ADM Investor Services, Inc.

Weekly Futures Market Summary

May 30, 2023 **by the ADMIS Research Team**

BONDS:

On their face, last week's US economic data was indicative of a positive (albeit slow) forward movement in the economy. On the other hand, the takeaway from last week's inflation readings has prompted treasury selling off a slight increase in expectations of a US Fed rate hike in the coming weeks. While the US durable goods report was much stronger than expected in the headline figure, extracting transportation in defense orders from the durable goods sales showed extremely soft consumer purchases. In the end, treasury prices continue to erode despite fundamental evidence that would ordinarily have supported prices.

While the treasury markets were obviously short-term and intermediate term oversold, we think a slight fundamental shift in favor of the bull camp is adding to the recovery action at the start of this week. While there might be other issues driving treasury prices higher, it appears that favorable weekend news on the search for a budget deal has inspired a combination of short covering and fresh outright buying. In retrospect, the US economic news last week favored the bear camp but growth or no growth is still a tight debate.

It should also be noted that a net spec and fund short in bonds in place over the last year could shift into net long territory this week which could limit buying. The May 23rd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 26,578 contracts after increasing their already short position by 6,706 contracts. However, the net spec and fund short in treasury notes remains severe with the noncommercial net short of 826,918 contracts, a new record short! T-Note positioning showed Non-Commercial & Non-Reportable traders were net short 726,650 contracts after increasing their already short position by 129,073 contracts.

CURRENCIES:

Even though trade expectations for a US debt ceiling deal surfaced and in turn reduced financial and economic uncertainty, the dollar remained strong at the end of last week. However, US treasury yields continued to rise and that in turn should increase foreign capital flows toward the US which should result in even more gains in the dollar. Competition against the dollar is deteriorating with Germany thought to have entered a recession with this week's GDP contraction. With another higher high for the move in the dollar at the start of this week, the upward track in the dollar from the early May low is extended.

In retrospect, the dollar bulls seem to have support from the general take away from the US economy (from last week's scheduled data) and to a lesser degree from a slight uptick in US rate hike prospects and finally from less anxiety toward the US debt ceiling crisis. However, the US interest rate differential edge is narrowed slightly with action in treasury prices early this week, but we think the markets are overstating the potential for policy changes at global central banks. The May 23rd Commitments of

Traders report showed Dollar Non-Commercial & Non-Reportable traders are net long 13,860 contracts after net buying 1,511 contracts.

While we think the euro temporarily reached an oversold condition at the low early this week, the trend in general looks to remain down. However, given much softer than expected euro zone inflation data, the euro is likely to remain under interest rate differential selling pressure. Fortunately for the bull camp in the euro, US interest rates are slipping lower, and the prospects of a US debt ceiling deal indirectly reduces the threat of recession in the euro zone. The Commitments of Traders report for the week ending May 23rd showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 12,554 contracts to a net long 232,549 contracts.

With a fresh lower low for the move and very little recoil after that low was posted, the trend in the Yen remains definitively down. Apparently, a minor decline in the Japanese unemployment rate is of little concern to the Yen trade, suggesting the trade is not finished pressing the Yen lower. We see the Swiss franc short-term oversold from the prior 5 days washout but with the rejection of the early week low rather significant at 70 ticks, the oversold condition was likely balanced clearing the way for a resumption of the May downtrend. While not a major development, Swiss GDP readings for the first quarter fell from prior readings and a Swiss KOF Leading indicator report for May fell precipitously!

While the May downtrend in the Pound leaves the technical bias pointing down, the Pound may now hold up better than other nondollar currencies and could have posted a value zone at 1.2314. The Pound trade was presented with a hot price/inflation reading in the form of shop prices hitting a new record high and therefore, we think residual inflation will be helpful for the bull camp in the Pound. With a rejection of last Friday's low, it is likely the Canadian economy is facing less economic and psychological headwinds from signs of progress toward a US debt deal. However, the threat of slowing in China remains a major potential major headwind for the Canadian economy and could limit the Canadian recovery.

STOCKS:

As indicated by Paul Tudor Jones earlier last week, the potential benefits from artificial intelligence could be the most important economic development in the last 75 years. In fact, optimism toward future AI revenues is so significant that the markets have managed to discount significant increases in US interest rates. The bullish glow from AI has also distracted investors from rotating from equities to attractive lower risk interest-bearing instruments. On the other hand, the surge in NVIDIA shares last week has reportedly resulted in $300 billion in gains in artificial intelligence related companies.

Global equity markets at the start of this week were evenly split with Asia performing slightly better than Europe. While the NASDAQ and big tech carried the bull banner throughout the month of May, prospects for other sectors of the market have improved with the weekend budget deal progress and signs that upward pressure on interest rates might have peaked for the near term. Obviously, the Nvidia story will continue to be the bull’s rally cry, but unfortunately Washington will periodically upset the apple cart until the June 5th deadline forces a deal.

With an upside breakout to the highest levels since late August overnight, the equity markets appear to the satisfied with the progress in Washington and for the time being are not showing concern about the infection situation in China. It should be noted that the S&P in the latest COT positioning report showed the largest ever noncommercial net short of 404,490 contracts! While the net small spec and fund short is not at a record level bearishness toward the S&P stock index futures are extreme. The Commitments of Traders report for the week ending May 23rd showed E-Mini S&P Non-Commercial & Non-Reportable traders added 10,770 contracts to their already short position and are now net short 437,160.

With the Dow futures nowhere near an upside breakout and the S&P and NASDAQ futures breaking out to the upside, the Dow is likely to be dragged higher by the broad market. However, Boeing is reportedly close to a $2 billion airplane sales deal with Cathay Pacific, and the index might see minimal support from very favorable performance in Goodyear's India unit. Furthermore, interest rates are showing signs of softening and large-capitalized Dow stocks should see favor from signs of a debt ceiling deal coming together. Lastly, the Dow futures have a large net spec and fund short positioning but the net shorts in Dow futures are not as oversold as in the S&P.

Dow Jones $5 positioning in the Commitments of Traders for the week ending May 23rd showed Non-Commercial & Non-Reportable traders net bought 813 contracts and are now net short 25,974 contracts. Not surprisingly, the NASDAQ raced higher again at the start of this week as Nvidia optimism continues to reverberate and is sparking more money racing toward anything considered AI. However, the NASDAQ futures shifted their net short into a net long early last week, leaving the markets somewhat prone to overdone buying action. The May 23rd Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 413 contracts to their already long position and are now net long 8,259.

GOLD, SILVER & PLATINUM:

With another new high for the move in the dollar at the start of this week, the slightly lower trade in gold and silver early this week was justified. While there appears to be movement closer to a debt ceiling deal in Washington, the markets have been baking a deal into the cake over the past 2 weeks and a very neutral agreement will probably result in many markets turning their focus to other fundamental issues. Fortunately for the bull camp in gold and silver, interest rate markets are somewhat supportive after pressuring gold and silver throughout most of May. Last week gold ETF holdings increased by 345,816 ounces with a single day inflow on Friday of 216,552 ounces which brings the year-to-date gain to 0.5%.

Unfortunately for the bull camp in silver ETF holdings last week declined by 1.98 million ounces, mostly the result of Friday's single day outflow of 3.3 million ounces. In another negative fund-related development hedge funds reduced their net gold longs to the lowest levels since late February. The May 23rd Commitments of Traders report showed Gold Managed Money traders net sold 14,399 contracts and are now net long 117,390 contracts. Non-Commercial & Non-Reportable traders net sold 28,324 contracts and are now net long 209,233 contracts.

While the net silver long in managed Money positions has declined consistently over the last several weeks, the net long remains in the upper 10% of the last 15 months range. Silver positioning in the Commitments of Traders for the week ending May 23rd showed Managed Money traders net sold 266 contracts and are now net long 13,177 contracts. Non-Commercial & Non-Reportable traders net sold 2,280 contracts and are now net long 34,469 contracts. In the end, we give the edge to the bear camp with the dollar "uptrend" likely to extend and a lack of bullish fundamental themes capable of sparking a reversal of the downward bias in silver.

In retrospect, the July platinum contract appears to have found value at $1025.20 and that is probably the result of increased hedge fund longs in the latest COT report. The May 23rd Commitments of Traders report showed Platinum Managed Money traders added 2,514 contracts to their already long position and are now net long 22,303. Non-Commercial & Non-Reportable traders added 1,940 contracts to their already long position and are now net long 33,074. Even though platinum is expected to garner consistent substitution demand gains from palladium, platinum demand is very vulnerable to any sign that China may be forced to reinstitute activity restrictions.

Last week platinum ETF holdings increased by 16,483 ounces and are currently 10% higher year-to-date. The palladium market appears to have found its value around the $1400 level, but the aggressive washout early last week saw an increase in trading volume and falling open interest which is a combination that favors further downside ahead. Last week palladium ETF holdings were nearly unchanged with holdings rising on Friday by a mere 322 ounces leaving holdings 14% higher year-to-date. The May 23rd Commitments of Traders report showed Palladium Managed Money traders are net short 4,383 contracts after net selling 367 contracts. Non-Commercial & Non-Reportable traders are net short 5,657 contracts after net selling 346 contracts.

COPPER:

With LME copper warehouse stocks up every day over the last month, total LME copper warehouse stocks are now above the volume of supply held in Shanghai exchange warehouses, and for some that suggests there is less uncertainty with respect to availability of supply for Western users than in China. However, some see the pattern of daily increases in LME copper supplies as a sign of slack demand. However, Shanghai copper stocks have declined for 13 straight weeks and are likely to reach the lowest levels of the year in this week's report.

In our opinion, the copper market was obviously oversold into last week's low, with the net spec and fund short reaching the highest level since late March 2020! The Commitments of Traders report for the week ending May 23rd showed Copper Managed Money traders reduced their net short position by 6,183 contracts to a net short 16,438 contracts. Non-Commercial & Non-Reportable traders net bought 1,991 contracts and are now net short 27,001 contracts.

ENERGY COMPLEX:

We are a little surprised with the weakness in crude oil prices at the start of this week as big-picture macroeconomic sentiment appears to be upbeat. However, the May rally consistently priced in positive demand with the rally early last week prompted by Saudi warnings for those short the market ahead of the OPEC+ meeting providing some additional lift. Obviously, the trade saw the Saudi threat as a signal of additional tightening by the cartel, but that supportive issue was eliminated by Russian statements late last week indicating there would be no change in the current OPEC+ production arrangement. Furthermore, the market is trading lower despite reported progress in a US budget deal and that along with weakness in the face of stronger equities highlights bearish control of energies from outside market forces.

An internal bearish fundamental from the weekend came from Dubai with the OPEC Secretary General suggesting the cartel will "welcome" Iran's return to their typical market output share. Another bearish influence likely to pressure crude prices early this week are fresh reports that Russian output has not been reduced and demand is obviously under threat because of the Chinese Covid outbreak. Another bearish internal development arose from reports that the Saudis will reduce their Arab light oil pricing by $0.63 for July contracts. Fortunately for the bull camp, the crude oil market has a mostly liquidated net spec and fund long position, especially if prices temporarily dip below $70 this week. The Commitments of Traders report for the week ending May 23rd showed Crude Oil Managed Money traders are net long 143,167 contracts after net selling 17,126 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 13,129 contracts to a net long 252,059 contracts.

Obviously, the RBOB gasoline market is the most overbought petroleum market entering this week's trade. However, the market has corrected sharply from last week's highs and could be moderating the overbought condition with its chop over the last 4 days between $2.62 and $2.51. The RBOB market should be supported from news that Russian refineries have seen their activity fall to the lowest levels in one year and the market should also be indirectly supported from talk of very strong summer travel demand from US vacations by car and indirectly from very strong jet fuel demand. Fortunately for the bull camp, the net spec and fund long in gasoline is near the lowest levels in a year which in turn were the lowest levels since the end of 2017! The Commitments of Traders report for the week ending May 23rd showed Gas (RBOB) Managed Money traders are net long 55,854 contracts after net buying 11,312 contracts. Non-Commercial & Non-Reportable traders net bought 7,299 contracts and are now net long 52,407 contracts.

In the end, RBOB may see a larger but temporary setback than other components of the petroleum complex and we see a very strong value down at $2.43. In the diesel/distillate markets, hope for less product/fuel exports from Russia helps shore up consolidation low support around the $2.30 level in July ULSD. Furthermore, in addition to the chatter of a very busy summer air travel season, the airlines are beginning to return flights cut by the pandemic which in turn should mean the strongest jet fuel demand in at least 4 years. Like the RBOB market, the ULSD market is also near to mostly liquidated status and temporary declines below $2.30 should be considered a buying opportunity. Heating Oil positioning in the Commitments of Traders for the week ending May 23rd showed Managed Money traders were net long 5,554 contracts after decreasing their long position by 1,300 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 427 contracts to a net long 17,013 contracts.

The natural gas charts remain bearish with a near-term consolidation low seen at a recent double low of $2.31 in the July contract. In a longer-term supportive development, the US rig operating count continues to decline with the decline in drilling rigs operating the fastest since 2020. In retrospect, holiday weekend temperatures in the US were largely demand-negative with a large portion of the US not needing cooling. On the other hand, hot weather in China is expected to increase import demand and provide support to global LNG prices. Yet another supportive overnight development discounted by the early trade today is a 2.8% decline in floating LNG supply versus the prior week. Furthermore, hedge funds increased their bullish views last week with 9-month highs in their net long positioning. The May 23rd Commitments of Traders report showed Natural Gas Managed Money traders are net short 32,907 contracts after net buying 10,543 contracts. Non-Commercial & Non-Reportable traders are net short 80,923 contracts after net buying 14,155 contracts.

BEANS:

With the very weak demand tone, the soybean market has failed to react so far to the recent dryness in parts of the US. November soybeans closed higher Friday as traders saw the recent dry weather, and the dry weather forecast as reasons to move to the sidelines ahead of the three day weekend. In the last seven days there has been no rain for Iowa, Minnesota, Wisconsin, Illinois, Indiana and Ohio. In the last two weeks, some areas of Minnesota, Iowa, Illinois, Wisconsin and northern Indiana have received 1/10 to 1/4 inch. The 5-day forecast shows some rain (1/4-3/4 inch) for Western Iowa with eastern Iowa looks very dry. Wisconsin and Illinois and northern Indiana stay dry.

The 6-10 day forecast models call for above normal temperatures and below normal precipitation for the region. The 8-14 day forecast models call for normal temperatures but below normal precipitation. As a result, there could be many areas in the eastern half of Iowa, northern Illinois and northern Indiana which receive little or no rain for the four-week period ending June 11. While this type of forecast is not as bad for soybeans, it is a bad time of the year for corn fields to be in a stressful situation into mid-June. If the forecast stays dry then the trade will be nervous over stressful conditions just ahead. Demand factors have remained weak and there is no technical sign of a low. December meal closed higher with an inside trading day while December oil rallied to the highest level since May 15.

Soybeans positioning in the Commitments of Traders for the week ending May 23rd showed Managed Money traders were net long 4,147 contracts after decreasing their long position by 19,795 contracts. Non-Commercial & Non-Reportable traders net sold 12,960 contracts which moved them from a net long to a net short position of 11,654 contracts. For meal, Soymeal Managed Money traders net sold 6,498 contracts and are now net long 73,789 contracts. Non-Commercial No CIT traders are net long 58,771 contracts after net selling 5,082 contracts. Non-Commercial & Non-Reportable traders net sold 9,775 contracts and are now net long 106,956 contracts. For Soyoil, Managed Money traders net sold 496 contracts and are now net short 36,877 contracts. Non-Commercial & Non-Reportable traders are net short 41,495 contracts after net selling 983 contracts.

CORN:
There is a flash drought concern for areas near Chicago after May rainfall (most of which was the first half of May) reached just 0.42 inch which is down to 10% of the normal rain, and May 2023 continues on-track to finish the 2nd driest May of the past 153 years. December corn closed sharply higher on the session Friday and the buying pushed the market up to the highest level since May 8. Talk of the extreme oversold condition of the market with fund traders holding a huge net short position during the first dry period of the season helped to spark buying. A more positive tilt to outside markets added to the positive tone. July corn also pushed sharply higher on the day and up to the highest level since April 26. In the last seven days there has been no rain for Iowa, Minnesota, Wisconsin, Illinois, Indiana and Ohio.

In the last two weeks, some areas of Minnesota, Iowa Illinois, Wisconsin and northern Indiana have received 1/10 to 1/4 inch. The 5-day forecast shows some rain (1/4 to 3/4 inch) for Western Iowa with eastern Iowa very dry. Wisconsin and Illinois and northern Indiana stay dry. The 6-10 day forecast models call for above normal temperatures and below normal precipitation for the region. The 8-14 day forecast models call for normal temperatures but below normal precipitation. As a result, there could be many areas in the eastern half of Iowa, northern Illinois and northern Indiana which receive little or no rain for the four-week period ending June 11. While this type of forecast is not as bad for soybeans, it is a bad time of the year for corn fields to be in a stressful situation into mid-June. Late June and early July is the pollination period for corn.

Safras & Mercado consulting firm indicated that Brazilian corn production in the 2022/23 harvest should reach a record high 136.998 million tonnes, surpassing the 120.230 million harvested in the previous season. The number is above the 130.289 million tonnes predicted in the survey carried out in March. Corn positioning in the Commitments of Traders for the week ending May 23rd showed Managed Money traders were net short 98,027 contracts after increasing their already short position by 6,042 contracts for the week. Non-Commercial No CIT traders were net short 149,636 contracts after increasing their already short position by a whopping 22,721 contracts in just one week. Non-Commercial & Non-Reportable traders are net short 145,096 contracts after net selling 12,348 contracts. This leaves the market oversold and vulnerable to increased buying if resistance levels are violated.

WHEAT:
July wheat closed moderately higher on the session Friday and has stayed in a tight consolidation for the past seven trading sessions. July Kansas City wheat closed slightly higher on the day Friday after the rally above Thursday's high failed to attract new buying interest. Some additional moisture in the forecast for the winter wheat belt helped to limit the buying. The 5-day forecast shows hefty rain totals for Western Kansas and the 6 to 10 and 8 to 14 day models are still showing above normal precipitation. As a result, the crop which did survive the drought should show significant improvement in the weeks ahead.

This year's EU soft-wheat harvest is now seen at 131.5 million tonnes, up from an April estimate for 130.2 million, according to the European Commission. This would be up 4.6% above last year and 5.8% above the five-year average. Heavy rain which started in the middle of last week in the southern half of Henan has raised concerns for the wheat crop in China. The quality of the crop is in question and the rains have caused some wheat fields to begin sprouting. Local prices are pushing higher and the heavy rains come in just ahead of harvest. Expectations for a bumper crop out of Russia continue to pressure.

Wheat positioning in the Commitments of Traders for the week ending May 23rd showed Managed Money traders added 6,019 contracts to their already short position and are now net short 118,788. Non-Commercial No CIT traders were net short 103,157 contracts after increasing their already short position by 4,775 contracts. For KC Wheat, Managed Money traders added 28 contracts to their already long position and are now net long 16,621. Non-Commercial & Non-Reportable traders are net long 4,417 contracts after net buying 283 contracts.

HOGS:

The hog market is extremely oversold technically and is probing for a short-term low. July hogs closed sharply lower on the session Friday and the market has posted new contract lows in six of the last seven trading sessions. Weights are much lower than normal and suggests producers are current with marketings, and the market faces seasonal tightening in supply in the weeks just ahead. This may support the cash market and July hogs are already trading at a significant discount to the cash. The USDA pork cutout released after the close Friday came in at $80.89, up $1.22 from Thursday but down from $82.47 the previous week. The CME Lean Hog Index as of May 24 was 80.80 up from 80.67 the previous session and up from 78.42 the previous week. This leaves August hogs at a discount of near $6.80 discount to the cash as compared with the 5-year average of $2.26 discount.

The USDA estimated hog slaughter came in at 457,000 head Friday and 20,000 head for Saturday. This brought the total for last week to 2.371 million head, down from 2.397 million the previous week but up from 2.346 million a year ago. Estimated US pork production last week was 511.9 million pounds, down from 519.1 the previous week and up from 507.7 a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 4,731 contracts of lean hogs, increasing their net short to 24,129. This leaves the market extremely oversold technically, and fund traders likely hold a near record net short position in hogs. Non-commercial, no CIT traders were net sellers of 4,155, increasing their net short to 41,121. Pork production for the third quarter this year is expected to be up 1.1% from last year. Pork production for the third quarter is expected to be down 35 million pounds from the second quarter.

CATTLE:

August cattle closed higher on the session Friday but well off of the early high, and the early high was a contract high. The market is technically overbought and may be in need of some type of a technical correction. The short term fundamentals remain positive, however, and futures are at a discount to the cash market. Cash live cattle traded in Kansas in light volume on Friday at the top end of last week's range. As of Friday afternoon, the five-area weighted average price was $177.56, up from $175.15 the previous week. This leaves August cattle trading near a $12.40 discount to the cash market as compared with the 5-year average discount of near $7.03. The USDA boxed beef cutout was up $3.95 at mid-session Friday and closed $3.99 higher at $303.93. This was up from $301.10 the previous week and the highest it had been since May 12.

The USDA estimated cattle slaughter came in at 118,000 head Friday and 9,000 head for Saturday. This brought the total for last week to 625,000 head, down from 642,000 the previous week and down from 641,000 a year ago. The estimated average dressed cattle weight last week was 817 pounds, unchanged from the previous week and up from 810 a year ago. The 5-year average weight for that week is 810 pounds. Estimated beef production last week was 509.6 million pounds, down from 518.3 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,718 contracts of live cattle for the week ending May 23, increasing their net long to 101,990. Non-commercial, no CIT traders were net buyers of 2,196, increasing their net long to 90,124.

COCOA:

Cocoa prices are on course for an eighth positive monthly result in a row but have only had one positive daily result during the past five sessions. While this leaves the market vulnerable to profit-taking and additional long liquidation early this week, cocoa continues to have a bullish supply/demand outlook going forward. July cocoa found early support, and then lost strength late in the day as it finished Friday’s outside-day trading session with a moderate loss. For the week, July cocoa finished with a loss of 77 points (down 2.5%) which broke a 2-week winning streak and was a negative weekly key reversal.

Negative vibes on US debt limit talks put early pressure on the cocoa market early in the day, and that would have negatively impacted near-term demand in North America. Over the weekend, however, a US debt limit deal was announced which should help to soothe demand concerns as well as strengthen risk appetites. An extended period of wet weather over West African growing areas pressured cocoa prices as that should benefit the region's late-harvested midcrop output.

Those regions normally receive drier than normal weather during an El Nino weather event, however, so there are increasing concerns that 2023/24 West African cocoa production will be negatively impacted by El Nino. Although there has been an uptick in recent weekly Ivory Coast port arrival totals, their full season total remains well behind last season's pace. As a result, the 2022/23 season is expected to produce a second sizable global production deficit in a row.

The May 23rd Commitments of Traders report showed Cocoa Managed Money traders added 1,933 contracts to their already long position and are now net long 53,916. CIT traders added 1,032 contracts to their already long position and are now net long 28,409. Non-Commercial No CIT traders were net long 38,388 contracts after decreasing their long position by 165 contracts. Non-Commercial & Non-Reportable traders are net long 64,945 contracts after net buying 1,639 contracts.

COFFEE:

Coffee prices went into the holiday weekend on a downbeat note as the market was pressured by bearish supply news. With two sessions left in May, coffee could be vulnerable to additional long liquidation early this week. July coffee was unable to hold onto early support as it fell to a 6 1/2 week low before finishing Friday's trading session with a moderate loss. For the week, July coffee finished with a loss of 10.40 cents (down 5.2%) which was a second negative weekly result over the past 3 weeks.

Safras & Mercado said that Brazil's Arabica harvest is running behind last year's and the 5-year average pace, which provided coffee with early support. However, updated forecasts for dry weather over their major growing regions should help Brazil's Arabica harvest to speed up over the next few weeks, and that weighed on coffee prices going into the holiday weekend. The Brazilian trade group Cecafe said that their nation's 2023/24 coffee crop should surprise positively, and that Brazil's coffee exports should recover during the second half of this year.

While their 2023 exports are still 2.2% behind last year's pace, Vietnam's May coffee exports were 15.7% above last year's total. With Brazil's harvest reaching full speed, this should help to ease near-term Robusta supply concerns, which in turn could put carryover pressure on New York Arabica prices. ICE exchange coffee stocks fell by 11,285 bags on Friday as they have dropped below the 600,000 level for the first time since December.

The Commitments of Traders report for the week ending May 23rd showed Coffee Managed Money traders net bought 1,661 contracts and are now net long 28,988 contracts. CIT traders were net long 60,111 contracts after decreasing their long position by 170 contracts. Non-Commercial No CIT traders are net long 14,897 contracts after net buying 2,019 contracts. Non-Commercial & Non-Reportable traders are net long 32,277 contracts after net buying 1,722 contracts.

COTTON:

July cotton reversed and closed sharply higher on Friday, taking back most of Wednesday's and Thursday's losses. Reports of good progress on a debt ceiling deal supported many commodity markets, including cotton. News over the weekend that a deal had been reached could also provide a lift to the market in the early going. Last week's drought monitor showed significant improvement in drought conditions in some of the hardest-hit areas of Oklahoma and Texas as rain benefited rangeland, pastures, and summer crops. Still, even with abundant showers and thunderstorms, pockets of extreme to exceptional drought (D3 to D4) persisted in western and central Texas and across the northwestern half of Oklahoma.

The 1-5 day forecast calls for rainfall of up to 2.5 inches in the Texas panhandle, diminishing to 0.25 inch or less in the west-central part of the state. The 6 to 10 and 8 to 14 day forecasts show above normal chances of rainfall for the region. Friday's Commitments of Traders report showed managed money traders were net buyers of 20,744 contracts of cotton for the week ending May 23, which moved them from a net short position to a net long of 7,980. Non-commercial & non-reportable traders combined were net buyers of 24,196, increasing their net long to 26,875 contracts.

SUGAR:

Sugar's abrupt turnaround on Friday was able to break a 3-day losing streak, but that recovery may have been due in part to carryover support from key outside markets. With recent bearish supply news, sugar prices may fall back on the defensive going into month-end. July sugar was able to shake off early pressure with a late rally as they finished Friday's trading session with a sizable gain. For the week, however, July sugar finished with a loss of 41 ticks (down 1.6%) which was a fourth negative weekly result in a row.

A rebound in crude oil and RBOB gasoline prices provided sugar with carryover support as that should strengthen near-term ethanol demand in Brazil and India. In addition, a nearly 1% rebound in the Brazilian currency supported sugar prices as it eases pressure on Brazil's mills to produce sugar for export. The India Meteorological Department (IMD) kept their 2023 monsoon forecast unchanged from earlier this year as they expect India will receive 96% of long-period average rainfall. This would be the low end of their "normal" rainfall category which ranges from 96% to 104% of the long-period average.

The IMD said that this year's monsoon will arrive over their mainland on June 4th which is slightly later than normal, and that June monsoon rainfall is likely to be below average. However, the IMD also said that a positive Indian Ocean Dipole could offset the impact of the El Nino weather event widely expected to start over the next few months. Even with early delays, Brazil's Center-South cane crush was running 24% ahead of last season's pace through mid-May. With sugar's share of crushing running 7% above last year's pace, Brazil's Center-South sugar production this season is 48% above last season's comparable total.

Sugar positioning in the Commitments of Traders for the week ending May 23rd showed Managed Money traders added 9,708 contracts to their already long position and are now net long 224,647. CIT traders net sold 437 contracts and are now net long 143,899 contracts. Non-Commercial No CIT traders added 5,001 contracts to their already long position and are now net long 169,116. Non-Commercial & Non-Reportable traders net bought 1,025 contracts and are now net long 287,328 contracts.

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