

The Commitments of Traders report for the week ending April 12th showed Gold Managed Money traders are net long 144,664 contracts after net buying 21,993 contracts. Non-Commercial & Non-Reportable traders are net long 316,655 contracts after net buying 18,037 contracts last week. With silver also breaking out to the highest level since March 14th, the charts have turned bullish. Like gold, the net spec and fund long in silver has been growing with gains since the report mark off \$0.56 putting the silver market near the longest levels since the beginning of the lockdowns in the US. Silver positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders added 3,496 contracts to their already long position and are now net long 42,817. Non-Commercial & Non-Reportable traders are net long 65,115 contracts after net buying 4,271 contracts.

In addition to signs that Russia has intensified attacks on the Ukraine capital city there are signs of increased Russian attacks along the eastern/southeastern frontier of Ukraine. While some economists/analysts are touting deflation early this week, the markets (particularly gold) are signaling inflation as a more predominant force. Therefore, palladium is supported from the likelihood disrupted Russian exports of palladium will continue with the world still receiving enough physical palladium from black-market supply and or from supplies held previously in the distribution channel. While palladium ETF holdings increased by 1437 ounces last week palladium holdings year to date are down 0.4%. Fortunately for the bull camp spec and fund long positioning in palladium was net short as of early last week thereby reducing the threat of stop loss selling on a failure of support.

Palladium positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders are net short 382 contracts after net selling 58 contracts. Non-Commercial & Non-Reportable traders were net short 1,396 contracts after decreasing their short position by 41 contracts. Last week platinum ETF holdings increased by 22,913 ounces, but holdings year-to-date are down a significant 4.4%. In short, platinum interest remains absent, and platinum needs large price moves in palladium to lead platinum prices in a sustained direction. The Commitments of Traders report for the week ending April 12th showed Platinum Managed Money traders net sold 5,735 contracts which moved them from a net long to a net short position of 102 contracts. Non-Commercial & Non-Reportable traders are net long 13,623 contracts after net selling 4,601 contracts.

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## **COPPER:**

Apparently, mostly positive Chinese economic data for March released at the start of this week has provided optimistic copper demand expectations. However, the supply side also provides support with Shanghai copper stocks posting their 4th decline in 5 weeks last week and registering the lowest stocks reading since January 28th. While the May copper contract since the last COT report calculation traded \$0.05 higher at the start of this week, the net spec and fund long in copper remains very modest relative to the last 2 years. The April 12th Commitments of Traders report showed Copper Managed Money traders were net long 28,686 contracts after decreasing their long position by 13,314 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 13,615 contracts to a net long 30,461 contracts.

While the press has carried chatter about a loosening of activity restrictions in Shanghai, reports of "snarled" supply chains inside China, signs that the war in Ukraine is picking up activity by Russian forces again leaves the bulls in control as Russian copper supply flow to the world should lead to even more tightness in copper ahead. Recent Chinese import data showed copper concentrate imports to be up 1.1% combining with the favorable Chinese GDP reading for a positive Chinese copper demand condition.

## **ENERGY COMPLEX:**

While the June crude oil contract did not hold at new high for the move early this week, the charts present a positive argument for the bull camp. Fresh developments favoring the bull camp include a decline in crude oil global floating storage of 1.08 million barrels last week, better Chinese GDP readings and growing expectations of a complete EU ban of Russian oil. It should be noted that Asian Pacific floating storage of oil declined last week by 1.7%, with European floating storage up 26% (preparing for further sanctions) to a noted supply holding in Europe of 8.2 million barrels. Apparently, the trade is discounting the threat of slowing Chinese demand because of overnight news, but perhaps the bull camp is instead embracing news of curtailed Libyan output (from protests). In fact, Libya has indicated it will close its biggest oil field and may close other facilities because of protest inspired disruptions.

Libyan crude oil production has been running above 1 million barrels per day which is down from the 1.2-million-barrel pace last year. Obviously, the bull camp is undermined from reports that the Russians are loading oil destined for China, news that Chinese March crude oil imports fell by 14% and by news that Saudi February crude oil exports increased. The net spec and fund long positioning in crude oil is likely understated given the \$6 rally after the report was measured but the net spec and fund long remains "small". Crude Oil positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders added 1,748 contracts to their already long position and are now net long 254,869. Non-Commercial & Non-Reportable traders are net long 423,287 contracts after net selling 5,243 contracts.

Like the crude oil contract the gasoline contract holds a relatively small net spec and fund long versus history! From a technical perspective, the gasoline market broke out above a key psychological level of \$3.40 but recoiled from that breakout. Underlying fundamental support for RBOB from last week came from a 2.5% decline in the US refinery operating rate and from a larger than expected outflow in EIA gasoline stocks last week. It should be noted the release of crude oil from the strategic reserve has been accompanied by some product supply flow from US reserves. Gas (RBOB) positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders net bought 3,493 contracts and are now net long 56,924 contracts. Non-Commercial & Non-Reportable traders added 91 contracts to their already long position and are now net long 50,134.

Not to be left out the ULSD contract also spiked higher and fell back to start the trading week. Diesel should be underpinned because of optimism toward summer air travel and a gradual return to normal US

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TSA daily checkpoint readings. Certainly, the net spec and fund long in ULSD is understated given the post report rally of \$0.35, but relatively speaking the net spec and fund long in ULSD remains near the lowest levels since October 2020. The April 12th Commitments of Traders report showed Heating Oil Managed Money traders net sold 615 contracts and are now net long 10,896 contracts. Non-Commercial & Non-Reportable traders are net long 10,874 contracts after net buying 1,757 contracts.

Unlike the petroleum markets, the natural gas market has held a significant upside breakout at the start of this week. As indicated in the petroleum market coverage, the trade has increased the potential for a complete EU ban of Russian energy and Chinese energy demand has been indirectly lifted by reports of exploding coal prices in China resulting from the inability to import enough coal due to lockdowns at ports. While import flows of gas are not tightly correlated with Chinese electric power production, it should be noted that Chinese March power output increased by 0.2%. News that natural gas deliveries in the US to export terminals jumped again, confirms US supply will continue to tighten relative to history off European attempts to rebuild storage supply.

Last week, the weekly EIA natural gas storage report showed an injection of 15 bcf. Total storage stands at 1,397 bcf, or 17.8% below the 5-year average. Over the last four weeks, natural gas storage has declined 43 bcf. We suggest that traders focus on the storage deficit to the 5-year average instead of weekly flows as strong US export demand should in effect extend the draw season. Natural Gas positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders are net long 25,602 contracts after net buying 9,444 contracts. Non-Commercial & Non-Reportable traders net bought 2,533 contracts and are now net short 88,962 contracts. With the net spec and fund short in natural gas holding a moderately large net spec short last week, stop loss buying should continue to surface.

## **BEANS:**

Argentine truckers agreed last Thursday night to call off a strike that had paralyzed grain transport in the country since last Monday. However, strong crush demand and a continued surge in wheat and corn prices helped to support. Outside market forces carried a more negative tilt on Thursday with the strong gains in the US dollar, but the strength in crude oil continued to support the soybean oil market. On top of the weekly sales data, exporters announced the sale of 132,000 tonnes of US soybeans sold to China. China will sell 500,000 tonnes of imported soybeans from its state reserves on April 22, the National Grain Trade Center said. The sale is aimed at alleviating tight supply in the domestic market.

The US soybean crush rose in March to the highest level on record for the month of March, while stocks of soybean oil fell to the lowest since November. NOPA members crushed 181.759 million bushels of soybeans last month, up 10.1% from the February crush and up 2.1% from March 2021. It was the largest March crush on record among NOPA members. This was near trade expectations. Soybean stocks, however, were just 1.908 billion lbs. The stocks were down 7.3% from the 22-month high of 2.059 billion lbs. at the end of February and up 7.7% from end of March 2021. Soybean stocks were expected to have risen to 2.072 billion pounds and this helped to support. Estimates ranged from 1.960 billion to 2.144 billion. The oil yield was 11.83 from 11.93 shown the month earlier. The cash oil basis has been firming.

The weekly export sales report showed that for the week ending April 7, net soybean sales came in at 548,913 tonnes for the current marketing year and 458,000 for the next marketing year for a total of 1,006,913. Cumulative soybean sales have reached 98.4% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 94.0%. Net meal sales came in at 174,945 tonnes for the current marketing year and 5,987 for the next marketing year for a total of 180,932. Cumulative meal sales have reached 73.0% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 75.8%. Net oil sales came in at 6,124 tonnes for the current marketing year and 33 for the next marketing year for a total of 6,157. Cumulative oil sales have reached 82.8% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 71.7%.

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The Commitments of Traders report for the week ending April 5th showed Soybeans Managed Money traders net bought 7,382 contracts and are now net long 163,655 contracts. Non-Commercial & Non-Reportable traders net sold 507 contracts and are now net long 150,983 contracts. For Soymeal, Managed Money traders added 596 contracts to their already long position and are now net long 100,544. Non-Commercial & Non-Reportable traders added 3,309 contracts to their already long position and are now net long 150,579. For Soyoil, Managed Money traders reduced their net long position by 1,851 contracts to a net long 76,750 contracts. Non-Commercial & Non-Reportable traders added 2,639 contracts to their already long position and are now net long 99,965.

## **CORN:**

July corn has posted a new contract high for six sessions in a row and this leaves corn technically overbought and vulnerable to a correction. However, demand indicators remain very strong and the Ukraine situation has not improved and this has supported continued strong buying. Relative strength is near 84, and slow stochastics are at 95 and 94. Export sales came in better than expected, and traders expect next week's sales should also be strong after China purchases in recent days. Strong gains in the crude oil market also suggests good demand ahead from the ethanol industry. For the month of March, China imported 2.41 million tonnes of corn, up 25% from last year.

So far this year China has imported 7.1 million tonnes, up 5.5% from last year. The weekly export sales report showed that for the week ending April 7, net corn sales came in at 1,332,871 tonnes for the current marketing year and 403,083 for the next marketing year for a total of 1,735,954. Cumulative sales have reached 87.8% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 84.3%. Corn positioning in the Commitments of Traders for the week ending April 5th showed Managed Money traders are net long 362,306 contracts after net buying 7,702 contracts. Non-Commercial & Non-Reportable traders are net long 409,955 contracts after net buying 5,989 contracts.

## **WHEAT:**

The Ukraine situation continues and the US weather remains threatening. Russia wheat export prices rose last week as demand has remained strong and China is an active importer. July wheat closed lower on the session last Thursday after a bounce to the highest level since March 22. Talk of the overbought condition of the market plus a sharp rally in the US dollar were seen as negative factors. Short-term dryness in the southern Plains plus a lack of progress in the Ukraine/Russia war are factors which provided underlying support. China sold 531,469 tonnes of wheat, or 96.43% of the total offer, at an auction of state reserves on April 13. Sales may be an attempt to fight inflation.

China imported 870,000 tonnes of wheat for the month of March, up 95.1% from last year. For the year so far, China has imported 3.05 million tons of wheat, up 4.6% from last year. India is likely to export 10 to 15 million tonnes of wheat in the year that started in April, according to the food and commerce minister. Indian wheat exporters will visit Egypt to meet buyers. The five day forecast models for Nebraska, Kansas, Oklahoma and Texas show very little rain except for the far eastern regions. The 6-10 day forecast models show slightly above normal precipitation while the 8-14 day forecast models show normal precipitation. Given the extreme soil moisture deficits, a little bit of rain will not help very much.

The weekly export sales report showed that for the week ending April 7, net wheat sales came in at 96,141 tonnes for the current marketing year and 225,217 for the next marketing year for a total of 321,358. Cumulative sales have reached 90.1% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 95.0%. April 5th Commitments of Traders report showed Wheat Managed Money traders net sold 5,480 contracts and are now net long 13,959 contracts. Non-Commercial No CIT traders reduced their net short position by 5,510 contracts to a net short 37,682 contracts. For KC Wheat,

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Managed Money traders net sold 281 contracts and are now net long 45,029 contracts. Non-Commercial & Non-Reportable traders net sold 1,977 contracts and are now net long 45,375 contracts.

## **HOGS:**

June hogs closed moderately higher on the session last Thursday and up sharply from the lows. Sluggish export sales plus demand fears are factors which might limit gains. The USDA pork cutout, released after the close on Thursday, came in at \$106.27, up 12 cents from Wednesday and up from \$101.01 the previous week. China imported just 140,000 tons of pork for the month of March, down 70% from a year ago. Cumulative imports have reached 420,000 tons, down 64.2% from last year's pace. The CME Lean Hog Index as of April 12 was at \$99.19, up from 99.10 the previous session but down from 101.08 the previous week.

The USDA estimated hog slaughter came in at 478,000 head. This brings the total for the week so far to 1.898 million head, up from 1.874 million last week but down from 1.919 million a year ago. Estimated US pork production last week was 512.7 million pounds, down from 529.5 the previous week and down from 532.0 a year ago. Actual US pork production for the week ending April 2 came in at 534.2 million pounds, up from 526.4 the previous week and up from 533.2 a year ago. US pork export sales for the week ending April 7 came in at 23,986 tonnes, down from 41,249 the previous week and below the average of the previous four weeks at 32,583.

Cumulative sales for 2022 have reached 643,089 tonnes, down from 873,876 a year ago and 908,353 the year before that. The largest buyer this week was Mexico at 6,143 tonnes, followed by Japan at 5,390 and China at 3,976. Mexico has the most commitments for 2022 at 243,503 tonnes, followed by Japan at 100,781 and China at 81,751. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,074 contracts of lean hogs for the week ending April 12, reducing their net long to 54,675. This is a long liquidation selling trend. Non-commercial & non-reportable traders were net sellers of 1,617, reducing their net long to 52,882.

## **CATTLE:**

The short-term fundamentals are mixed but the discount of futures to the cash might give the bulls a slight edge. This could help the market find good support on set-backs. The USDA boxed beef cutout was down 59 cents at mid-session yesterday and closed 50 cents lower at \$271.86. This was up from \$271.40 the previous week. Cash live cattle trade was mostly quiet on Thursday, but prices continued their higher trend for the week. The 5-day, 5-area weighted average prices as of Thursday was 140.66, up from 138.69 last week. June cattle opened near unchanged last Thursday but the market closed lower on the session. Some choppy trade in the beef market has traders a bit concerned with demand, but demand seems to be strong enough to support a firm tone in the cash market.

Packer margins are strong but the weakness in outside markets with the stock market lower and the US dollar sharply higher helped to pressure. US beef export sales for the week ending April 7 came in at 17,320 tonnes, up from 13,963 the previous week but below the average of the previous four weeks at 21,032. Cumulative sales for 2022 have reached 501,126 tonnes, up from 475,105 last year and the highest on record for this time of year. The largest buyer this week was South Korea at 7,513 tonnes, followed by Japan at 4,225. South Korea has the most commitments for 2022 at 141,896 tonnes, followed by Japan at 105,374 and China at 89,234. March beef imports from all locations from China reached 200,000 tons, -7.4% from last year. Year to date beef imports fell 17.3% to 510,000 tons from last year's pace.

The USDA estimated cattle slaughter came in at 123,000 head yesterday. This brings the total for the week so far to 498,000 head, up from 495,000 last week and 459,000 a year ago. Estimated beef

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production last week was 527.7 million pounds, down from 530.5 million a year ago. Average actual dressed cattle weights for the week ending April 2 came in at 833 pounds, up from 832 from the previous week and up from 829 a year ago. The 5-year average weekly weight for that week is 814.6. Actual beef production for the same week came in at 530.7 million pounds, up from 499.2 million a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 766 contracts of live cattle for the week ending April 12, reducing their net long to 39,498. Non-commercial & non-reportable traders were net buyers of 3,994, increasing their net long to 54,924.

## **COCOA:**

While cocoa continues to be pressured by negative global risk sentiment, the market continues to receive bullish supply/demand developments that have underpinned prices well above their early April lows. If risk appetites can regain a stronger tone, cocoa can extend a recovery move early this week. July cocoa found early strength and shook off a midsession pullback as it finished Thursday's inside-day session with a mild gain. For the week, however, July cocoa finished with a loss of 38 points (down 1.4%) which broke a 3-week winning streak.

A sizable pullback to a new 23-month low in the Eurocurrency put carryover pressure on the cocoa market as that could make it more difficult for Euro zone grinders to acquire near-term supply. While European stock markets posted moderate gains on Thursday, US equities turned sharply to the downside which also weighed on cocoa prices late in the day. First quarter European grindings were 4.4% higher than last year, and were their largest first quarter grind on record as well as the third highest grind for any quarter on record.

Malaysia's first quarter grindings came in 7.7% above last year, which bodes well for the first quarter Asian grindings total. A group of major Ivory Coast cocoa processors said that their March grindings came in 6.1% above last year's total, while their October-March total was 4.3% ahead of last season's pace. This shows the continued growth of "origin" grindings, where cocoa beans are processed in the nation where they were grown. A Reuters survey of industry members projected Ghana's 2021/22 cocoa production coming in at 725,000 tonnes, which compares with 1.047 million last season and is due in large part to poor growing conditions this season.

Cocoa positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders were net long 33,032 contracts after increasing their already long position by 3,123 contracts. CIT traders were net long 35,644 contracts after decreasing their long position by 81 contracts. Non-Commercial No CIT traders added 2,800 contracts to their already long position and are now net long 14,824. Non-Commercial & Non-Reportable traders net bought 4,588 contracts and are now net long 44,121 contracts.

## **COFFEE:**

Coffee's 3-day losing streak has taken prices nearly 14.00 cents (down 5.9%) below last Tuesday's 6-week high. The market continues to have a bullish supply outlook, however, and that can help coffee prices find their footing before they retest their late March lows. July coffee found early support, but turned sharply to the downside at midsession and reached a 2-week low before finishing Thursday's trading session with a moderate loss. For the week, July coffee finished with a loss of 7.80 cents (down 3.4%) which broke a 3-week winning streak and was a negative weekly reversal.

Production issues in Brazil and Colombia due to La Nina provided the coffee market with early support, which were underscored by the US Climate Prediction Center's monthly update which said that La Nina had a 59% chance to continue through the June-August window. La Nina brings drier than normal

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conditions to Brazil's major Arabica-growing regions while it brings heavier than normal rainfall that could increase the chance of flooding in Colombia's coffee growing regions.

The Brazilian currency shook off early pressure and returned to near unchanged levels last Thursday, which provided coffee with mild carryover support. Concerns with near-term demand weighed on coffee prices late in the day, however, and were given additional fuel by a sharp selloff in US equity markets. ICE exchange coffee stocks rose by 3,049 bags on Thursday and are now back above their March month-end total. There were more than 53,000 bags waiting to be graded at Antwerp, which increases the chances that April will result in ICE exchange coffee stocks having a second monthly increase in a row.

Coffee positioning in the Commitments of Traders for the week ending April 12th showed Managed Money traders net bought 5,734 contracts and are now net long 36,757 contracts. CIT traders added 492 contracts to their already long position and are now net long 40,118. Non-Commercial No CIT traders were net long 29,617 contracts after increasing their already long position by 6,222 contracts. Non-Commercial & Non-Reportable traders were net long 49,267 contracts after increasing their already long position by 5,968 contracts.

## **COTTON:**

There was still no confirmation of the key reversal from an 11 year peak on Wednesday at the start of this week, but with the overbought condition and volatile outside market forces, we can't rule out a short-term correction in the cotton market. July cotton will need to see selling pressure under 139.34 in order to confirm a short-term peak. News that India will allow duty-free imports in order to offset production shortfalls in the country helped to provide support. Domestic prices in India have hit record highs due to the drop in production. There is almost no rain in the five day forecast for West Texas with some chances of less than 1/10 of an inch. The 6-10 day forecast models show normal to above normal precipitation for the region with above normal temperatures.

The 8-14 day forecast models show below normal precipitation and above normal temperatures. The weekly export sales report showed that for the week ending April 7, net cotton sales came in at 59,282 bales for the current marketing year and 132,033 for the next marketing year for a total of 191,315. Cumulative sales have reached 102.9% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 99.9%. The April 12th Commitments of Traders report showed Cotton Managed Money traders reduced their net long position by 1,195 contracts to a net long 78,306 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 845 contracts to a net long 103,428 contracts.

## **SUGAR:**

On Wednesday, July sugar experienced a sweeping key reversal from a multi-year high and an extremely overbought level. On Thursday, the market experienced follow-through selling below Wednesday's low to confirm the key reversal and that should keep sugar on the defensive coming out of the holiday weekend. July sugar was unable to hold onto moderate early gains as it came under pressure late in the day to finish Thursday's trading with a mild loss. For the holiday-shortened week, July sugar finished with a loss of 24 ticks (down 1.2%) which was a third negative weekly result over the past 5 weeks.

In addition, it was a negative weekly key reversal that followed last Thursday's negative daily key reversal. Stronger energy prices provided the sugar market with carryover support, as that can help to shore up ethanol demand in both Brazil and India, while sugar also received carryover support from the Brazilian currency which remains close to 2-year highs. However, indications that India will have record high production this season continue to push pressure on sugar prices.

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Early forecasts for India's 2022 monsoon season call for June-September rainfall coming in at 99% of the long-period average, which compares to last year's monsoon rainfall which was also 99% of the long-period average. While rainfall during the 2019 monsoon season (110% of the long-period average) and 2020 monsoon season (109% of the long-period average) resulted in flooding that reduced cane production, 2022 is expected to be the fourth year in a row with normal to above average monsoon rainfall.

Not only should this be beneficial to upcoming cane crops, it should also result in India's reservoirs being replenished to adequate water levels. The April 12th Commitments of Traders report showed Sugar Managed Money traders net bought 55,277 contracts and are now net long 237,757 contracts. CIT traders net bought 8,554 contracts and are now net long 251,789 contracts. Non-Commercial No CIT traders are net long 127,091 contracts after net buying 45,778 contracts. Non-Commercial & Non-Reportable traders are net long 317,053 contracts after net buying 68,991 contracts.

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