ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

Treasury prices remained within last Thursday's trading range following last Friday's October US jobs report which produced offsetting views toward the US economy. In fact, some financial markets saw the data reducing the prospect of a jumbo rate hike from the US next month while the equity markets were happy with signs the economy is attempting to hold together despite the rising rate environment. With the December bond contract forging a recent series of higher lows and building a consolidation pattern just above 118-22 and the markets fresh off a major fundamental event/signpost a temporary reevaluation of last week's washout is deserved.

However, on a classic fundamental analysis perspective the headline nonfarm payroll reading was stronger than expected and the trade was not overly concerned about the increase in the US unemployment rate. Furthermore, the chairman of the Fed has indicated that rates are headed higher than expected and that view alone justifies a return to the October lows. On the other hand, the downward thrust is mitigated in some respects as some Fed members have indicated there is a "good chance" the pace of future hikes will now be smaller than those already posted.

Going forward, the treasury markets will continue to focus on inflation signals and less on readings of the pace or lack of pace in the US economy. In a minimally supportive development during Monday's trading session, US consumer credit is expected to fall back in a sign of a softening of consumer confidence. Critical economic information this week will be seen late Tuesday US time from a Chinese consumer price report for October, and most importantly US consumer price index readings for October on Thursday morning!

There will be three Fed speeches at the start of this week, and the market will key on statements about the size of future rate hikes. We give a slight edge to the bear camp due to the pre-existing trend and because of the bounce and consolidation has moderated the late October early November oversold condition. The November 1st Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 15,564 contracts to their already short position and are now net short 78,785. In the T-Notes market Non-Commercial & Non-Reportable traders added 33,276 contracts to their already short position and are now net short 382,597.

CURRENCIES:

While US equities saw Last Friday's US nonfarm payroll result as a sign of ongoing growth under the rising interest rate regime, the dollar trade interpreted the larger than expected increase in the US unemployment rate as a development that could push the Fed away from a jumbo rate hike in December. In retrospect, US economic data over the past 2 months has settled into a pattern with positive economic data usually offset by negative economic data within the same trading session which to us increases the chance of a soft US landing.

Apparently, the currency trade has "looked through" the latest US jumbo hike and is embracing the prospect of smaller hikes ahead. Therefore, the dollar will see early-week gyrations following two Fed speeches especially if either speech mentions the Fed's potential flexibility next month. The bias is down but we are skeptical of a full shift down in trend. The November 1st Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 1,020 contracts to a net long 33,349 contracts.

We see the euro gaining from a "relief bounce" and not from buying anticipating last week's low was a key low. The bias remains down and the best the euro bulls can hope for is to win by default for several sessions. In fact, expecting the euro zone economy to stand up to multiple headwinds is asking too much. Euro positioning in the Commitments of Traders for the week ending November 1st showed Non-Commercial & Non-Reportable traders added 34,734 contracts to their already long position and are now net long 136,159.

The coiling action in the Yen continues with definitive fundamentals lacking for both the bulls and bears. This week could be a good week to trade the range. In retrospect, the Swiss franc was massively oversold from the end of October early November washout down to 99.02. Therefore, the "large bounce" is deserving from a technical perspective and to a much smaller degree from a fundamental perspective.

Like most other non-dollar currencies the Pound is winning by default at the start of this week with a combination of technical short covering and we suspect a very minimal amount of speculative buying. However, despite a slight moderation in a private survey of UK house prices in October, the UK economy continues to face economic headwinds from high energy prices and uncertainty from the structure of the UK financial markets and the government. Unlike most other non-dollar currencies, the bull camp has a fundamental bullish argument for the Canadian dollar with the Canadian economy adding significant job gains of 108,300 last month which is a large number compared to the overall size of the Canadian job force relative to the US.

STOCKS:

In retrospect, the equity markets held up impressively late last week in the wake of an extension of surging rates. Apparently, last Friday's monthly payroll report supported stocks from the "Goldilocks" perspective with the jobs market holding together enough to temper recession/earnings fears, but not so hot that further jumbo rate hikes are expected. The market saw favorable Hershey sales and profit forecast, but that was offset by comments from Elon Musk indicating the Twitter suffered a massive drop in revenue because activist groups pressured advertisers.
Global equity markets at the start of this week were generally higher with the exceptions being the markets in London and Paris. With US equity markets early this week tracking positive (the Dow projected 160 higher on Monday) the US markets continue to absorb the Fed's aggressive efforts to normalize rates. Therefore, the path of least resistance is up but in the early going we do not detect broad and aggressive optimism.

The markets continue to "survive" the aggressive hawkish actions of the Fed with the US economy also "surviving" the spillover of the battle against inflation. From a psychological perspective, the markets are probably put off balance by the Apple warnings of lower shipments due to supply chain issues in China and from news that Warren Buffet’s Berkshire Hathaway lost money in the stock market in its 3rd quarter. We suggest traders monitor the stock market's reaction to schedule data ahead as Goldilocks data should help the S&P claw toward the 3900 level this week. In fact, with the S&P net spec and fund short last week before the large market washout (with a slide of 186 points) the S&P enters the week moderately oversold. The Commitments of Traders report for the week ending November 1st showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 163,130 contracts after decreasing their short position by 64,871 contracts.

Early this week, the Dow Jones looked to open moderately higher with sentiment more positive than negative. The impact of corporate earnings reports on the Dow Jones should moderate this week with the markets now hopeful the Fed will reduce its rate hike amount next month. Therefore, traders should monitor Fed speeches early this week for any hint of smaller hikes ahead. Dow Jones $5 positioning in the Commitments of Traders for the week ending November 1st showed Non-Commercial & Non-Reportable traders reduced their net short position by 2,590 contracts to a net short 16,240 contracts.

With Apple warning of lower iPhone shipments from Covid activity, restrictions are slowing and in some cases stopping manufacturing. Yet another indirect negative for the NASDAQ is confusion regarding layoffs at Twitter. Furthermore, the founder and prior CEO of Twitter is apologizing and admitting he hired way too many people and that should reduce the hate toward Elon Musk. Nasdaq Mini positioning in the Commitments of Traders for the week ending November 1st showed Non-Commercial & Non-Reportable traders were net short 27,353 contracts after increasing their already short position by 17,217 contracts.

GOLD, SILVER & PLATINUM:

While the gold and silver markets have not completely capitalized on the opening slide in the US dollar early this week, seeing gold and silver prices remaining just under last week's spike up highs indicates the bull camp holds an edge into the US opening this week. Apparently, the markets last Friday saw the October US jobs report as a sign that next month the US Federal Reserve might reduce the magnitude of their anticipated next hike and that in turn hammered the US dollar and in turn lifted several dollar sensitive commodities like gold and silver. Unfortunately for the bull camp investors reduced their gold ETF holdings for a 7th straight day on Friday, with gold ETFs last week reducing holdings by a total of 732,827 ounces.

Going forward, seeing gold and silver aggressively reject a downside breakout and forge a reversal on a jump in sharp trading volume adds to the odds of a key bottom. Obviously, the threat of additional central bank rate hikes remains directly in the windshields of the markets, but with US economic numbers consistently posting good and bad data, there is an argument that the US economy is standing up to the onslaught of higher rates. While the net spec and fund long in gold as of last Tuesday was 12,000 contracts above the prior week's low, that low was the lowest spec long since April 2019. Furthermore, into the low last week the December gold contract was $32 below the level where the last COT positioning report was measured indicating the net spec and fund long may have ventured near the lowest level since December 2018.

The November 1st Commitments of Traders report showed Gold Managed Money traders are net short 38,878 contracts after net selling 5,744 contracts. Non-Commercial & Non-Reportable traders were net long 68,644 contracts after decreasing their long position by 3,836 contracts. In retrospect, seeing the World Gold Council document a strong surge in central bank gold buying gives the bull camp a solid fundamental argument that has been missing for nearly 9 months. However, going forward gold should remain in a tight inverse relationship with the dollar and treasuries as a transition into a full bull market will likely require demand to broaden with an expansion of investment demand. Recently, we have seen no sign of a trend of gold ETF inflows and therefore it could take rising market beliefs that inflation might not be controlled by monetary tools to ignite gold from a bull trend. As indicated already, the reversal has credibility as volume and open interest expanded with the bottom and recovery action.
Not surprisingly, the silver market exploded last Friday after showing several weeks of positive chart action with numerous rejections of trades below $19.00. Silver also saw some of the most significant and supportive fundamental information in many months from a massive jump in Indian silver imports. According to Bloomberg, Indian silver consumption is expected to jump by 80% this year over last. However, India bought historically low amounts of silver in 2020 and 2021, and therefore investors and

industry players are likely rebuilding what they de-stocked during the pandemic. In the first 7 months of 2022, Indian silver imports were 5,100 tonnes which is nearly 180 million ounces! Like the gold market, the silver market has maintained a very minimal net spec and fund long positioning since May and the reversal into a net short in September combined with the jump in volume on the recovery Friday, indicates a key bottom has been forged. Silver positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders reduced their net short position by 2,594 contracts to a net short 3,468 contracts. Non-Commercial & Non-Reportable traders added 1,724 contracts to their already long position and are now net long 11,140. Last week silver ETF holdings declined by 7.7 million ounces and perhaps more importantly slid by 5 million ounces on Friday alone.

In retrospect, fundamental news for palladium over the past several weeks has been definitively negative, with talk of industrial use rotating from expensive palladium to less expensive platinum. Furthermore, reports indicate Indian platinum imports are picking up significantly from just 1.14 tonnes last September to 27 tonnes this November which is a record. From a short-term perspective, the platinum market is showing signs of becoming short-term overbought with the market maintaining a net long since the middle of September! Last week platinum ETF holdings declined by 6931 ounces with a decline of 10,330 ounces on Friday alone. The November 1st Commitments of Traders report showed Platinum Managed Money traders added 5,368 contracts to their already long position and are now net long 13,340. Non-Commercial & Non-Reportable traders added 4,523 contracts to their already long position and are now net long 19,578.

As indicated already, bullish fundamental news for palladium has been absent with the talk of losing demand to platinum an overwhelmingly bearish development. Fortunately for the bull camp, the palladium market is net spec and fund short and there appears to have found a measure of consolidation support. Last week palladium ETF holdings decreased by 2476 ounces but are running 18% lower year-to-date. Palladium positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders are net short 1,262 contracts after net selling 371 contracts. Non-Commercial & Non-Reportable traders net bought 6 contracts and are now net short 2,222 contracts.

COPPER:

Like other metal markets early this week, the copper market has not taken out last week's strong spike up high, but prices remain cushioned by $3.60 and remain within striking distance of last week's high. However, disappointing Chinese import export data for October hits at last week's optimism flowing from rumors of China possibly reducing some travel restrictions. Adding into the Chinese import/export negative tilt on copper early this week was a decline in Chinese September copper imports of 1.5%. On the other hand, Chinese January through October copper concentrates and ore imports managed to gain 8.4% over year ago levels. It should also be noted that January through October Chinese unwrought copper imports increased by 8.8% year-over-year.

Adding further into the bull case is the ongoing daily and weekly tightening of world copper supply. LME copper stocks have declined below 90,000 tonnes and could easily exhaust if China opens and provides stimulus. It should be noted there have been several weekly flows out of Shanghai warehouse stocks which could have eliminated all stocks if two consecutive large weekly outflows are seen back-to-back. With threats against supply in South America remaining on a slow simmer, the copper market is likely to focus on all things China. Copper positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders went from a net short to a net long position of 5,259 contracts after net buying 8,411 contracts. Non-Commercial & Non-Reportable traders net bought 7,450 contracts and are now net short 7,457 contracts.

ENERGY COMPLEX:

While the December crude oil contract early this week did not post a higher high for the move, bullish demand news, a weaker dollar and generally positive macro sentiment are in place, and therefore, we expect a new high for the move later on this week. As indicated, the bull camp is bolstered early this week by news of a 9.4% jump in Spanish September crude oil imports and by news that Chinese October crude oil imports jumped reportedly for new refineries. Even the supply-side of the equation benefits the bull camp with news that crude oil in floating storage on the week falling 18% with European floating storage down by 32% and US Gulf Coast floating storage declining by 77%. According to the press, the rally last week was attributable to forward progress on a Russian price cap deal. However, rumors that China may relax Covid restrictions with an opening of foreign air travel should serve to spark buying of physical commodities across-the-board. Unfortunately for the bull camp, reports are that the G7 Russian oil price cap will only be implemented on seaborne supply which indicates one hole already in the effort to reduce Russian capacity to fight the war.

Not surprisingly, many energy analysts have raised their targeting forecasts and there is an argument over the current Russian oil discount between those predicting $40 under WTI offset by predictions of a 10% discount. While we suspect the rally from the last COT report shifted the net spec and fund short into a net spec and fund long, the low spec long position suggests the market has a massive amount of speculative buying fuel on the sidelines. Crude Oil positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders are net long 198,044 contracts after net buying 16,115 contracts. Non-Commercial & Non-Reportable traders net bought 4,415 contracts and are now net long 318,671 contracts. Last week the Baker Hughes rig "gas and oil" drilling counts expanded for the 3rd straight week and is now 40% above year ago levels. US oil rigs drilling increased by 3 last week to reach their highest level since March 2020. While the rally is likely the result of increased Chinese demand hopes and the potential for a Russian backlash against price caps, apparently that offsets news that supertankers sailing toward the US have reach the highest level in 4 weeks, and sailings to China from the US have declined!

While the December gasoline contract spiked higher last Friday, by the close the market had given up more than half of the initial gains. On the other hand, the December contract still closed at the highest level since July 29th and closed well above an uptrend channel support line. Given reports of extreme tightness in some US regions, a 7.6 million EIA gasoline stocks deficit to year ago levels means that refinery activity is merely matching (and therefore not rebuilding) stocks. As in the crude oil market, the net spec and fund long position in gasoline shows a market with very significant speculative buying capacity in reserve. The November 1st Commitments of Traders report showed Gas (RBOB) Managed Money traders reduced their net long position by 2,398 contracts to a net long 53,289 contracts. Non-Commercial & Non-Reportable traders added 1,445 contracts to their already long position and are now net long 52,709.

Even the diesel market flared higher last Friday with the potential for even tighter global diesel stocks likely increased if China relaxes Covid travel restrictions. While the Chinese government has indicated expanded crude oil imports and increased refinery activity, are their attempt to economically benefit from the global diesel supply debacle that supply flow should moderate the upside this week. However, it is also possible that China was anticipating their need for diesel fuel once they lessen activity restrictions. While the net spec and fund long in diesel is relatively longer than the positioning in crude oil and gasoline the market retains significant speculative buying capacity until the net spec and fund long reaches 68,000 contracts. Heating Oil positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders were net long 25,359 contracts after increasing their already long position by 1,405 contracts. Non-Commercial & Non-Reportable traders added 3,120 contracts to their already long position and are now net long 41,570.

While the winter storm in the Northwest expected to yield temperatures in Western and central US to be 10 to 15 degrees below normal and 2 to 10 degrees below normal in the rest of the country, the trade has seemingly jumped into an early winter demand reaction. However, the upside action should be limited because of ongoing warmer than normal temperatures throughout Europe and from news that German gas stockpiles are now more than 99% full! Apparently, natural gas is benefiting from the combination of fear of a total Russian halt in energy exports if a price cap is implemented, but the market should also gain from the hope of increased demand in China from a lessening of restrictions. It should be noted that the official implementation of a Russian price cap is December 5th with some mutiny among European countries already encountered. Over the weekend the Russian national gas company indicated gas flow continued through Ukraine but that is offset by an atypical jump cooling demand in portions of Europe.

In our opinion, late season cooling demand is less robust and is typically less sustainable than early cold. From a technical perspective, the bear camp has expended significant selling interest and the net spec and fund short is at the largest level of the pandemic which to some indicates overdone negative sentiment. Natural Gas positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders were net short 75,627 contracts after decreasing their short position by 9,594 contracts. Non-Commercial & Non-Reportable traders are net short 127,126 contracts after net buying 6,723 contracts. In retrospect, the range up breakout in natural gas at the end of last week was surprising as is the magnitude of gap up rally at the start of this week, but the rally might be fundamentally justified by G7 Russian Price Cap efforts which is thought to move the needle toward a complete Russian energy export ban of gas and oil exports. On the other hand, upside action should be limited because temperatures remain well above levels required for early heating in Europe.

BEANS:

The soybean market remains in a short-term uptrend as export demand has come in better than expected, and near record high crush margins should support strong domestic demand. In addition, the outlook for increased biodiesel demand plus a surge higher in crude oil and some crop uncertainties in Argentina are all factors which have helped support. China imports for the month of October came in at 4.14 million tonnes, down 19% from a year ago and their lowest for any month since 2014. High prices and poor crush margins in China were seen as reasons for the decline. Fears of increased COVID restrictions in China helped to pressure the market early this week. Cumulative soybean sales have reached 58.0% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 55.7%.

Factors which could slow or reverse the uptrend include South American weather and transportation issues. Argentina soybean plantings are delayed by the most in 12 years with just 5% planted due to dry weather. January soybeans closed sharply higher on the session Friday and the buying has pushed the market up to the highest level since September 22. Outside market forces carried a bullish tilt with a very sharp break in the US dollar, strength in metals and a surge higher in the crude oil. This helped drive soybean oil sharply higher and to the highest level since June 10th. Ideas that China will remain a firm buyer helped to support. The USDA attache in China sees 2022/23 soybean imports at 96.5 million tonnes as compared with 91.6 million tonnes for the 2021/22 season which was down 8.1 million from the previous year due to COVID restrictions.

For the monthly USDA supply/demand report, traders see soybean ending stocks near 212 million bushels, 185-296 range, as compared with 200 million bushels in October. Traders see yield near 49.8 bushels per acre, 49.2-50.9 range, as compared with 49.8 in October. World ending stocks are expected near 100.61 million tonnes, 99.4-102.20 range, as compared with 100.52 million tonnes in October. Soybeans positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders were net long 101,329 contracts after increasing their already long position by 25,918 contracts. Non-Commercial & Non-Reportable traders are net long 64,814 contracts after net buying 25,398 contracts for the week.

For Soyoil Managed Money traders are net long 100,118 contracts after net buying 4,957 contracts for the week. Non-Commercial & Non-Reportable traders are net long 112,175 contracts after net buying 5,798 contracts. For meal, Managed Money traders are net long 93,417 contracts after net buying 7,387 contracts for the week. CIT traders net bought 4,945 contracts and are now net long 110,374 contracts.

Non-Commercial & Non-Reportable traders are net long 141,751 contracts after net buying 5,550 contracts.

CORN:

December corn closed higher on the session last Friday, but well off of the highs of the day. The action was considered a bit negative given the very strong developments in outside market forces and strength in the other grains. Crude oil surged higher and up to the highest level since August 30, and a collapse in the US dollar helped to spark buying across a wide range of commodity markets including metals and softs. Continued talk of weak demand helped to limit the buying support. For the monthly USDA supply/demand report, traders see corn ending stocks near 1.207 billion bushels, 1.050-1.390 range, as compared with 1.172 billion in October. Traders see yield near 171.9 bushels per acre, 171-174.5 range, as compared with 171.9 in October.

World ending stocks are expected near 300.63 million tonnes, 289-306 range, as compared with 301.19 million tonnes in October. Cumulative export sales have reached just 26.5% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 39.5%. Corn positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders net bought 7,586 contracts and are now net long 271,960 contracts. Non-Commercial No CIT traders were net long 196,686 contracts after increasing their already long position by 11,982 contracts.

WHEAT:

Demand may not be as bad as traders had feared and supply may not be as high, as poor weather in the US, Argentina, and Australia may lower the output in key exporting nations. Egypt is tendering for wheat. A very sharp collapse in the US dollar last Friday sparked aggressive buying across a wide range of commodity markets including wheat. Metal markets were higher and crude oil jumped $4.50 per barrel to this added to the positive tone. Rain in the forecast for the Plains helped to limit the advance. The warmest October in 40 years in France has traders nervous with the more advanced growth of the crop which leaves the crop more vulnerable to a frost late in the season. For the USDA monthly supply/demand update, traders see wheat ending stocks near 578 million bushels, 541-606 range, as compared with 576 million bushels in October. For the world ending stocks, traders see wheat stocks near 266.52 million tons, 264.70-268.50 range, as compared with 267.54 million in October.

Russia agreed to resume the export deal allowing safe passage of Ukrainian crop exports, and this came as a surprise after they withdrew from the deal last weekend. After this news, it is impressive that the market closed higher on the week. The market acts like a short-term low may be in place. The Buenos Aires Grains Exchange has lowered its wheat production forecast to 14 million tonnes from 15.2 million previously. In October, the USDA lowered its estimate for Argentina to 17.5 million tonnes from 19 million in September and 23 million last year. Private estimates have been down as low as 13.5 million. Argentine exporters that have lined-up wheat cargoes between December 1 and February 28 have been allowed to postpone their shipments by as much as 360 days. The first US winter wheat conditions update of the season showed that only 28% of the crop was rated good/excellent. This is by far the lowest on record, the second lowest being 33% in 2012.

The poor/very poor rating came in at a whopping 35%, beating last year's record of 21% and a 10-year average of 13%. In Kansas, 42% of the crop was rated poor/very poor versus a 10-year average of 12% and the previous high of 23% from 2020. Wheat positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders were net short 37,149 contracts after increasing their already short position by 1,097 contracts. The market is oversold and with the short-positioning vulnerable to increased buying if support levels are violated. For KC Wheat, Managed Money traders were net long 23,408 contracts after decreasing their long position by 1,218 contracts. Non-Commercial & Non-Reportable traders were net long 19,239 contracts after decreasing their long position by 1,399 contracts.

HOGS:

The hog market remains in a short-term downtrend but December is now trading at a stiff discount for this time of the year. The CME Lean Hog Index as of November 2 was 92.34 down from 93.29 the previous session and 94.15 the previous week. December basis on Nov 2 was 8.94, up 0.90 on the day. Last year basis was 4.05 and the 5 year average is 3.19. The USDA pork cutout, released after the close Friday, came in at $94.72, down 18 cents from Thursday and down from $99.35 the previous week. This was the lowest the cutout had been since February 2. The USDA estimated hog slaughter came in at 468,000 head Friday and 164,000 head for Saturday. This brought the total for last week to 2.577 million head, up from 2.557 million the previous week but down from 2.612 million a year ago.

Estimated US pork production last week was 551.5 million pounds, up from 545.7 the previous week and down from 563.5 million a year ago. The selling Friday pushed the market down the lowest level since October 17. While futures are trading at a discount to cash, the outlook for increasing supply in the weeks just ahead helped to spark selling activity. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,135 contracts of lean hogs for the week ending November 1, increasing their net long to 59,568. Non-commercial & non-reportable were net buyers of 855, increasing their net long to 39,528.

CATTLE:

The cattle market may struggle and see more long liquidation selling if the beef market remains weak. Open interest remains high and the market is vulnerable to long liquidation selling if support is violated. The USDA boxed beef cutout was down 37 cents at mid-session Friday and closed $1.43 lower at $263.75. This was up from $263.26 the previous week. Cash live cattle trade was quiet on Friday after active days on Wednesday and Thursday. The average pricing was close to unchanged on the week. As of Friday afternoon, the five-day, five area weighted average price was 151.99 versus 151.93 the previous week. Traders are expecting declining slaughter pace in the weeks ahead which may provide underlying support.

The USDA estimated cattle slaughter came in at 125,000 head Friday and 29,000 head for Saturday. This brought the total for last week to 667,000 head, down from 668,000 the previous week but up from 652,000 a year ago. Estimated beef production last week was 553.9 million pounds, up 2.4% from a year ago. The estimated average dressed cattle weight last week was 832 pounds, up from 831 the previous week and 831 a year ago. The 5-year average weight for that week is 832.2 pounds. Friday's Commitments of Traders report showed managed money traders were net buyers of 326 contracts for the week ending November 1, increasing their net long to 66,048. Non-commercial & non-reportable traders were net buyers of 64 contracts, increasing their net long to 76,905.

COCOA:

Cocoa prices have had trouble sustaining a long-term upside move since the start of the third quarter. A major source of pressure on the market has been concern over near-term demand, but indications that global demand may be in better shape that earlier thought should provide underlying support to the cocoa market. December cocoa was able to break out of their July/November consolidation zone as it reached a 12-week high before finishing Friday’s trading session with a sizable gain. For the week, December cocoa finished with a gain of 132 points (up 5.7%) which broke a 3-week losing streak.

A lack of adequate use of fertilizers and pesticides will limit any growth in West African production this season, which provided cocoa prices with support. Although there has been an increase in leisure travel, many developed economies have seen their inflation gauges reach their highest levels since the early 1980’s. If consumers need to spend more on regular purchases, it leaves them with less money to buy discretionary items like chocolate. Third quarter grindings numbers from Europe and North America were down from a year ago, strengthening the argument for lower demand.

On the other hand, Asia's grindings were 9.5% above 2021 and were their second largest quarterly total on record. There has been a surge in origin grindings over the past few years, with the world's largest producer Ivory Coast becoming the world's largest processor with a record high total last year. Swiss chocolate maker Barry Callebaut said that they do not expect a dramatic reduction in the global chocolate market, and Mondelez said that they expect European demand to hold up during the holiday season.

The November 1st Commitments of Traders report showed Cocoa Managed Money traders were net short 43,760 contracts after increasing their already short position by 5,236 contracts. CIT traders reduced their net long position by 1,482 contracts to a net long 10,685 contracts. Non-Commercial No CIT traders net sold 3,162 contracts and are now net short 29,445 contracts. Non-Commercial & Non-Reportable traders are net short 25,673 contracts after net selling 4,536 contracts.

COFFEE:

Coffee prices saw volatile action last week, but were able to stay clear of their 15-month low in late October. If the market can find relief from near-term demand concerns, coffee may be able to sustain upside momentum this week. December coffee finished a wide-sweeping trading week by holding within a fairly tight inside-day range before finishing Friday's session with a moderate gain. For the week, December coffee finished with a gain of 5.95 cents (up 3.5%) which broke a 4-week losing streak.

A more than 1.5% rally to a new 9-week high in the Brazilian currency provided coffee with carryover support, as that should ease pressure on Brazil's farmers to market their remaining supply to foreign customers. In addition, expectations that the current La Nina weather event will negatively impact coffee production in Brazil and Colombia until the first quarter of 2023 gave additional strength to coffee prices. Colombia's October coffee production came in at 888,000 bags, which was 12% below last year's total.

This is the eleventh month over the past year in which Colombia's production has come in below the previous year's total, with their production total over that timeframe (11.738 million bags) is well below the 13.247 million produced between September 2022 and October 2021. ICE exchange coffee stocks rose by 5,291 bags on Friday which was their first daily increase since September 8th. There are more than 171,000 bags waiting to be graded at the port of Antwerp. Keep in mind that of the 10,030 bags that were graded in Antwerp on Friday, 5,265 failed to be approved for entry in ICE warehouse stocks.

Coffee positioning in the Commitments of Traders for the week ending November 1st showed Managed Money traders net sold 13,434 contracts which moved them from a net long to a net short position of 10,386 contracts. CIT traders are net long 35,354 contracts after net selling 128 contracts. Non-Commercial No CIT traders net sold 11,506 contracts and are now net short 14,590 contracts. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 3,989 contracts after net selling 12,322 contracts.

COTTON:

December cotton closed sharply higher for the fourth session in a row on Friday. This was after the market put it a spike bottom on Wednesday. This was the first time in four sessions the market did not close limit up, but limits were expanded. The market closed 15.76 higher for the week after the market closed on its low the previous week. This was the first week since September 6 that the market closed higher. Traders appear to have turned much more optimistic about cotton now that it has fallen 62.50 (47%) from its May high.

There is some talk/hope that Chinese President Xi will ease come Covid restrictions that could boost demand. The dollar sold off sharply on Friday, and this lent support to cotton as well. Friday's Commitments of Traders showed managed money traders were net sellers of 7,837 contracts of cotton for the week ending November 1, reducing their net long to 5,443. Non-commercial, no CIT traders were net sellers of 6,777, increasing their net short to 21,383. The cotton market put in its lows on Monday, which was the day before the COT data was collected. This suggests that the numbers here represent extreme, oversold levels and have corrected that with the rally of the past four sessions.

SUGAR:

Sugar's positive turnaround last week was fueled in large part by renewed strength in its key outside markets. While this has received most of the market's attention, there have been bullish supply/demand developments that can help sugar prices maintain upside momentum this week. March sugar started the day by breaking out above the highs of the previous 3 sessions as it rallied up to a new 2 1/2 week high before finishing Friday's trading session with a sizable gain. For the week, March sugar finished with a gain of 113 ticks (up 6.4%) which broke a 2-week losing streak.

A sharp rally in energy prices resulted in crude oil reaching a 2-month high and RBOB gasoline reaching a 4-month high. This provided sugar with carryover support as that can help to strengthen near-term ethanol demand in Brazil and India. In addition, the Brazilian currency gained more than 1% in value on Friday which strengthened sugar prices going into the weekend as that eases pressure on Center-South mills to produce sugar for the global export marketplace.

While mills have increased sugar's share of Center-South crushing over the past few months, Center-South domestic ethanol sales are on-track for a third month in a row above last year's total. Over the weekend, India's government announced that they will allow an initial tranche of 6 million tonnes of 2022/23 sugar exports through the end of May, with that total coming in at the upper end of trade forecasts. There is little doubt that India will allow for additional sugar exports later in the 2022/23 season, but the size of their second export tranche will depend in part on the outlook for their 2022/23 sugar production.

The November 1st Commitments of Traders report showed Sugar Managed Money traders were net long 44,074 contracts after decreasing their long position by 40,923 contracts. CIT traders net sold 12,829 contracts and are now net long 180,269 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 1,942 contracts after net selling 29,834 contracts. Non-Commercial & Non-Reportable traders are net long 75,578 contracts after net selling 51,569 contracts.

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