ADM Investor Services, Inc.

Weekly Futures Market Summary

January 23, 2023 **by the ADMIS Research Team**

BONDS:

Despite the significant reversal in treasuries at the start of last week, we see the trend remaining up going into this week. While fears of overtightening by the Fed causing a recession provided the brunt of the rally off the November lows, the bull camp appears to have shifted its focus and is not as concerned about a Fed inspired recession, but the trade is seeing softer US numbers and bouts of flight to quality buying. In our opinion, a solid bull market manages to shift its fundamental focus in order to maintain trend action. In retrospect, treasuries were technically overbought into last week's high and perhaps overcompensated for the increased shift toward a 25-basis point rate hike next week. However, global commodity and equity market sentiment feels mixed to start the week which will see scant data from the US early this week.

With several Federal Reserve members recently indicating they are in favor of moving to smaller rate hikes and US data producing equal measures of soft and positive readings there does not appear to be a definitive market view on the status of the US economy. On the other hand, US initial claims last week broke out to the downside suggesting that the US economy still has the potential to achieve a soft landing this year. Fortunately for the bull camp, economic concern retains the upper hand in the treasury market with ongoing uncertainty from the situation in China adding a measure of flight to quality interest to the trade. US treasuries might garner additional flight to quality interest from concerns that the Bank of Japan has seen its financial condition erode precariously and the trade doubts the Japanese Central Bank has the capacity to "hold rates down".

According to a Reuters story, interest in yield steepening trades is expanding with expectations that the gap between long and short rates will begin narrowing soon. Looking ahead, the treasury market will face a treasury auction cycle this week, but the trade might begin to garner more significant flight to quality buying if Washington fails to reach an agreement on the debt ceiling. According to Reuters, last week produced the smallest net short 3 months rate futures positions in 2 years and the largest 10-year net short since 2018! Bonds positioning in the Commitments of Traders for the week ending January 17th showed Non-Commercial & Non-Reportable traders are net short 169,437 contracts after net selling 38,792 contracts. T-Note positioning showed Non-Commercial & Non-Reportable traders added 129,231 contracts to their already short position and are now net short 570,393.

CURRENCIES:

In retrospect, the action in the dollar market last week showed a lack of commitment by the bull and bear camps. However, renewed flight to quality buying interest in the dollar from increased economic anxiety is likely to extend into this week. The dollar is garnering additional buying interest from growing negative sentiment toward the Japanese Yen as respect for the Japanese central bank has declined sharply and internal Japanese economic data has been very soft. Even though the dollar recoiled from the probe down the charts at the start of this week, the dollar last week was unable to sustain gains in the wake of supportive fundamental developments.

In our opinion, the dollar trade is currently discounting positive US data and continues to position for a long-term downtrend. In fact, predictions of a steepening of the US yield curve and very hawkish ECB dialogue suggests the euro will continue to make gains against the dollar. Dollar positioning in the Commitments of Traders for the week ending January 17th showed Non-Commercial & Non-Reportable traders reduced their net long position by 3,710 contracts to a net long 15,570 contracts.

With the trade in the euro unconcerned about overtightening by the ECB and the ECB promoting hawkish policy moves ahead the uptrend in the euro looks to extend despite periodic disappointment from euro zone data. The Commitments of Traders report for the week ending January 17th showed Euro Non-Commercial & Non-Reportable traders are net long 206,628 contracts after net selling 3,607 contracts. With the British Pound forging an upside breakout early this week, it is clear the trade has upgraded the view toward the UK economy which in turn has fostered inflows to the Pound and away from the US dollar. However, the Pound is experiencing some headwinds from those who think the government is not moving quickly enough on "growth reforms".

While the Yen remains in a technical uptrend, confidence in the Bank of Japan continues to deteriorate and fear of recession from overtightening should leave the Yen out-of-favor going forward. Certainly, Bank of Japan official dialogue projects a move away from ultra-easy policies but the trade thinks the Japanese financial condition is deteriorating and the Bank might not be able to tighten. We expect significant volatility to remain in the Swiss franc with wild two-sided trade recently prompting short dollar positions to be placed in long euro instead of long Swiss franc positions.

While the Canadian dollar is likely to remain within the recent consolidation bound by 75.09 and 74.00, the Canadian dollar should benefit from the potential for further declines in the US dollar. However, for the Canadian dollar to breakout to the upside and post the highest price since the 3rd week of November might be delayed until February 8th when the Bank of Canada releases Canada policy meeting notes for the first time ever. On the other hand, Canadian dollar bulls should be emboldened by strong Canadian retail sales forecasts for December.

STOCKS:

We suspect that a large portion of last Friday's gains were the result of profit-taking by those pressing the short side of the markets earlier this week. However, the markets did get a lift from favorable Netflix subscriber numbers as analysts think negative impacts from raising prices will continue to be less than feared. The markets also benefited from somewhat favorable US existing home sales readings which were not as soft as feared. While the aggressive liquidation pattern earlier in the week may not have run its course, the feel is that the markets are reflecting less economic anxiety. Other bullish headlines at the end of last week came from upgrades of Costco and Boeing.

Global equity markets early this week saw higher action in most Asian markets with Western markets showing minimal gains or waffling around unchanged. In retrospect, the rally last week appears to be classic short covering with a downside breakout in US claims moderating recession fears and helping to moderate deteriorating expectations for first quarter earnings. In the early going this week, several headlines of job cut announcements and ongoing legal travails for Elon Musk leave investors off balance. We see volatility in the S&P moderating and the markets becoming less concerned about recession inspired by overtightening.

However, as indicated already, the outlook for first quarter earnings remains concerning and many investors see more risk than reward in current conditions. Between the lines there are positive developments benefiting India with Apple announcing it will expand production in India to 25% of its total phone production and with news that Amazon has launched a venture to provide independent air cargo services to meet surging retail demand in the country. The January 17th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders added 12,462 contracts to their already short position and are now net short 209,308.

With a 3 day high posted early this weekand global macroeconomic psychology in better position than was presented at the beginning of last week, the bull camp in the Dow Jones could benefit from soft data instead of faltering in the wake of soft data. In other words, with the FOMC meeting approaching and sentiment favoring a smaller rate hike, last week's low of around 33,000 could be considered a very key value zone. The Commitments of Traders report for the week ending January 17th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 12,295 contracts after decreasing their short position by 375 contracts. Uptrend channel support today is 33,092.

While legal problems for Elon Musk and news of job cuts at Spotify undermine sentiment toward the NASDAQ at the start of this week, hope for favorable big tech earnings and a recently balanced overbought technical condition should improve the performance of the NASDAQ relative to other sectors of the market. We also suspect that the NASDAQ at last week's lows posted a significantly overdone net short spec and fund positioning. The January 17th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 17,060 contracts to their already short position and are now short 29,959.

GOLD, SILVER & PLATINUM:

Last week, the gold market managed to extend gains in the face of periodic adversity from strength in the dollar. However, the dollar failed to leave a sideways consolidation despite developments that should have resulted in a strong close last week. Fortunately for the bull camp, the gold trade appears to be capable of shifting its fundamental focus among various bullish forces with buying off flight to quality surfacing several times last week. Furthermore, interest rates appear to have steadied at levels notably below the levels seen throughout most of the 4th quarter of 2022. In a modest intermediate supportive development, the government of India is set to cut gold import duties to reduce smuggling with predictions that the government would bring the gold import duty rate below 12%. The move to reduce gold import duties in India could revive domestic refining which has been idled because of unprofitable conditions.

In negative news, an article on Bloomberg, gold ETF holdings in 2022 dropped by 90% with the total inflow significantly less than 2021 and 2020. However, it should be noted that gold ETF holdings showed very significant gains in the first quarter of 2022 before peaking during the 2nd quarter at around 75 million ounces and declining to 67 million ounces into the end of the year. So far this year, gold ETF holdings are roughly 241,000 ounces below levels at the start of this year and the trade is beginning to question the bull track because of the divergence between gold price gains and falling ETF holdings. In fact, negative investment flows have produced significant headwinds for gold and silver prices for nearly 7 months. With 2022 presenting a bearish combination of sharply rising interest rates and the dollar exploding until October, investors should have been discouraged last year.

With gold up $300 from the early November low, open interest rising and trading volume strong so far in January, the $1,950 level could become a plateau of support ahead. From a shorter-term technical perspective, the most recent COT positioning report showed Gold with the highest net spec and fund long since mid-June last year. With the April gold contract from the COT report mark off into the high Friday nearly $30 higher, the net spec and fund long position has probably reached the longest level since the middle of May last year. The week ending January 17th showed Managed Money traders were net long

93,357 contracts after increasing their already long position by 10,783 contracts. Non-Commercial & Non-Reportable traders added 4,899 contracts to their already long position and are now net long 198,945.

The March silver contract has clearly lost upside momentum with prices consolidating in a $1.50 range over the last 35 days. Obviously, the silver market is not benefiting from financial and economic developments impacting gold on a daily basis. Therefore, the silver market is likely to track physical commodity market developments and potentially track in sync with equity prices. Surprisingly, the extended sideways consolidation and chop on the silver charts has not moderated a net spec and fund long in silver which is at the highest level since April last year. The Commitments of Traders report for the week ending January 17th showed Silver Managed Money traders added 3,432 contracts to their already long position and are now net long 28,042. Non-Commercial & Non-Reportable traders net long 47,966 contracts after increasing their already long position by 3,080 contracts.

Obviously, the platinum market enters the new trading week in a less vulnerable liquidation mode, as global risk off concerns from last week were missing in the early going. In our opinion, the platinum market last week saw pressure from the deterioration in macroeconomic sentiment and might have seen selling off fears of serious economic problems in China from the infection explosion. While the markets did not fully embrace the idea of a $1 trillion US platinum coin, that prospect has been dashed by comments from the US treasury secretary. Over the weekend, the Chinese government indicated the Covid outbreak could infect "80%" of the population and those views have resulted in predictions that China is close to or has passed the peak of patient counts in fever clinics. If the Chinese Covid situation improves and anxiety moderates, then last week's sharp platinum washout might have created a strong value zone. Fortunately for the bull camp platinum ETF holdings on Friday posted a very sizable single day inflow of 9,063 ounces but year-to-date platinum ETF holdings are still down 0.8%.

Unfortunately for the bull camp, the latest net spec and fund long in platinum remains significantly overbought and that should leave the market vulnerable to failures at key support areas. The January 17th Commitments of Traders report showed Platinum Managed Money traders are net long 16,897 contracts after net selling 7,435 contracts. Non-Commercial & Non-Reportable traders are net long 28,840 contracts after net selling 5,667 contracts. Even though the palladium market managed to reject a pattern of lower highs and lower lows last Friday, fundamental and technical signals still favor the bear camp. Fortunately for the bull camp the latest COT positioning report showed palladium to have a substantial net spec and fund short which could leave the market with less selling pressure after a return to the December consolidation lows. The Commitments of Traders report for the week ending January 17th showed Palladium Managed Money traders were net short 1,959 contracts after increasing their already short position by 247 contracts. Non-Commercial & Non-Reportable traders were net short 2,899 contracts after increasing their already short position by 570 contracts.

COPPER:

As indicated in other coverage at the start of this week, the Chinese government apparently thinks that 80% of the population may be infected in this Covid surge, and that could foster hope that infections will peak soon. In fact, if the country has 80% infected and/or exposed, that could lead to a period of natural immunity. Over the weekend, the copper trade was presented with an International Copper Study Group prediction that the global refined copper market shifted into a deficit of 89,000 tonnes in November after posting a surplus of 68,000 tonnes in October.

Another bullish development over the weekend came from Peru where Glencore suspended operations after protesters attacked their mining facility. While the copper market has seen its net spec and fund long position expand moderately in the wake of massive gains from early last week, the long positioning probably remains well below the 2022 highs. The January 17th Commitments of Traders report showed Copper Managed Money traders were net long 35,248 contracts after increasing their already long position by 6,452 contracts. Non-Commercial & Non-Reportable traders were net long 23,622 contracts after increasing their already long position by 6,795 contracts.

ENERGY COMPLEX:

The outlook for the crude oil market remains in favor of the bull camp into the new trading week. In fact, with early signs of strength and a trade above last Friday's strong finish should leave the bear camp on a back foot. While we have doubted the effectiveness of the Russian oil price cap, an extension of the price cap probably provides a measure of lift to prices. In fact, a very impressive close on Friday leaves the bull camp hopeful that the $80.00 level will become a plateau of support. The bull camp should be emboldened by recent demand news flow documenting strong demand from India and China with both countries indicating they will boost imports this year. News that money managers have boosted bullish positions on both Brent and WTI adds substance to the January rally. In a fresh supportive supply-side development, crude oil in floating storage (from global tanker readings) last week declined by 1.09 million barrels.

Most importantly, Asian-Pacific floating storage declined by 9.7% on a week over week basis with European supply dropping by 17%. It should also be noted that Russian weekly oil exports declined in the week ending January 20th but flows from the 2nd half of 2022 ultimately registered at normal levels! Offsetting the positive demand views from surging Indian and Chinese imports is a massive jump in US Gulf Coast floating supply last week of 213%. As indicated in other market coverage, Chinese officials (in reportedly leaked information) predicted 80% of their population was likely to become infected and while that could produce very concerning demand headlines in the near term, the markets could see the potential for a "peak" in infections as a powerful bullish potential.

Going forward, two straight weeks of significant inflows to EIA crude oil inventories of 27 million barrels will create significant interest in this week's EIA report. In fact, with the US refinery operating rate remaining very low, the prospect of another large weekly inflow of crude oil supply should be expected. Fortunately for the bull camp, the net spec and fund long positioning in crude oil remains very low indicating the crude oil market may retain significant speculative buying capacity. The January 17th Commitments of Traders report showed Crude Oil Managed Money traders were net long 182,052 contracts after increasing their already long position by 25,867 contracts. Non-Commercial & Non-Reportable traders added 32,017 contracts to their already long position and are now net long 290,112. Last week the noncommercial and nonreportable net long in crude oil was the lowest since February 2016!

As indicated already, the US refinery operating rate last week showed 14.7% of capacity idled which is up only slightly from the prior week where 15.9% of overall US capacity was idled. Therefore, we expect product stocks in this week's API and EIA reports to expand annual deficits and keep tight supply as an underpin for prices. Last week the gasoline market showed the most leadership on the rally with prices breaking out to the highest level since July 5th which occurred at the peak of the North American summer driving season. However, the net spec and fund long in gasoline adjusted for the gains after last week's early report probably elevates the net spec and fund long to the highest levels since March of last year. The Commitments of Traders report for the week ending January 17th showed Gas (RBOB) Managed Money traders are net long 56,538 contracts after net buying 856 contracts. Non-Commercial & Non-Reportable traders added 1,463 contracts to their already long position and are now net long 64,158.

Clearly the diesel market challenged the gasoline market as the leadership market last week with a 2-day high to low rally of $0.24. Fortunately for the bull camp, the net spec and fund long before the massive rally showed a very modest net spec and fund long. Therefore, the diesel market should retain speculative buying capacity in the new trading week. The January 17th Commitments of Traders report showed Heating Oil Managed Money traders net bought 669 contracts and are now net long 17,627 contracts. Non-Commercial & Non-Reportable traders posted a net long 40,524 contracts after increasing their already long position by 5,832 contracts.

While the declines in natural gas have slowed, the trend remains down. The attempt to consolidate above the $3.00 level in the March gas contract is probably partly the result of a massively oversold technical condition and might also be partly the result of cold in the US. However, with a very large net spec and fund short in natural gas growing on a week over week basis, it is possible that some shorts are exiting with profits around the $3.00 level for fear that the euro zone's gas price cap could result in significant shift in market structure ahead. Adjusted to the $0.27 decline after the last COT report was measured, we see the net spec and fund short in gas at the largest level since February 2020.

The January 17th Commitments of Traders report showed Natural Gas Managed Money traders net sold 58 contracts and are now net short 87,278 contracts. Non-Commercial & Non-Reportable traders are net short 147,620 contracts after net selling 2,924 contracts. With the net spec and short long becoming significantly very oversold and open interest reaching the highest level since last June, there are technical signs of a bottom in prices. While last week saw reports of reduced Russian gas flow through Ukraine pipelines, the trade at present is unconcerned about a supply debacle in Europe. In retrospect, seeing US EIA working gas in storage levels rise above 5-year average stock levels last week (in the middle of January), should make it extremely unlikely severe US tightness will develop before temperatures begin to swing higher.

BEANS:

A front moved through Argentina over the weekend with scattered showers. Many areas received 0.75-1.5 inches. Another couple of fronts are expected to move through this week, which may not be as organized as the last front, but are still forecasting similar amounts for the week. The outlook for better weather in Argentina for this week helped to pressure the market overnight. Exporters announced the sale of 220,000 tonnes of US soybeans sold to unknown destination. Brazil may export 93 million tonnes of Soybeans in 2023 compared with 78.9 million tonnes estimated for 2022, according to Safras & Mercado. Total supply of soybeans should increase by 16% to 157.2 million tonnes. Technically, March Meal experienced a key reversal on January 18 from an extremely overbought condition. The market experienced follow-through selling that helped confirm at least a near term top. Slow stochastics crossed over to the downside from 76.

The Relative Strength Index showed a series of lower highs as the market put in a new contract high, and this suggests a loss in upside momentum. Open interest is high, and the market looks vulnerable to long liquidation selling if support levels are violated. For March Soybeans, the market experienced a sweeping outside day down on January 18 after trading to their highest level since June 13 and filling a gap from June 21. The turn lower occurred from an overbought technical condition. The Relative Strength Index hit a peak at 75.22 on November 2 and on the December 30 high it came in at 70.6. On the recent high, RSI was 70.1. The lower RSI numbers on the successive new highs for the March futures suggest a loss in upside momentum.

The weekly export sales report showed that for the week ending January 12, net soybean sales came in at 986,196 tonnes. Cumulative soybean sales have reached 81.5% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 74.5%. Net meal sales came in at 362,479 tonnes which was well above trade expectations. Cumulative meal sales have reached 52.8% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 52.2%. Net oil sales came in at 666 tonnes. Cumulative oil sales have reached 6.5% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 47.2%. Sales need to average 14,800 tonnes per week to reach the USDA forecast.

The Commitments of Traders report for the week ending January 17th showed Soybeans Managed Money traders net bought 36,594 contracts and are now net long 168,298 contracts. Non-Commercial & Non-Reportable traders net bought 33,012 contracts and are now net long 131,653 contracts. For soybean oil, Managed Money traders reduced their net long position by 606 contracts to a net long 54,008 contracts. For meal, Managed Money traders hit a new all-time high extreme long of 150,939 contracts after adding 8,228 contracts to their already long position. Non-Commercial & Non-Reportable traders are net long 184,861 contracts after net buying 6,806 contracts.

CORN:

A front moved through Argentina over the weekend with scattered showers of mostly 0.75-1.5 inches. Another couple of fronts are expected to move through this week, with similar amounts for the week. The market has closed lower for three days in a row as traders see better weather for the Argentina crop this week. In addition, traders are nervous over the potential for a big crop out of Brazil which could offset some of the smaller crop in Argentina. Export sales news was positive and outside market forces carried a bullish tilt.

In Brazil, not even the high volume of exports has been enough to underpin prices in the local market with prices still moving lower. Although Conab's estimates released on Jan. 13th pointed to lower stocks (down 2 million tonnes), to 5.28 million tonnes, high expectations for the soybean and corn crops, whose harvestings are supposed to step up in the coming weeks, are making farmers more willing to lower asking prices. The weekly export sales report showed that for the week ending January 12, net corn sales came in at 1,132,142 tonnes for the current marketing year and 87,010 for the next marketing year for a total of 1,219,152.

Cumulative sales have reached 43.9% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 58.1%. Sales need to average 896,000 tonnes per week to reach the USDA forecast. March Corn experienced a hook reversal on January 18 after reaching its highest level since November 4. The market is technically overbought, and with the large net long position held by speculators. Corn positioning in the Commitments of Traders for the week ending January 17th showed Managed Money traders are net long 192,137 contracts after net buying 42,532 contracts for the week. Non-Commercial & Non-Reportable traders are net long 187,342 contracts after net buying 33,434 contracts.

WHEAT:

March wheat closed moderately higher on the session Friday after choppy and two-sided trade. Export sales were little better than traders have seen recently, and the higher close even with better weather for the winter wheat crop areas was seen as a positive factor. In the US, bigger wheat plantings are expected to limit corn and soybean acreage this year as farmers seek to profit from soaring prices, according to a Farm Futures survey. Total wheat acres in 2023 may increase 7% to 48.8 million. If realized, that would be the largest crop sown since 2016. July Kansas City Wheat has consolidated in a choppy range since early December, but open interest has climbed from 145,888 contracts on December 6 all the way to 172,650 contracts this week.

The Relative Strength Index for July KC Wheat hit a low of 17.9 on December 6, but when the futures posted a lower low on January 10, RSI was at 29.3. This suggests a loss in downside momentum. Stochastics experienced a crossover buy signal on January 12, which is a positive development. The market managed to close higher Friday, even with weakness in the other grains and the outlook for a significant rain event in Western Kansas. The weekly export sales report showed that for the week ending January 12, net wheat sales came in at 473,124 tonnes for the current marketing year and 35,000 for the next marketing year for a total of 508,124.

Cumulative sales have reached 73.7% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 76.4%. Sales need to average 168,000 tonnes per week to reach the USDA forecast. Wheat positioning in the Commitments of Traders for the week ending January 17th showed Managed Money traders net sold 1,955 contracts and are now net short 65,089 contracts. Non-Commercial & Non-Reportable traders net sold 1,600 contracts and are now net short 47,475 contracts. For KC wheat, Managed Money traders are net short 7,291 contracts after net buying 732 contracts. Non-Commercial & Non-Reportable traders are net short 11,355 contracts after net buying 1,437 contracts.

HOGS:

In just 15 trading sessions, February Hogs prices fell from 91.60 to 76.40, a 16.6% drop. This pulled slow stochastic readings down to 8.68 and 5.55. There was a crossover on Friday to suggest a low is in place. The Relative Strength Index is all the way down to 21.1, indicating the market is oversold. February Hog basis is close to normal, but April Hogs are holding a larger than normal premium to the cash market. The buying has pushed the market up to a three session high, and technical indicators are extremely oversold. The USDA pork cutout released after the close Friday came in at $77.62, down 84 cents from Thursday and down from $80.15 the previous week. The CME Lean Hog Index as of January 18 was 73.28, down from 73.85 the previous session and 75.49 a week prior. The USDA estimated hog slaughter came in at 485,000 head Friday and 220,000 head for Saturday. This brought the total for last week to 2.531 million head, down from 2.684 million the previous week but up from 2.436 million a year ago.

US pork export sales for the week ending January 12 came in at 34,146 tonnes, up from 13,066 tonnes the previous week and the highest since December 22. Cumulative sales for 2023 have reached 242,784 tonnes, down from 278,744 a year ago and the lowest since 2019. The five-year average is 363,339. The largest buyer this week was Mexico at 11,751 tonnes, followed by Canada at 4,755. Mexico has the most commitments for 2023 at 64,970 tonnes, followed by Canada at 46,022. The Commitments of Traders report showed managed money traders were net sellers of 12,072 contracts of lean hogs for the week ending January 17, reducing their net long to 10,663. Non-commercial, no CIT traders were net sellers of 10,343, increasing their net short to 21,139. Non-commercial & non-reportable traders combined were net sellers of 10,430, reducing their net long to 3,893. CIT traders were net sellers of 1,098 contracts, reducing their net long to 74,045.

CATTLE:

The USDA Cattle on Feed report showed placements for the month of December at 92% versus trade expectations for 91% of a year ago with a range of 89.0-94.4 range. Marketings came in at 93.9% of last year as compared with the average estimate of 94.7%, 94.0-96.2 range. The Cattle on Feed supply as of December 1st came in at 97.1% as compared with trade expectations for 96.8% of last year with a range of 96.5% to 97.4%. A combination of slower than expected cattle marketings and placements not down quite as much as expected leaves a bearish tilt to the report. The break last week helped to correct the overbought condition. Technical indicators in the live cattle futures reached overbought extremes near the December 29 peak.

Trade psychology was very bullish at the end of 2022, but the market experienced a successful test of the highs on January 10 and then failed. On the recent pullback, the Relative Strength Index fell all the way to 31.2. Slow stochastics fell to 21.6 and 30.5 on the break, which is the lowest since December 9. Open interest has fallen from a peak of 336,068 contracts to 315,992 this week. With the beef supply expected to tighten this quarter, we expect beef prices to find good support soon, and this could support cash cattle. The selling last Thursday pushed the market down to the lowest price level since December 20 and has corrected the overbought condition. The USDA boxed beef cutout closed 21 cents higher at $271.72. This was down from $276.62 the previous week.

Cash live cattle prices were lower last week. As of Friday afternoon, the five-day, five-area weighted average price was 155.18, down from 156.56 the previous week. The estimated average dressed cattle weight last week was 830 pounds, down from 832 the previous week and 839 a year ago. The 5-year average weight for that week is 832.0 pounds. Estimated beef production last week was 535.0 million pounds, up from 517.4 million a year ago. The USDA estimated cattle slaughter came in at 123,000 head Friday and 30,000 head for Saturday. This brought the total for last week to 646,000 head, down from 661,000 the previous week but up from 637,000 a year ago.

The Commitments of Traders report showed managed money traders were net sellers of 6,817 contracts of live cattle, reducing their net long to 84,672. Non-commercial & non-reportable traders were net sellers of 7,098, reducing their net long to 81,993. US beef export sales for the week ending January 12 came in at 17,276 tonnes, up from 13,328 the previous week and the highest since December 1. Cumulative sales for 2023 have reached 174,383 tonnes, down from 257,097 a year ago and the lowest since 2020. The five-year average is 182,964. The largest buyer this week was China at 4,814 tonnes, followed by South Korea at 4,127 and Japan at 3,909. South Korea has the most commitments for 2023 at 48,100 tonnes, followed by Japan at 38,828 and China at 33,619.

COCOA:

While it could not avoid a third negative daily result in a row, cocoa's abrupt turnaround last Friday is more evidence that a longer-term low may be in. With the demand outlook showing signs of improvement, cocoa should be able to extend its recovery move early this week. March cocoa came under significant early pressure and fell to a 4 1/2 week low but rallied late in the day to finish Friday's trading session with only a minimal loss. For the week, however, March cocoa finished with a loss of 82 points (down 3.1%) which broke a 2-week winning streak.

A sizable year-over-year decline in North American fourth quarter cocoa grindings put the cocoa market under severe pressure, as it meant that all 3 major regions had negative year-over-year results during the fourth quarter. Keep in mind that the other 2 major regions (Europe and Asia) were still able to have 2022 full-year grindings totals that posted record high results, which occurred despite Russia's invasion of Ukraine and ongoing Chinese Covid restrictions.

The trend towards more "origin" grindings (where cocoa beans are processed in the nation they were grown) has also reflected longer-term improvement in global demand as Ivory Coast is both the world's largest producing nation and grinding nation. The US and the Euro zone are starting to see a sustained pullback with inflation readings, however, and that should encourage consumers to increase their purchases of discretionary items such as chocolates. In addition, a strong recovery move in US equity markets helped cocoa prices to regain their strength as that should help to soothe near-term demand concerns.

The January 17th Commitments of Traders report showed Cocoa Managed Money traders were net long 11,074 contracts after decreasing their long position by 2,400 contracts. CIT traders were net long 28,485 contracts after increasing their already long position by 3,083 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 2,066 contracts after net selling 2,762 contracts. Non-Commercial & Non-Reportable traders are net long 16,892 contracts after net selling 1,971 contracts.

COFFEE:

Coffee prices are on-course for a fifth negative monthly result in a row and have lost over 31% in value since the end of August. While the market continues to have a bullish supply outlook, coffee will need to see signs of improving demand in order to sustain a recovery move. March coffee was able to shake off early pressure to finish Friday's trading session with a modest gain. For the week, March coffee finished with a gain of 3.10 cents (up 2.0%) which broke a 3-week losing streak.

Brazil and Colombia continue to have production issues that have strengthened coffee prices over the past 1 1/2 weeks. While the La Nina weather event is expected to finish by the end of March, it has resulted in drier than normal conditions in Brazilian growing areas and heavier than normal rainfall in Colombia's growing areas. While there has been talk of good soil moisture levels in Brazil's south Minas Gerais region, the 2023/24 crop had a disappointing flowering period last year which limit its ability to exceed this season's production total.

In addition, major Central American producers had a sharp year-over-year decline in their 2022 fourth quarter coffee exports. Coffee continues to deal with near-term demand concerns, particularly with out-of-home consumption. While inflation levels have fallen back from multi-decade highs, it remains high enough to have a negative impact on restaurant and retail shop purchases. ICE exchange coffee stocks fell by 7,939 bags on Friday, which was their fifth daily decline so far in January. While this was the largest daily decline in ICE exchange coffee stocks since mid-October, they are on track for a third monthly increase in a row.

The Commitments of Traders report for the week ending January 17th showed Coffee Managed Money traders added 10,308 contracts to their already short position and are now net short 40,480. CIT traders added 6,486 contracts to their already long position and are now net long 42,649. Non-Commercial No CIT traders net sold 12,870 contracts and are now net short 43,940 contracts. Non-Commercial & Non-Reportable traders were net short 34,147 contracts after increasing their already short position by 12,251 contracts.

COTTON:

The cotton market remains in an impressive uptrend and with China a more active buyer, and outside market forces holding a positive tilt, the market is threatening to move higher still. New crop December cotton pushed up to the highest level since September 2nd on Friday. China's reopening is expected to spark increased economic activity and even before the reopening, China cotton prices have pushed higher. Crude Oil headed for a second weekly gain due to brightening economic prospects for China and expectations of a boost to fuel demand and higher oil prices make polyester more expensive. US cotton export sales for the week ending January 12 came in at 209,435 bales for the 2022/23 (current) marketing year and 23,928 for 2023/24 for a total of 236,363. This was up from 72,610 the previous week and the highest since September 1.

Cumulative sales for 2022/23 have reached 9.068 million bales, down from 11.267 million last year and the lowest for this point in the season since 2016/17. Sales have reached 75% of the USDA forecast versus a five-year average of 80%. The largest buyer this week was China at 55,130 bales, followed by Turkey at 47,122, Pakistan at 43,580, and Vietnam at 42,457. China has the most commitments for 2022/23 at 1.818 million bales, followed by Pakistan at 1.817 million and Turkey at 1.201 million. The Commitments of Traders report showed managed money traders were net sellers of 11,040 contracts of cotton for the week ending January 17, which took them from a net long position of 9,110 to a net short of 1,930. Non-commercial & non-reportable traders combined were net sellers of 11,460, reducing their net long to 4,737.

SUGAR:

Sugar prices have found support from production issues in India, but there has been a change in this season's export prospects. As a result, sugar is vulnerable to a near-term pullback this week. March sugar could not hold onto early strength and fell to a 1-week low, but rebounded late in the day to finish

Friday’s trading session with a modest gain. For the week, however, March sugar finished with a loss of 1 tick which was third negative weekly result over the past 4 weeks and was a negative weekly reversal from last Wednesday’s 3-week high.

An Indian official said that the government would consider a second export tranche for this season, which was in contrast to earlier reports that India would hold off on sugar exports beyond the 6.1 million tonnes allowed for in their first tranche. While updated forecasts are calling for India’s 2022/23 production to fall below 34.5 million tonnes (versus 36.5 million last season), this would indicate that their production will still be large enough to allow for additional exports.

Energy prices extended their recovery move late last week, which provided the sugar market with carryover support as that can help to strengthen near-term ethanol demand. The latest Unica Center-South supply report is expected to be released later this week and should reflect the “tail end” of their 2022/23 crushing operations. With 2022/23 Center-South sugar production already ahead of 2021/22’s full season total by the end of December, the market may focus on if sugar’s share of crushing during the first half of January stays close to this season’s 45.9% share so far.

The January 17th Commitments of Traders report showed Sugar Managed Money traders were net long 177,721 contracts after increasing their already long position by 2,925 contracts. CIT traders net sold 6,490 contracts and are now net long 175,692 contracts. Non-Commercial No CIT traders net bought 4,263 contracts and are now net long 119,343 contracts. Non-Commercial & Non-Reportable traders are net long 238,065 contracts after net buying 4,370 contracts.

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