ADM Investor Services, Inc.

Weekly Futures Market Summary

May 9, 2022

by the ADMIS Research Team

BONDS:

With a fresh contract low in June bonds and notes late last week, the pre-existing downtrend has extended beyond the nonfarm payroll report. We saw the report as mixed with the headline nonfarm payroll reading coming in stronger than expected and exactly on the prior month after a revision. Disappointment in the report came from a steady unemployment rate of 3.6% and declines in both average weekly hours and average hourly earnings. While some traders suggested the washout last week was overdone, a major historical adjustment is underway and may override short-term technical signals.

Despite a definitive risk off environment in commodities and equity markets at the start of this week, US treasury yields have forged higher highs with the 30-year bond yield reaching 3.29%. However, the markets appear to remain in a posture to adjust rates to more normal historical levels and are also factoring in inflation. In fact, on Friday the Fed's Kashkari indicated the Fed may have to push long-term real rates into a restrictive position just to bring inflation down. While some analysts and financial commentators (there is a difference) suggest the Fed's resolve could be tempered by ongoing large declines in equities, we think the Fed's focus is almost exclusively on inflation with a measure of focus locked onto the US jobs market.

In the coming sessions, the trade will be presented with a 3-year note auction on Tuesday, and a 20-year bond auction on Wednesday and those results will be very important measures of where investors will begin to grab yield! In other words, with the equity markets under attack and US yields rising, some rotation from equities into treasuries could begin to check up the slide in bond and note prices. With the price slide overnight putting bond prices at the lowest level since July 2014, a certain amount of downside follow-through should be expected. While we think the Fed will eventually meter the fear of surging rates, we suspect they are happy with the market's reaction to their stiffening of policy. The May 3rd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 549 contracts to their already long position and are now net long 6,549. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 257,902 contracts after net selling 2,450 contracts.

CURRENCIES:

After a fresh contract high in the dollar, it initially rallied off of the latest US jobs report, but ultimately failed. We see last Friday's action in the currency markets as pure technical balancing of pre-existing trends. However, the nonfarm payroll report probably did not raise prospects of a 75-basis point hike next month thereby prompting some longs to bank profits. With a 20 year high in the dollar index early this week, the uptrend in the dollar index lives on from rising US yields, and confidence that the US Fed will eventually halt the drag from surging rates before the US economy tips back into negative growth. On the other hand, we see very little confidence toward the euro zone and Chinese economies and therefore the dollar should continue to see flight to quality and economic uncertainty buying. The Commitments of Traders report for the week ending May 3rd showed Dollar Non-Commercial & Non-Reportable traders net sold 903 contracts and are now net long 35,670 contracts.

Surprisingly, the euro remained within the recent consolidation despite the range up action in the US dollar, we expect the euro to breakout down with the failure level on the charts at 1.0498. In fact, negative German economic data last week, a significant decline in a euro zone Sentix investor confidence reading and slightly disappointing French trade data fundamentals are not signaling an impending low. In fact, euro zone sentiment readings have kicked up recession talk in the financial press. The May 3rd Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders were net long 19,291 contracts after decreasing their long position by 19,365 contracts.

With the dollar posting a 20-year high early this week, the fresh downside breakout in the Yen is a knee-jerk reaction and a fully justified fundamental reaction. The trade continues to have little respect for the near-term future of the Japanese economy and given rising JGB yields, the prospect of Japanese stagflation is building. In fact, the Bank of Japan continues to be steadfast in their decision to leave easing policy in place. Similarly, to the other actively traded nondollar currencies, the Swiss franc continues in a freefall with next support at parity of 1.00. As indicated last week, picking a low in the Swiss franc is like attempting to catch a falling knife.

Using monthly charts the next downside target in the Pound is 1.2079. In retrospect, the trade in the Pound, and UK economists are probably viewing the recent BOE action recently as an error. In the short-term, dollar strength probably sends the Pound below 1.20 later this week.
Both inside and outside Canada forces favor further downside action. The charts also remain negative with the Canadian likely to fail at longer-term consolidation support level. It goes without saying that somewhat disappointing Chinese import data and a broad-based downdraft in commodities leaves the trend pointing down in the Canadian dollar.

STOCKS:

While extreme volatility is not unusual in the equity markets, seeing a full week of wild gyrations serves to undermine investor sentiment. In retrospect, last week's flow of earnings reports did not sure up confidence in the market and instead the rate hike dominated. Certainly, inflation fears could be tamped down by the declines in average hourly earnings and average weekly hours in April. Going forward, the bull case lacks a bullish fundamental capable of shifting the trend up. Global equities early this week were lower with the weight of last week's US rate hike remaining on the back of the markets. With the added disappointment of slack Chinese import and export data, the highest treasury yields since 2014, the war, perpetual fears of higher interest rates and a measure of US slowing fears, the bear camp has a full quiver early this week.

While a conclusively bearish fundamental environment signals significant downside extension ahead, (especially with prices at the lowest level in 12 months) the equity markets are beginning to price in significant slowing in the economy and short-term technical indicators are slowly becoming oversold. In the most recent positioning report the E-Mini S&P held a very modest net spec and fund long of 68,979 contracts and with the markets falling 120 points from that report the net spec and fund long is likely nearing a modestly liquidated level. E-Mini S&P positioning in the Commitments of Traders for the week ending May 3rd showed Non-Commercial & Non-Reportable traders net sold 68,899 contracts and are now net long 68,979 contracts.

Not surprising, the Dow futures broke out to the downside and traded at the lowest level since March 8th. Therefore, the trade continues to aggressively embrace the negatives and are discounting the few positives in place. However, given a long-term upward adjustment in interest rates, the downward adjustment in equities could accelerate, especially if equity market capital begins to rotate to interest-bearing instruments. The May 3rd Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 18,984 contracts after decreasing their short position by 2,957 contracts. With market psychology anxiously bearish this morning the NASDAQ looks to continue aggressively lower. The Commitments of Traders report for the week ending May 3rd showed Nasdaq Mini Non-Commercial & Non-Reportable traders reduced their net long position by 1,614 contracts to a net long 9,078 contracts.

GOLD, SILVER & PLATINUM:

Clearly, the bottom has fallen out of physical commodities at the start of this week with gold forging a 3-day low. There was another fresh contract high (20 year high) in the US dollar, undying fear of higher rates, fear of slowing and most importantly, an ongoing inability to embrace geopolitical flight to quality developments which left the bull camp in distress. With palladium, platinum, and wheat the only physical commodities avoiding the broad-based washout, more downside is expected in gold and silver. Investors in gold remain cool to the yellow metal with ETF holdings last week declining by 383,632 ounces bringing year-to-date gains in ETF holdings down to 8.6%.

At least part of the negative wave flowing through financial and agricultural markets this morning is the lack of positive news from China on its efforts to control Covid, but a more significant component of today's downdraft is the result of a fresh upside breakout in US treasury yields! Lastly, gold and silver have been prone to negative spillover from weakness in equities, which in turn fosters forecasts of stagflation and or recession. Going forward, the unrelenting strength in the US dollar has been a constant undermine of gold and silver over the last 35 days and is likely to continue to pressure prices!

The most recent COT positioning report showed a moderate liquidation of the net spec and fund long positioning and therefore, a trade back below $1,850 might be considered a more balanced price point. Gold positioning in the Commitments of Traders for the week ending May 3rd showed Managed Money traders reduced their net long position by 16,507 contracts to a net long 82,936 contracts. Non-Commercial & Non-Reportable traders net sold 23,426 contracts and are now net long 244,401 contracts.

With the fresh low for the move in July silver, an unrelenting dollar rally, sagging global economic confidence and a strong enough US nonfarm payroll report to leave expectations of a 50-basis point rate hike next month in play. Silver ETF holdings last week increased by 494,901 ounces and are now 1.9% higher year-to-date. In the end, industrial metals including silver look to remain under pressure. The May 3rd Commitments of Traders report showed Silver Managed Money traders net sold 11,273 contracts and are now net long 15,261 contracts. Non-Commercial & Non-Reportable traders were net long 38,406 contracts after decreasing their long position by 10,094 contracts.

With a massive range down failure to the lowest trade since January 20th last Friday, the June palladium market might have pushed its net spec and fund short closer to the record short of 4,084 contracts. The May 3rd Commitments of Traders report showed Palladium Managed Money traders are net short 701 contracts after net selling 118 contracts. Non-Commercial & Non-Reportable traders added 334 contracts to their already short position and are now net short 2,450. With the sharp slide at the end of last week, we suggest palladium prices have more than fully removed war premium even though a long war is expected and badly needed Russian Palladium supply flow should continue to slow.

On the other hand, the markets appear to be unconcerned about shortfalls at present. In a sign of negative investment interest palladium ETF holdings last week declined by 4,087 ounces and are currently 2.3% lower on the year. While the July platinum contract failed at critical support, the market rejected a large part of a massive range down failure. Unfortunately for the bull camp, investment interest for platinum continues to be soft with ETF holdings last week the climbing by 30,317 ounces, which pushes up the year-to-date contraction to 5.5%. Unfortunately for the bull camp, the bull camp has little in the way of fresh fundamental themes to cushion prices from a retest of levels below $900. The May 3rd Commitments of Traders report showed Platinum Managed Money traders are net short 10,444 contracts after net buying 2,194 contracts. Non-Commercial & Non-Reportable traders net bought 105 contracts and are now net long 3,988 contracts.

COPPER:

Adding into the big picture macroeconomic pressure on copper early this week is a 4% decline in Chinese April copper imports. However, January through April Chinese copper concentrate and ore imports were up 4.5% while January through April unwrought concentrate and ore imports increased by 0.9%. Nonetheless, Chinese copper demand fears are likely to remain in place as the zero tolerance Covid policy remains in place with only modest signs of hope flowing from Shanghai. Despite the copper market managing to throw off the initial wave of selling early last week, the market ran out of short covering fuel quickly and buyers were not interested in paying for July copper above $4.30.

With July cropper falling $0.16 from the level where the latest COT positioning report reading was measured, the market shifted into a net spec and fund short position of 8,813 contracts. Therefore, the net spec and fund short in copper is probably the biggest short since April 2020. Copper positioning in the Commitments of Traders for the week ending May 3rd showed Managed Money traders net sold 10,950 contracts which moved them from a net long to a net short position of 8,813 contracts. Non-Commercial & Non-Reportable traders net sold 13,275 contracts which moved them from a net long to a net short position of 8,927 contracts. As indicated in other physical commodity markets, Chinese import, and export data favors of a softening of Chinese copper demand going forward! Therefore, we think an important signal for the copper trade this week will be the direction in the Shanghai stock exchange index.

ENERGY COMPLEX:

With big picture macroeconomic slowing fears, a lack of loosening of activity restrictions in China, a 20-year high in the dollar index an upside breakout in US yields, and overall global psychology deflating with equity prices, energy demand fears are clearly justified. However, crude oil demand fear from China may be overstated with Chinese oil imports in April up 6.6% on a year over year basis. On the other hand, the trade is concerned about Chinese fuel demand. Even though Indian March crude oil imports increased by 4.2% over year ago levels, and India has indicated fuel prices are a severe drag on their economic activity. Fortunately for the bull camp, supply forces remain supportive with more Russian oil buyers stepping away from Russian supply in the face of huge Russian discounts.

Another minimally supportive supply-side development is a 9.1% decline in global crude oil floating storage. However, Asian-Pacific floating storage fell by 8.1% and West African supply declined by 31%. For the bull camp to extend control this week requires a clear reversal of very negative economic sentiment, further compliance with the EU Russian oil import ban and some positive signs from Chinese lockdowns. Over the weekend, the US broadened its sanction of Russian and Belarusian officials and disrupted those involved in nuclear materials, weapons, and shipping companies. The US also imposed regulations against Americans providing accounting, corporate information, and management consultancy to anyone in Russia.

In a sign that suggests an escalation of the intensity of the war, Russia indicated it shot down a Ukrainian warplane this weekend. In our opinion, the most recent OPEC+ meeting left a lasting bullish imprint on the market with the trade discounting the cartel's latest 400,000+ barrel increase in total production allowances. Clearly the previous monthly increase in OPEC plus production was very small at +10,000 barrels per day! Obviously, going forward, the extraction of Russian supply will open increased output by other OPEC plus members, but several producers are simply tapped out at present.

While the most recent COT positioning report understates the size of the net spec and fund long (given the rally after the report) the net long was probably near the lowest level since February 2020 into last week's low. Crude Oil positioning in the Commitments of Traders for the week ending May 3rd showed Managed Money traders net bought 2,054 contracts and are now net long 254,383 contracts. Non-Commercial & Non-Reportable traders were net long 425,346 contracts after increasing their already long position by 5,428 contracts.

While the gasoline market has lagged the ULSD market consistently over the past several months, the market came alive and became the leadership market last week. Furthermore, the gasoline market overnight managed another higher high for the move before falling back from ongoing concern toward fuel demand from the two largest countries in the world (China and India). We suspect support is the result of seasonal marketing chain buying for the coming summer, international arbitrage opportunities and a refinery operating rate of only 88% as that is likely to keep US gasoline supplies in a tightening pattern. In fact, EIA gasoline stocks have contracted for 6 weeks in a row and current stocks are 11 million barrels below the 5-year average for this specific week of the year.

From a slight negative perspective, average US gasoline prices jumped by $0.15 to stand at $4.38 per gallon and prices are approaching a level that may temper demand. From a technical perspective, the net spec and fund long in gasoline remained near the lowest level since September 2021 and while COT report understates the net long due to the Thursday and Friday rallies, the market is not poised to run out of buying fuel. The May 3rd Commitments of Traders report showed Gas (RBOB) Managed Money traders net bought 3,576 contracts and are now net long 60,984 contracts. Non-Commercial & Non-Reportable traders are net long 48,968 contracts after net buying 743 contracts.

With a significant reversal and lower low in diesel last Friday and a downside extension, the ULSD market has would be buyers on edge. In fact, headlines touting softening fuel demand in the world's two most populous countries is a difficult bearish fundamental to discount. However, as suggested many times the weekly EIA distillate and diesel stock levels hold annual deficits of roughly 30 million barrels. Heating Oil positioning in the Commitments of Traders for the week ending May 3rd showed Managed Money traders were net long 13,178 contracts after increasing their already long position by 405 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,233 contracts to a net long 14,105 contracts.

Obviously, the massive reversal range down in July natural gas from its high last Friday (a high to low daily range of $1.00) puts the bull camp back on its heels to start the new trading week. The bear camp should also be emboldened by news that the Russian national gas company (Gazprom) continued to book transit of gas through Ukraine with several days of interrupted flow now on the books! Furthermore, with heating demand in the northern hemisphere falling consistently and European entities quickly filling all storage capacity available, the added gas flow into Poland is a negative for US gas futures prices.

On the other hand large supply at US export terminals will allow for significant exports, which in turn should keep weekly EIA gas in storage levels from significant seasonal inflows. From a technical perspective, the natural gas contract came into the massive late April early May rally with a large net spec and fund short and that could temper the magnitude of declines ahead. The May 3rd Commitments of Traders report showed Natural Gas Managed Money traders are net long 19,957 contracts after net selling 5,467 contracts. Non-Commercial & Non-Reportable traders are net short 72,166 contracts after net selling 1,241 contracts. In the end, spec and fund buyers have plenty of ammunition to propel prices higher.

BEANS:

July soybeans traded sharply lower on the session Friday and the selling pushed the market down to the lowest level since April 7. Bearish outside market forces plus a second day in a row of sharp losses for Malaysia palm oil were seen as negative forces. In addition, traders see better weather for planting ahead which added to the bearish tone. July soybeans closed 62 3/4 cents lower for the week. China April soybean imports reached 8.079 million tonnes, according to customs. Soybean imports year-to-date fell 0.8% y/y to 28.36 million tonnes. July soybean meal remained in a long liquidation selling trend and pushed down to the lowest level since January 31.

In the Statistics Canada update, canola stocks were pegged at just 3.940 million tonnes, 50.7% lower than last year and below the low end of trade expectations for the report. The average estimate for the report was up at 4.581 million tonnes. For the first USDA supply/demand report for the 2022/23 season, traders see soybean ending stocks near 317 million bushels, 187-488 million range, as compared with the current USDA old crop estimate of 260 million bushels. Traders see old crop ending stocks sliding down to 225 million bushels, 175-260 million range, as compared with 260 million bushels for the April estimate.

World ending stocks for the 2022/23 season are expected to come in near 97.23 million tonnes, 89.4-107.8 million range, as compared with the current old crop ending stocks at 89.58 million tonnes. Traders see old crop ending stocks pulling back slightly. Traders see Brazil soybean production near 124.4 million tonnes, 123-125.4 million range, as compared with 125 million tonnes in the April USDA update. Argentina production is expected near 42.76 million tonnes, 41-44 million range, as compared with 43.5 million tonnes in the April update.

For the first preliminary production forecast, traders see soybean production near 4.613 billion bushels, 4.435-4.727 billion range, as compared with the USDA Outlook Forum estimate of 4.490 billion bushels. Traders see yield near 51.4 bushels per acre, 50-53 range, as compared with 51.4 bushels per acre in last year's crop. The Commitments of Traders report for the week ending May 3rd showed Soybeans Managed Money traders net sold 20,224 contracts and are now net long 153,253 contracts. This is a long liquidation selling trend and seen as a short-term bearish force. Non-Commercial & Non-Reportable traders are net long 136,529 contracts after net selling 21,320 contracts.

For soyoil, Managed Money traders were net long 85,643 contracts after decreasing their long position by 12,040 contracts; also long liquidation selling. Non-Commercial & Non-Reportable traders are net long 109,558 contracts after net selling 12,808 contracts for the week. For meal, Managed Money traders were net long 73,751 contracts after decreasing their long position by 17,540 contracts in just one week and the long liquidation selling trend is a short-term bearish force.

CORN:

The shift in the weather forecast for the Midwest helped to spark aggressive long liquidation selling late last week with July corn losing 28 3/4 for the week. The 1-5 day forecast models show hefty rain totals for the Dakotas and Minnesota, but less than 1/2 an inch for Iowa while most of the rest of the Midwest looks dry. The 6-10 day forecast models shifted overnight to show normal temperatures; not much above. The 8-14 day is cool, but dry. July corn closed sharply lower on the session Friday as a forecast for much warmer weather this week helped to bring about ideas that planting progress will be more significant just ahead.
The selling pushed the market down to the lowest level since April 14.

Even with some rain in the forecast, the much higher than normal temperatures will help dry out the fields quickly and allow for plantings, especially in the Eastern Corn Belt. The UN Food Agency indicated on Friday that near 25 million tonnes of grain are stuck in the Ukraine is unable to leave the country due to infrastructure issues and other. For the first USDA supply/demand outlook for the season, traders see US

2022/23 corn ending stocks near 1.352 billion bushels, 988-1.654 billion range, as compared with the current old crop estimate of 1.440 billion bushels. Traders believe old crop ending stocks will be adjusted down to 1.412 billion bushels, 1.34-1.456 billion range, as compared with 1.440 billion bushels last month.

World ending stocks are expected near 296.9 million tonnes, 278-307.7 million range, as compared with 305.46 million tonnes for the 2021/22 season. Traders believe old crop ending stocks will be adjusted lower slightly to near 303.76 million tonnes. Traders see Brazil corn production near 114.12 million tonnes, 110-116.5 million range, as compared with 116 million tons in the last USDA update. Argentina production is expected near 52.03 million tonnes, 50-53 million range.

Traders believe the first preliminary estimate for US corn production will be near 14.773 billion bushels, 14.414-15.115 billion range, as compared with the USDA Outlook Forum of 15.24 billion bushels. Yield is expected near 179.6 bushels per acre, 175.3-182 range, as compared with 177 bushels per acre last year which was a record high. The May 3rd Commitments of Traders report showed Corn Managed Money traders net sold 7,137 contracts and are now net long 353,518 contracts. Non-Commercial No CIT traders are net long 276,831 contracts after net buying 4,589 contracts.

WHEAT:

Longer-term yield concerns for the US crop with some weather forecasters indicating a hotter and drier longer-term trend for the US weather, plus increase concerns for the crop in France due to hot and dry weather helped support last week. Weakness in the other grains helped to pull the market lower early Friday, but buyers turned active. July wheat closed slightly higher and managed to hold minor support and closed up 20 3/4 cents from the lows of the day and up 52 3/4 for the week. The 1-5 day forecast models show 1 to 2 inches of rain for parts of the Dakotas and Minnesota. Kansas and Oklahoma look mostly dry.

The 6-10 day forecast model shows below normal precipitation for the Dakotas which is somewhat negative, however, the central and southern Plains turn hotter and drier. In addition, the 8-14 day forecast models show above normal temperatures and below normal precipitation centered over the southern Plains. The two week outlook for Kansas is very dry and hot. A big Russian crop for the season that begins in July (SovEcon expects output to reach a record 87.4 million tonnes, 16% more than the USDA estimate for the current season) is seen as a limiting factor for the rally. For the Statistics Canada stocks report, wheat stocks came in at 10.103 million tonnes, down 38.7% from last year. Traders expected stocks near 10.4 million tonnes.

For the first USDA supply/demand outlook for the 2022/23 season, traders see ending stocks near 659 million bushels, 550-854 million range, as compared with the current USDA estimate for the 2021/22 season at 678 million bushels. For old crop ending stocks traders see 686 million bushels, 650-738 million range, as compared with 678 million bushels in the last USDA update. World ending stocks for 2022/23 season are expected near 272.07 million tonnes, 261.00-286.80 million range, as compared with the current USDA estimate for the 2021/22 season at 278.42 million tonnes. Traders expect all wheat production at 1.791 billion bushels, 1.635-1.9 billion range, as compared with 1.646 billion bushels for the current season.

Hard red winter wheat production is expected near 685 million bushels, 568-779 million range. Soft red winter wheat is expected near 359 million bushels, 295-393 million range. The May 3rd Commitments of Traders report showed Wheat Managed Money traders net sold 3,274 contracts and are now net long 10,906 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,522 contracts to a net long 18,786 contracts. For KC Wheat, Managed Money traders reduced their net long position by 5,458 contracts to a net long 39,949 contracts. Non-Commercial & Non-Reportable traders are net long 39,987 contracts after net selling 5,226 contracts for the week.

HOGS:

The USDA pork cutout released after the close Friday came in at $103.01, down $1.46 from Thursday and down from $103.21 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 14,544 contracts of lean hogs for the week ending May 3, reducing their net long to 29,542. The market continues to see aggressive long liquidation selling pressure from speculators with open interest dropping to the lowest level since January. The long liquidation selling trend is considered a short-term bearish force. China imported 592,000 tonnes of meat in April, down 35.7% from a year ago. Meat imports for the first four months of the year are at 2.26 million tonnes, down 36% from a year ago.

June hogs closed sharply lower on the session Friday as the 2-day rally failed to attract new buying interest. Traders remain concerned with the sluggish demand tone, and the lack of an uptrend in the cash market during a seasonally strong timeframe has helped pressure. The CME Lean Hog Index as of May 4 was 100.96, down from 101.04 from the previous session and 101.81 the previous week. The USDA estimated hog slaughter came in at 457,000 head Friday and 48,000 head for Saturday. This brought the total for last week to 2.427 million head, up from 2.389 million the previous week and 2.396 million a year ago. Estimated US pork production last week was 525.2 million pounds, up from 518.7 million the previous week but down from 526.4 a year ago.

CATTLE:

While June cattle continue to hold a stiff discount to the cash market, short-term demand fundamentals still look negative and weights remain stubbornly high. As a result, if producers make a move to clean up any backlog of heavier weight cattle, there could be a short-term bulge in beef production. In addition, traders see demand as a negative force as consumers are left with very high food and energy prices, and excess spendable income on luxury items such as steak is limited. June cattle closed sharply lower on the session last Friday as sluggish beef market during the period of typically higher seasonal beef demand is a concern. The USDA boxed beef cutout was down 48 cents at mid-session Friday and closed 74 cents lower at $254.44. This was down from $260.78 the previous week and was the lowest the cutout had been since March 10. Not much change in cash cattle prices last week from the week before.

As of Friday afternoon, the 5-day, 5-area weighted average price was 143.29 versus 143.02 the previous week. There continues to be a big difference in prices between the northern region, which are averaging around 145-146, and the southern regions, which are around 139.50-140.00. The USDA estimated cattle slaughter came in at 121,000 head Friday and 49,000 head for Saturday. This brought the total for last week to 657,000 head, up from 649,000 the previous week and 639,000 a year ago. The estimated average dressed cattle weight last week was 833 pounds, up from 831 the previous week and up from 824 a year ago. The 5-year average weight for that week is 804 pounds. Estimated beef production last week was 545.0 million pounds, up from 536.5 million a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 16,387 contracts of live cattle report for the week ending May 3, reducing their net long to 38,897 contracts. Non-commercial & non-reportable traders were net sellers of 11,702, reducing their net long to 55,334.

COCOA:

Cocoa's downdraft has taken the market down to its lowest price level since mid-December. Although it has fallen well into "bargain" price territory, cocoa still has to face near-term demand concerns that may keep the market on the defensive early this week. July cocoa was unable to shake off early pressure and fell to a 4 1/2 month low before finishing Friday's trading session with a moderate loss. For the week, July cocoa finished with a loss of 75 points (down 2.9%) which was a third negative weekly result over the past 4 weeks as well as an outside-week down.

Global risk sentiment remains negative in the wake of last week's FOMC and Bank of England policy meetings, which has pressured cocoa prices as that is likely to weaken near-term demand prospects. Europe also has to deal with Russia's invasion of Ukraine which has dampened this year's travel outlook (a key source of chocolate purchases), while Asia continues to deal with China's series of COVID lockdown which are weighing on the region's near-term demand outlook.

The Eurocurrency made a late-week rebound that provided the cocoa market with carryover support, however, and that helped to lift prices off of its midsession lows. Many West African growing areas have daily rainfall in the forecast through the end of next weekend, which should benefit the region's upcoming mid-crop production. Keep in mind, however, that daily rainfall totals should remain below 0.25 inch in most West African growing areas while daily high temperatures should climb above 90 degrees Fahrenheit during that timeframe. In addition, consistent rainfall may slow harvesting and drying of mid-crop cocoa beans.

The May 3rd Commitments of Traders report showed Cocoa Managed Money traders net bought 14,021 contracts and are now net long 25,339 contracts. CIT traders were net long 32,804 contracts after decreasing their long position by 773 contracts. Non-Commercial No CIT traders went from a net short to a net long position of 13,805 contracts after net buying 14,678 contracts. Non-Commercial & Non-Reportable traders net bought 15,467 contracts and are now net long 38,801 contracts.

COFFEE:

Coffee prices have been unable to sustain upside momentum in over a month and are on the verge of falling to their lowest levels since early November. While the supply side of the Arabica market remains generally bullish due to production issues in Brazil and Colombia, coffee needs to see clear improvement in near-term demand prospects in order to extend a recovery move. July coffee followed through on Thursday's outside-day down session as it reached a 7-week low before finishing Friday's trading session with a heavy loss.

For the week, July coffee finished with a loss of 11.65 cents (down 5.2%) which was a third negative weekly result over the past 4 weeks. While it is still above its 2021 year-end price levels, recent weakness in the Brazilian currency has been a source of carryover pressure on the coffee market. The Brazilian Real has fallen for 5 weeks in a row as its decline to a 1 1/2 month low encourages Brazil's farmers to market their remaining near-term supplies. A negative tone to risk appetites also weighed on coffee prices as that may weaken out-of-home consumption prospects.

Russia's invasion of Ukraine as well as ongoing Chinese COVID lockdowns has weakened the near-term demand outlook in Europe and Asia, with both showing few signs of a resolution anytime soon. Brazil's major Arabica growing regions have no rain in the forecast through this upcoming weekend. While will benefit early harvesting, it should also have a negative impact on their 2022/23 Arabica crop. ICE exchange coffee stocks were unchanged on Friday but after the first week of May, they are on-track for posting a third monthly increase in a row.

Coffee positioning in the Commitments of Traders for the week ending May 3rd showed Managed Money traders reduced their net long position by 1,239 contracts to a net long 26,980 contracts. CIT traders were net long 39,721 contracts after decreasing their long position by 162 contracts. Non-Commercial No CIT traders net sold 582 contracts and are now net long 21,858 contracts. Non-Commercial & Non-Reportable traders were net long 37,903 contracts after decreasing their long position by 2,273 contracts.

COTTON:

July cotton closed sharply lower for the second day in a row last Friday after trading to the lowest level since April 27. The market has gotten increasingly volatile as it has repeatedly made new contract highs. Another steep selloff in the equity market and a higher dollar raised concerns about demand. The 1-5-day forecast calls for rainfall of up to 1/4 inch in west Texas, which is an improvement from yesterday's forecast.

However, the 6-10 and 8-14-day forecasts call for below normal chances of rain and above normal temperatures, which could only make the drought situation worse. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,422 contracts of cotton for the week ending May 3, increasing their net long to 72,695 contracts. Non-commercial & non-reportable traders were net buyers of 3,530, increasing their net long to 96,980. The market looks vulnerable to long liquidation if support levels are taken out.

SUGAR:

Sugar's abrupt week-ending turnaround has lifted prices well above last week's lows. While strength in key outside markets should provide a source of support, sugar may need to also see bullish supply-side news in order to extend a recovery move. July sugar was able to shake off early pressure and rally to a 1-week high before finishing Friday's outside-day session with a sizable gain. For the week, July sugar finished with a gain of just 1 tick, but that broke a 3-week losing streak and also resulted in a positive weekly reversal from last Wednesday's 7-week low.

RBOB gasoline and crude oil extended last week's rallies on Friday, which in turn provided sugar with carryover support as they can strengthen ethanol demand in both Brazil and India. There are already indications that Brazil's Center-South mills have shifted part of their crushing over to ethanol production, which could be confirmed by the upcoming Unica supply report for the second half of April. Forecasts for La Nina to continue through late this year have also supported sugar prices as drier than normal conditions will negatively impact Brazil's current Center-South cane crop.

On the other hand, India looks to be on course for having the 2021/22 season's sugar production and sugar exports both reach record-high total. Early forecasts are calling for normal monsoon rainfall this year, which should benefit their 2022/23 cane crop. While Thailand's 2021/22 sugar production will come in well short of their record highs, it will have a sharp increase from their 2019/20 and 2020/21 production levels. As a result, this should also result in Thailand having a sizable increase in sugar exports from the previous 2 seasons.

Sugar positioning in the Commitments of Traders for the week ending May 3rd showed Managed Money traders are net long 181,113 contracts after net selling 23,934 contracts. CIT traders reduced their net long position by 1,665 contracts to a net long 252,483 contracts. Non-Commercial No CIT traders net sold 24,929 contracts and are now net long 75,854 contracts. Non-Commercial & Non-Reportable traders net sold 32,718 contracts and are now net long 239,485 contracts.

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