ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

On one hand, the action in the treasury markets was disappointing to the bull camp late last week as a significant washout in equities should have provided a measure of flight to quality buying of bonds and notes. Furthermore, S&P global composite and services PMI readings came in soft, and the markets were presented with news that Russian objectives include the capture of southern Ukraine. Therefore, several ordinarily supportive fundamental forces were discounted, and prices held around unchanged. As we indicated last week, the treasury markets appear to have forged an intermediate/temporary bottom.

While not blatant, we sense the US economy is losing momentum and perhaps more importantly significant deflation in many physical commodity markets has tempered views on how high and how quickly rates will rise. In fact, with nearby crude oil prices nearly $13 lower from last week's high, metals prices plummeting and even grain prices falling sharply inflationary expectations should be moderated. Another bullish theme surfacing late last week is chatter that Beijing might see lockdowns. Obviously, the charts were significantly oversold into last Wednesday's contract low probe, with the most recent positioning report shifting from a net spec and fund long into a net spec and fund short in bonds.

The April 19th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net sold 11,126 contracts which moved them from a net long to a net short position of 5,852 contracts. For T-Notes Non-Commercial & Non-Reportable traders added 31,915 contracts to their already short position and are now net short 529,426. While the ECB has not been as hawkish as other major central banks, comments from the European Central Bank's Lagarde over the weekend indicated a desire to quickly end bond buying with a desire to hike rates in July. However, seeing the ECB hold off hikes until mid-summer is a very minor assist to the bull camp in US treasuries.

CURRENCIES:

The dollar index extended its string of fresh contract highs today and managed that action despite to out of 3 S&P global PMI readings for the US coming in soft. However, the expectations for aggressive US rate hikes are thoroughly entrenched especially with two-year notes today reaching 3-year highs. On the other hand, UK growth fears combined with a lack of respect for ECB tightening promises leaves the dollar in an upward track.

The upward march in the dollar was extended early this week with the dollar seeing flight to quality buying off ideas that the global economy is faltering, and because the US Fed is seen as the best central bank to handle slowing.

In an unusual combination, the US dollar saw inflows to capture higher yields despite chatter of slowing growth in the US. Even the statements from the ECB regarding a quick halt to bond buying have favored dollar bulls as the ECB is not expected to raise rates until mid-summer. The Commitments of Traders report for the week ending April 19th showed Dollar Non-Commercial & Non-Reportable traders were net long 35,887 contracts after decreasing their long position by 155 contracts. To determine the next upside target in the dollar requires weekly charts which project prices up at 102.90.

With a fresh new low for the move and the failure to respect building support at 1.080, the Euro could see an extension down to the pandemic outbreak lows at 106.71. Certainly, euro zone construction output on a year-over-year basis provided support, but the euro bulls needed the ECB to promise quicker action on the rate hike front. However, the euro is caught between a rock and a hard place with the war slowing economic prospects and the markets looking for higher EU interest rates. The Commitments of Traders report for the week ending April 19th showed Euro Non-Commercial & Non-Reportable traders were net long 44,751 contracts after decreasing their long position by 10,770 contracts.

Like the euro zone, Japan is also stuck between a rock and a hard space with the Prime Minister suggesting the BOJ would be "clearly wrong" to raise rates in the current environment. Japanese economic news produced hotter than expected corporate services prices and a better-than-expected coincident index reading but also produced a soft leading economic indicator. While the Swiss franc is also plummeting on its charts, the magnitude of the range down action suggests the Swiss franc is facing slightly less bearishness as other non-dollar currencies. We see thin and unreliable support 30 ticks below the early lows this week.

Obviously, the Pound suffered significant technical damage early this week and given solid fundamentals for the dollar the next downside targeting in the Pound is derived from the weekly charts at the start of an old gap 180 points lower than the early trade today. As in other non-dollar currencies, to project the next key support in the Canadian dollar requires weekly charts and a price 65 points below the early lows this week. With the Bank of Canada promising aggressive rate action and Canadian producer prices last week leaping up on the charts the Canadian dollar had the best chance of non-dollar currencies to stand up to the dollar. Nonetheless, the Canadian is out-of-favor and destined for further declines.

STOCKS:

Not surprisingly, the equity markets came under intense pressure late last week as the rising rate environment has spooked investors. While overall corporate earnings remain positive, there were some disappointing earnings and investors were unnerved by statements from a Russian general indicating their objective was to capture southern Ukraine! While US treasury rates did not breakout to the upside traders are expecting money to flow from stock funds to bond funds.

Global equity markets at the start of this week were lower with the exception the Russian market. After two punishing washouts at the end of last week, stocks have failed again in the early going this week in a fashion that projects even more significant declines ahead. At present, it is difficult to find a supportive theme with generally positive earnings having little capacity to stir bargain-hunting buying. As indicated in other coverage early this week, the markets are encountering a "fresh concern" in the form of fear of lockdowns in Beijing.

Bearishness was so pervasive that very positive Coca-Cola earnings might not have an impact. As indicated already, classic fundamentals favor the bear camp with fears of global slowing and rising rates doubly bearish. It is possible that Coca-Cola earnings could provide some cushion, but very bearish macroeconomic sentiment and severe chart damage leaves few interested buyers.

In the current washout we view buying stocks as an attempt to "catch a falling knife". Fortunately for the bull camp, the most recent positioning report held a relatively modest net long and with the market since that report into the lows early this week low falling by 212 points, which should pull down the net spec and fund long significantly. The April 19th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 72,400 contracts after decreasing their long position by 7,495 contracts.

Despite a bloodbath in the Dow futures at the end of last week (into the low this morning prices are down 2047 points. Therefore, with the Dow futures already holding a net spec and fund short, the net spec and fund short is growing rapidly. The Commitments of Traders report for the week ending April 19th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 7,342 contracts and are now net short 16,228 contracts.

On one hand, the NASDAQ is approaching significant consolidation low support just above the 13,000 level and may be supported because of news that Elon Musk and Twitter are negotiating. However, we suspect favorable earnings of select mega cap stock will not support the NASDAQ. Fortunately for the bull camp the net spec and fund positioning in the NASDAQ was already short before the market declined 1,100 points in less than 3 trading sessions. The Commitments of Traders report for the week ending April 19th showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 3,357 contracts to their already short position and are now net short 3,667.

GOLD, SILVER & PLATINUM:

As in many markets, the unrelenting buzz of higher interest rates has finally unnerved equity markets, which in turn tempers economic hopes and deflates inflationary expectations. As if rising rates were not enough for the bear camp to seize control, persistent contract highs in the dollar index adds another element of selling pressure to gold and silver. While the markets have been presented with many rate hike predictions by Fed members for several months, seeing the US Federal Reserve chairman indicate a 50-basis point rate hike was on the table for the next meeting pulled the rug out from under markets that were already sliding. Even the flight to quality angle has been lost with a top Russian general indicating Russia's objective was to capture southern Ukraine and for some that reduces the scope of uncertainty.

However, military experts suggest Western military aid is beginning to strengthen the Ukrainian cause. Therefore, the war looks to continue but could produce smaller amounts of flight to quality interest ahead as the fight settles into a war of attrition. In addition to a clean sweep of negative outside market influences, both gold and silver damaged their charts last Friday and set prices up for downside follow-through early this week. Last week, gold ETF holdings increased by 416,695 ounces to finish the week up 9.4% year-to-date. While silver ETF holdings declined on Friday by 1.1 million ounces, silver holdings last week increased by a very significant 7 million ounces leaving holdings 2.3% higher on the year. While the most recent COT positioning report showed a moderate liquidation of the net spec and fund long in gold, positioning clearly highlights a market capable of further stop loss selling.

Gold positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders were net long 124,967 contracts after decreasing their long position by 19,697 contracts. Non-Commercial & Non-Reportable traders were net long 302,171 contracts after decreasing their long position by 14,484 contracts. Like gold, the silver market continues to damage its charts severely in action that is very discouraging to the bull camp especially with the Silver Institute last week predicting record demand for silver. The April 19th Commitments of Traders report showed Silver Managed Money traders reduced their net long position by 1,535 contracts to a net long 41,282 contracts. Non-Commercial & Non-Reportable traders net sold 679 contracts and are now net long 64,436 contracts.

While the palladium market attempted to delink with the rest of the precious metal markets last Friday, a clean sweep of negative outside market influences has put the market on the defensive again early this week. Adding into the selling mentality in palladium is a worsening infection situation in China (fears of lockdown in Beijing) and that is exaggerated by the shift into a global tightening environment. Seeing Russia define its objective (to capture southern Ukraine) suggests the fighting will continue, thereby keeping a measure of supply side support in play. Unfortunately for the bull camp, palladium ETF holdings have generally eroded with holdings year to date down by 0.2%. Fortunately for the bull camp, the net spec and fund positioning in palladium is "short" which should moderate stop loss selling by longs. The Commitments of Traders report for the week ending April 19th showed Palladium Managed Money traders were net short 562 contracts after increasing their already short position by 180 contracts.

Non-Commercial & Non-Reportable traders added 157 contracts to their already short position and are now net short 1,553. With the platinum market last week showing weakness before the markets surrendered to rising rates, the massive failure last Friday was not surprising. Like palladium, platinum investment interest remains negative to prices with a single day outflow from ETF holdings of 4,052 ounces last Friday bringing the year to date contraction in holdings to 4.5%. Platinum positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders net bought 786 contracts which moved them from a net short to a net long position of 684 contracts. Non-Commercial & Non-Reportable traders were net long 14,391 contracts after increasing their already long position by 768 contracts.

COPPER:

Like many other physical commodities, the copper market is obviously feeling pressure from a very hawkish US Federal Reserve presence. With the copper market last Friday undermined by a series of headline lockdown stories from China, the outlook for copper demand is certainly deteriorating. In fact, this morning the trade is concerned that an outbreak of infections in the Chinese capitol city could result in a heavy-handed lockdown of the city! Surprisingly, the copper market was not supported following three separate lower production reports from major world copper producers last week and that highlights the markets prevailing bearish attitude.

In fact, the Chilean government has denied a permit for an expansion of an Anglo-American copper mine which highlights the ire of environmentalists and socialist governments against the mining companies. Apparently, supply side fears are being discounted because of the unrelenting climb in LME copper warehouse stocks. While the net spec and fund long in copper is relatively modest, the potential for additional stop loss selling remains high. Copper positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders net sold 3,293 contracts and are now net long 25,393 contracts. Non-Commercial & Non-Reportable traders net sold 750 contracts and are now net long 29,711 contracts.

ENERGY COMPLEX:

It has become clear that energy prices are under assault from deteriorating global demand views. Apparently, the trade does not see Europe implementing a Russian energy embargo anytime soon and like several other physical commodities, economic headwinds are surfacing from news that Russian objectives are to capture southern Ukraine. It goes without saying that demand headwinds are also being stoked by a chorus of rising rate projections from many central banks. In an even bigger demand threat, headlines continue to surface about the prospect of a lockdown in Beijing. In retrospect, favorable earnings from 3 major oil field services companies (indicating increased oilfield activity) fosters hope for rising US production.

On the other hand, the weekly Baker Hughes rig operating count showed a gain of only one rig, but the number of rigs operating has reached the highest level since April 2020. In a minimally supportive supply-side development crude oil in global floating storage last week declined by 5.4% with the biggest declines in floating storage posted in Europe, North Sea, and the Middle East. Unfortunately for the bull camp support from the decline in floating storage is easily countervailed by reports that some Libyan oil fields may reopen within days! Certainly, US crude oil inventories remain tight, but the trade fears softening demand in Asia. In fact, an estimate floated last week predicted Chinese demand for oil products will fall by 20% in April versus year ago levels.

However, the bull camp is not without ammunition as the most recent EIA crude oil stocks reading showed a deficit of 79 million barrels with signs of further tightening of US supply coming from very strong US oil exports and very small US crude oil import data. Unfortunately for the bull camp, the net spec and fund long positioning in crude oil leaves the market vulnerable to stop loss selling especially if key support at $97.51 is violated. The Commitments of Traders report for the week ending April 19th showed Crude Oil Managed Money traders were net long 240,324 contracts after decreasing their long position by 14,545 contracts. Non-Commercial & Non-Reportable traders net sold 9,009 contracts and are now net long 414,278 contracts. Clearly, the bear camp has the edge and will likely maintain the edge despite lingering supply problems in Libya.

Surprisingly, the gasoline market managed to avoid the type of weakness seen throughout many physical commodity markets at the end of last week. However, the market appears to have surrendered to bearish pressures and appears poised to test the next lower support level. While the trade is expecting support from improving seasonal demand several weeks in the future, this week's EIA implied gasoline demand reading forged an upside breakout and that should cushion against aggressive declines. A potential major negative for gasoline comes from speculation of pent-up gasoline supply in China which could result in Chinese oil product exports. While RBOB is vulnerable to liquidation of the spec and fund long positioning, the market could become "mostly liquidated" with more moderate losses ahead. Gas (RBOB) positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders are net long 59,762 contracts after net buying 2,838 contracts. Non-Commercial & Non-Reportable traders are net long 50,905 contracts after net buying 771 contracts.
Like the gasoline market, the ULSD market continues to stand up impressively to deterioration of global macroeconomic sentiment and from spillover weakness from crude oil. Despite the disappointing pace of reopening in China, the diesel and jet fuel markets remain very tight and will likely respond with large rallies in the face of "risk on" trading sessions. In fact, the net spec and fund long positioning in ULSD is nearly flat which in turn should help the market respect recent The Commitments of Traders report for the week ending April 19th showed Heating Oil Managed Money traders are net long 11,502 contracts after net buying 606 contracts. Non-Commercial & Non-Reportable traders net bought 262 contracts and are now net long 11,136 contracts.

In addition to downside momentum, the natural gas market is disappointed with last week's bigger than expected EIA injection into storage. In fact, in addition to a larger than expected weekly injection, the storage deficit versus the 5-year average narrowed. In another negative, the Russian national gas company Gazprom continued to export gas to Europe as of Sunday, April 24th. Unfortunately for the bull camp supportive temperatures in the US are now dissipating and the idea that near capacity US LNG exports are failing to tighten supply in the US gives a green light to the bear camp. In other words, US export activity will remain robust, but might not expand due to capacity limitations on both sides of the Atlantic (US terminals, European offload terminals).

While the weekly Baker Hughes gas rig operating count showed a gain of only one rig last week, the number of rigs operating (144) has reached the highest level since October 2019! Fortunately for the bull camp, the most recent positioning report showed a moderately large net spec and fund short which clearly understates the size of the net short now considering the $0.77 decline in prices since the report was measured. The April 19th Commitments of Traders report showed Natural Gas Managed Money traders net sold 3,983 contracts and are now net long 21,619 contracts. Non-Commercial & Non-Reportable traders were net short 80,769 contracts after decreasing their short position by 8,193 contracts.

BEANS:

Indonesian government officials told palm oil companies on Monday that an export ban announced late last week would cover shipments of refined, bleached, deodorized (RBD) palm olein but not crude palm oil, according to two industry sources who talked to Reuters. Malaysian crude palm futures fell 2.09%

after the news after a jump of nearly 7% to the highest in six weeks. May soybean oil traded up to 84.57 early this week but the market turned sharply lower and pushed below Friday's low.

July soybeans closed sharply lower on the session Friday and experienced a sweeping outside day down after taking out the ranges of the previous three trading sessions. The early rally Friday tested the contract high from February 24. This is bearish technical action and suggests a significant top may be in place. July meal closed sharply lower on the day and experienced the lowest close since April 4th. Exporters announced the sale of 48,000 tonnes of US soybeans sold to Mexico, and also 96,000 tonnes of US soybeans sold to Mexico for the new crop season.

Indonesian President Widodo's announcement that he would ban exports of cooking oil and its raw material component from April 28 until a date to be determined helped support another strong rally for soyoil and all vegetable oils. The ban could develop into a much bigger food security issue if it lasts a long time. Indonesia is the world's largest palm oil producer and is by far and away the world's largest vegetable oil exporter. Prior to the ban, Indonesia was expected to export 28 million tonnes of palm oil for the year.

Malaysia is the world's the second largest palm producer, and their exports are estimated at 16.22 million tonnes. Argentina is the number-one soybean oil exporter, and they are expected to export 5.9 million tonnes. July Soybean Oil had traded at or into new contract highs for six sessions in a row before the announcement, and that event drove the market up an additional 4% and to yet another contract high. The soybean oil market has become technically overbought.

The bull spreads are already inverted, but this is the type of news that could drive the nearby contracts sharply higher while the deferred contracts are held back on the idea that eventually Indonesia will allow more exports. Even a few weeks of the export ban could have a major impact on all vegetable oils. There will likely be international pressure on Indonesia and other global food suppliers to keep exports flowing. Soybean positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders were net long 179,723 contracts after increasing their already long position by 7,850 contracts.

Non-Commercial & Non-Reportable traders were net long 168,588 contracts after increasing their already long position by 9,735 contracts. For Soyoil, Managed Money traders were net long 96,088 contracts after increasing their already long position by 12,025 contracts in just one week. Non-Commercial & Non-Reportable traders are net long 123,967 contracts after net buying 10,883 contracts. For meal, Managed Money traders were net long 99,542 contracts after increasing their already long position by 6,131 contracts for the week.

CORN:

With food security issues and inflationary concerns as a backdrop, many agricultural markets are showing some signs of correcting from their extreme overbought condition of the recent weeks. But as some markets see corrective breaks, a focus on spring weather in the US and planting conditions for Ukraine could be key factors to watch. Talk of more profit taking selling into the weekend helped to spark long liquidation selling and a lower close for the corn market Friday. A sharp break in crude oil and the stock market plus a strong rally in the US dollar were seen as negative forces as well and the sharp drop in open interest on Friday is a bearish development.

Exporters announced the sale of 735,000 tonnes of old crop US corn sold to China, and 612,000 tonnes of US new crop corn sold to China. In addition, Mexico bought 90,200 tonnes of old crop US corn and 190,800 tonnes of new crop US corn sold to Mexico. There were 1 to 3 inches of rain for many areas of North Dakota and parts of South Dakota, Iowa, Wisconsin and Illinois over the past week. The 1-5 day forecast models shows significant rain totals for the Dakotas and northern Nebraska and western Iowa.

The 6-10 day forecast models show mostly cool and wet weather for the northern Midwest, while the 8-14 day forecast models show above normal precipitation continuing all the way to May 8th. The April 19th Commitments of Traders report showed Corn Managed Money traders are net long 379,110 contracts after net buying 9,158 contracts for the week. Non-Commercial No CIT traders were net long 285,977 contracts after increasing their already long position by 14,892 contracts for the week. Non-Commercial & Non-Reportable traders are net long 449,188 contracts after net buying 20,584 contracts.

WHEAT:

Active exports from Russia, talk of progress in getting the Ukraine spring wheat crop planted, and slow US export sales were all seen as short-term negative forces for the wheat market this past week. A surge in the US dollar and a bearish tilt to outside markets also put pressure on wheat prices. But as the market corrects its overbought condition, the 1-5 day forecast models show very little rain for the winter wheat belt. However, the 6-10 day models shifts to above normal precipitation and the 8-14 day model shows above normal to normal precipitation. On the other hand, the US seasonal drought outlook from NOAA also shows a continuation of the drought tendency in the months ahead.

This outlook could threaten the US winter wheat crop, which is already in poor condition. The recent Crop Progress report showed 30% of the winter wheat crop was rated in good/excellent condition, down from 53% last year and below the 10-year average of 49%. The record low for this time of the year was 28% in 1996. The poor weather outlook should help support the market on corrective breaks. Spring wheat plantings are off to a very poor start, as wet and cold conditions (including lots of snow) have the Dakotas and Minnesota off to a very slow start.

There was another 2-3 inches of rain over the weekend for much of North Dakota and parts of South Dakota and Montana, which will only delay plantings more. There is more rain in the short-term forecast and the 6-10 day is wet. July Minneapolis wheat also closed higher on the session Friday as the slow planting pace and more rain in the short-term forecasts for North Dakota helped to support. Weakness in soybeans and corn plus a surge higher in the US dollar were seen as negative factors.

Wheat positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders were net long 14,470 contracts after decreasing their long position by 2,169 contracts for the week. Non-Commercial & Non-Reportable traders net sold 1,279 contracts and are now net long 25,395 contracts. For KC wheat, managed money traders are net long 49,841 contracts after net buying 449 contracts. Non-Commercial & Non-Reportable traders added 1,189 contracts to their already long position and are now net long 48,051 contracts.

HOGS:

A continued advance in pork cutout values last week has helped to provide some underlying support in the hog market, and traders continue to believe that eventually the high price for corn will cause weights to drop and production to come in smaller than expected. However, weights are high currently and export news remains slow. The USDA pork cutout, released after the close Friday, came in at $109.44, up from $108.44 on Thursday and $108.17 the previous week. This was the highest the cutout had been since February 28.

June hogs closed moderately higher on the session Friday. The CME Lean Hog Index as of April 20 was 101.25, up from 100.93 the previous session and up from 99.59 the previous week. The USDA estimated hog slaughter came in at 463,000 head Friday and 114,000 head for Saturday. This brought the total for last week to 2.374 million head, up from 2.341 million the previous week but down from 2.471 million a year ago. Estimated US pork production last week was 519.2 million pounds, up from 511.4 the previous week but down from 535.1 million a year ago.

For the USDA monthly cold storage report, frozen pork stocks at the end of March came in at 487.19 million pounds, up 8% from last year and up 1.5% from the previous month. Stocks normally decline 2.3% for the month so the 1.5% increase is seen as a bearish factor. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,832 contracts of lean hogs for the week ending April 19, increasing their net long position to 56,507. Non-commercial & non-reportable traders were net buyers of 3,308, increasing their net long to 56,190.

CATTLE:

The USDA Cattle on Feed report released after the close Friday was bearish and showed placements for March at 99.6% of last year versus an average trade expectation of 92.2% and a range of expectations from 87% to 96%. This is bearish and above the range of expectations. Marketings came in at 98% versus expectations of 98.2% (range 97.7% to 98.7%). Cattle-on-feed supply as of April 1 came in at 101.7% of last year versus expectations for 100.4% and a range of 99.5% to 101%. The April 1 On-Feed supply came in above the high-end of the range of estimates which is a bearish development. Placements were also well above expectations and outside of the range of estimates. June cattle closed sharply lower on the session Friday as the move above Thursday's high failed to attract new buying interest. Strong gains in the cash market in the past two weeks have helped support the run up to Thursday's high, but talk of the overbought condition of the market might be seen as a reason to expect some back and fill type action.

Weakness in the stock market does not help as traders remain concerned with consumer demand, and the possibility that exports drop off short-term due to sluggish global economy and a surge in the US dollar. The USDA boxed beef cutout was down 38 cents at mid-session Friday and closed $2.26 lower at $267.91. This was down from $272.62 the previous week and was the lowest the cutout had been since April 1. Cash live cattle traded was quiet on Friday, with 121 head reported in Colorado at 141 and 741 in Iowa/Minnesota at 142-146 with an average price of 144.87. The 5-day, 5-area weighted average price as of Friday afternoon was 142.84, up from 140.71 the previous week. The USDA estimated cattle slaughter came in at 119,000 head Friday and 63,000 head for Saturday. This brought the total for last week to 665,000 head, up from 634,000 the previous week but unchanged from a year ago.

The estimated average dressed cattle weight last week was 833 pounds, down from 834 the previous week but up from 825 a year ago. The 5-year average weight for that week is 806.8 pounds. Estimated beef production last week was 552.6 million pounds, up from 547.4 million a year ago. For the monthly cold storage report, frozen beef stocks at the end of March came in at 536.887 million pounds, up 11.2% from last year and up 1% from the previous month. Frozen stocks typically decline by 1.2% for the month so the 1% increase is a bearish development. Friday's Commitments of Traders report showed managed money traders were net buyers of 7,309 contracts of live cattle for the week ending April 19, increasing their net long to 46,807. Non-commercial & non-reportable traders were net buyers of 3,802, increasing their net long to 58,726.

COCOA:

With near-term demand concerns a front-and-center issue, back-to-back disappointing quarterly grindings put the cocoa market on the defensive. Unless global risk sentiment shows clear signs of improvement, cocoa may see downside follow-through early this week. July cocoa started out under pressure and reached a 5-week low, and in spite of a late rebound finished Friday’s trading session with a sizable loss. For the week, July cocoa finished with a loss of 82 points (down 3.1%) for a second negative weekly result in a row.

The Eurocurrency, British Pound, European and US equity markets all finished the week with heavy losses which were source of carryover pressure on cocoa prices. Before the opening, the Cocoa Association of Asia (CAA) released their first quarter Asian grindings total of 213,313 tonnes which was

0.25% below last year's total. This was the second highest reading on record for the first quarter, and the eighth highest reading for any quarter since CAA records began.

This was Asia's first negative year-over-year result since the fourth quarter of 2020, however, and that carried extra weight with the market as Asia has been the "engine" for global cocoa demand growth for several years. North America has not seen the demand disruption that Asia had been through with Chinese COVID lockdowns or Europe has felt from Russia's invasion of Ukraine, so their negative year-over-year result for their first quarter grindings was a clear disappointment to the market.

Cocoa positioning in the Commitments of Traders for the week ending April 19th showed Managed Money traders reduced their net long position by 5,221 contracts to a net long 27,811 contracts. CIT traders added 769 contracts to their already long position and are now net long 36,413. Non-Commercial No CIT traders reduced their net long position by 4,604 contracts to a net long 10,220 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,857 contracts to a net long 39,264 contracts.

COFFEE:

While coffee was unable to extend its recovery move into the weekend, it will start this week well above its recent lows as well as its 200-day moving average. With the market continuing to find support from production issues, coffee should be able to regain and sustain upside momentum early this week. July coffee shook off early pressure and reached a 1-week high, but lost strength late in the day to finish Friday's trading session with a moderate loss. For the week, however, July coffee finished with a gain of 3.40 cents (up 1.5%). This was a fourth positive weekly result over the past 5 weeks and was a positive weekly reversal from last Thursday's 3-week low.

The Brazilian currency lost more than 3.5% in value and reached a 4-week low, which was a major source of pressure on the coffee market. Although it started Friday close to multi-year highs, a period of extended weakness in the Brazilian currency could encourage Brazil's producers to market their remaining 2021/22 coffee supply. The 2022/23 Brazilian Arabica crop will start to be harvested over the next few weeks. While it should result in higher Arabica output, it is expected to be the second smallest crop over the past 9 "on-year" seasons. Brazil's coffee trees have seen drier than normal conditions since mid-2020, and that is likely to continue through the second half of this year due to the La Nina weather event.

Colombia's production has also been negatively impacted by La Nina, as heavier than normal rainfall may lead to flooding and damage to coffee tress. ICE exchange coffee stocks rose by 5,419 bags and reached their highest level since February. The April 19th Commitments of Traders report showed Coffee Managed Money traders are net long 29,606 contracts after net selling 7,151 contracts. CIT traders were net long 40,632 contracts after increasing their already long position by 514 contracts. Non-Commercial No CIT traders are net long 22,094 contracts after net selling 7,523 contracts. Non-Commercial & Non-Reportable traders are net long 40,396 contracts after net selling 8,871 contracts.

COTTON:

July cotton closed lower again on Friday and the selling early this week has pushed the market down to the lowest level since April 12. The market was pressured by concerns about reduced demand, China's economy, and a stronger dollar. The dollar was sharply higher, with the June Dollar Index trading to a new contract high and the nearby chart reaching its highest level since March 2020. This makes US cotton exports more expensive on the world market.

Sharp declines in US stock indices late last week and early this week highlighted worries about the US and global economy. Crude oil was down as well, which makes man-made fibers more competitive with cotton. Friday's Commitments of Traders report showed managed money traders were net sellers of

4,794 contracts of cotton for the week ending April 19, reducing the net long to 73,512. This is a long liquidation selling trend. The hefty net long position leaves the market vulnerable to increased selling if support levels are violated.

SUGAR:

After finding its footing on Thursday, sugar fell back on the defensive as it continues to be pressured by key outside markets. With bearish supply news from Asia also weighing on prices, sugar could see a retest of its 50-day moving average this week. July sugar came under initial pressure and then held within a tight range before a sharp midsession selloff as it finished Friday's trading session with a heavy loss. For the week, July sugar finished with a loss of 82 ticks (down 4.1%) for a second negative weekly result in a row. Crude oil and RBOB gasoline prices finished the week on a downbeat note, which weighed on the sugar market as that could diminish near-term ethanol demand in both Brazil and India.

However, sugar's main source of pressure came from a massive 3.5% plunge in the Brazilian currency. While it still has a sizable gain for the year so far, a weaker Brazilian currency will put carryover pressure on sugar prices as that will encourage Brazil's Center-South mills to produce sugar for export. The USDA forecast Brazil's nationwide 2022/23 sugar production at 36.37 million tonnes, which would be a 2.9% increase from the 2021/22 season, while Brazilian mills will keep sugar's share of crushing close to last season's 45% share. India's 2021/22 sugar production is widely expected to reach a record high total, while a government agency has projected their 2021/22 exports will reach 9.5 million tonnes.

Thailand's 2021/22 production should come in above 10 million tonnes which is a significant jump over their output during the previous two seasons, with most of that production increase heading out into the global export market. The April 19th Commitments of Traders report showed Sugar Managed Money traders reduced their net long position by 1,530 contracts to a net long 236,227 contracts. CIT traders are net long 257,083 contracts after net buying 5,294 contracts. Non-Commercial No CIT traders reduced their net long position by 7,976 contracts to a net long 119,115 contracts. Non-Commercial & Non-Reportable traders are net long 310,897 contracts after net selling 6,156 contracts.

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