ADM Investor Services, Inc.

Weekly Futures Market Summary

April 10, 2023 **by the ADMIS Research Team**

BONDS:

As we have indicated last week, treasury prices were likely to return to contract highs and could be poised to forge a spectacular blowoff top rally this week. However, given the wave of softer than expected US scheduled data, it is possible that a portion of last week's buying interest came from classic economic uncertainty buying instead of buying off fears of Fed overtightening. While it might seem unimportant to determine the specific force behind last week's treasury rally, it will be important for the bull camp to transition to a market focus on slowing activity if it becomes apparent the Fed will be on hold next month.

We see a major junction for the treasury markets this week with prices sitting near contract highs and the trade facing a wave of global inflation reports. If the treasury market focus from the October lows remains in place through US inflation readings on Wednesday and Thursday, prices should fall aggressively if inflation shows signs of moderating. However, if the treasury market focus shifts back to a "classic" condition, prices could breakout up and in turn create a euphoria wave in the marketplace.

However, we see last Friday's US jobs report as a longer-term fundamental headwind as the US economy continues to "hold up" to the threat of even higher US Fed funds rates in the future. Expectations for the Wednesday US CPI report project a gain of 0.3%, with Thursday's Producer Price index estimates calling for a mere 0.1% gain. While the initial trading action early this week might be residually thin due to a partial global holiday trade, we expect the Fed's Williams to be more hawkish than dovish on Monday afternoon. In fact, the nonfarm payroll report ratcheted up expectations for a US rate hike next month, and we expect Williams to praise the economy and continue to the war of words against inflation.

However, the nonfarm payroll report was not seen by the trade as particularly problematic for the bull camp. As indicated in other market coverage, traders should brace for a 2nd quarter trendsetting sweep of reports later this week. Surprisingly, the treasury markets increased their net spec and fund short positions in the sharp rally early last week, which in turn could fuel stop loss buying and contract highs in treasuries later this week. The April 4th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 81,262 contracts after increasing their already short position by 57,455 contracts. For T-Notes Non-Commercial & Non-Reportable traders net sold 165,293 contracts and are now net short 625,253 contracts.

CURRENCIES:

All things considered, the US dollar's action last week was quite surprising as an avalanche of disappointing US scheduled data should have thrown the US dollar back to the early February lows. Nonetheless, the recovery bounce in the US dollar should potentially clear the way for a sharp downside extension this week. Keep in mind that US CPI and PPI will be released on Wednesday and Thursday, and soft readings should rekindle downside momentum in the US dollar. With the US dollar trading lower following a generally positive US jobs report last Friday, the trade continues to show bearish resiliency. In our opinion, the markets are anticipating an overall improvement in global sentiment thereby resulting in further outflows from the US dollar because of declining flight to quality conditions.

In other words, many nondollar currencies look to remain in vogue at the expense of the Dollar as they are "recovery currencies" expected to rally as the global economy sees the threat of recession dissipate. However, there continues to be an extremely bearish undertone toward the dollar because of the US bank sector situation, from US political turmoil and because of expectations of uncertainty from the US debt ceiling battle. The April 4th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders added 1,057 contracts to their already long position and are now net long 16,116.

With a holiday in Europe on Monday the range in the euro is subdued especially with traders waiting for this week's wave of global inflation readings which kickoff with Chinese CPI readings on Tuesday. However, the euro maintains a bullish resiliency despite the slight uptick in US rate hikes. On the other hand, the slight uptick in US rate hikes should give the bear camp a minimal edge early this week, especially given a lack of European trade and a lack of critical early US scheduled data. Adding into the very minor bear track in the euro is the potential for hawkish US Federal Reserve dialogue early this week. The April 4th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders were net long 211,833 contracts after increasing their already long position by 5,047 contracts.

With an early failure on the charts and renewed fears Japan will see global rates rise, while Japanese rates hold steady, the path of least resistance is down. We also see a bearish edge with positive Japanese scheduled data on Monday failing to support the currency. In yet another bearish issue, the trade remains skeptical of Bank of Japan leadership.:
Seeing the Swiss franc reject a trade below 1.110 last week adds to the credibility of that level as solid consolidation support. However, like the euro, the Swiss franc is likely to chop sideways waiting for signs that global inflation is moderating. We see the Swiss franc as a "recovery currency" requiring positive global economic sentiment to resume the March and early April rally.

While the Pound might see minimal support from the Northern Ireland peace deal, early technical action indicates last week's erosion has extended into the new trading week. However, like other nondollar currencies, the Pound is in our opinion a "recovery currency" likely to trade in sync with equities and many physical commodities markets later this week.
Apparently, the Canadian dollar has found solid support at 74.00 especially with the Canadian economy seemingly maintaining a relatively positive economic track. However, seeing the Bank of Canada on hold presents fundamental headwinds for the bull camp.

STOCKS:
In our opinion, the equity markets are beginning to sense the potential for a pause by the US Federal Reserve in the next FOMC meeting. However, it is also possible that last Thursday’s gains in stocks were simple short covering/position squaring ahead of what could be an extremely volatile opening early this week following the Friday nonfarm payroll report. Looking ahead, traders should keep in mind signs of softer inflation next Wednesday could be a very significant bullish catalyst for the equity markets!

Global equity markets at the start of this week were generally higher with Pacific Rim markets generally lower. While many markets were closed for the Easter Monday holiday, the US nonfarm payroll report for the month of March showed the US economy continues to hold with 236,000 jobs added. In other words, we think it is a positive sign that US equities have held near last Thursday's high following a "Goldilocks" to slightly positive US jobs report. In other words, the US economy continues to hold together, and investors are not overly concerned about expectations for another US rate hike next month.

While internal classic market fundamentals remain bearish with fresh headline concerns about US bank sector earnings in the headlines, prices have managed to waffle around both sides of unchanged to start the new trading week. However, seeing the potential for a US rate hike next month rekindles concerns toward midsized banks as higher Fed funds rates run the risk of rekindling an outflow of deposits.

On the other hand, the S&P should be supported following a "not too hot, not too cold" US jobs report and from news of a possible mega buyout in the oil sector. From a technical perspective, the S&P should be supported from an ongoing large net spec and fund short. The Commitments of Traders report for the week ending April 4th showed E-Mini S&P Non-Commercial & Non-Reportable traders added 3,689 contracts to their already short position and are now net short 289,205.

Big cap stocks in the Dow Jones are off balance to start this week, possibly from renewed concerns of a May interest rate hike. However, the Dow futures remain technically oversold with a large net spec and fund short. Dow Jones $5 positioning in the Commitments of Traders for the week ending April 4th showed Non-Commercial & Non-Reportable traders added 55 contracts to their already short position and are now net short 32,616. While we expect the June Dow futures to fall below consolidation support duirng the coming sessions, we expect volatility to remain muted as traders avoid large positions ahead of Wednesday's inflation data.

The NASDAQ should see modest support from news that Tesla announced plans to build a mega-pack battery factory in Shanghai but undermined because of a 29% decline in first-quarter global shipments of PCs. Unfortunately for the bull camp, the net spec and fund short in the NASDAQ is the smallest of the actively traded stock index futures markets. Nasdaq Mini positioning in the Commitments of Traders for the week ending April 4th showed Non-Commercial & Non-Reportable traders net bought 87 contracts and are now net short 16,705 contracts.

GOLD, SILVER & PLATINUM:

The gold and silver trade start the new trading week under pressure with residual pressure seen from the US nonfarm payroll release on Friday during the US market closure. While the US nonfarm payroll report failed to match expectations, the US economy did manage to spin off 236,000 new jobs, average hourly earnings increased, and the unemployment rate ticked downward which in turn rekindles fear of a US Federal Reserve rate hike next month. Therefore, gold and silver start out on the back foot with gold extending the technical damage from last week into the new trading week. A fresh undermine for gold came from news that Indian gold imports in the prior 12 months declined by 30% (on a Dollar value basis) with higher customs duties and lower prices partially responsible for the decline. However, Indian silver imports increased by 66% in the prior 12 months on a year over basis which according to Bloomberg signals a change in consumer preferences to silver from gold in the country! Total Indian gold imports in the April 2022 to January 2023 time frame were estimated at 600 tons which is significantly below the normal 800-900 tons.

Fortunately for the bull camp, China central bank gold reserves increased for the 5th straight month and are now reportedly above 2,000 tons. Other central banks increasing gold reserve holdings are Turkey and Kazakhstan. Last week gold ETF holdings increased by 87,655 ounces but remain 0.5% lower year-to-date. On the other hand, silver ETF holdings increased by 3.5 million ounces last week and are 0.5% higher year-to-date. Adding to the fundamental vulnerability in gold is the largest net spec and fund long positioning since May 2022. The Commitments of Traders report for the week ending April 4th showed Gold Managed Money traders are net long 144,986 contracts after net buying 14,672 contracts. Non-Commercial & Non-Reportable traders net bought 22,741 contracts and are now net long 242,034 contracts. Fortunately for the bull camp in silver the net spec and fund long remains below the 2023 high by 10,000 contracts. The April 4th Commitments of Traders report showed Silver Managed Money traders net bought 8,661 contracts and are now net long 19,493 contracts. Non-Commercial & Non-Reportable traders were net long 34,435 contracts after increasing their already long position by 10,751 contracts.

Despite weakness in gold and silver and despite an increase in US rate hike concerns, July platinum posted a higher low and higher high to start the new trading week. However, we are skeptical of the bull case with many commodity markets showing weakness and the trade facing the monthly global inflation report cycle this week. Fortunately for the bull camp, the most recent net spec and fund positioning in platinum is overstated with the market early this week trading below the level where the report was measured. Platinum positioning in the Commitments of Traders for the week ending April 4th showed Managed Money traders are net long 8,841 contracts after net buying 6,580 contracts. Non-Commercial & Non-Reportable traders is net long 19,945 contracts after net buying 4,774 contracts. Last week platinum ETF holdings increased by 4,909 ounces and are currently 2% higher year-to-date. With auto loan rates recently falling, investors pushing capital into palladium ETF holdings and a large net spec and fund short, traders should be aware of the rising risk of being short palladium at current levels. Last week palladium ETF holdings declined by 8810 ounces but remain 5.4% higher year-to-date. The April 4th Commitments of Traders report showed Palladium Managed Money traders net bought 272 contracts and are now net short 5,676 contracts. Non-Commercial & Non-Reportable traders are net short 6,967 contracts after net buying 190 contracts.

COPPER:

While there are some reports that US Chinese tensions are deescalating, wargames by the Chinese Navy and a very minimal decline in weekly Shanghai copper stocks last week leaves the bull camp without a definitively positive buzz from China. We suspect the US jobs report from last Friday is a minimal support for copper into the new trading week, but a wave of global inflation readings later this week will be an extremely critical junction for all physical commodity markets.

The copper trade is somewhat undermined by minor supply and demand reports with Codelco projecting its 2023 production to be steady and news that copper rod factories have increased scrap copper purchases. While the net spec and fund positioning in copper shifted back into a net long from a net short that positioning is basically "flat". The Commitments of Traders report for the week ending April 4th showed Copper Managed Money traders are net long 4,118 contracts after net selling 1,813 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 22 contracts to a net long 2,751 contracts. Last week Shanghai copper warehouse stocks declined by 815 tons.

ENERGY COMPLEX:

While we see global economic sentiment gradually improving from the US bank sector setback, strength in crude oil prices at the start of this week is likely attributable to comments from the Russian oil minister yesterday that they cut production last month by 700,000 barrels per day despite a "pledge" of a reduction of only 500,000 barrels per day. However, the energy markets doubt the magnitude of Russian production cut claims with physical flows seemingly remaining steady. A potential sign of a bullish bias in the marketplace is higher action in the face of a 6.8% rise in global floating crude oil in storage last week.

Fortunately for the bull camp, floating storage in the Asian-Pacific region declined thereby keeping favorable overall demand views in place. Furthermore, despite US Gulf Coast floating storage up 112% last week the trade remains upbeat toward WTI perhaps because of ideas that US oil will find foreign buyers. As in many other physical commodities markets this week, we see big picture macroeconomic influences dominating following the release of global inflation reports.

However, before the major big picture junction on Wednesday, the trade will be presented with OPEC and IEA monthly market outlooks which we think will favor the bull camp. While there are reports of outflows from global oil ETF holdings, speculators added to their net long in WTI crude oil last week. The April 4th Commitments of Traders report showed Crude Oil Managed Money traders added 63,138 contracts to their already long position and are now net long 176,414. Non-Commercial & Non-Reportable traders net bought 51,033 contracts and are now net long 277,487 contracts.

The gasoline market is significantly overbought from a technical perspective, with prices into the high Friday $0.60 above the December low and $0.50 above the March low. However, the net spec and fund long in gasoline remains nearer to the 2023 low, than to the 2023 high! The April 4th Commitments of Traders report showed Gas (RBOB) Managed Money traders reduced their net long position by 254 contracts to a net long 49,899 contracts. Non-Commercial & Non-Reportable traders net bought 1,889 contracts and are now net long 55,522 contracts.

Granted the supply and demand fundamentals in gasoline remain the most robust of the petroleum complex but the market has factored in a large improvement in US demand and ongoing tightness of East Coast supply. Relatively speaking the diesel market remains out of favor with global supplies robust and US supply and demand figures consistently bearish in weekly EIA reports. The April 4th Commitments of Traders report showed Heating Oil Managed Money traders reduced their net long position by 2,750 contracts to a net long 13,049 contracts. Non-Commercial & Non-Reportable traders net sold 4,268 contracts and are now net long 23,188 contracts.

While the natural gas market continues to respect consolidation low support at $2.00, supply fundamentals remain bearish and a downside breakout could present without notice. However, reports of emerging market purchases and more importantly ongoing European attempts to refill to capacity should discourage sellers. Reports over the weekend indicate German gas storage declined to 64% of capacity with the EU at 55% of capacity. Furthermore, Poland registered the 2nd lowest percentage of fullness versus its five-year average (according to Bloomberg). Fortunately for the bull camp, the net spec and fund short in natural gas remains significant with open interest sky high at 1.3 million contracts.

Natural Gas positioning in the Commitments of Traders for the week ending April 4th showed Managed Money traders net sold 13,496 contracts which moved them from a net long to a net short position of 11,496 contracts. Non-Commercial & Non-Reportable traders are net short 103,350 contracts after net selling 7,510 contracts. In retrospect, the weekly natural gas storage report was bearish on its face with a minimal withdrawal likely to be the last or 2nd to last withdrawal of the season! However, the surplus to the 5-year average declined from the prior week. The weekly natural gas storage report showed a draw of 23 bcf. Total storage stands at 1,830 bcf or 19.5% above the 5-year average. Over the last four weeks natural gas storage has declined 200 bcf.

BEANS:

July soybeans closed lower for a third session in a row last Thursday as traders see the weather for the next two weeks as favorable to entice increased fieldwork in the Midwest. Slow export sales added to the bearish tone. Ideas that the big crop in Brazil is getting bigger added to the bearish tone. The premium of US soybeans over Brazil soybeans may have been a factor to keep export sales poor for the US. Talk that soybean meal is struggling to keep demand firm due to the large Brazil crop, increase production of rapeseed and sunflower meal plus poor crush margins in China are all seen as short-term negative forces.

On the other hand, soybeans could find support from a jump in US soybean oil consumption and ideas that higher soybean prices might help entice producers to plant more soybeans. For the USDA supply/demand report, traders see soybean ending stocks near 198 million bushels, 170-225 range, as compared with 210 million bushels in the March USDA update. World ending stocks are expected near 98.56 million tonnes, 96.5-101.9 range, as compared with 100.01 in March. Traders see Argentina production near 29.3 million tonnes, 26-32 range, as compared with 33 million tonnes in March. Brazil soybean production is expected near 153.67 million tonnes, 151-157.68 range, as compared with 153 million tonnes in March.

The weekly export sales report showed that for the week ending March 30, net soybean sales came in at 155,292 tonnes for the current marketing year and -48,250 for the next marketing year for a total of 107,042. Cumulative soybean sales have reached 91.0% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 91.7%. Net meal sales came in at 245,450 tonnes for the current marketing year and 32,000 for the next marketing year for a total of 277,450. Cumulative meal sales have reached 72.5% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 73.2%.

Net oil sales came in at 27,557 tonnes. Cumulative oil sales have reached 45.0% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 71.9%. The Commitments of Traders report for the week ending April 4th showed Soybeans Managed Money traders net bought 46,442 contracts and are now net long 145,964 contracts. Non-Commercial No CIT traders are net long 113,395 contracts after net buying 26,226 contracts. Non-Commercial & Non-Reportable traders net bought 50,473 contracts and are now net long 139,926 contracts. For Soyoil, Managed Money traders were net short 10,585 contracts after decreasing their short position by 1,874 contracts. For Soymeal, Managed Money traders are net long 95,735 contracts after net selling 394 contracts.

CORN:

July corn closed moderately lower on the session Thursday and the selling pushed the market down to the lowest level since March 27. Better weather for fieldwork across the Midwest in the forecast for the next two weeks was seen as a bearish force. The weekly export sales report showed that for the week ending March 30, net corn sales came in at 1,246,607 tonnes for the current marketing year and 26,190 for the next marketing year for a total of 1,272,797. Cumulative sales have reached 79.2% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 83.6%. The USDA attache in China sees 2023/24 corn imports at 18 million tonnes. This assumes less planted area for corn and assumes a big crop. For the USDA Supply/Demand report, traders see US ending stocks near 1.319 billion bushels, 1.242-1.392 range, as compared with 1.342 billion bushels in March.

World ending stocks are expected near 295.01 million tonnes, 291.7-298 range, as compared with 296.46 million tonnes last month. Traders see Argentina corn production at 37.12 million tonnes, 33-39 range, as compared with 40 million tonnes in the March update. Brazil corn production is expected near 126.08 million tonnes, 125.00-131.34 range, as compared with 125 million tonnes in March. Corn positioning in the Commitments of Traders for the week ending April 4th showed Managed Money traders went from a net short to a net long position of 21,547 contracts after net buying 34,835 contracts. Non-Commercial No CIT traders are net short 24,633 contracts after net buying 6,836 contracts for the week. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 15,724 contracts after net buying 41,051 contracts in just one week.

WHEAT:

July wheat closed moderately lower on the session last Thursday as talk of better weather, mainly warmer weather, across much of the central part of the country helped to trigger ideas of better fieldwork ahead. While Kansas soil conditions are extremely dry, there is only very light and scattered rain chances for the next 5 days. The 6-10 day model shows above normal temperatures and slightly above normal precipitation. The 8-14 day forecast models show above normal temperatures and below normal precipitation. This is a drier and hotter forecast than what was expected last week. Egypt bought 600,000 tonnes of wheat from Russia at their tender. With Kansas City wheat at a record premium to Chicago wheat, Chicago wheat may find some underlying support. For the USDA supply/demand report, traders see US wheat ending stocks near 574 million bushels, 553-598 range, as compared with 568 million bushels for March. World ending stocks are expected near 267.06 million tonnes, 265.50-269 range, as compared with 267.2 million tonnes in March.

The weekly export sales report showed that for the week ending March 30, net wheat sales came in at 193,645 tonnes for the current marketing year and -10,200 for the next marketing year for a total of 183,445. Cumulative sales have reached 86.0% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 93.1%. This is well behind a normal pace and would suggest that the USDA might need to lower their export forecast (raise ending stocks) in the USDA update this month or next. Wheat positioning in the Commitments of Traders for the week ending April 4th showed Managed Money traders net bought 2,790 contracts and are now net short 87,083 contracts (short-covering). Wheat CIT traders hit a new extreme long of 76,167 contracts. Non-Commercial & Non-Reportable traders net bought 4,994 contracts and are now net short 59,150 contracts. For KC wheat, Managed Money traders were net long 7,613 contracts after increasing their already long position by 7,376 contracts for the week. Non-Commercial No CIT traders were net short 9,422 contracts after decreasing their short position by 3,253 contracts.

HOGS:

The hog market seems to have the supply fundamentals to expect a near-term low soon. June hogs closed lower on the session Thursday with an outside day after first trading to a contract low. Sluggish monthly export sales for February helped to pressure the market early, but this was partially offset by weekly export sales which came in much better than expected. The USDA pork cutout, released after the close Thursday, came in at $76.69, up $2.06 from Wednesday and up from $76.49 the previous week. This was the highest it had been since March 29. The CME Lean Hog Index as of April 4 was 73.91, down from 74.68 the previous session and 76.00 the previous week. The USDA estimated hog slaughter came in at 436,000 head Friday and 10,000 head for Saturday. This brought the total for last week to 2.370 million head, down from 2.489 million the previous week and 2.430 million a year ago.

Estimated US pork production last week was 514.4 million pounds, down from 540.3 million the previous week and down 3.7% from last year. US pork export sales for the week ending March 30 came in at 53,242 tonnes for 2023 delivery and 671 for 2024 for a total of 53,913. This was up from 30,386 the previous week and the highest since December 15. Cumulative sales for 2023 have reached 654,300 tonnes, up from 619,100 a year ago but below the five-year average of 711,200. The largest buyer this week was China at 20,152 tonnes, followed by Mexico at 14,286. Mexico has the most commitments for 2023 at 235,600 tonnes, followed by China at 87,100 and Japan at 85,600. Friday's Commitments of Traders report showed managed money traders were net sellers of 107 contracts of lean hogs, increasing their net short to 22,590, a new record. Non-commercial, no CIT traders were net sellers of 455, increasing their net short to 44,683, also a record.

CATTLE:

June cattle closed sharply higher on the session last Thursday and the market traded up to new contract highs. News of sharply higher trade in Nebraska late Wednesday helped to drive the market higher. Cash live cattle traded higher last week. As of Friday afternoon, the five-day, five-area weighted average price was 175.28, up from 168.85 the previous week. The USDA boxed beef cutout was up $1.14 at mid-session Thursday and closed $1.03 higher at $289.65. This was up from $279.20 the previous week and the highest it had been since March 6. The USDA estimated cattle slaughter came in at 105,000 head Friday and 10,000 head for Saturday. This brought the total for last week to 603,000 head, down from 651,000 the previous week and 665,000 a year ago. The estimated average dressed cattle weight last week was 823 pounds, unchanged from the previous week and down from 833 a year ago. The 5-year average weight for that week is 820.8 pounds. Estimated beef production last week was 495.0 million pounds, down 6.7% from a year ago.

US beef export sales for the week ending March 30 came in at 13,458 tonnes for 2023 delivery and 70 for 2024 for a total of 13,528. This was up from 11,257 the previous week but below the four-week average of 15,300. Cumulative sales for 2023 have reached 359,500 tonnes, down from 483,900 a year ago and the lowest since 2019. The five-year average is 394,600. The largest buyer this week was South Korea at 4,906 tonnes, followed by Japan at 2,642. South Korea has the most commitments for 2023 at 100,400 tonnes, followed by Japan at 82,200 and China at 62,200. Friday's Commitments of Traders report showed managed money traders were net buyers of 22,370 contracts of live cattle for the week ending April 4, increasing their net long to 85,001. Non-commercial & non-reportable traders were net buyers of 18,658, increasing their net long to 98,436.

COCOA:

While the cocoa market recovered from last Monday's pullback, it was unable to extend its late March rally. With the market short-term overbought, cocoa is vulnerable to a near-term pullback. May cocoa continued to see coiling action below its late March high but was able to go into the holiday weekend on a positive note as they finished Thursday's trading session with a moderate gain. For the holiday-shortened week, however, May cocoa finished with a loss of 14 points (down 0.5%) which broke a 3-week winning streak. Tight near-term supplies in West Africa continue to underpin cocoa prices, but that may only last until the region's mid-crop harvest reaches full speed. Although there have been early forecasts that Ivory Coast's mid-crop may be 10% below last year's output, the surge in near-term supply should help exporters who have had difficulty acquiring cocoa bean supplies.

With a lack of adequate fertilizer and pesticide use in West Africa, cocoa remains on-track for a global production deficit during the 2022/23 season. In addition, there is increasing concern that a potential El Nino weather event later this year could have a negative impact on West African's upcoming 2023/24 cocoa production, and that has underpinned cocoa prices early in the second quarter. Cocoa positioning in the Commitments of Traders for the week ending April 4th showed Managed Money traders added 365 contracts to their already long position and are now net long 51,490. CIT traders net sold 793 contracts and are now net long 26,772 contracts. Non-Commercial No CIT traders net bought 1,788 contracts and are now net long 34,974 contracts. Non-Commercial & Non-Reportable traders added 842 contracts to their already long position and are now net long 58,856.

COFFEE:

Coffee prices have made a positive start to the second quarter as they have found some relief from near-term demand concerns. The upcoming Brazilian crop is showing signs of coming in higher than early forecasts, and that leaves coffee vulnerable to a near-term pullback. May coffee was able to extend its April recovery move as it reached a 5-week high before finishing Thursday's trading session with a sizable gain. For the week, May coffee finished with a gain of 13.10 cents (up 7.7%) for a second positive weekly result over the past 3 weeks. A positive turnaround in global risk sentiment and the longer-term pullback in inflation provided coffee prices with support going into the holiday weekend, as that should help to improve restaurant and retail shop coffee consumption. The likelihood that ICE exchange coffee stocks will continue to decline during early April has also underpinned coffee prices this week, as they declined by 1,300 bags on Friday while there has been no grading of coffee during the first week of April.

Brazil's upcoming 2023/24 Arabica production is an "off-year" crop which normally declines from the previous season's output. Recent trade forecasts have Brazil's 2023/24 Arabica crop coming in around 41 to 43 million bags which compares to roughly 36 million bags during the 2022/23 season. The Commitments of Traders report for the week ending April 4th showed Coffee Managed Money traders were net long 9,669 contracts after decreasing their long position by 2,364 contracts. CIT traders reduced their net long position by 1,025 contracts to a net long 52,806 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 342 contracts after net selling 2,963 contracts. Non-Commercial & Non-Reportable traders are net long 10,993 contracts after net selling 2,467 contracts.

COTTON:

May cotton closed sharply higher last Thursday near the upper end of a 10-day range. Outside market influences were mixed. This was despite a slightly higher dollar. Crude oil was slightly higher, and the S&P 500 was slightly lower. Traders attributed the move to short covering ahead of the holiday weekend. US cotton export sales for the week ending March 30 came in at 160,457 bales for the 2022/23 (current) marketing year and 15,942 for 2023/24 for a total of 176,399. This was down from 293,601 the previous week and below the four-week average of 259,957. Cumulative sales for 2022/23 have reached 11.621 million bales, down from 14.260 million a year ago and the lowest since 2015/16.

Sales have reached 103% of the USDA forecast for the marketing year versus a five-year average of 101%. The largest buyer this week was China at 64,447 bales, followed by Vietnam at 52,484. China has the most commitments for 2022/23 at 2.571 million bales, followed by Pakistan at 1.989 million. Friday's Commitments of Traders showed managed money traders were net buyers of 6,201 contracts of cotton report for the week ending April 4, reducing their net short to 17,274. Non-commercial & non-reportable traders were net buyers of 1,742, reducing their net short to 10,178.

SUGAR:

Sugar prices have only had one negative daily result in the past nine sessions as they have gained 13.5% in value over that timeframe. With Brazil's 2023/24 harvesting and crushing underway, sugar may have risen "too far, too fast" and could see a near-term pullback. May sugar extended its winning streak to 6 sessions in a row as the market reached its highest front-month price levels since October 2016 by finishing Thursday's trading session with a sizable gain. For the week, May sugar finished with a gain of 136 ticks (up 6.1%) which was a third positive weekly result in a row. India's Food Secretary said that their nation may not allow further sugar exports this season, which provided underlying support to the market as that will keep 2 to 3 million tonnes from reaching the global export marketplace. Reports that recent wet weather may delay the start of Brazil's Center-South cane harvesting and crushing gave an additional boost to sugar prices.

The weather forecast for major Center-South cane growing regions has only one day with heavy rainfall through the middle of next week, so upcoming delays should be minimal. The Unica supply report for the second half of March will be released this week, and may show Center-South mills crushing as much as 5 million tonnes of cane. The Commitments of Traders report for the week ending April 4th showed Sugar Managed Money traders were net long 215,649 contracts after increasing their already long position by 11,531 contracts. CIT traders are net long 152,309 contracts after net selling 32,539 contracts. Non-Commercial No CIT traders were net long 151,553 contracts after increasing their already long position by 13,336 contracts. Non-Commercial & Non-Reportable traders net bought 22,918 contracts and are now net long 289,401 contracts.

Please contact us at + 1 877 690 7303 or via email at sales@admis.com for questions or comments on this report or would like more information about our ADMIS research reports.

Follow ADMIS on Social Media