ADM Investor Services, Inc.

Weekly Futures Market Summary

December 12, 2022 **by the ADMIS Research Team**

BONDS:

In retrospect, the moderate washout in bond and note prices last Friday following the US PPI report was probably mostly the result of the overbought position from the recent run-up, and to a lesser degree because of the lingering inflation signals in the report. However, the bear camp saw added assistance from a much stronger than expected University of Michigan Consumer Sentiment Index preliminary reading for December. In fact, the Michigan reading for early December was 59.1 versus 56.8 last month! The treasury market is extremely buoyant with corrections met with aggressive recoveries. In fact, the treasury markets have consistently respected uptrend channel support lines and have generally discounted better than expected economic reports and embraced softer than expected economic reports.

However, the US economic report slate is empty on Monday with the CPI report Tuesday likely the most significant economic reading for the rest of the year! On the other hand, it should be noted that some expectations for the CPI report have been pulled down from +0.5% to +0.3%. With the US PPI report slightly hotter than expected we are skeptical of any moderation of expectations for a hot CPI report. Nonetheless, the market is bullishly biased into the CPI report with the treasury market continuing to factor in slowing without definitive opinions on a 2023 recession. Certainly, members of the Fed and the Treasury Secretary have indicated a soft landing is possible and a continuation of mixed reports (bad readings matched by good readings) has metered the upside over the past 30 days.

There will be 3 and 10-year note auctions Monday and given the 14-point rally in bonds since early November, it would not be surprising to see slack demand particularly for 10-year notes. It should be noted that speculators continue to build short positions and given the persistent march higher in prices it is possible the market is consistently forcing those traders to stop loss buy. The Commitments of Traders report for the week ending December 6th showed Bonds Non-Commercial & Non-Reportable traders net sold 25,113 contracts and are now net short 90,834 contracts. T-Note positioning showed Non-Commercial & Non-Reportable traders added 89,865 contracts to their already short position and are now net short 436,954.

CURRENCIES:

Certainly, the dollar deserved to bounce late last week following minor signs of lingering inflation in the US PPI report. However, the trade appears to be looking forward and anticipating the Fed will be successful with a portion of the currency markets beginning to think the upside terminal rate in US is falling. On the other hand, with mixed economic data and the looming FOMC meeting, it is possible that currencies will be restricted to range trading until the middle of this week. From a technical perspective, it appears the dollar has settled below its 200-day moving average which is pegged at 105.40.

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With the dollar index generally off balance over the past 40 days the currency markets have factored in a moderation of inflation and therefore tomorrow's CPI report is likely the most significant report for the rest of this year. We favor the downside with inflation showing signs of moderation (mostly because of significant declines in energy prices) and we also expect the Fed to add to the bearish dollar views with a smaller rate hike on Wednesday afternoon. In the coming 24 hours the 104.00 level might hold but we see the dollar ending the week at the lowest level since late June. The Commitments of Traders report for the week ending December 6th showed Dollar Non-Commercial & Non-Reportable Traders net sold 979 contracts and are now net long 27,444 contracts.

While the pattern of higher highs and higher lows in the euro is not overwhelming, combined with a persistent trade above the 200-day moving average (104.65) leaves the technical set up in favor of the bull camp. However, precipitous declines in energy prices over the past several weeks should reduce headwinds for the European economy and in turn stoke speculative buying of the euro. The Commitments of Traders report for the week ending December 6th showed Euro Non-Commercial & Non-Reportable traders were net long 176,721 contracts after increasing their already long position by 11,265 contracts.

While the Yen has not traded in lockstep with Japanese domestic data, the bear camp should be emboldened by Monday's significant decline in large manufacturing conditions index readings for the 4th quarter. However, Japanese producer prices for November came in hotter than expected at 0.6% with a year-over-year gain of 9.3%. While hot inflation might lift some currencies the Japanese Yen and the Japanese economy see ongoing inflation as very problematic. Even though the Swiss franc has not forged a higher high to start this week, the charts remain bullish with uniform higher lows and the currency continuing to accelerate above its 200-day moving average. We see the Swiss as a strong performer against the dollar with the euro vulnerable to the war, rising interest rates, and concern over winter heating costs.

As mentioned several times last week, the Pound remains the most uniform uptrend in currency markets, and we see that bullish tilt accentuated by this week’s economic data flow. In addition to a better-than-expected (0.5%) GDP, UK industrial production and manufacturing production readings were not as soft as feared. The Canadian dollar is undermined following IMF forecasts that the BOC will simply hold rates above 4% next year. In other words, Canada might be one of the few major economies not expected to hike rates further.

STOCKS:

The US equity markets opened higher last Friday following a sweep of positive international equity market action, but because the PPI report contained a few problematic inflation readings, US markets saw a significant reversal after the report. On the other hand, the markets rebounded into midsession and the lingering heat from inflation in the PPI report is unlikely to push the Fed needle back toward the 75-basis point hike level. In a disappointing reaction, the equity markets failed to benefit from rumors of a large United airlines 787 Dreamliner purchase from Boeing.

Global equity markets at the start of this week were all lower while the US market showed minimal early gains. Investor sentiment remains poor with widespread expectations that another US rate hike will increase headwinds on an already struggling economy. Even financial institutions are bracing for a soft economy with several companies indicating 2022 bonuses will be reduced aggressively. While not a direct impact on US equities reports that the relaxation of Covid activity restrictions in China has caused a significant flare in Chinese infections could become a major bearish issue later this week.

In our opinion, one of the few positive developments early this week came from Microsoft's purchase of a 4% stake in the London Stock Exchange. There was also a buyout announcement in the drugmaker

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sector, and the bull camp hopes for periodic optimistic holiday sales updates. E-Mini S&P positioning in the Commitments of Traders for the week ending December 6th showed Non-Commercial & Non-Reportable traders net bought 17,184 contracts and are now net short 142,429 contracts.

Despite favorable news of Microsoft's investment in the London Stock Exchange, the Dow Jones futures posted a damaging trade in the early going with the failure to hold consolidation low support. The December 6th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 19,110 contracts after increasing their already short position by 6,203 contracts.

Like other sectors of the market the NASDAQ sits right on critical chart support, but we expect that support to fail. Once again, the NASDAQ is the only major stock index futures not net spec and fund short which could facilitate a downside pulse later this week. Nasdaq Mini positioning in the Commitments of Traders for the week ending December 6th showed Non-Commercial & Non-Reportable traders added 5,203 contracts to their already long position and are now net long 6,467.

GOLD, SILVER & PLATINUM:

Without clear direction from the dollar, a risk-off vibe being thrown off by international equities and looming central bank action, the gold and silver trade are likely seeing some longs exit ahead of impending volatility. However, the trade saw the sharp jump in ongoing claims last week as a development likely to cement a 50-basis point rate hike (instead of 75-basis points) by the Fed in its meeting this week. On the other hand, the Fed decision could be impacted by the US CPI reading which has estimates that are significantly hotter than the estimates for last Friday's PPI. In retrospect, the US PPI came in hotter than expected and if CPI comes in hotter than expected, those results should be labeled as a sign that inflation lives on. While the trade fully expects the Fed rate hike this week, the presence of rising rates around the globe is certainly a limiting force for gold and silver. Perhaps the gold market is sensing improved demand from India after November Indian fuel demand posted an 8-month high. However, February gold prices are approaching $1,825 which is near the highest level since early August and that could discourage some Asian buyers.

While the rally late last week after the COT report was measured should mean the net spec and fund long reading is understated, the net long is very low relative to the last 2 years! Gold positioning in the Commitments of Traders for the week ending December 6th showed Managed Money traders added 9,609 contracts to their already long position and are now net long 37,618. Non-Commercial & Non-Reportable traders were net-long 140,195 contracts, after increasing their already long position by 11,221 contracts. With a very strong pulse up last week and silver establishing periodic divergence with gold the silver market appears poised to regain the $24 level. The December 6th Commitments of Traders report showed Silver Managed Money traders were net long 14,657 contracts after decreasing their long position by 38 contracts. Non-Commercial & Non-Reportable traders are net long 33,857 contracts after net buying 4,052 contracts.

With the most recent COT positioning report showing palladium retaining a net spec and fund short, a portion of the bounce in prices at the end of last week might have been classic short covering. The December 6th Commitments of Traders report showed Palladium Managed Money traders net bought 170 contracts and are now net short 530 contracts. Non-Commercial & Non-Reportable traders were net short 1,225 contracts after decreasing their short position by 461 contracts. While the absolute size of the net spec and fund short in palladium is small, trading volume last Friday was a mere 1,546 contracts. If some of the recovery at the end of last week was forged off the hope for improved Chinese demand, the market could fall back from concerning Chinese Covid headlines ahead.

While the relaxation of Covid activity restrictions in China contributed to last week's recovery in platinum prices, news that Anglo-American reduced forward production guidance probably added to the rally.

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However, the most recent COT positioning report in platinum shows a lofty net long which is understated due to the rally after the report was compiled. Platinum positioning in the Commitments of Traders for the week ending December 6th showed Managed Money traders were net-long 20,291 contracts after decreasing their long position by 249 contracts. Non-Commercial & Non-Reportable traders were net long 29,838 contracts after increasing their already long position by 1,395 contracts.

COPPER:

In retrospect, the copper market last week extended the bounce from the late November low off the Chinese relaxation of Covid activity restrictions. Unfortunately for the bull camp, it appears that Chinese infections are surging because of the reduced activity restrictions and that could call Chinese copper demand and last week's gains into question. Furthermore, the US Federal Reserve is very likely to raise interest rates thereby casting some doubt on a dramatic improvement in the US and global economies.

In another definitive bearish development, Shanghai weekly copper warehouse stocks jumped by 13,320 tonnes (20.4%) last week. Even though the most recent COT positioning report understates the size of the net spec and fund long in copper, the net long is not significant enough to produce a large stop loss selling wave. Copper positioning in the Commitments of Traders for the week ending December 6th showed Managed Money traders net bought 3,241 contracts and are now net long 15,951 contracts. Non-Commercial & Non-Reportable traders net bought 1,538 contracts and are now net long 4,430 contracts.

ENERGY COMPLEX:

While major oil ETF instruments on both sides of the Atlantic have seen inflows (Wisdom Tree Brent ETF +450 million, United States Oil Fund +169 million), we see that money attempting to pick a bottom without sufficient evidence. Apparently, the trade is unconcerned about Putin's threat to cut oil flows in response to the price cap with crude oil prices remaining just above last week's spike low. Evidence of the markets ongoing bearish bias is press coverage Monday morning suggesting the opening of China is likely to result in a reduction in demand because of an explosion of infections. While some economists suggest a price reaction to the implementation of the price cap could still surface, last week's sharp declines in the face of the implementation suggest the latest sanction is a nonevent.

With a poor finish on the charts at the end of last week capping off a 5-day slide of $12.72, the market looks to start the new week vulnerable. Even though a backlog of tankers carrying oil through the Bosporus Straits is delaying some supplies and with the Keystone pipeline spill expected to reduce Gulf crude inventories, those threats are seen as temporary and perhaps as insignificant. Certainly, there are many countries complying with the latest embargo (price cap), but given evidence that India took 55% of Russian seaborne exports in a recent monthly trade report means Russia maintains at least one very major outlet. However, over the weekend Putin indicated Russia could cut oil production and refuse to sell oil to any country that imposes the West's "stupid" price cap.

From the demand side of the equation, hope of an improvement in Chinese energy demand became more suspect over the weekend after news that the relaxing of rules has resulted in a very rapid spread of Covid. In fact, according to the New York Times China will probably be presented with a "tsunami" of Covid cases which in turn will test its healthcare systems. Partially is news India fuel demand last month reaching the highest level in eight months. The Commitments of Traders report for the week ending December 6th showed Crude Oil Managed Money traders were net long 171,277 contracts after increasing their already long position by 5,688 contracts. Non-Commercial & Non-Reportable traders added 222 contracts to their already long position and are now net long 299,185.

Unlike the crude oil market, the gasoline market has forged a lower low breakout early today with that weakness partially the result of confirmation of a 70,000-barrel week over week increase in loadings of

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clean fuels from Asia destined to the Americas. Perhaps several minor supply threats will help slow or cushion gasoline prices against further declines. First, the US Keystone pipeline outage has reduced flow to at least 2 US refiners and therefore less gasoline production is expected. While the markets have been aware of surging Chinese refined fuel exports for several weeks, forecasts that December refined product exports from China will hit a record gives credibility to those fears.

Certainly, the gasoline market might draft minimal support from news last Friday that Indian fuel demand hit an 8-month high because of festivals and stronger industrial activity. Going forward, two straight weeks of US refinery activity above 95% should provide more large single week inflows to EIA gasoline storage. However, that pattern might be disrupted before the end of the year as the effects of the Keystone pipeline cutback are felt by some refineries. Certainly, the most recent COT positioning report has the gasoline market net spec and fund trader long understated with the market after the report mark off falling $0.12 into last week's low. The Commitments of Traders report for the week ending December 6th showed Gas (RBOB) Managed Money traders are net long 52,612 contracts after net selling 4,531 contracts. Non-Commercial & Non-Reportable traders were net long 56,432 contracts after decreasing their long position by 2,310 contracts.

In a headline that confirms the market's suspicions from last week, the trade expects US diesel stocks to begin to normalize because of slowing in the US. While there could be some disruptions to US refinery activity, both distillate and diesel stocks last week saw massive million-barrel plus inflows which dramatically reduces the year-over-year deficits. As in the gasoline market, the diesel market sees ongoing pressure from a forecast projecting Chinese refined oil exports remaining strong. The December 6th Commitments of Traders report showed Heating Oil Managed Money traders reduced their net long position by 10,717 contracts to a net long 20,706 contracts. Non-Commercial & Non-Reportable traders were net long 38,135 contracts after decreasing their long position by 9,583 contracts.

While threats from Putin to halt energy shipments to countries participating in the price cap added to last week's surprise rally, cold and snow in the UK is expected to extend early this week. In fact, with cold weather also surfacing in Asia a surge of near-term demand is certainly a significant development for a market that has recently plummeted. A sharp gap up trade off moderate cold is a reminder to the trade that the northern hemisphere winter has only just begun. With the most recent COT positioning report showing natural gas holding a very lofty net short, the presence of extreme cold and the gap filling recovery last week has and will foster stop loss buying.

The Natural Gas positioning in the Commitments of Traders for the week ending December 6th showed Managed Money traders net sold 8,932 contracts and are now net short 71,832 contracts. Non-Commercial & Non-Reportable traders net bought 435 contracts and are now net short 135,877 contracts. With the Russians continue to push gas through Ukraine at a steady pace and seeing them strike a deal with Turkey to establish a distribution hub, the bull camp does face some supply adversity. With a gap filling spike up move last Friday and a gap up trade early this week, for gas to forge consistent gains on top of current gains will require an extension of cold weather in the UK, Asia and or Europe perhaps prompting chatter of a cold winter.

BEANS:

The soybean market experienced follow-through selling from Friday's reversal as some rain in Argentina and China demand concerns helped to spark selling. A sharp drop in Malaysia palm added to the negative tone but the Argentina weather outlook is still mostly dry with higher than normal temperatures. March Soybeans closed lower on Friday after first trading up to the highest level since September 13th. US soybean ending stocks for 2022/23 came in at 220 million bushels versus an average expectation of 233 million and a range of expectations from 200 to 296 million. This was unchanged from the November report.

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World soybean ending stocks came in at 102.71 million tonnes versus an average expectation of 102.30 million (range 98.50-106.30 million) and 102.17 million in November. Brazilian production was unchanged from November at 152.00 million tonnes versus an average expectation of 152.50, and Argentine production was also unchanged at 49.50 million tonnes versus an average expectation of 48.80 million. The USDA made no changes to the US supply or demand numbers and no changes to Brazilian or Argentine production. There were also no changes for China's supply/demand outlook either.

South American crops are off to a slow start, and it may be helpful to look at a possible scenario for the upcoming season. If we assume that the Brazilian crop comes in 3% below current expectations (given current crop issues in southern Brazil) and that Argentine production comes in 10% below expectations due to their hot and dry conditions, world ending stocks could drop 9.5 million tonnes from the current forecast. This would cause world ending stocks to fall to 93.21 million tonnes, the lowest since the 2015/16 season, and the stocks stocks/usage ratio to fall to 24.5%, the lowest since 2013/14 season.

More importantly if Brazilian and Argentine exports fall by a similar percentage, it would pull 5.53 million tonnes from the world export market. This would be the equivalent of 203 million bushels. US ending stocks are projected at 220 million bushels, which would not be enough absorb this loss. According to the Bolsa de Cereales, 37.1% of 16.7 million hectares had been planted in Argentina by Wednesday, 19% behind last season.

The December 6th Commitments of Traders report showed Soybeans Managed Money traders were net long 99,454 contracts after decreasing their long position by 2,650 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,629 contracts to a net long 61,478 contracts. For soyoil, Managed Money traders were net long 62,584 contracts after decreasing their long position by a whopping 42,919 contracts in just one week. For Soymeal, Managed Money traders were net long 98,509 contracts after increasing their already long position by 23,648 contracts. Non-Commercial & Non-Reportable traders are net long 140,487 contracts after net buying 21,851 contracts.

CORN:

March corn closed slightly higher on the session last Friday, but still down for the week. US corn ending stocks for 2022/23 came in at 1.257 billion bushels versus an average trade expectation of 1.238 billion and a range of expectations from 1.170 to 1.350 billion. This was up from 1.182 billion in the November report. Exports were revised down by 75 million bushels. World ending stocks came in at 298.40 million tonnes versus an average expectation of 301.00 million (range 298.00-304.00 million) and 300.80 million in November. Brazil's production for 2022/23 was unchanged at 126.00 million tonnes versus 126.30 million expected. Argentina's production was also unchanged at 55.00 million tonnes versus 53.80 million expected. The USDA cut Ukraine's 2022 corn harvest to just 27 million tonnes, down from November outlook for 31.5 million.

The drop in US exports was in line with trade expectations given the very slow pace so far this season. It is probably too early to revise the South American crop forecasts, but the trade is focusing on the possibility of lower production from Argentina if there is not a significant improvement in the weather. Consider a scenario for this coming season in which Brazil's corn crop comes in 3% below current expectations and Argentina's 10% below. In that case, world ending stocks would decline 9.3 million tonnes from the current forecast of 298.40 million tonnes to 289.1, the lowest since 2014/15. The stocks/usage ratio would fall to 24.7%, the lowest since 2013/14.

If we lower Brazilian and Argentine exports by a similar percentage, it would mean a drop of 5.51 million tonnes from the world market, the equivalent of 216.9 million bushels. If the US were to make up the difference, it would lower US ending stocks to 1.040 billion bushels and result in a stocks/usage ratio of 7.3%. This would be the lowest US ending stocks reading since 2012/13 and the lowest stocks/usage ratio since 1995/96. The Commitments of Traders report for the week ending December 6th showed Corn

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Managed Money traders are net long 120,213 contracts after net selling 71,418 contracts for the week. This is an aggressive long liquidation selling trend. Non-Commercial No CIT traders were net long just 32,765 contracts after decreasing their long position by a whopping 76,615 contracts in just one week.

WHEAT:

The wheat market remains in a steady downtrend and while the market is extremely oversold, there is still no sign of a low. March Wheat closed moderately lower on the session Friday after the USDA Supply/Demand update, and this left the market with a loss of 26 3/4 cents for the week. US 2022/23 wheat ending stocks came in at 571 million bushels versus an average expectation of 581 million (range 551 to 602 million) and unchanged from the November report. World ending stocks came in at 267.33 million tonnes versus 268.0 million expected (range 262.5-276.0 million) and 267.82 million in November.

The USDA kept the US supply and demand numbers completely unchanged from last month. Globally, the drop in production was mostly offset by a drop in usage. Argentina's production was revised down by 3 million tonnes, Australia's was revised up by 2.1 million, and Canada's was revised down by 1.2 million. This left the world ending stocks in line with trade expectations. Egypt officials see wheat inventories as high enough until May 7. In India, average wholesale prices of wheat have registered a significant rise of nearly 23 per cent over the last year, according to government data.

The Commitments of Traders report for the week ending December 6th showed Wheat Managed Money traders were net short 63,382 contracts after increasing their already short position by 9,314 contracts for the week. Non-Commercial No CIT traders are net short 71,771 contracts after net selling 6,379 contracts. This is the largest net short position since June 23rd, 2020 and leaves the market vulnerable to increased buying if resistance is violated. For KC wheat, Managed Money traders reduced their net long position by 7,400 contracts to a net long 9,729 contracts. Non-Commercial No CIT traders added 9,268 contracts to their already short position and are now net short 10,288.

HOGS:

February hogs closed lower on Friday with an inside day and the market was down 640 (down 7%) for the week. Choppy trade has been seen in the pork product market last week and this helped spark the bounce off the lows Thursday. The USDA pork cutout, released after the close Friday, came in at $85.79, up $1.84 from Thursday but down from $87.64 the previous week. The four-day break last week leaves the market slightly oversold but there is no technical sign of a short-term low. The market is probing for some type of seasonal low, but demand appears sluggish, and supply is still high. The USDA estimated hog slaughter came in at 484,000 head Friday and 140,000 head for Saturday. This brought the total for last week to 2.572 million head, down from 2.590 million the previous week and down from 2.656 million a year ago.

Estimated US pork production last week was 553.9 million pounds, down from 557.8 million the previous week and down 1.3% from a year ago. In the USDA update, 2022 production was revised lower but so were exports. The CME Lean Hog Index as of December 6 was 82.47, down from 82.78 the previous session and 83.24 the previous week. The Commitments of Traders report showed managed money traders were net buyers of 8,270 contracts of lean hogs for the week ending December 6, increasing their net long to 49,754. Non-commercial & non-reportable traders were net buyers of 5,136, increasing their net long to 29,110.

CATTLE:

The cattle market continues to carry a bullish tilt from a supply perspective. February cattle closed sharply higher on the session Friday after a slightly higher opening, and this left the market 32 lower for the week.

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Continued talk that supply will tighten in the weeks ahead has helped to support. In addition, February cattle traded down to a discount to the cash market last week, and this may have slowed the selling, and encouraged new buying. In the USDA update, 2022 production was revised higher and so were exports for this year and next. The USDA boxed beef cutout was up 66 cents at mid-session Friday and closed $1.65 higher at $248.93. This was down from $249.93 the previous week. Cash live cattle trade was active on Friday, with 14,466 head reported in the five regions. As of Friday afternoon, the five-day, five-area weighted average price was 155.57, down from 156.46 the previous week.

The USDA estimated cattle slaughter came in at 120,000 head Friday and 24,000 head for Saturday. This brought the total for last week to 652,000 head, down from 663,000 the previous week and 682,000 a year ago. The estimated average dressed cattle weight last week was 837 pounds, unchanged from the previous week and down from 841 a year ago. The 5-year average weight for that week is 833.6 pounds. Estimated beef production was 544.5 million pounds, down 2.9% from a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 527 contracts of live cattle for the week ending December 6, reducing their net long to 59,317. Non-commercial & non-reportable traders were net sellers of 3,630, reducing their net long to 62,850.

COCOA:

Cocoa’s turnaround last Friday was due to a negative shift in global risk sentiment and gained additional strength from profit-taking in front of this week’s critical events. While the market may have trouble finding its footing, recent bullish supply development can help cocoa prices to hold their ground above their 200-day moving average. March cocoa found early strength and reached a 4-week high before turning sharply to the downside as it finished last Friday with a sizable loss and a negative daily reversal. For the week, March cocoa finished with a loss of 32 points (down 1.3%) which broke a 2-week winning streak and was a negative weekly reversal.

High inflation causes consumers to pull back on discretionary purchases, so recent CPI and PPI results from major economies has weighed on the cocoa market. Last Friday’s US PPI and core PPI readings came in higher than expected which pressured cocoa as high inflation may erode near-term chocolate demand. Following Tuesday’s US CPI result, the market will receive longer-term inflation forecasts from Wednesday’s FOMC meeting as well as from Thursday’s European Central Bank and Bank of England meetings, and that may have encouraged some longs to liquidate their positions and head to the sidelines in front of the weekend.

A pullback in the Eurocurrency put carryover pressure on the cocoa market as that will make it more difficult for Euro zone grinders to acquire near-term cocoa supply. If the latest weekly Ivory Coast port arrivals reading comes in above last year’s comparable total, it will push this season’s arrivals total further ahead of last season’s pace. The December 6th Commitments of Traders report showed Cocoa Managed Money traders are net short 5,141 contracts after net buying 7,091 contracts. CIT traders are net long 20,147 contracts after net buying 759 contracts. Non-Commercial No CIT traders are net short 7,486 contracts after net buying 6,663 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 7,750 contracts after net buying 7,963 contracts.

COFFEE:

A significant portion of global coffee consumption occurs at restaurants and retail shops where demand is more sensitive to higher inflation. While coffee prices have had a rough start to December and have critical longer-term inflation forecasts to digest this week, there have been bullish supply developments that can help the market find its footing. March coffee could not build on early strength as it fell to a 2 1/2 week low before finishing Friday’s trading session with a modest loss and a third negative daily result in a

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row. For the week, March coffee finished with a loss of 4.45 cents (down 2.7%) which was a second negative weekly result in a row.

A continued buildup of ICE exchange coffee stocks continued to weigh on prices going into the weekend, as they increased by 13,117 bags on Friday to reach their highest levels since early September. Most ICE exchange coffee stocks are located at Euro zone warehouse, so their recent upsurge may also reflect lukewarm European demand. On the other hand, the International Coffee Organization forecast global coffee demand will increase by 1% to 2% each year through 2030.

While they mostly produce Robusta coffee, this year's Vietnam coffee exports are running 13% ahead of last year's pace pressured the market late this week as their export surge may dampen global Arabica prices as well. Colombia's annualized production pace has fallen to an 8 1/2 year low, while this season's Brazilian "on-year" Arabica production was so small that some analysts are projecting the 2023/24 "off-year" crop will have an increase from this season.

The Commitments of Traders report for the week ending December 6th showed Coffee Managed Money traders net sold 3,259 contracts and are now net short 22,491 contracts. CIT traders are net long 35,810 contracts after net selling 793 contracts. Non-Commercial No CIT traders were net short 24,900 contracts after increasing their already short position by 2,341 contracts. Non-Commercial & Non-Reportable traders added 1,847 contracts to their already short position and are now net short 16,077.

COTTON:

March cotton managed to close slightly higher on session Friday but down on the week. In Friday's monthly supply/demand update, the USDA raised the US 2022/23 cotton yield estimate to 868 pounds per acre from 855 in the November report. This brought the production forecast to 14.24 million bales from 14.03 million previously but still down from 17.52 million a year ago. US exports were lowered by 0.25 million bales to 12.25 million, and domestic usage was lowered by 0.10 million to 2.20 million. US ending stocks increased to 3.50 million bales from 3.00 million previously but down from 3.75 million in 2021/22 and the second lowest since 2016/17. The stocks/usage ratio increased to 24.2% from the November estimate of 20.3% and the highest since 2019/20.

World ending stocks increased to 89.56 million bales from 87.27 million previously and the highest since 2019/20. Aside from the US, most major producers saw their production forecasts decline or hold steady. Pakistan's production forecast fell to 3.70 million bales from 4.50 million previously. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,344 contracts of cotton for the week ending December 6, increasing their net long to 18,257. Non-commercial, no CIT traders were net buyers of 2,092, reducing their net short to 14,337.

SUGAR:

Sugar prices benefited from near-term bullish supply developments late last week but remain firmly within its December consolidation zone. Unless it can find fresh carryover support from key outside markets, sugar remains vulnerable to a sizable pullback this week. March sugar rebounded from early pressure and rallied through midsession, only to turn back to the downside late in the day as it finished Friday's trading session with a mild loss. For the week, however, March sugar finished with a gain of 12 ticks (up 0.6%) which was a second positive weekly result in a row.

Lower than expected yields for India's early-harvest cane crop have led to some analysts dialing back their full-season forecast for India's sugar production, and that provided underlying support to the market. There are reports that many of Brazil's Center-South mills are winding down their operations for this season as extended rainfall has led to more delays in cane harvesting and crushing, and that also

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strengthened sugar prices late last week. Keep in mind that unharvested Center-South cane will likely be harvested and crushed early during the 2023/23 season and should give a boost to sugar production.

There has been a notable uptick in sugar's share of Center-South crushing so that by the first half of November, the full-season 2022/23 share was running ahead of last season's pace. Crude oil and RBOB gasoline made new lows for the move early Friday and while they both had mild recoveries into the close, their December selloff has put carryover pressure on the sugar market as that will reduce any incentive for Center-South mills to shift their crushing over to ethanol production.

The Commitments of Traders report for the week ending December 6th showed Sugar Managed Money traders net bought 2,004 contracts and are now net long 198,878 contracts. CIT traders were net long 200,493 contracts after decreasing their long position by 5,875 contracts. Non-Commercial No CIT traders net bought 3,622 contracts and are now net long 118,701 contracts. Non-Commercial & Non-Reportable traders added 762 contracts to their already long position and are now net long 239,644.

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