ADM

ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

We suspect part of the rally in treasury prices late last week was the result of the oversold status into month end with December bonds on the month following by roughly 11 points. As for the Fed's favorite inflation measure (core personal consumption expenditures), the results were mixed with some components showing moderation and others remaining at elevated levels. Certainly, US personal spending came in stronger than expected, but market sentiment was shifted positive in the wake of subsequent soft data from Chicago purchasing managers and Michigan consumer sentiment! Despite rumors of an unfolding European bank crisis, US treasury prices this morning are trading only marginally higher.

In fact, with the UK government apparently reversing last week's tax rate cut promise that should rekindle noted slowing fears in the UK. In fact, S&P cut the UK rating after the announcement to roll back tax cuts by reducing UK sovereign debt supply to "negative" from "stable". Furthermore, the markets have not fully embraced fears that British pension funds are struggling to meet margin calls. Turning domestic the treasury markets will maneuver ahead of the always critical monthly nonfarm payroll reading on Friday, with Fed officials last week and likely again this week continuing to pound the drum on their inflation fighting stance. There will be three Fed speeches on Monday, with the trade also presented with potentially critical manufacturing data prior to those speeches.

From a technical perspective, the treasury markets are obviously oversold and could be considered excessively oversold and a slight reduction in the net spec and fund short positions gives credence to the potential for a value zone around 126-00 in December bonds and at 112-00 in December notes. The Commitments of Traders report for the week ending September 27th showed Bonds Non-Commercial & Non-Reportable traders are net short 87,381 contracts after net buying 3,124 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net short 378,742 contracts after net buying 4,043 contracts. Today's US manufacturing data is expected to show softening with the trade giving particular attention to expectations for a 2-point drop in ISM manufacturing employment. Furthermore, manufacturing prices paid are expected to dip moderating which should add to the potential for treasuries respecting consolidation support from last week.

CURRENCIES:

While the dollar initially managed to reject the spike down new low for the move last Friday, fresh chart damage and nondescript US scheduled data left the greenback off balance. However, despite last week's reversal of trends throughout the currency markets, fundamentals remain bullish to the dollar and particularly bearish to the Pound and euro. In fact, the bounce in the Pound last week is likely a one-off reaction to the Bank of England surprise UK bond market intervention, and the bull camp can hardly expect a repeat of that action soon. While the dollar has not seen noted flight to quality buying from two potential earth-moving financial sector problems early this week, the trade has clearly moderated its entrenched and aggressive bullish view in place from February into last week's high.

However, forced to pick a side the obvious port in a financial/recession storm will be the US dollar as the potential for rate hikes from the BOE and ECB are tempered. Certainly, the trade is slowly downgrading the potential for a jumbo US rate hike one month from now, the US Federal Reserve has been steadfast in its focus on price/inflation measures and seemingly unconcerned with classic economic momentum reports. Dollar positioning in the Commitments of Traders for the week ending September 27th showed Non-Commercial & Non-Reportable traders net bought 1,715 contracts and are now net long 32,512 contracts.

We see the downtrend in the euro remaining in place with recent gains off the lows largely the result of technical balancing and not economic change. Euro zone economic news confirmed weakening in the European economy with Spain, France, Germany, and the euro zone posting soft global manufacturing PMI readings for September. In the end, we are steadfast in our view that a recession in the US will result in a significant recession in the euro zone. In fact, with crude oil jumping more than $4 a barrel early this week, the headwinds for the European economy from energy costs remain in place. Euro positioning in the Commitments of Traders for the week ending September 27th showed Non-Commercial & Non-Reportable traders were net long 52,735 contracts after decreasing their long position by 1,018 contracts.

In general, Japanese Tankan manufacturing survey readings were disappointing for the 3rd quarter and that contributes bearish domestic forces in the Yen trade. With the BOJ last week increasing its intervention rhetoric and seeing fresh intervention threats from the Japanese Finance Minister today the trade will likely attack the Yen to "draw out" BOE action while the downside breakout is likely to extend this week. Obviously, the Credit Suisse concern has the Swiss under initial pressure today with softer than expected Swiss consumer price index readings merely moderating fears of over tightening by the central bank. However, Swiss purchasing managers readings for September were very strong thereby providing the Swiss with an economic cushion.

Apparently, the currency markets are forgiving of the major policy "pivot" by the new UK government as the currency is higher following a decision to "roll back" recently offered UK tax cuts. Not surprisingly, the UK economy continues to throw off signs of slowing, with the S&P global/CIPS UK global manufacturing PMI reading for September softer than expected. While we see the Canadian economy in better shape than other non-US economies, and the Canadian economy less vulnerable to rising energy prices, the Canadian dollar charts remain bearish and just under the surface residual bullishness toward the US dollar thickens Canadian Dollar resistance at last week's consolidation high zone. Obviously, any recovery in the dollar ahead is likely to result in lower lows in the Canadian dollar.

STOCKS:

The action in the equity markets in the early trade last Friday was impressive given a string of negative overnight corporate news stories. In addition to predictions of ongoing slowing in the global merger and acquisition market, the trade could have been undermined by negative Nike, Boeing, and Meta news. It is likely that the markets saw some fleeting support from month and quarter end short covering and from JP Morgan's intentions to higher 2,000 engineers. Global equity markets at the start of this week were mostly lower with markets in Japan and Russia managing to buck the trend and post gains.

As indicated in treasury market coverage at the start of this week, seeing a 2nd concerning story from the financial sector early Monday morning (following fear of UK pension liquidity concerns last week) should leave the markets more vulnerable to the Credit Suisse rumors. However, the bull camp could argue that cracks in financial markets could dissuade central bank rate hikes ahead which in turn would be a significant bullish injection into equities. In the end, the focus of stocks will be the action in US treasuries, as a slide toward last week's lows in treasuries could prompt sharp range down action in equities.

With another new low for the move early this week, corporate headlines negative, expectations for hawkish Fed dialogue and residual macroeconomic slowing fears, the chart bias in the S&P is down. Others will suggest a weaker open to the quarter portends negative action for stocks into the end of the year. The positioning report from last week showed profit-taking on the net spec and fund short positioning, but speculators remain heavily bearish toward the market. The Commitments of Traders report for the week ending September 27th showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 77,878 contracts and are now net short 212,333 contracts.

Like other sectors of the market, Dow futures remain aggressively net spec and fund short, with the trade adding to their bearish bets last week. Dow Jones $5 positioning in the Commitments of Traders for the week ending September 27th showed Non-Commercial & Non-Reportable traders added 4,584 contracts to their already short position and are now net short 20,427 contracts. We suspect the Dow will extend on the downside as financial sector stocks see liquidation from financial sector rumors and fear of increased energy cost pressures (crude oil futures up more than $4 early this week) as large companies remain sensitive to significant overhead.

With the NASDAQ futures failing at critical support at the start of this week in the wake of record Tesla deliveries (possible because of supply chain fears), the bull camp is not finding support from the tech sector. The Commitments of Traders report for the week ending September 27th showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 22,022 contracts after increasing their already short position by 1,421 contracts.

GOLD, SILVER & PLATINUM:

A lack of significant reaction in gold to weekend rumors of financial trouble at a Swiss money center bank highlights the gold market’s inability to embrace classic flight to quality concerns. Some talking heads Monday morning wondered if the European banking system is threatened with a "Lehman-like moment" but if that were the case, the US dollar and US treasuries would be significantly higher. Apparently, the gold market shifted its focus at the end of last week toward a slight decline in US treasury yields, and that combined with a new low for the move in the dollar last week gives gold and silver a slightly positive outside market bias to start the new trading week. In a very minimal demand benefit, the Indian government reduced the gold and silver import prices subject to importer taxes and perhaps some of that discounting will be passed on to consumers.

However, December gold last week finished $46 above the lows last week and that might discourage bargain-hunting buying. On the other hand, with the most recent COT gold positioning report from September 27th registering the lowest net spec and fund long since early December 2018 and the market from that level into the low last week falling $24, the net spec and fund long could be approaching modern day trading lows. However, it should be noted that in October 2018 gold posted a net spec and fund short of 42,000 contracts. Last week gold ETF holdings declined by 1.1 million ounces and ended the week down 0.8% year-to-date. Gold positioning in the Commitments of Traders for the week ending September 27th showed Managed Money traders net sold 8,334 contracts and are now net short 41,300 contracts. Non-Commercial & Non-Reportable traders are net long 56,999 contracts after net selling 15,175 contracts.

Similarly, the net spec and fund position in silver is fresh off a "net short", and therefore a portion of last week's late recovery was likely short covering/profit-taking in the wake of a 180-degree shift in outside market influences. The Commitments of Traders report for the week ending September 27th showed

Silver Managed Money traders net sold 992 contracts and are now net short 8,087 contracts. Non-Commercial & Non-Reportable traders net sold 290 contracts and are now net long 6,503 contracts. Unfortunately for the bull camp, outflows from silver ETF holdings last week were robust at 5.2 million ounces in a sign that investors remain cool toward silver.

While we lack a definitive opinion on palladium with the market last week swinging wildly with a range of $240, pushed into the market, we are a seller with prices high in the last two months range. The most recent positioning report showed Palladium maintaining a net spec and fund short which is likely a combination of residual bearishness by investors and those fearing recession. The September 27th Commitments of Traders report showed Palladium Managed Money traders are net long 326 contracts after net buying 26 contracts. Non-Commercial & Non-Reportable traders net bought 25 contracts and are now net short 1,236 contracts. However, the trade is aware of the potential for supply limiting exchange rules aimed at Russian supply and that could suddenly result in an upside breakout in palladium to the highest level since mid-summer.

On the other hand, many traders are unwilling to pay up for fresh longs in December palladium in the upper 3rd of the last two months trading range, with the exact middle of the range in palladium at $2,121. Like the palladium market, the platinum market continues to see the net spec and fund long position reduced with the net spec and fund long position, hovering near the lowest level in 4 years. Platinum positioning in the Commitments of Traders for the week ending September 27th showed Managed Money traders net sold 4,953 contracts and are now net short 6,955 contracts. Non-Commercial & Non-Reportable traders net sold 3,412 contracts and are now net long 2,576 contracts. In retrospect, holdings from platinum ETFs are flowing out faster than palladium and the PGM markets are obviously fearful of recession

COPPER:

With weeklong holidays in China potentially sapping the market of bargain-hunting buying and ongoing global recession fear, the bull camp was fortunate to see news last week that Chilean August copper output declined by 9.4% over year ago levels. It should also be noted that Shanghai copper warehouse stocks fell by 6,438 tonnes or 17.4% in a single week. The markets also saw cash market estimates of a decline in available physical copper inside China of 10,000 tonnes on the week. Limiting the copper market on the upside are comments from Goldman last week discounting the potential of the situation in Russia creating significant tightness in the global copper and nickel markets.

Fortunately for the bull camp, the net spec and fund short in copper remains extreme near the largest level in 2 years which could increase the odds of respecting the late September low down at $3.2430. The Commitments of Traders report for the week ending September 27th showed Copper Managed Money traders are net short 10,592 contracts after net selling 6,480 contracts. Non-Commercial & Non-Reportable traders were net short 27,385 contracts after increasing their already short position by 6,487 contracts.

ENERGY COMPLEX:

We expect volatility in crude oil to extend into the new trading week, with fears of demand destruction periodically surfacing in the face of the potential for OPEC+ to reduce output by one million barrels per day. The bullish reaction in prices early this week is likely the result of trade talk that the OPEC+ production cut could exceed 1 million barrel per day level. However, OPEC+ members have been unable to produce to their production ceilings, and therefore a reduction in allowable output will be easily complied with. Adding into the bull case at the start of this week is a 17% week over week decline in global crude oil floating storage. In an under the radar bullish development the trade has been presented with signs of significant cutbacks in Russian oil exports with Russian Arctic exports falling to a 9-month low (that could be seasonal) and reports that Russian Pacific shipments have reached multiyear lows.

However, China is in a weeklong holiday and global energy demand expectations are reduced further by swirling European financial sector concerns. As in many other physical commodities markets, the crude oil market remains moderately liquidated with the net spec and fund long recently reaching the lowest level since 2016! Crude Oil positioning in the Commitments of Traders for the week ending September 27th showed Managed Money traders were net long 169,662 contracts after decreasing their long position by 23,078 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 16,206 contracts to a net long 299,679 contracts. Last week, the US oil rig operating count increased by two, but Baker Hughes pointed out that US oil and gas rig activity growth slowed to the lowest level in two years. While Hurricane Ian disrupted some US production and shipping, we suspect that supply is back online. It should also be noted that tropical waves currently stretch almost the entire Atlantic between South America and Africa.

While the outlook for crude oil remains bearish, chatter in the marketplace points to a significant ongoing global demand for fuel, with Europe expected to see tightening supply directly ahead and US product inventories from the EIA still showing year-over-year deficits in gasoline, distillate, and diesel. In fact, the EIA gasoline year-over-year deficit reached the highest level since August 26th! Even though US implied gasoline demand jumped up to a 6-week high last week, those 6 weeks of readings were extremely low compared to the rest of the year. The net spec and fund long in gasoline remains considerable with the recent long 16,000 contracts above the lows of the last 4 years. The September 27th Commitments of Traders report showed Gas (RBOB) Managed Money traders added 176 contracts to their already long position and are now net long 51,987. Non-Commercial & Non-Reportable traders are net long 47,081 contracts after net selling 611 contracts.

While the diesel market continues to show the most vulnerable action of the complex, traders should fear a sudden Russian hold back of diesel exports as the Russian president is clearly tightening the screws on Europe with his shutdown of natural gas flow. Unfortunately for the bull camp, the net spec and fund long position in diesel leaves the market vulnerable to stop loss selling. The September 27th Commitments of Traders report showed Heating Oil Managed Money traders were net long 11,861 contracts after decreasing their long position by 3,840 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,628 contracts to a net long 21,589 contracts.

In our opinion, the natural gas market will continue to correct off weakening shoulder season demand, record US gas production, and from reports that Russian gas flows remain steady at the start of this week. We also see thickening resistance in US gas prices following a larger than anticipated EIA working gas in storage injection reading last week and from the likelihood that gas supply in the US backed up because of the hurricane last week. However, with the Nord Stream 1 pipeline shuttered before the explosions hit other pipeline sections last week, and the Russian national gas company seemingly poised to break off business relations with the only major remaining Russia to Europe pipeline (through Ukraine), it certainly appears Putin is using energy as a military weapon. On the other hand, weekend reports show the Ukrainian state gas company bookings for October 3rd increasing over October 2nd.

The weekly Baker Hughes rig operating count pegged natural gas drilling to have declined by one. Even though the natural gas market has maintained a significant net spec short position since March 2021 adjusted for the post COT report action last week the spec short and could now be the largest since early 2020 at the start of the pandemic! Natural Gas positioning in the Commitments of Traders for the week ending September 27th showed Managed Money traders are net short 92,319 contracts after net selling 9,677 contracts. Non-Commercial & Non-Reportable traders added 62 contracts to their already short position and are now net short 121,701. While we see the initial path of least resistance pointing down to start the week, tropical wave activity in the Atlantic stretches the entire length between South America and Africa! Those short that gas market should be aware of the potential massive risk of being short gas with the antics of the Russian Federation likely to surprise the trade again.

BEANS:

While a bit oversold technically, the close below 1372 1/2 for November soybeans is a bearish development. While the USDA news was bullish for corn and wheat, the news for the soybean market was bearish. Strength in the other grains might help support soybeans temporarily. November soybeans closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since August 4. A bearish USDA update plus good harvest weather ahead helped to pressure. The Quarterly Grain Stocks report showed US soybean stocks at 274 million bushels on September 1, above the average expectation of 243 million and near the upper end of expectations from 215 to 275 million.

This was also up from the 240 million bushels forecast in the September USDA supply/demand report (2021/22 ending stocks) and above the 257 million on September 1, 2021. The larger than expected supply suggests usage may not be as high as the USDA projections. December meal is still operating under the negative technical influence of the September 22 key reversal, and the market has closed lower for eight sessions in a row. Open interest is down to the lowest level since May. For the USDA August crush report, traders see crush near 175.4 million bushels from 181.3 million in July and 168.2 million last year. Soybean oil stocks are estimated to have dropped to 2.105 billion pounds which would be a 13 month low.

The range of estimates is 2.075 billion to 2.14 billion. The September 27th Commitments of Traders report showed Soybeans Managed Money traders were net long 94,831 contracts after decreasing their long position by 9,860 contracts which is a long liquidation selling trend. Non-Commercial & Non-Reportable traders are net long 42,660 contracts after net selling 13,092 contracts. For Soyoil, Managed Money traders added 107 contracts to their already long position and are now net long 58,417. For meal, Managed Money traders are net long 93,545 contracts after net selling 8,623 contracts for the week. Non-Commercial & Non-Reportable traders net sold 15,298 contracts and are now net long 133,190 contracts.

CORN:

December corn closed higher on the session last Friday but nearly 20 cents off of the highs of the day which came in after the USDA stocks report. The report showed US September 1 corn stocks at 1.377 billion bushels versus an average expectation of 1.495 billion (range 1.095-1.633 billion). This was down from the 1.525 billion forecasted in the September USDA supply/demand report (2021/22 ending stocks) and up from 1.235 billion on September 1, 2021. The report news was bullish for the corn market, with 2022/23 beginning stocks coming in 148 million bushels below the USDA estimate from the supply/demand report earlier this month. Looking at the supply/demand outlook for 2022/23, we lowered the beginning stocks figure and left the other data unchanged from the September USDA report. The lower stocks suggest that usage might be higher than the current USDA forecast.

However, exports and use for ethanol have been running behind the usual pace for early in the season. If yield is adjusted down by 1.4%, ending stocks would fall to just 857 million bushels and result in a stocks/usage of 6%. This would be the second tightest on record going back to 1960. The EU's 2022 corn harvest is now seen at 55.5 million tonnes, down from an August outlook for 59.3 million, according to a European Commission report. The Commitments of Traders report for the week ending September 27th showed Corn Managed Money traders are net long 237,854 contracts after net selling 10,055 contracts in just one week. This is long liquidation and selling could increase if support levels are violated. China is restricting exports of corn starch. The government wants to stabilize prices and curb inflation risks. This is a positive development.

WHEAT:

The USDA report news was bullish and the wheat market seems to have more upside potential over the near-term. December wheat closed sharply higher on the session Friday and the buying pushed the market up to the highest level since July 11. Bullish data from the USDA and continued escalation of Black Sea war issues helped to support. US September 1 wheat stocks came in at 1.776 billion bushels versus an average expectation of 1.793 billion (range 1.663-1.950 billion) and 1.774 billion on September 1, 2021.

The stocks news was neutral but the small grains report showed all US wheat production at 1.650 billion bushels versus an average expectation of 1.784 billion (range 1.750-1.806 billion). Winter wheat production came in at 1.104 billion bushels versus an average expectation of 1.193 billion (range 1.165-1.205 billion). Spring wheat production came in at 482 million bushels versus an average expectation of 516 million (range 503-540 million). The production news was very bullish, with winter and spring wheat coming in below the low end of the range of estimates.

The market has found strength recently from food security concerns and worries about slow movement out of the Black Sea region. The lower production news means the USDA will likely lower its 2022/23 ending stocks estimate in their next supply/demand update. In fact, if the USDA does not adjust demand numbers, ending stocks could drop to near 487 million bushels, which would be the smallest since the 2007/2008 season.

The September 27th Commitments of Traders report showed Wheat Managed Money traders were net short 14,397 contracts after decreasing their short position by 1,306 contracts. Non-Commercial No CIT traders are net short 41,379 contracts after net buying 6,112 contracts for the week which is short-covering and leaves the market vulnerable to increased buying if resistance is violated. For KC wheat, Managed Money traders net bought 4,846 contracts and are now net long 23,905 contracts. Non-Commercial & Non-Reportable traders net bought 3,181 contracts and are now net long 19,652 contracts.

HOGS:

The short-term cash fundamental news remains bearish with the steep decline in pork cutout values seen recently. However, the market is oversold technically and is still holding a much wider discount to the cash market than normal. The USDA pork cutout, released after the close Friday, came in at $95.96, down $1.29 from Thursday and down from $100.05 the previous week. This was the lowest the cutout had been since February 8. December hogs closed moderately higher on the session Friday with a quiet inside trading day. December hogs are trading at a massive discount to the cash market and the USDA report was bullish. Hog numbers are well below expectations and below the low-end of trader expectations. This was the ninth consecutive quarter of year over year declines in hog supply. Hogs held for slaughter are down 1.5% from year ago.

The CME lean index is at 95.60, which leaves December hogs on the close Friday at a $19.38 discount as compared with the five-year average discount of $2.03. The USDA estimated hog slaughter came in at 467,000 head Friday and 132,000 head for Saturday. This brought the total for last week to 2.526 million head, down from 2.538 million the previous week but up from 2.517 million a year ago. Estimated US pork production last week was 534.5 million pounds, up from 527.6 the previous week and down from 545.6 a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 23,535 contracts of lean hogs for the week ending September 27, reducing their net long to 41,129. Non-commercial & non-reportable traders were net sellers of 18,022, reducing their net long to 32,014.

CATTLE:

While the cattle market put in a sweeping reversal on Thursday, which suggested that a short-term low might be in place, a continued sharp decline in beef prices and a jump in weights remain as bearish short-term factors. Beef prices are down to the lowest level since March 29 of 2021. December cattle closed moderately lower on the session Friday after an early rally to a four session peak failed to attract new buyers. Open interest remains in a downtrend on the break which suggests long liquidation selling.

Friday's Commitments of Traders report showed managed money traders were net sellers of 11,148 contracts of live cattle for the week ending September 27, reducing their net long to 62,075. Non-commercial & non-reportable traders were net sellers of 10,196, reducing their net long to 74,020 contracts. This is a long liquidation selling trend. USDA boxed beef cutout was down $1.26 at mid-session Friday and closed $2.33 lower at $243.75. This was down from $248.63 the previous week and the lowest since March 29, 2021.

The estimated average dressed cattle weight last week was 829 pounds, up from 826 the previous week and down from 831 a year ago. The 5-year average weight for that week is 830 pounds. Estimated beef production last week was 549.0 million pounds, up from 530.6 million a year ago. The Cash live cattle traded in moderate volume on Friday near where they had traded earlier in the week. As of Friday afternoon, the five-day, five-area weighted average price was 144.57 versus 144.71 the previous week. The USDA estimated cattle slaughter came in at 115,000 head Friday and 42,000 head for Saturday. This brought the total for last week to 664,000 head, down from 667,000 the previous week but up from 640,000 a year ago.

COCOA:

Cocoa's near-term demand concerns will remain a front and center issues for the market as long as high inflation levels and sluggish global risk sentiment dominate news headlines. Cocoa's late-September rebound of 158 points from Monday's 26-month low has been fueled largely by bullish supply developments that can help the market see upside follow-through early this week. December cocoa continued to build on early strength as it reached a 1 1/2 week high before finishing Friday's trading session with a moderate gain. For the week, December cocoa finished with a gain of 107 points (up 4.8%) which was the first positive weekly result in 4 weeks as well as a positive weekly key reversal.

The Ivory Coast Coffee and Cocoa Board (CCC) announced that the minimum farmgate price for their nation's 2022/23 main crop cocoa production will be 900 CFA francs (roughly $1.34) per kilo, which compares to 825 CFA francs for last season's main crop. Keep in mind that last Friday's close for December futures was 246 points below their close on September 30th, 2021, so the CCC's price increase may indicate that Ivory Coast cocoa supply may be tighter than expected during the fourth quarter.

High costs have prevented many West African farmers from adequate usage of fertilizers and pesticides since early this year, and that has given a further boost to cocoa prices as that may keep 2022/23 production close to this season's output levels. A report that Nigeria's August cocoa exports were 48% below last year's levels provided additional support to the cocoa market going into month-end and quarter-end. While the Eurocurrency and British Pound were able to extend their recovery moves on Friday, a sharp selloff in US equity markets could lead to knock-on selling in Asian and European stocks on Monday that will put carryover pressure on cocoa prices.

The Commitments of Traders report for the week ending September 27th showed Cocoa Managed Money traders added 7,890 contracts to their already short position and are now net short 44,435. CIT traders net sold 3,366 contracts and are now net long 18,052 contracts. Non-Commercial No CIT traders added 3,951 contracts to their already short position and are now net short 29,409. Non-Commercial & Non-Reportable traders net sold 6,066 contracts and are now net short 27,477 contracts.

COFFEE:

Coffee's volatile price action during late September was unable to prevent the market from posting a second positive weekly result in a row. While the out-of-home demand outlook may be weakened by sluggish global risk sentiment, coffee continues to have bullish supply factors that can support prices early in the fourth quarter. December coffee was unable to shake off early pressure as it finished Friday's trading session with a sizable loss. For the week, however, December coffee finished with a gain of 1.10 cents (up 0.5%).

Global risk sentiment remained subdued going into month-end and quarter-end, which weighed on coffee prices as that may weaken its near-term demand outlook. High inflation in many global economies will raise prices on many regularly bought items, and that normally results in a dropout in restaurant and retail shop business that is a significant portion of overall coffee consumption. However, a large portion of coffee consumption takes place at home which may be more resilient during economic turbulence. Rainfall over several Brazilian growing areas also pressured coffee prices late last week, as that should benefit their coffee trees and encourage flowering for their upcoming coffee crop.

Keep in mind that the La Nina weather event has brought drier than normal conditions to Brazil's main Arabica-growing regions since mid-2020, and is expected to continue through early 2023. Colombia's coffee growing areas receive heavy rainfall during La Nina that damages coffee trees and causes flooding, so their 2022 production through August has been 7% below last year's output. ICE exchange coffee stocks fell by 9,229 bags on Friday and finished September at 426,180, which was the lowest month-end total since April of 1999. ICE exchange coffee stocks fell 246,405 bags during September, which was the seventh largest outright monthly decline and fifth largest monthly percentage decline.

Coffee positioning in the Commitments of Traders for the week ending September 27th showed Managed Money traders were net long 37,932 contracts after increasing their already long position by 3,267 contracts. CIT traders are net long 43,718 contracts after net selling 151 contracts. Non-Commercial No CIT traders added 2,720 contracts to their already long position and are now net long 26,746. Non-Commercial & Non-Reportable traders net bought 3,345 contracts and are now net long 45,423 contracts.

COTTON:

Global recessionary fears have been the key factor to drive the cotton market sharply lower over the past month, down about 26%. While the market fell to the lowest level since July 15 on Friday, open interest continues to advance and reached the highest level since April 13. Higher interest rates are likely to reduce consumers spending on apparel, while recent strength in the US dollar could curb the global appetite for US exports. The higher close Friday after making the new low from an extremely oversold condition might be a sign that at least a temporary technical recovery bounce may be in order. South and North Carolina produce about 7% of US cotton.

With most of the crop not harvested and with open bolls, there could be significant damage from the hurricane. The global cotton surplus in the 2022-23 season is now seen at 452,000 tonnes, up from an August estimate of just 12,000 tonnes, according to Cotlook. Consumption outlook was cut by 500,000 tonnes due to lower use in Turkey and the Indian subcontinent and this helped to offset shrinking harvests in India and Pakistan. The Commitments of Traders report for the week ending September 27th showed Cotton Managed Money traders are net long 41,183 contracts after net selling 910 contracts. Non-Commercial & Non-Reportable traders net sold 5,694 contracts and are now net long 39,956 contracts.

SUGAR:

While it has avoided a sharp downside move since late July, sugar has had trouble sustaining any recovery move since reaching a 2022 high in April as it held in a tight range from mid-August to mid-September and seen coiling action over the past two weeks. Recent supply news has been bearish and outside market action has been negative. This could be setting sugar up for another downside move. March sugar was unable to sustain upside momentum yet again as it finished Friday's outside-day session with a mild loss. For the week, however, March sugar finished with a gain of 4 ticks (up 0.2%) which was a second positive weekly result in a row.

While a modest recovery in the Brazilian currency provided sugar with carryover support, crude oil and RBOB gasoline prices had sharp selloffs that pressured sugar prices down into negative territory late in the day. A delayed start to harvesting and crushing and the impact of the La Nina weather event left Brazil's Center-South sugar production 8.4% behind last year's pace by mid-September. Brazil's government put a cap on state fuel taxes, which reduced ethanol's price advantage to gasoline and weakened demand. Center-South mills have shifter the crushing activities towards sugar production and from ethanol over the past few months, and sugar production forecasts have been revised upward.

As of Friday, India's monsoon rains were 6% above the long-period average, and the monsoon had made a slower than normal withdrawal from the mainland, which should benefit India's cane production for the 2022/23 and 2023/24 seasons. India is ramping up its ethanol production, but their 2022/23 sugar production should come in close to last season's record high. This could increase pressure on India's government to raise their 2022/23 sugar export limit which is currently at 8 million tonnes. Thailand's production outlook continues to improve after experiencing back-to-back droughts in 2019/20 and 2020/21, with most of that output increase likely be diverted towards exports.

The Commitments of Traders report for the week ending September 27th showed Sugar Managed Money traders net bought 8,978 contracts and are now net long 17,565 contracts. CIT traders were net long 189,664 contracts after decreasing their long position by 6,019 contracts. Non-Commercial No CIT traders are net short 28,523 contracts after net buying 10,993 contracts. Non-Commercial & Non-Reportable traders added 18,400 contracts to their already long position and are now net long 36,407.