ADM Investor Services, Inc.

Weekly Futures Market Summary

May 8, 2023 **by the ADMIS Research Team**

BONDS:

Even though treasury prices are justified in their sharp declines following the much better than expected monthly US jobs report, we caution traders against pressing the short side. In fact, the US bank sector threat has not been extinguished, while treasury prices from the late February low have shown consistent bullish resiliency and other US and international economic data show overall global economic activity is uneven. Uneven to softer data surfaced in significant quantities this week in China and Europe. Treasury prices deserved some selling last Friday following a stronger than expected US monthly jobs report, but once again the market displayed bullish resiliency by limiting the declines with a measure of flight to quality buying off the threat of a debt ceiling crisis. In fact, the US treasury T-bill auction last Thursday saw a brief high of 6% hinting at flight to quality interest in the markets. Last week the markets were presented with an earlier than expected date of June 1st as the date the US will run out of money. While there appears to be some traction in both the House and Senate, the White House continues to indicate they will not negotiate anything but a "clean bill".

Over the weekend the US treasury secretary indicated a disaster would unfold if the US were to default. Along those lines the US treasury projected its 2nd quarter borrowing at $726 billion which is $449 billion higher than was projected in January. While there is support on both sides of the aisle in both congressional bodies to reach a deal, there is not a credible call for holding the line on the level of the debt ceiling expansion. However, in the past the government has found ways to use smoke and mirrors to extend the date the government will run out of money and several times Congress has kicked the can down the road with continuing resolutions. In retrospect, the US jobs report truncated expanding US recession concerns and provided a measure of doubt on the Fed's desire/ability to pause its rate hike cycle. In fact, the Bank of England is expected to raise interest rates again this week and other central banks like the BOC and the ECB are more likely to hike than pause.

In addition to the wrangling over the US debt ceiling, the focus of the trade this week will also shift back toward the status of US inflation with the US CPI report on Wednesday starting the monthly inflation report cycle. Expectations call for CPI to gain 0.4% which is a reading that likely rekindles inflationary concern at the Fed. With the high in June bonds last week of 133-00, we suspect the treasury bond market saw the smallest net spec and fund short position since last July. The Commitments of Traders report for the week ending May 2nd showed Bonds Non-Commercial & Non-Reportable traders net bought 5,598 contracts and are now net short 24,163 contracts. On the other hand, the Treasury Note market likely narrowed its short position with the post COT report rally of 1 1/2 points. However, the positioning report still showed a net short near the highest levels since October 2018! The Treasury Note Positioning of Non-Commercial & Non-Reportable traders was 689,194 net short after increasing their already short position by 43,062 contracts.

CURRENCIES:

The currency markets last Friday failed to display definitive control by either side of the trade. Perhaps the markets are considering a major focus change toward the dollar following a much stronger than expected US jobs report. In other words, strength in the US economy could be the first sign hopes for a US Federal Reserve rate hike pause are premature and that in turn could improve the status of the dollar. While the dollar has not made a significant move early this week, the bias from the charts is bearish and the failure to sustain gains following a much stronger than expected jobs report highlights fundamental bearishness.

In fact, it is very surprising to see the trade discount a US jobs report which challenges the idea the Fed will "pause". However, it is possible that the looming US debt ceiling threat is resulting in dollar liquidation instead of flight to quality buying of the dollar! Therefore, we leave the path of least resistance pointing down in the dollar. The Commitments of Traders report for the week ending May 2nd showed Dollar Non-Commercial & Non-Reportable traders net bought 586 contracts and are now net long 13,288 contracts.

One might have expected the euro to have shown more strength early this week in the wake of a faltering dollar and growing concern of trouble in the US from a debt ceiling default. However, the dollar should be supported because of the ultra-strong jobs report which in turn should provide some headwinds against the upward bias in the euro. Euro positioning in the Commitments of Traders for the week ending May 2nd showed Non-Commercial & Non-Reportable traders net sold 3,521 contracts and are now net long 231,679 contracts.

With last week's rally reversed aggressively, strong Japanese service sector readings and a slower "contraction" in Japanese factory activity have been discounted. Furthermore, the Yen is apparently under pressure from ongoing US bank sector problems, indicating the currency is not a flight to quality candidate. Volatility in the Swiss franc should continue with last week's two day 200 point range resulting in a significant oversold condition. Furthermore, with improved confidence in the 1.12 level as solid support (following the latest rejection of a trade below that level) the Swiss has probably balanced the overbought condition from last week and is now likely to benefit from any escalation in fears of a US debt default.

With another new high for the move early this week, the extremely overbought short-term technical signals like RSI are set to be ignored. While the markets have expected further rate hikes from the Bank of England for weeks, expectations of a 25-basis point hike Thursday should provide the Pound with the capacity to trade above 1.2750. With the US dollar faltering and the euro seemingly unable to benefit from dollar weakness, the Canadian dollar is benefiting fully from its strong jobs report. While we see the June Canadian returning to the April high at 75.27, that level could be solid resistance without favorable Chinese import data tonight and ongoing global economic optimism.

STOCKS:

Clearly, the equity markets were cheered by the surprising positive US April jobs report last Friday. While the residual strength in the US job sector will not end the almost daily scares from the US banking sector, investors at least have some reason to hope for better earnings ahead. Unfortunately for the bull camp a surprise loss at Warner Bros. Discovery because of 2022 merger costs undermined a small portion of the positive vibe flowing from Apple earnings.

Global equity markets at the start of this week were generally higher except for markets in Japan, Russia, and Germany which traded fractionally lower. Despite a positive global economic/equity market vibe to start this week growing fear over the prospects of a US debt default and the potential for renewed inflation anxiety at midweek, the upside track in equities is likely to be limited and brief. In fact, macroeconomic uncertainty may have been lower by last week's reports, but bearish sentiment from corporate headlines and just under the surface bank fears are not likely to fully dissipate.

While we give the bulls a slight edge early this week and see the potential for a trade above 4200, fundamental uncertainties from several different angles should keep investors off balance. However, given a massive net spec and fund short position which showed the largest (most bearish) reading since the great financial crisis back in 2008, could provide consistent short covering/stop loss buying to result in a 4-month high in the S&P. The Commitments of Traders report for the week ending May 2nd showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 392,941 contracts after net selling 7,158 contracts.

With Dow futures sitting just under last Friday's strong recovery rally highs, economic optimism from the US jobs report remaining in play and with the index basically sitting in the middle of the last 35 days trading range, the bias is up with the index likely rising above 34,000 prior to the release of the US CPI report on Wednesday morning. The Commitments of Traders report for the week ending May 2nd showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net short position by 6,133 contracts to a net short 26,457 contracts.

As is typically the case, the Berkshire Hathaway annual meeting has bolstered investor confidence and, in some ways, has downplayed the threat of a US bank sector failure. Furthermore, Warren Buffett indicated Apple is Berkshire Hathaway's best business model holding thereby providing the tech sector with a positive vibe to start the new trading week. In conclusion, we see the NASDAQ breaking out to the upside and reaching the highest levels since last August with gains likely until the Wednesday US CPI report release. The Commitments of Traders report for the week ending May 2nd showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 2,657 contracts which moved them from a net short to a net long position of 762 contracts.

GOLD, SILVER & PLATINUM:

While the economic report slate is benign at the start of this week, data later on in the week will likely produce significant reactions in gold and silver with China releasing import and export figures and the US releasing key inflation readings. Overnight China apparently raised its gold holdings by 8.09 tonnes last month, resulting in October through April gold reserve additions of 120 tonnes. The overall Chinese gold reserves is pegged at 2,076 tonnes, but we suggest that number is an unsubstantiated figure likely to be strategically understated by the Chinese central bank. Last week, gold ETF holdings increased by 138,847 ounces, but those holdings remain down 0.2% on the year. On the other hand, silver ETFs reduced their holdings by 1.2 million ounces last week with year-to-date gains in silver holdings 0.2%. With the big range down failure at the end of last week, the bias in gold is down and to a lesser degree down in silver.

Clearly, the strong US nonfarm payroll reading and the downtick in the unemployment rate reduced economic uncertainty interest in gold and at the same time provided a very minimal lift in the US dollar. However, with the June gold contract into the Friday high trading $60 an ounce above the level where the last COT positioning report put the net in spec long at the highest level since last April, the net long in gold is likely approaching the highest levels since the beginning of the pandemic! The Commitments of Traders report for the week ending May 2nd showed Gold Managed Money traders were net long 147,816 contracts after increasing their already long position by 14,642 contracts. Non-Commercial & Non-Reportable traders had 247,048 contracts net long after increasing their already long position by 10,241 contracts.

Even the fundamental side of the equation favors more downside action in gold as Indian buyers are showing signs of high price sensitivity, the World Gold Council posted softer 1st quarter demand readings, and the Chinese economy has failed to show positive traction following the removal of activity restrictions. In conclusion, the path of least resistance is down with initial targeting in June gold seen at $1,982 and a breakout below that level seen if the dollar index manages to regain the 102.00 level. In our opinion, the dollar lacks bullish buzz as evidenced by the failure to range sharply higher last Friday despite patently strong monthly jobs news and because of a slight shift against a Fed "pause" because of the jobs data.

As in the gold market, the silver market also saw reversal action from last week's high but the damage on the charts was not as significant as in gold and in retrospect did not appear to damage the charts. We suspect better economic news from the US will provide support to silver as a physical/industrial commodity and think silver ETF investment patterns will remain positive. However, a measure of back and fill balancing of a large net spec and fund long would not be surprising, especially with July silver into the high Friday trading $0.80 above the level where the last positioning report was measured. Therefore, adjusting for the post report gains the net long in silver is likely the largest in 13 months. The Commitments of Traders report for the week ending May 2nd showed Silver Managed Money traders were net long 27,131 contracts after increasing their already long position by 1,964 contracts. Non-Commercial & Non-Reportable traders net long 47,448 contracts after net buying 4,411 contracts.

We are surprised with the higher trade in platinum early this week given an initial stronger dollar trade and negative Chinese economic comments from a major industrial equipment manufacturer. However, the trade will be presented with Chinese import and export data (including physical commodities) early Tuesday and those readings will likely set the trend for the week in platinum. Expectations call for positive export and import data but data softer than in the prior report. Unfortunately for the bull camp platinum ETF holdings last week declined by 7,448 ounces but remain 6.5% higher year-to-date. Fortunately for the bull camp the July platinum contract from the last COT positioning report mark off has declined $36 likely pulling the net spec and fund long back away from the highest levels in 14 months. The Commitments of Traders report for the week ending May 2nd showed Platinum Managed Money traders were net long 21,337 contracts after decreasing their long position by 3,074 contracts. Non-Commercial & Non-Reportable traders long 32,477 contracts after decreasing their long position by 2,420 contracts.

With the palladium market holding a net spec and fund short near record levels (adjusted into the low Friday) and palladium ETF holdings last week increasing by 17,202 ounces (holdings are up 10% year-to-date) the market has fundamental and technical justification for Monday morning's 6 day high. While the palladium market generally remains out of favor due to the entrenched expectation that platinum prices are set to narrow their premium verses platinum, the market has seemingly found value at the $1400 level. Palladium positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders are net short 5,385 contracts after net selling 640 contracts. Non-Commercial & Non-Reportable traders were net short 6,668 contracts after increasing their already short position by 403 contracts. Fortunately for the bull camp the quasi-double low at $1,400 last week coincided with a reversal in short-term bearish technical signals and therefore the market has probably found a low but lacks upside capacity.

COPPER:

Despite disappointing economic views toward the Chinese industrial/construction industry from a major global equipment manufacturer and lingering disappointment from Chinese PMI readings last week, the July copper contract posted a 4-day high at the start of this week and appears capable of retesting $4.00. However, the prospects of a technical low in copper are higher than for a fundamental low in prices following comments from the Komatsu CFO that his company does not see any sign of recovery in China so far this year. The construction and mining machinery company suggested China may have over invested in 2020 resulting in softer demand for equipment in 2021 and 2022. In addition to a triple low around Friday's low of $3.8250, the copper market holds a net spec and fund short near the highest levels since October and the US nonfarm payroll report last Friday should help to cushion sagging global economic expectations.

The May 2nd Commitments of Traders report showed Copper Managed Money traders added 5,178 contracts to their already short position and are now net short 15,667. Non-Commercial & Non-Reportable traders were net short 17,003 contracts after increasing their already short position by 7,000 contracts. Unfortunately for the bull camp, Chinese data last week was very disappointing and that will increase the importance of Chinese import and export data to be released early Tuesday. While weekly Shanghai copper warehouse stocks declined again and extended a pattern of declines, the magnitude of the outflow was very modest at 2,176 tonnes. Obviously monthly Chinese copper import statistics are one of the most important fundamental reports released in the monthly cycle for copper pricing and without something positive from imports of copper and copper products the $3.80 level could be violated.

ENERGY COMPLEX:

Given the aggressive upside extension of last week's significant recovery, suggestions that technical oversold conditions are fueling the rally are falling by the wayside. Obviously, the much better-than-expected US jobs report scores a major hit against fears of deteriorating energy demand, even though the ultra-strong US jobs data questions the US Fed's ability to "pause". Perhaps the trade is emboldened by a 16% decline in crude oil in global floating storage last week and it appears that aggressive selling off the Silicon Valley Bank threat is now resulting in a surprising level of stop loss buying. In retrospect, the July crude oil contract was excessively oversold with a 4-week high to low slide of nearly $20, the RSI falling to 24.4 and the dollar showing more weakness than strength in the wake of a good jobs report. In a minimally supportive overnight development Taiwan reported a 19.1% increase in April crude oil imports which has served to blunt evidence of softer spring demand for fuel. In retrospect, July crude oil prices likely posted a major value zone at the lows last week with the gains on Friday certainly partly the result of the strong US payroll report.

However, we would not label global energy demand as a positive force for prices yet, especially with Indian and Chinese demand signals recently tapering off. In fact, late last week a report from Moscow indicated that overall Asian imports showed a precipitous fall off in the month of April, with imports of 26.3 million barrels per day down from the February reading of 29.4 million barrels per day. A 3 million barrel per day reduction in Asian imports by just 2 countries is very bearish for prices but the trade sees the setback in purchases as temporary. While the most recent positioning report showed the net spec and fund long in crude near 5-month highs, the July crude oil contract from the report fell $7.65 a barrel potentially putting the net spec and fund long near the lowest levels since 2016. Crude Oil positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders net sold 35,869 contracts and are now net long 157,047 contracts. Non-Commercial & Non-Reportable traders had 305,080 net long 305,080 contracts after decreasing their long position by 13,006 contracts. As in many other physical commodities Chinese trade data on Tuesday morning will be a key factor setting this week's trend. While we cannot argue against further technical short covering gains given the nearly $20 break from last month's highs, fundamentals are still a headwind and the recovery seemed to pause at the first retracement point Friday of $71.20.

With the recovery in gasoline prices from the severe beating of the past 4 weeks extended early this week in the face of a report of a sudden and surprising dip in US refined product demand, gasoline might exhibit further bullish follow through. In our opinion, gasoline continues to have the most bullish classic fundamental supply and demand set up within the petroleum complex with US supplies tight and the northern hemisphere driving season start looming in the coming weeks. Furthermore, with refinery margins falling off last week the incentive to build gasoline supplies ahead of surging seasonal demand has been reduced. From a technical perspective, the July gasoline contract fell $0.18 from the level where the last COT positioning report was measured and that likely put the net spec and fund long position near the lowest levels since July 2022 at last week's lows. The May 2nd Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 47,920 contracts after decreasing their long position by 4,046 contracts. Non-Commercial & Non-Reportable traders net sold 1,241 contracts and are now net long 54,396 contracts. In the most recent EIA report, gasoline stocks held a deficit to year ago stocks levels of 5.6 million barrels and a 15-million-barrel deficit to 5-year average seasonal levels. Furthermore, implied gasoline demand readings in the US have been very strong over the past 6 weeks which is atypical for the season.

Not surprisingly, the diesel market showed the least impressive bounce off last week's major washout. However, the diesel market retains a bearish fundamental set up with both supply and demand favoring the bear camp. Last week, Goldman Sachs used burgeoning global diesel stocks as the basis for a prediction of a global slowdown and India is considering a ban of diesel vehicles in major cities. Fortunately for the bull camp, the most recent positioning report showed a nearly liquidated net spec and fund long which was probably overstated into the low last week, with the trade bottoming out nearly $0.15 below the level where the report was measured. Heating Oil positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders went from a net long to a net short position of 2,755 contracts after net selling 10,528 contracts. Non-Commercial & Non-Reportable traders are net long 8,023 contracts after net selling 8,108 contracts.

Even though the July natural gas contract rejected the $2.50 level, closed positive last Friday and has extended to the upside early this week, bearish overall fundamentals remain in place. In fact, the prospect of improved US gas demand following the strong US payroll report should be heavily offset by Asian natural gas prices failing at a psychological important $10 level (a 2-year low) and by reports that European buyers are backing away because of more than adequate strategic supply. Furthermore, European buyers now see an opportunity to buy at much lower levels and that could become a self-fulfilling prophecy. Adding to the downward fundamental track are ever-expanding US natural gas export pattern. Last month the US exported a record 8.1 million tonnes of LNG which is a 16% gain from year ago figures. In fact, the US April LNG export was the largest of any nation ever.

While the most recent COT positioning report understates the size of the net spec and fund short (because of the $0.16 slide after the report was measured) natural gas has probably not reached the net spec and fund low posted at the end of April of 150,872 contracts. The May 2nd Commitments of Traders report showed Natural Gas Managed Money traders added 12,885 contracts to their already short position and are now net short 52,114. Non-Commercial & Non-Reportable traders added 5,575 contracts to their already short position and are now net short 111,482. In last week's EIA report some traders saw the injection as slightly supportive at 54 BCF as that was lower than the 2 previous weeks and the surplus to the 5-year average posted the lowest level in 3 weeks. On the other hand, the Russian national gas company continues to verify it is transporting contract volumes under Ukraine despite recent reports of an attempt to assassinate the Russian president. The path of least resistance remains down with soft seasonal demand to continue along with reduced European interest in refilling their storage.

BEANS:

July soybeans closed higher on the session Friday and the arket managed to close 17 1/4 cents higher on the week as well. July meal managed to close slightly higher but still down significantly for the week while July soybean oil closed sharply higher on the session led by a more than 5% gain in palm oil futures Friday. The market is seeing some support from strength in outside markets including a surge up in crude oil, and also finding support from the other grains. The huge discount for Brazilian soybeans to the US has encouraged increased China demand, and has even encouraged US imports of at least four soybean cargos. Brazil may export 12.1 million tonnes of soybeans this month, up 17% from last year. In April, Brazil exported 14.34 million tonnes of soybean, 8.3% more than that shipped in March and 25% above that exported in April of 2022, according to Secex. Between January and April, Brazil exported 33.44 million tonnes of soybeans, a record for the period.

Soybeans positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders were net long 56,373 contracts after decreasing their long position by 30,835 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 29,359 contracts to a net long 40,347 contracts. For Soyoil, Managed Money traders added 4,179 contracts to their already short position and are now net short 23,734 contracts. Non-Commercial No CIT traders added 1,552 contracts to their already short position and are now net short 43,883. For Soymeal, Managed Money traders net sold 25,816 contracts and are now net long 60,557 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 26,004 contracts to a net long 93,899 contracts.

CORN:

Continued concerns with any type of Ukraine grain deal after the current deal expires this month helped to support. Talk that the market has already priced in a good start to the growing season may have sparked some short covering as well with the market strong. July corn closed moderately higher on the session Friday and the buying pushed the market up to the highest level since April 27. The 5-day forecast models show hefty rain totals for the Dakotas, Nebraska, eastern Kansas, Missouri, parts of Iowa and all the Eastern Corn Belt. This might slow planting progress but is considered a bearish development for the Western Corn Belt drought concerns persist. The 6-10 day forecast models show above normal temperatures and normal precipitation for the entire Corn Belt and this is considered bearish.

The 8-14 day forecast models show above normal temperatures in the Western corn belt and normal in the East, with below normal precipitation expected for the entire Midwest. This is bearish and suggests significant planting progress for the May 14th-20th timeframe. Brazil's low corn price as compared with US prices are likely the reason for recent China cancelations of imports from the US. Cumulative corn sales have reached just 81.2% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 88.9%. For the month of March, US corn exports reached 921,000 tonnes, down 33.9% from last year. The May 2nd Commitments of Traders report showed Corn Managed Money traders net sold 102,849 contracts and are now net short 118,146 contracts. Non-Commercial No CIT traders are net short 153,429 contracts after net selling 64,099 contracts.

WHEAT:

The weather forecast looks a bit bearish but the market is extremely oversold and Russia is still not satisfied with how the Russia agricultural exports are represented in the Black Sea grain deal. As of Saturday, Putin had still not responded to the proposals from the United Nations. This may help provide support. Ukraine indicates that Russia has effectively stopped the Black Sea deal. July wheat managed to close 26 1/2 cents higher for the week. Fund traders hold a huge net short position, and added to that short during the past week. This leaves the market with a significant short covering threat. There is decent rain amounts for the Eastern 2/3rds of Kansas and all of Nebraska over the next five days. The extended models are mixed and show periods of above normal temperatures and normal precipitation. July wheat closed sharply higher on the session Friday and up for the third day in a row. The buying pushed the market up to the highest level since April 24.

The USDA attache in India sees 2023/24 wheat production near 110 million tonnes. Reports of higher than expected yields despite weather issues helped to hold the estimate high. Even with the record high forecast, the government seems unlikely to remove its existing wheat export band. The Commitments of Traders report for the week ending May 2nd showed Wheat Managed Money traders are net short 126,324 contracts after net selling 13,312 contracts for the week. Non-Commercial No CIT traders net sold 7,737 contracts and are now net short 108,099 contracts. For KC Wheat, Managed Money traders went from a net long to a net short position of 5,464 contracts after net selling 12,835 contracts. Non-Commercial & Non-Reportable traders are net short 13,174 contracts after net selling 8,548 contracts.

HOGS:

June hogs closed sharply lower on the session and into new contract lows. The massive premium of June hogs to the cash market is helping to pressure even though the cash market remains in a short-term uptrend. Talk that the extended period of losses for pork producers might be causing some liquidation in the industry helped to pressure. Estimated US pork production last week was 531.2 million pounds, up from 518.2 the previous week and up just 0.95% from a year ago. The USDA pork cutout, released after the close Friday, came in at $79.67, up $1.01 from Thursday but down from $80.13 the previous week. The CME Lean Hog Index as of May 3 was 74.24, up from 73.78 the previous session and 71.29 the previous week.

The USDA estimated hog slaughter came in at 454,000 head Friday and 136,000 head for Saturday. This brought the total for last week to 2.447 million head, up from 2.387 million the previous week and 2.405 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 13,840 contracts of lean hogs for the week ending May 2, reducing their net short to 6,823. Non-commercial, no CIT traders were net buyers of 10,865, reducing their net short to 30,946. March pork exports came in at 608.12 million pounds, up 11.8% from a year ago. This was the highest monthly exports since May of 2021. Exports to China remain sluggish but exports to Mexico and South Korea were strong.

CATTLE:

June cattle closed higher on the session Friday but more than 130 points off of the early highs. While the cash market was lower last week, June cattle remain at a stiff premium to the cash market and this may have helped support the early strong gains. A more positive tilt to outside market forces and ideas that beef production will continue to tighten helped to support. Estimated beef production last week was 508.5 million pounds, down 6.5% from a year ago. Cash live cattle traded in moderate volume on Friday at prices consistent with where they traded earlier in the week. As of Friday afternoon the five-day, five-area weighted average price was 173.91, down from 176.94 the previous week. This leaves June cattle trading at a discount of $12.00 as compared with the 5-year average discount for this time of the year of $9.84.

The estimated average dressed cattle weight last week was 818 pounds, down from 821 the previous week and 824 a year ago. The USDA boxed beef cutout was up 22 cents at mid-session Friday and closed 33 cents lower at $309.19. This was down from $311.44 the previous week. The USDA estimated cattle slaughter came in at 117,000 head Friday and 10,000 head for Saturday. This brought the total for last week to 623,000 head, down from 624,000 the previous week and 661,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 518 contracts of live cattle for the week ending May 2, increasing their net long to 107,551.

COCOA:

After a sluggish start to May, cocoa prices have benefited from a positive turnaround in global risk sentiment. If a “risk on” mood can continue early this week, the cocoa market will be in a good position to resume its longer-term uptrend. July cocoa was able to build upon Thursday’s rebound as it maintained upside momentum to finish Friday’s trading session with a sizable gain. For the week, however, July cocoa finished with a loss of 4 points and a second negative weekly result in a row. Global risk appetites continued to strengthen following US jobs data, and that benefitted cocoa prices as that should help to shore up near-term demand expectations.

In addition, sizable rallies in the Eurocurrency and British Pound provided carryover support to the cocoa market. While it is well below levels seen last year, consumer inflation remains stubbornly high in many developed economies. As a result, the cocoa market will take some direction from updated CPI readings from the US, Germany and France this week. On the supply side, there has been an increase in Ivory Coast port arrivals totals over the past few weeks, although their full season total is wtill behind last season’s pace.

With officials in Ghana saying that their nation will not meet their full-season cocoa production target, the latest Ivory Coast port arrival could give a further boost to cocoa prices if it does not show continued improvement from early April. The May 2nd Commitments of Traders report showed Cocoa Managed Money traders reduced their net long position by 3,992 contracts to a net long 49,491 contracts. CIT traders were net long 24,491 contracts after decreasing their long position by 1,665 contracts. Non-Commercial No CIT traders reduced their net long position by 2,357 contracts to a net long 36,779 contracts. Non-Commercial & Non-Reportable traders were net long 57,868 contracts after decreasing their long position by 4,439 contracts.

COFFEE:

After several weeks of choppy action, coffee prices were able to regain upside momentum going into the weekend. While an improving demand outlook has provided support, it may be bullish supply developments that can fuel coffee's recovery move. July coffee continued to build on early strength and reached a 1 1/2 week high before finishing Friday's trading session with a sizable gain. For the week, July coffee finished with a gain of 2.10 cents (up 1.1%) which broke a 2-week losing streak and was a positive weekly reversal from last Thursday's 3 1/2 week low.

Colombia's coffee growers federation said that their nation's April coffee production came in at just 566,000 bags. While April tends to be one of Colombia's lower months of production during most years, this April's output was 25% below last year's total and the lowest production total for any month since September 2012. Colombia's production total over the past 12 months was just 10.882 million bags, which is their lowest 12-month running total since November of 2013.

Brazil's Arabica harvest will be underway in all major growing areas by the end of next week, and that should lead to their new-crop supply reaching the global export marketplace by the end of June. A rebound in global risk sentiment provided a boost to out of home consumption prospects which provided an additional source of strength to coffee prices. ICE exchange coffee stocks fell by 2,027 bags on Friday to reach their lowest levels since December.

The Commitments of Traders report for the week ending May 2nd showed Coffee Managed Money traders reduced their net long position by 3,075 contracts to a net long 32,006 contracts. CIT traders were net long 56,652 contracts after increasing their already long position by 28 contracts. Non-Commercial No CIT traders net sold 2,653 contracts and are now net long 17,201 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,982 contracts to a net long 33,278 contracts.

COTTON:

July cotton gapped higher on Friday and rallied sharply, trading to its highest level since April 19. The market has seen choppy action over the past couple of months, and it is back near the top of the two-month trading range. Crude oil and the stock market were higher, and the dollar was lower; all those moves are supportive to cotton. Some traders viewed the move on Friday as a follow through from Thursday's limit up move off a strong export sales report and a US Drought Monitor that showed conditions had worsened in west Texas from the previous week.

The 1-5 day forecast calls for rains of up to 1 1/4 inch in west Texas, and the 6-10 and 8-14-day forecast have above normal chances of rainfall. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,590 contracts of cotton for the week ending May 2, increasing their net short to 21,888. Non-commercial, no CIT traders were net buyers of 272, reducing their net short to 23,390. The managed money and non-commercial, no CIT traders are in historically oversold territory.

SUGAR:

While it just missed out on a positive weekly reversal, sugar's turnaround from a 2-week low last Wednesday sets the stage for a new 11-year high early this week. With Brazil's Center-South cane harvest and crushing underway, sugar price look to be overvauled at current price levels. July sugar continued to see upside follow-through from Wednesday's reversal as it maintained upside momentum to finish Friday's trading session with a sizable gain. For the week, July sugar finished with a loss of 3 ticks that broke a 6-week winning streak. Crude oil and RBOB gasoline were able to extend their recovery move from last Thursday's spike lows, and that provided significant carryover support to the sugar market as it should strengthen ethanol demand in both Brazil and India.

This season's lower production from India continues to provide support for sugar prices, with officials in their state of Maharashtra saying that cane crushing occurred on 121 days this season versus 173 days last season. Indications that early season sugar production in Brazil's Center-South region may run into loading delays at Brazilian ports also gave a boost to sugar prices as that will limit Brazil's exports during May and June. Brazil's Center-South sugar production during the last half of March and the first of April was 481% above last year's total with many mills in the region starting their operations early to process cane that was harvested during the first quarter.

Even with the late March/early April rally in energy prices, Center-South mills kept sugar's share of crushing ahead of last season's level. As a result, sugar should see an increased crushing share during late April when crude oil and gasoline prices had a sizable pullback. Sugar positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders were net long 207,800 contracts after decreasing their long position by 20,880 contracts. CIT traders are net long 142,241 contracts after net selling 18,394 contracts. Non-Commercial No CIT traders net sold 7,507 contracts and are now net long 155,058 contracts. Non-Commercial & Non-Reportable traders were net long 279,121 contracts after decreasing their long position by 21,385 contracts.

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