ADM Investor Services, Inc.

Weekly Futures Market Summary

June 13, 2022

by the ADMIS Research Team

BONDS:

Last Friday's European data included a better than expected reading for Italian industrial production, but the May US CPI result was much stronger than expected and reached the highest year-over-year rate since December 1981. While Canadian unemployment had a surprise downtick, a private survey of US consumer sentiment came in much lower than expected. Treasuries were pressured by Fed rate hike expectations and closed last Friday's session with sizable losses. Following last Friday's wide-sweeping outside-day down session, the Treasury markets remain under significant pressure coming into this week's action.

The long end of the curve outperformed the short end by a considerable margin early in the day as 10-year, 5-year and 2-year note futures have all reached new multi-year lows early this week. In fact, the 5-year/30-year yield spread inverted while the closely-watched 2-year/10-year yield spread was less than 4 basis points. With US yields on the rise, there has been little in the way of safe-haven inflows despite a broad-based "risk off" mood in many global markets. Friday's May US CPI result was much stronger than expected and reached the highest year-over-year rate since December 1981, which was in contrast to ideas that inflation levels were starting to fall back.

As a result, this has some analysts to revise their forecast for the Fed to hike rates by 75 basis points at Wednesday's FOMC meeting. A private survey of US consumer sentiment came in much lower than expected as it reached an all-time low. There are no major US or Canadian data points during today's session. Bonds positioning in the Commitments of Traders for the week ending June 7th showed Non-Commercial & Non-Reportable traders reduced their net short position by 9,441 contracts to a net short 2,337 contracts. For T-Notes Non-Commercial & Non-Reportable traders added 29,950 contracts to their already short position and are now net short 386,708.

CURRENCIES:

The Dollar became the safe-haven destination of choice and has risen to a 3 1/2 week high during last Friday's action. A multi-decade in CPI more than offset an all-time low in a private survey of consumer sentiment to ramp up Fed rate hike prospects that have given the Dollar a significant boost. On the other hand, concern over fragmentation of Euro zone debt yields has weighed heavily on the Eurocurrency going into the weekend.
The Dollar continues to the upper hand on most major currencies and is within striking distance of reaching a multi-year high. With bond yields on the rise in many nations, the Dollar continued to be the safe-haven destination of choice while global markets are in a "risk off" mood.

Last Friday's stronger than forecast US CPI reading has led some analysts to call for the Fed to hike rates by 75 basis points at Wednesday's FOMC meeting, which has provided further strength to the Dollar early this week. The Dollar will not have any top-tier US data points or Fed comments for the market to digest at the start of this week, and will continue to benefit from safe-haven inflows. Dollar positioning in the Commitments of Traders for the week ending June 7th showed Non-Commercial & Non-Reportable traders were net long 41,855 contracts after increasing their already long position by 525 contracts.

The Euro followed through to the downside as it reached a new 4-week low. Any benefit that the Euro may have received from the ECB's hawkish policy shift has been eroded by market fears of fragmented Euro zone sovereign debt yields, which have given added fuel by the "risk off" mood in global markets. There are no top-tier Euro zone data for the market to digest until Tuesday's set of ZEW surveys and German CPI, so the Euro will continue to face headwinds from sluggish global risk sentiment and is likely to remain on the defensive early this week. The June 7th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 83,710 contracts after net buying 1,678 contracts.

The Yen has rebounded from a new multi-year low and climbed up into positive territory at the start of this week's action. Although officials expressed their concern over rapid Yen weakening, Japan's Finance Minister said that a weak Yen has merits and demerits. As a result, expectations that the BOJ will continue to hold a dovish policy stance at this week's meeting are likely to remain a source of pressure. The Yen is likely to slide further to the downside before it can find its footing.

The Swiss franc is heading for a seventh daily decline in a row as it is under significant pressure early in today's action. There has been talk in the markets that the SNB will have a surprise rate hike at this week's monetary policy meeting, but recent Swiss CPI readings have been well below levels seen in the Euro zone, UK and US. The Swiss franc is unlikely to receive strong safe-haven support unless there is a flare-up of peripheral Euro zone debt anxiety, and may be heading for a retest of its mid-May lows.

The Pound has extended its downside breakout from its May/June consolidation zone with sizable early losses. The UK had a large set of economic numbers early Monday that included lower than forecast results for industrial production and manufacturing production. While this will not shift the BOE away from a 0.25% rate hike at their upcoming policy meeting, lukewarm data results will leave the Pound dependent on a rebound in global risk sentiment. The Pound may have to wait for a broad-based "risk on" mood to develop throughout global markets in order to turn back to the upside.

The Canadian dollar is more than 2 cents below last week's high as it has retraced more than half of its May/June rally. Last Friday's Canadian jobs data had a surprise downtick in unemployment and a larger than expected increase in net employment. However, that has not been enough to overcome a negative shift in global risk sentiment, sluggish energy prices and negative BOC comments on the Canadian housing sector as the Canadian dollar is likely to remain on the defensive early this week.

STOCKS:

Global markets continue to hold a negative tone during last Friday's trading session. Shanghai and Beijing continue to have COVID restrictions that are casting a shadow over many market sectors. In addition, surging US inflation levels have also eroded prospects for US economic growth during the third quarter. US equity markets fell to new 2 1/2 week lows before finishing with heavy losses. Global markets remain under pressure early this week as they were holding a mostly negative tone. Comments of a "ferocious" COVID outbreak in Beijing have ramped up risk anxiety in many market sectors. Asian stock markets finished with heavy losses and were led to the downside by the Japanese Nikkei and Hong Kong Hang Seng indices. European data included lower than forecast results for UK industrial production and UK manufacturing production, while major cryptocurrencies bitcoin and ethereum reached new 17-month lows. European stock markets had sizable losses and were led to the downside by the Italian MIB and French CAC-40 indices.

The hotter than expected CPI number on Friday opens the door for talk of a rate hike of 75 basis points this week instead of a 50 basis point hike. In addition, part of the treasury yield curve inverted on growing fears that aggressive interest rate hikes will eventually cause the economy to rollover into recession. The University of Michigan June sentiment index tumbled to 50.2 which was the lowest on record and down from 58.4 in May. This was also well below trade expectations which were near 58. Inflation expectations have cause just 13% to believe their incomes will rise more than inflation. E-Mini S&P positioning in the Commitments of Traders for the week ending June 7th showed Non-Commercial & Non-Reportable traders net sold 46,513 contracts which moved them from a net long to a net short position of 30,543 contracts.

With the bearish consumer sentiment readings and the big inflation reading, traders remain concerned with the outlook for a sharp drop in consumer spending of nonessential items. The Commitments of Traders report for the week ending June 7th showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 26,428 contracts after net buying 3,236 contracts. Nasdaq Mini positioning in the Commitments of Traders for the week ending June 7th showed Non-Commercial & Non-Reportable traders net bought 5,333 contracts which moved them from a net short to a net long position of 1,900 contracts.

GOLD, SILVER & PLATINUM:

Gold was sharply lower at the start of this week after a failed attempt to follow through on Friday's rally. Friday's hot CPI number continues to reverberate across the financial markets, with the dollar higher and stocks and bonds expected to come in sharply lower, and this is feeding volatility in gold. The market to reacted Friday's CPI with a sudden reversal and rally, despite sold gains in the dollar. Until Friday, strong inflation numbers had tended to be negative for gold as the dollar rallied on expectations that the Fed would increase rates. But at some point, if the trade starts to think that the Fed is not getting a grip on inflation, it will view gold as a hedge, and this appears to be what happened on Friday.

The Fed's course seems to be set with 50 basis-point increases in the next two meetings, including the one this week, with the question being what they will do in September and the rest of the year, but the trade today is debating how much more aggressive the Fed will need to be. Once again, silver was a laggard. It did manage to bounce off its lows and close higher on Friday, but it did not manage a technical reversal. Its fortunes are tied to industrial usage, and with increased possibility that the Fed will be forced to risk a recession to get a hold on inflation, that industrial demand is under a threat.

In addition to the FOMC meeting, other events of interest this week are US retail sales and Chinese and EU industrial production. Friday's Commitments of Traders report showed managed money traders were net buyers of 7,100 contracts of gold for the week ending June 7, increasing their net long to 69,768. This is far from overbought, and the fund buying was positive, even before the big rally on Friday. In silver, managed money traders were net buyers of 4,421 contracts, increasing their net long to 7,620, which is close to a "flat" position relative to a record net long of almost 100,000 contracts.

The PGM's bounced off their lows on Friday after a higher-than-expected CPI report, but their moves were nowhere near as impressive as gold, as they closed lower on the day, and resumed their downtrends early this week. Whereas gold found strength from its role as an inflation hedge, platinum and palladium, which are more dependent on supply/demand fundamentals, were limited by worries that the Fed will be forced to become more aggressive and will be willing to risk a recession in the name of fighting inflation. If US retail sales and China and European industrial production numbers are weak, it could also spark concerns about demand, particularly for auto catalysts. On Friday, July platinum managed a sharp bounce off its low from earlier in the session but still closed lower on the day and week.

September palladium is close to a "death cross," which is where the 50-day moving average crosses below the 200-day. This is considered a significant bearish technical indicator. Friday's Commitments of Traders report showed managed money traders were net buyers of 9,059 contracts of platinum for the week ending June 7, taking them from a net short position to a net long of 3,413. Non-Commercial & Non-Reportable traders added 3,611 contracts to their net long position, bringing it to 10,485. The buying trend is short term positive, and the net positions are about as close to neutral as they can get. In palladium, managed money traders were net sellers of 272 contracts, increasing their net short to 1,855. Non-commercial & non-reportable traders were net sellers of 360, increasing their net short to 3,581. Open interest is very low, indicating a lack of speculative interest in this market.

COPPER:

Copper prices remained on the defensive early this week and were on-track for a third heavy daily loss in a row. Since reaching a 6-week high on June 3, the market has only had one positive daily result, as demand concerns in China and around the world globe continue to weigh on prices. Unless there is a significant rebound in global risk sentiment, look for further declines this week. September copper finished Friday with a heavy loss, and it has slumped to a new 3 1/2 week low overnight. It finished last week with a loss of 17.75 cents (down 4%), which breaking a three-week winning streak. The washout in global equity markets following the US CPI data on Friday has cast a shadow over the market, as global risk sentiment has been significantly diminished.

Although China's CPI and PPI readings last week were in-line with expectations, demand prospects have been severely weakened by new COVID restrictions in Shanghai and Beijing, and a report that Beijing is having a "ferocious" COVID outbreak is likely to erode sentiment even further. Weekly Shanghai exchange copper stocks had a second increase in a row, which was an additional source of pressure on copper prices going into the weekend. LME stocks had a modest build Monday morning, but they have declined in 14 of the past 16 sessions and remain close to their lowest levels since mid-April. The Commitments of Traders report showed managed money traders were net buyers of 16,366 contracts of copper for the week ending June 7, taking them from a net short position to a net long of 6,778. Non-commercial & non-reportable traders bought 15,632 contracts, moving them from a net short to a net long of 2,250.

ENERGY COMPLEX:

While petroleum prices remain close to their 2022 highs, they saw a negative shift in tone late last week that has continued into this week. Unless there is a significant turnaround in global risk sentiment, crude oil and the products are vulnerable to even more profit-taking and long liquidation. July crude oil closed lower on Friday and is lower again this morning. It did finish the week with a gain of $1.80 (up 1.5%), for the seventh positive week in a row. The market found support from reports that Libya's crude oil production has fallen by 1.1 million barrels per day and that India's demand for petroleum products reached a 13-month high in May and was more than 24% above last year.

However, ongoing COVID restrictions in Shanghai and Beijing have diminished demand prospects in China. A report over the weekend that Beijing is having a "ferocious" COVID outbreak amplifies those concerns. Last Friday's US CPI report put further pressure on crude oil and the products on ideas that high inflation will start to eat away at demand. The Baker Hughes report showed US oil rigs in operation at 580 for the week ending June 10, up 6 on the week and up 100 since the start of the year. This is the highest count since March 2020, and it increases the prospects for US crude production to reach a new two-year high. Over the weekend there were reports that Norwegian oil workers had agreed to a wage deal that would avoid a strike at North Sea oil fields.

The products finished on a downbeat last week, with July ULSD having a negative key reversal on Friday and July RBOB having an outside day down session and a negative key reversal for the week. They remain under pressure early this morning. Average US retail pump prices for regular unleaded climbed above the $5.00 per gallon level last week. This was not an all-time high when adjusted for inflation, but it did generate headlines in the mainstream media. UK petrol prices continue to climb into record high territory, which has further dampened market sentiment. Early driving-season demand is only modestly below pre-pandemic levels, due in part to pent-up travel after two years of COVID restrictions. But with high inflation boosting the cost of many items, if prices stay above $5.00 for an extended period, it could erode driving demand.

It looks like natural gas could continue its choppy price pattern over the next few days. There are reports that Texas will have record high power demand Monday, and that should provide some measure of support to the natural gas market. But a major LNG terminal on the Gulf Coast will be off-line for three weeks following an explosion and fire, and that may divert some US gas supply that had been destined for export back to the domestic market. US LNG terminals were close to capacity before last week's event, and they are likely to return to those levels by the end of next month. The latest 6-10 and 8-14-day forecasts call for above normal temperatures from the Rockies east to the Atlantic Coast, which should strengthen demand for natural gas. The Baker Hughes US gas rig count remains at its highest level since September 2019 at 151 rigs, but it has only added 2 rigs over the past four weeks. This suggests that US production is unlikely to retest its record highs from last December anytime soon.

BEANS:

The 6-10 day forecast models are quite threatening, but the 8-14 day model still shows above normal temperatures, just not quite as hot, and the outlook calls for below normal precipitation for Missouri, Illinois and Indiana but near normal for the Western Corn Belt. This is not quite as bullish as last week's models. The USDA report carried a bullish tilt as old crop export demand increased 30 million bushels which helped to tighten beginning stocks for the new crop season. The report failed to bring any major surprises to the market, so the focus of attention over the next month will likely be on the weather. Traders will also monitor the planted area update for this afternoon to see how far behind planting is for North Dakota.

The forecast for the next two weeks calls for very hot and dry conditions, which will stress the crops just as they head into the heart of the growing season. If conditions stay that way beyond the two-week window (June 24) it could be difficult for the crops to achieve the USDA's yield estimates. Red Oak, Iowa should see a high of 100 degrees today, 99 degrees tomorrow and 99 degrees on June 20, with temperatures in the 90s all the way through June 26th. In the supply/demand report, the USDA left US soybean yield, acreage, and production estimates for the 2022/23 season unchanged from last month. Ending stocks were revised down to 280 million bushels from 310 million in May.

Beginning stocks were adjusted lower by 30 million bushels, and this accounted for the tightening stocks. Old crop demand has been higher than expected. World 2022/23 soybean ending stocks came in at 100.46 million tonnes versus 99.60 million in May. Ending stocks for 2021/22 came in at 86.15 million tonnes. 2021/22 production estimates for Brazil and Argentina came in higher than expected. With normal weather, there could be a large global production surplus for the coming year, and the world ending stocks estimate is the second highest on record. The weather maps look threatening, and the market will need to absorb what is likely to be a significant drop in topsoil moisture over the next two weeks. There is not much rain in the forecast, and it is expected to reach 101 degrees on Monday and Tuesday and 100 degrees on Wednesday in St. Louis. Temperature highs are 99 on degrees on the 20th and 100 degrees for June 21st.

If yield comes in 2% lower than the current USDA estimate, ending stocks could fall to 187 million bushels, which would be the lowest since the 2013/14 season. The stocks/usage ratio would drop to 4.1%, also the lowest since 2013/14. If yield comes in 4% lower than the current estimate, the stocks/usage ratio could drop to 2.1%, which would be lowest on record going back to at least 1964. The Commitments of Traders report for the week ending June 7th showed Soybeans Managed Money traders net sold 5,702 contracts and are now net long 158,928 contracts. Non-Commercial & Non-Reportable traders were net long 134,072 contracts after decreasing their long position by 5,353 contracts. For Soyoil, Managed Money traders were net long 68,823 contracts after increasing their already long position by 4,362 contracts. For meal, Managed Money traders were net long 53,169 contracts after increasing their already long position by 5,807 contracts.

CORN:

The USDA update failed to provide any major surprises, but did not show as strong demand as some traders had anticipated. The weather forecast suggests the corn market may build some weather premium. In addition, traders will monitor crop conditions Monday afternoon, but especially the extent of planted area in North Dakota. The USDA supply/demand report Friday left yield, acreage, and production estimates for the 2022/23 season unchanged from last month. Ending stocks came in at 1.400 billion bushels versus 1.360 billion in May. Ending stocks for 2021/22 came in at 1.485 billion bushels versus 1.440 billion in May. Beginning stocks came 45 million bushels higher than last month. This was contrary to expectations for them to be tighter, and it lent a bearish tone to the market.

Ukraine production was revised higher to 25 million tonnes from 19.5 million in the May report. This is still considerably lower than the 42.3 million they produced last year. With the threatening weather ahead and the late planted crop, traders are questioning the USDA yield estimates. If yield ends up 2% lower from the USDA forecast, ending stocks could slip to 1.117 billion bushels and result in in a stocks/usage ratio of 7.7%. This would be the lowest since the 2012/13 season. If yield is 4% lower, ending stocks could drop to 827 million bushels and result in a 5.7% stocks/usage ratio. This would be the tightest ratio since the 1995/96 season and the second tightest on record going back to at least 1960.

For an example of the intensity of the heat, Monday's projected high for McCook, Nebraska is 107 degrees. Temperatures highs are projected Friday, Saturday, Sunday and Monday at 99, 104, 105, and 100 degrees. Temperature highs stay in the mid to upper 90s all the way through June 25. In St. Louis, highs on Monday and Tuesday are expected at 101 degrees, with 100 degree highs for Wednesday as well. The heat comes back next week with 99 degrees on June 20 and 100 degrees on the 21st. The June 7th Commitments of Traders report showed Corn Managed Money traders are net long 264,327 contracts after net selling 4,637 contracts for the week. Commodity Index Traders net sold 9,335 contracts and are now net long 457,765 contracts. Non-Commercial & Non-Reportable traders are net long 318,753 contracts after net selling 15,293 contracts.

WHEAT:

The USDA report news was a mixed bag and the market is likely to follow the other grains over the near term. The USDA reduced India exports by 2 million tonnes to 26.5 million which was seen as a positive, but Russia exports were raised by 1 million tonnes to 40 million which would be their second largest total on record. IKAR raised their Russian wheat production estimate to 87 million tonnes from the prior forecast of 85 million. September wheat closed unchanged on the session with an inside trading day. US 2022/23 all wheat production came in at 1.737 billion bushels versus an average expectation of 1.72 billion and a range of expectations from 1.63 to 1.76 billion. This was up from the May estimate for 1.729 billion. USDA in May forecast the lowest output of wheat the grain since 1963. All wheat ending stocks for 2022/23 came in at 627 million bushels versus an average expectation of 623 million (range 550 to 680 million) and 619 million in the May report. If so, this would be the lowest ending stocks since the 2013/14 season.

Ending stocks for 2021/22 came in at 655 million bushels versus an average expectation of 666 million (range 645 to 715 million) and 655 million in May. World 2022/23 wheat ending stocks came in at 266.85 million tonnes versus an average expectation of 267.30 million (range 260.00-272.00 million) and 267.00 million in May. World 2021/22 ending stocks came in at 279.4 million tonnes versus an average expectation of 279.60 million (range 275.00-281.30 million) and from 279.72 million in May. The USDA data is mostly neutral against expectations, but the US weather is threatening for the corn and soybean crops, and wheat is likely to follow the other grains short-term. The Commitments of Traders report for the week ending June 7th showed Wheat Managed Money traders reduced their net long position by 2,349 contracts to a net long 12,675 contracts. Non-Commercial & Non-Reportable traders net sold 3,200 contracts and are now net long 22,032 contracts. For KC Wheat, Managed Money traders are net long 37,498 contracts after net selling 3,152 contracts. Non-Commercial & Non-Reportable traders were net long 33,248 contracts after decreasing their long position by 4,138 contracts.

HOGS:

Pork values seem to have stabilized, and many traders see seasonal demand as strong. July hogs closed higher on Friday but well off their early highs, as a move above Thursday's highs failed to attract new buying interest. The short-term fundamentals still look negative, but the market is oversold enough that there may be a short-term technical bounce. The CME Lean Hog Index as of June 8 was 107.31, down from 107.48 the previous session but up from 105.03 the previous week. The USDA pork cutout, released after the close Friday, came in at $107.57, up from $106.95 on Thursday but down from $107.71 the previous week.

In the monthly USDA supply/demand report, US pork production was revised up 180 million pounds for the second quarter of 2022 to 6.670 billion pounds. Smithfield Foods said it will stop operations in Vernon, California in early 2023 and reduce its sow herd in the Western region due to rising costs of doing business in California. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,982 contracts of lean hogs for the week ending June 7, increasing their net long to 22,473. Non-commercial & non-reportable traders were net buyers of 1,121, increasing their net long to 11,998.

The USDA estimated hog slaughter came in at 446,000 head Friday and 19,000 head for Saturday. This brought the total for last week to 2.372 million head, up from 2.044 million the previous week but down from 2.432 million a year ago. Estimated US pork production was 515.1 million pounds, up from 445.5 million the previous week but down from 518.2 million a year ago. Cumulative export sales for 2022 have reached just 847,000 tonnes, down from 1.076 million a year ago and 1.135 million the year before that.

CATTLE:

August cattle closed moderately lower on Friday, as outside market forces were quite negative and kept sellers active. The lowest consumer sentiment reading on record suggests consumer spending on anything that is not essential might fall. Talk of the short-term overbought condition of the market and fears of weakening demand helped pressure prices. The estimated average dressed cattle weight last week was 815 pounds, down from 820 the previous week and from 817 a year ago. The 5-year average weight for that week is 810 pounds.

The sharp drop for the week is a supportive fundamental development, as it points to lower beef production ahead. Estimated beef production last week was 548.2 million pounds, up from 546.8 million a year ago. The USDA boxed beef cutout was up 94 cents at mid-session Friday and closed 22 cents higher at $271.32. This was up from $267.26 the previous week. Cash live cattle ended last week about $2 higher than the previous week. As of Friday afternoon, the 5-day, 5-area weighted average price was $139.64, up from $137.54 the previous week.

In the monthly USDA supply/demand report, US beef production was revised down 15 million pounds for the second quarter and up 80 million for the fourth quarter, for a net increase of 65 million for 2022. The USDA estimated cattle slaughter came in at 124,000 head Friday and 47,000 head for Saturday. This brought the total for last week to 674,000 head, up from 603,000 the previous week and 670,000 a year ago. Friday's Commitments of Traders showed managed money traders were net buyers of 9,265 contracts of live cattle for the week ending June 7, increasing their net long to 21,350. Non-commercial & non-reportable traders were net buyers of 9,931, increasing their net long to 37,563.

COCOA:

Cocoa prices will start out this week at the lowest level since early December. While near-term demand concerns have been given additional fuel by the negative shift in global risk sentiment, a bullish supply outlook can help cocoa prices find their footing. For the week, September cocoa finished with a loss of 73 points (down 2.9%). Continued deterioration in global risk sentiment was given a significant boost by multi-decade highs in the US CPI index. This has become a notable source of pressure on the cocoa market as surging inflation is likely to weaken near-term demand prospects due to chocolate, as it is a mostly discretionary purchase for many global consumers. In addition, a huge selloff in the Eurocurrency put carryover pressure on cocoa prices as that will make it more difficult for Euro zone grinders to acquire near-term supplies.

While trade forecasts are likely to be dialed back, 2021/22 global grindings should still reach a record high total. In contrast, 2021/22 global cocoa production is on-track for its largest year-over-year decline since the 2006/07 season. Ghana is widely expected to have their 2021/22 cocoa output come in under 800,000 tonnes (versus 1.047 million last season), while Ivory Coast's cocoa output could decline by 50,000 tonnes from 2020/21's 2.248 million tonnes. The June 7th Commitments of Traders report showed Cocoa Managed Money traders were net short 2,344 contracts after decreasing their short position by 7,683 contracts. Non-Commercial & Non-Reportable traders were net long 12,114 contracts after increasing their already long position by 6,315 contracts.

COFFEE:

Near-term demand concerns have become a notable source of pressure and the bearish tilt to outside market forces added to the negative tone. For the week, September coffee finished with a loss of 3.75 cents (down 1.6%) which broke a 4-week winning streak. A more than 1.5% loss in the Brazilian currency as it reached a 3 1/2 week low on Friday was a notable source of pressure on coffee prices, as extended currency weakness could encourage Brazil's farmers to market their near-term supply to foreign customers. The Brazilian trade group Cecafe said that their nation's May Arabica exports came in at 2.407 million bags which was more than 15% higher than last year's total.

Safras and Mercado said that Brazil's farmers have sold 33% of their 2022/23 crop, which compares to 40% at this point last year and a 5-year average for this time of the season of 29%. In addition, the negative shift in global risk sentiment and surging inflation levels around the global are likely to dampen out-of-home consumption levels, and that also weighed on prices. The USDA estimated Vietnam's upcoming 2022/23 production at 30.93 million bags, which compares to 31.53 million this season. ICE exchange coffee stocks fell by 3,580 bags on Friday and more than 43,000 bags below their May month-end total. The June 7th Commitments of Traders report showed Coffee Managed Money traders were net long 39,969 contracts after increasing their already long position by 6,594 contracts. Non-Commercial & Non-Reportable traders are net long 48,340 contracts after net buying 5,358 contracts.

COTTON:

The USDA supply demand reports had no changes for the US 2022/23 cotton outlook, but it did come in at the bullish end of expectations, which had called for an increase in production and ending stocks. The report put production at 16.50 million bales versus an average expectation of 16.77 million (range 16.00-17.90 million) and ending stocks at 2.90 million versus 3.11 million expected (range 2.60-4.00). In a similar vein, the world numbers tightened slightly from last month versus expectations for a slight increase in supply. World production for 2022/23 came in at 121.27 million bales, up from 121.06 million in the May report and slightly above the average expectation of 121.25 million (range 119.50-124 million). However, ending stocks came in at 82.77 million bales, down from 82.82 million in May and below the average expectation of 82.90 million (range 81.50-85.82 million).

The report did not scream "bullish," but it was better than expected. The market responded by selling off in the wake of the report following a strong rally the day before. A sharp rally in the dollar on Friday contributed to the selloff, as this raised concerns about export demand for US cotton. A hot CPI number and a low consumer sentiment reading contributed to concerns about domestic consumption. The 1-5-day forecast calls for little or no rain in Texas, and the next two weeks could be critical. The 6-10 and 8-14-day forecasts call for above normal temperatures across the central US and extending into the southeast, encompassing the cotton growing regions. This includes below normal chances of rain across the cotton belt but with some better chances of rain in the far western regions of Texas. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,071 contracts of cotton for the week ending June 7, increasing their now net long position to 62,405. CIT traders were net sellers of 1,086 contracts, reducing their net long to 65,852.

SUGAR:

Sugar has been pressured by recent weakness in key outside markets, and has reached its lowest price levels since mid-May. Unless there is a positive turnaround in global risk sentiment, sugar may continue to slide further to the downside as the market is vulnerable to long liquidation selling. Sugar positioning in the Commitments of Traders for the week ending June 7th showed Managed Money traders were net long 168,137 contracts after decreasing their long position by 17,127 contracts which is a long liquidation selling trend. Non-Commercial & Non-Reportable traders are net long 237,805 contracts after net selling 9,003 contracts. For the week, October sugar finished with a loss of 40 ticks (down 2.1%) and a third negative weekly result in a row. Energy prices had a heavy midsession selloff that put carryover pressure on the sugar market as that could weaken near-term ethanol demand prospects.

In addition, the Brazilian currency reached a new 3 1/2 week low which put another source of pressure on sugar prices. The Brazilian trade group Unica released their latest supply report which pegged Center-South sugar production during the second half of May at 2.311 million tonnes which was down 12.74% from last year. However, Center-South cane crushing during that timeframe was up 0.04% from 2021 while sugar's share of crushing came in at 43.16% which was a sizable uptick from levels seen earlier this season. In addition, Center-South domestic ethanol sales during May were 5.6% below last year's reading. The India Sugar Mills Association has asked their government to increase their nation's 2021/22 sugar exports limit by 1 million tonnes up to 11 million. The USDA pegged 2022/23 US sugar stocks/usage at 7.6, which compares to 13.6 during 2021/22 and is due in part to a sizable downtick in beet sugar production from a late start to planting this year.