ADM Investor Services, Inc.

Weekly Futures Market Summary

July 3, 2023 **by the ADMIS Research Team**

BONDS:

Treasuries initially forged fresh downside extension breakouts but ultimately rejected the washout in a possible sign that 126-00 has become some form of value. On the other hand, today's scheduled data fosters ongoing talk of a US recovery, hope for falling inflation and perhaps some doubt the Fed will need to hike rates 3 more times. With the PCE report thought to be a very important inflation measure for the Fed,
last Friday's softer reading carries significant weight. While it appears, treasuries are returning to classic fundamental trading patterns, we need to see prices consistently falter in the face of positive data ahead to suggest the markets are fully "getting back to normal" and away from seeing strength off the prospects of recession from over tightening.

In other words, with most of Monday's US scheduled data points expected to show positive economic activity, bond and note prices should see residual support from signs of softening inflation in one of the Fed's favorite inflation measures (PCE from last week). Another sign of a possible return to normal historical trading patterns was a slightly different reaction to steepening treasury yield curve signals recently. Over the last year, yield curve signals have been interpreted as a sign of impending recession but now may have resulted in a signal that has fostered selling of treasuries off the idea that the Fed can normalize interest rates. In fact, last week the US Federal Reserve Chairman provided a fresh hawkish wrinkle to the trade from a central banker's conference in Spain when he casually suggested there could be "three more" instead of "two more" US rate hikes before the end of the year.

However, the treasury markets continue to maintain a measure of bullish resiliency which probably means consistent downside action will require consistently positive data confirmation. In our opinion, the most recent positioning reports show treasury bonds with considerable speculative selling fuel hovering on the sidelines while the treasury note market is already aggressively net spec and fund short. The June 27th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 2,219 contracts to their already short position and are now net short 74,632. Treasury note Positioning showed Non-Commercial & Non-Reportable traders are net short 744,173 contracts after net selling 17,257 contracts.

CURRENCIES:

With the dollar posting a higher high, a wide trading range and a noted failure of the early high last Friday, the charts give off the impression of a temporary blowoff top. Perhaps dollar bulls decided to bank profits in the face of signs of moderating US inflation, soft US personal spending, and disappointing Chicago purchasing managers index readings. The primary benefactors of last Friday’s dollar weakness were the

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Swiss franc, euro, and British pound. From a technical perspective, the path of least resistance remains up in the dollar.

Furthermore, recent US data patterns signal a recovering economy despite the prospects of 3 more US rate hikes this year. In fact, US data clearly signals the US economy has stood up to the historic rate hike cycle while the trade is suspicious the euro zone can withstand further hikes. Therefore, the trade generally sees the US dollar holding both interest rate and macroeconomic differential edges relative to the euro. The Commitments of Traders report for the week ending June 27th showed Dollar Non-Commercial & Non-Reportable traders added 774 contracts to their already long position and are now net long 17,347.

While the charts in the euro are not patently bearish, they favor the bear camp with a very definitive pattern of lower highs and lower lows likely to extend this week. Adding to the negative chart set up is disappointing euro zone manufacturing readings for June especially with German manufacturing falling at the fastest clip in 3 years! In fact, the only offset to disappointing German and overall soft Euro zone factory activity is a "not as bad as feared" French manufacturing result in June. Euro positioning in the Commitments of Traders for the week ending June 27th showed Non-Commercial & Non-Reportable traders net bought 619 contracts and are now net long 204,033 contracts.

While the Yen has managed to respect support at 70.00 from the middle of last week, classic fundamental and technical signals leave the trend pointing down. Certainly, 3 of 4 Japanese Tankan manufacturing and nonmanufacturing readings for the 2nd quarter were positive but traders and investors will not be easily enticed into placing capital in Japan with their interest rate structure unlikely to normalize in the coming months. In fact, we expect the Yen to continue to plummet until the Bank of Japan intervenes to support the currency.

While the Swiss franc is unlikely to be driven by Swiss inflation readings, the latest readings from Switzerland showed inflation is moderating which in turn probably allows the Swiss National Bank to be less aggressive with rate hikes. Furthermore, soft economic data from Europe should continue to weigh on the Swiss, with the currency likely to post the lowest trade since June 15th in the coming 36 hours.

In retrospect, the charts in the Pound remain negative with lower highs and lower lows surfacing consistently over the last 3 weeks. In fact, supportive fundamentals are being discounted with the Pound tracking lower despite a better-than-expected GBP S&P Global Manufacturing PMI reading for June. Adding into the bearish tilt toward the Pound is the residual entrenched bullish vibe toward the dollar.

With the Canadian dollar managing to consolidate in the face of strength in the dollar last week it is possible the currency will track with as opposed to opposite the dollar index this week. The ability to correlate positively with the dollar is largely the result of the Canadian economy improving in May after disappointment in April. Therefore, we suggest traders looking to capitalize on US dollar strength avoid shorting the Canadian.

STOCKS:

Clearly, the latest sign of lower inflation combined with positive scheduled data from earlier last week has reduced recession fear and has in turn created fear of missing out on equity market gains. Sentiment was also stoked by Apple's market value climbing back above the $3 trillion mark. Another supportive development came from prospects of record quarterly vehicle deliveries by Tesla in bullishness toward airline stocks which posted the most significant gains in 2 years. Global equity markets early this week were mostly higher with gains in some Asian markets reaching 1.4%. Apparently, the risk on vibe from last week has remained in place in global equity markets with consensus that inflation is coming under control in the US accentuated by periodic evidence the US economy continues to hold up to the historical

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upward adjustment in interest rates. In fact, global equity markets easily absorbed US Fed chairman suggestions last week of a possible 3rd US interest rate hike before the end of this year.

While the S&P has not technically posted a higher high early this week, the market sits just under Friday's highs and are trading higher relative to Friday's strong close. In addition to signs the US economy continues to serve as an engine for the global economy in surviving the global rate hike cycle, the markets have continued to receive positive headline news from big tech Tesla and Apple. It should also be noted that speculators remain heavily bearish toward the market with a very large net spec and fund short which is a potential fountain of speculative buying fuel in the form of short covering. E-Mini S&P positioning in the Commitments of Traders for the week ending June 27th showed Non-Commercial & Non-Reportable traders reduced their net short position by 43,573 contracts to a net short 213,173 contracts.

Like the S&P, the Dow Jones futures also sit just under last week's spike high in the initial trade this week, with the Dow slightly cheaper given current prices remain significantly below 2023 and 2022 highs. Furthermore, sentiment toward Dow futures remains overly negative with the index holding a net spec and fund short as of last Tuesday. The June 27th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 3,694 contracts to their already short position and are now net short 20,147. While the NASDAQ has lagged the S&P and Dow during the late June recovery, we think the NASDAQ will play "catch up" given Apple's capitalization climb above $3 trillion, impressive Tesla production readings and a rising tide of positive tech sector themes. The June 27th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net long 13,452 contracts after increasing their already long position by 2,097 contracts.

GOLD, SILVER & PLATINUM:

While global equity markets were higher early this week and produced a measure of risk on sentiment, economic news was generally discouraging with European and factory activity contracting last month while Chinese June PMI readings marginally improved but were heavily offset by a survey predicting "gloom to spread from weak Chinese growth". Fortunately for the bull camp the dollar is showing only minimal strength as a 10th straight daily outflow from gold ETF holdings highlight a market still out-of-favor with investors. Gold holdings year-to-date are now down 1.2%! Silver ETF holdings also declined last week by 1.86 million ounces and are fractionally lower year-to-date.

While gold and silver managed a recovery bounce at the end of last week, fundamental and technical forces remain bearish in both markets early this week. Certainly, evidence of falling US inflation from US PCE in May last Friday dampened fears of higher US interest rates and in turn tempered strength in the dollar. Obviously, physical demand is initially focused on the world's largest consumer (China) which has clearly provided evidence of an economy struggling to gain positive traction. Before gold prices react to improved Chinese physical gold demand signals, we think the copper market will already be showing signs of significant improvement in Chinese demand, and therefore traders might utilize copper as a leading indicator of the trend in gold.

In the near term, the pendulum of US rate hike prospects was inched toward three more hikes this year by the US Federal Reserve chairman at a central banker's conference last week and that increase in rate hike prospects has been fortified by positive US data. Fortunately for the bull camp, gold and silver do not appear to have significant flight to quality premium in prices attributable to the Russian invasion of Ukraine and therefore a cease-fire, peace deal, or a simple withdrawal by Russian forces might result in price gains. From a technical perspective August gold remains vulnerable to further long liquidation with the net spec and fund long as of early last week only recently falling back from 13-month highs. The June 27th Commitments of Traders report showed Gold Managed Money traders net sold 8,154 contracts and are net long 86,472 contracts. Non-Commercial & Non-Reportable traders were net long 177,595 contracts after net selling 9,619 contracts.

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We continue to suggest copper will diverge with gold with silver attempting to embrace classic physical commodity market forces which could result in silver correlating with copper, equities, and crude oil. While the net spec and fund long in silver is less overbought and less vulnerable to long liquidation than the net spec and fund long in gold, we estimate the net spec and fund long in silver would need to be reduced to 10,000 contracts to suggest a large measure of the wea handed longs were out of positions. The Commitments of Traders report for the week ending June 27th showed Silver Managed Money traders are net long 11,635 contracts after net buying 334 contracts. Non-Commercial & Non-Reportable traders are net long 27,194 contracts after net selling 5,533 contracts.

Like the gold and silver markets, the PGM markets lack a specific fundamental force capable of shifting sentiment away from the bear case. Obviously, the technical conditions of platinum and palladium are becoming significantly oversold from classic short-term technical measures, with platinum in June forging a high to low slide of $162! Unfortunately, from a historical perspective the charts now offer little support until $875 with the market recently not benefiting from signs of further inflows to Platinum ETF holdings. In fact, Platinum ETF holdings on Friday increased by a very material 8,536 ounces which pushes the year-to-date increase in holdings to 6.2%. The Commitments of Traders report for the week ending June 27th showed Platinum Managed Money traders reduced their net long position by 9,657 contracts to a net long 2,356 contracts. Non-Commercial & Non-Reportable traders had 18,744 contracts after decreasing their long position by 6,927 contracts.

Like platinum, the palladium market has very little positive fundamentals to slow and/or reverse the downtrend. However, the latest positioning report showed Palladium with a new "record short" position which is understated given the post report slide of $90! The Commitments of Traders report for the week ending June 27th showed Palladium Managed Money traders hit a new extreme short of 6,673 contracts. Managed Money traders added 812 contracts to their already short position and are now net short 6,673. Palladium Non-Commercial & Non-Reportable traders hit a new extreme short of 7,878 contracts. Non-Commercial & Non-Reportable traders were net short 7,878 contracts after increasing their already short position by 706 contracts. Investor interest in palladium ETF holdings has been nondescript lately with holdings last week increasing by a mere 702 ounces leaving the year-to-date gain in holdings at 14%.

COPPER:

While the copper market has managed a modest recovery from last week's spike low, four different Chinese efforts to support/stimulate their economy have failed to provide confidence of a recovery. In fact, world commodity markets remain concerned of softening Chinese physical commodity demand. Fortunately for the bull camp, Chinese Caixin manufacturing PMI data for June was stronger than expected but was unfortunately below the previous month. However, a portion of the copper trade is disappointed with the 7,889 to a net inflow to Shanghai weekly copper warehouse storage last week with an increase of 13.1% on the week seen as a sign of soft Chinese copper demand.

Certainly, a portion of the ongoing fear of soft Chinese copper demand is countervailed by news last week that Chilean copper output in May dropped by 14% versus year ago figures. However, with a minimal net spec and fund long from the last positioning reading followed by a slide of $0.11 the spec trade last week likely shifted to a net short around the June lows. Therefore, further gains are likely to spark stop loss buying especially against a background of stronger global equities. The Commitments of Traders report for the week ending June 27th showed Copper Managed Money traders net sold 2,480 contracts and are now net long 20,778 contracts. Non-Commercial & Non-Reportable traders had a net long 5,881 contracts after increasing their already long position by 1,903 contracts.

ENERGY COMPLEX:

Even though crude oil is likely to remain within a $6 trading range, prices look to continue to recover from lows which likely overstated weakness in global energy demand. Granted, economic data from China and

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Europe continues to disappoint and so far, the markets are simply not confident Chinese stimulus efforts will produce results quickly. On the other hand, global economic sentiment continues to improve on the back of signs of ongoing strength in the US economy despite a possible extension of the US rate hike cycle. In fact, there are classic signs of improving energy demand beyond simple hope that better scheduled data will ultimately provide improved energy demand. Last week US gasoline imports from Europe hit a 12-month high, Chinese traffic activity has returned to pre-Covid levels and US implied gasoline demand readings have been impressive over the last two months. According to Bloomberg, US oil demand in April as measured by the EIA reached a 16 year "seasonal high" if consumption of natural gas liquids and feedstock for plastics are included in measurements.

Furthermore, positioning reports indicate the crude oil market was overdone into the June lows with hedge funds posting the smallest net long in 11 years. Furthermore, another measure of speculative interest in the form of the COT noncommercial and nonreportable net long positioning, fell to the lowest level since December 2012! Therefore, it is not surprising to see crude oil prices continue to claw higher from both technical short covering and fresh buying from an anticipated recovery in demand. While not a near term supportive development, US drilling companies reduced oil and gas activity counts for a ninth straight week and according to Baker Hughes saw the largest quarterly drop in drilling since 2020. However, it should be noted that oil drilling rigs operating fell by only one rig with most of the declines seen in gas drilling activity. While the net spec and fund long position in crude oil has declined consistently over the past 18 months, the latest net long is still 19,000 contracts above the level seen at the March low of $64.68.

The June 27th Commitments of Traders report showed Crude Oil Managed Money traders reduced their net long position by 35,257 contracts to a net long 71,543 contracts. Non-Commercial & Non-Reportable traders were net long 204,163 contracts after decreasing their long position by 19,509 contracts. Even though we see crude prices locked in a trading range bound by $73.29 and $68.71, the bull camp appears to have control to start today, with crude likely to take direction from US equities and US data. However, while it is difficult to interpret the propaganda flowing from the war front, Putin risks a serious challenge to his leadership if recent events result in an uprising against the war. Even though there could be disruptions of physical supply flow in the event of a breakdown of the Russian regime, ultimately, we think a regime change will present the potential for unfettered supply flow from Russia which could send prices to new lows for the year.

Clearly, the gasoline market has regained its leadership position and with last week's strong rally and strong close we see a trade back toward the next resistance point of $2.57 this week in August gasoline. However, China and Russia have indicated they plan to ramp up fuel exports this month and that could result in gains early this month coming out later in the month. The most recent positioning report was benign with the net spec and fund long in the middle of the positioning range of the last 6 months. The Commitments of Traders report for the week ending June 27th showed Gas (RBOB) Managed Money traders net sold 6,686 contracts and are now net long 48,599 contracts. Non-Commercial & Non-Reportable traders net sold 2,073 contracts and are now net long 56,208 contracts. However, as reported last week, June US gasoline imports from Europe posted a 12-month high at 460,000 barrels per day and there is less concern of inadequate East Coast inventories.

Despite rumblings several weeks ago of surging interest in diesel and diesel crack margins, demand measures continue to show anemic consumption leaving diesel as the weakest component of the petroleum markets. While not significantly overbought, the net spec and fund long is in the upper level of this year's net spec and fund long range. Heating Oil positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders are net long 16,820 contracts after net buying 6,455 contracts. Non-Commercial & Non-Reportable traders are net long 37,949 contracts after net buying 8,706 contracts.

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In retrospect, we are surprised with the strong close at the end of last week as the US weather forecast saw extreme temperature areas shift and/or narrow slightly. In fact, intense heat in Texas occurs in a narrower band along the southern US border and is generally West of New Orleans. Furthermore, maximum US temperatures look to be mild into July 8th with only slightly above average temperatures reaching into the Ohio River Valley. On the other hand, forecasts for hot temperatures in Europe throughout this week are expected in the lower half of Europe divided by a diagonal line running from Spain, France, Germany and into Poland and it appears that that it is hot enough and widespread enough to offset neutral US temperature projections. In a slightly positive longer-term development, Baker Hughes weekly rig operating count showed gas rigs operating fell by 6 to 124 rigs operating a which is the lowest since February 2022.

In a bearish global supply development, Russian shipments of gas through Ukraine remain normal despite Russian statements last week indicating a new deal to ship gas through Ukraine will not be renewed when the current contract expires. Unfortunately for the bull camp, the net spec and fund short positioning in natural gas has been consistently narrowed since the end of February and is now near the smallest net short since the end of May and 2021! Natural Gas positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders reduced their net short position by 10,271 contracts to a net short 21,071 contracts. Non-Commercial & Non-Reportable traders are net short 63,286 contracts after net buying 16,074 contracts. This week will be a test of the natural gas market's focus as temperatures in the US did not look to be hot enough to rekindle the early June rally unless traders embrace the heat in Europe as a more important influence. Therefore, without a significant supply setback or significant "risk on" optimism throughout the globe, taking out the June high could be extremely difficult.

BEANS:

Obviously, seeing US producers plant the smallest area since 2020 with a 5% decline from last year and an astounding 4.2 million acres below industry surveys is a shockingly bullish surprise. In fact, the decline in acres was so large there is justification to wonder if the adjustment is an error. Combining the sudden shift from adequately supplied to the potential for rationing supply from one hour to the next, is the reality that the US soybean crop saw one of the worst starts in the last 12 years. However, the last 10 days have brought repeated waves of storm fronts across the entire growing region with initial rainfall totals disappointing and scattered. However, current storm tracks are dropping more rain with some stalling and capable of delivering drought busting precipitation. On the other hand, tonight's crop conditions report will shift the focus back to yield and away from acres. In a quick analysis of outcomes using a low yield of 51 bushels per acre results in a stock to use ratio reading of only 1.3%, while utilizing a 52 bushel per acre yield also results in an extremely tight stocks to use ratio of 3.2%. Similarly, a 51 Bushel per acre yield produces critically low ending stocks of only 55 million bushels, with a 52 bushel per acre yield leaving US ending stocks at 141 million bushels which is still a dramatically tight scenario.

US soybean stocks on June 1st came in at 796 million bushels versus an average trade expectation of 805 million and a range of expectations from 706 to 920 million. Last year, June 1st stocks were 968 million. Planted acreage came in at 83.5 million acres versus 87.7 million expected (range 87-89 million). This is slightly higher than the March intentions estimate of 87.5 million. However, we suggest caution for those anticipating a below trend yield as the soybean crop was very young (crop conditions reports just started several weeks ago) as it encountered the drought, and the crop has had 2 weeks of cooler temperatures and waves of precipitation. Furthermore, keep in mind the most important month for determining soybean yields is August and there is the potential the crop will rebound in areas receiving material rainfall totals. In looking at 72-hour rainfall maps, half of Iowa, nearly all of Illinois and a significant portion of Indiana and parts of Ohio saw widespread rains up to and beyond 2 inches. However, Wisconsin, Minnesota, South Dakota, and North Dakota saw very few areas receiving more than 1/2 inch. On the other hand, 2 inches of precipitation spread out over 72 hours is not a drought-busting scenario. Nonetheless, the trade is likely to fear better conditions until proven right or wrong by

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this afternoon's US crop conditions report. It should be noted that the US at the end of last week was able to sell 132,000 tonnes of soybeans to China. The sale was a surprise as it was the first flash sale of beans since January and a surprise considering how poor US/Chinese relations are.

Soybean positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders are net long 99,480 contracts after net buying 22,530 contracts. CIT traders added 27,251 contracts to their already long position and are now net long 151,133. Non-Commercial No CIT traders were net long 61,731 contracts after increasing their already long position by 17,339 contracts. Non-Commercial & Non-Reportable traders added 26,071 contracts to their already long position and are now net long 87,280. The June 27th Commitments of Traders report showed Soyoil Managed Money traders are net long 38,751 contracts after net buying 8,934 contracts. CIT traders were net long 114,411 contracts after increasing their already long position by 2,236 contracts. Non-Commercial No CIT traders net bought 4,119 contracts which moved them from a net short to a net long position of 4,035 contracts. Non-Commercial & Non-Reportable traders are net long 37,591 contracts after net buying 5,813 contracts. The June 27th Commitments of Traders report showed Soymeal Managed Money traders net sold 4,944 contracts and are now net long 58,980 contracts. CIT traders net bought 2,759 contracts and are now net long 114,570 contracts. Non-Commercial No CIT traders are net long 50,595 contracts after net selling 5,181 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,047 contracts to a net long 106,524 contracts.

CORN:

As in the soybean market, the corn market saw the USDA report as a game changer. However, with corn acres coming in 2.2 million acres above market estimates, the importance of lost production from drought has been severely reduced but, in our opinion, not eliminated. In fact, the corn crop was expected to come under severe stress even before planting with subsoil moisture in moderate to severe drought standing from the beginning. Furthermore, the latest US drought monitoring map shows huge areas of the primary US corn production area remaining in moderate and severe drought as of June 27th. Therefore, with total precipitation amounts not remarkable until the latest weekend systems, we think the corn trade with Friday's action has significantly overstated the likely size of the US corn crop at harvest. However, using a low yield of 176.1 bushels per acre could produce an ending stock level of 2.1 billion bushels while a higher yield of 181.5 bushels per acre yield could produce ending stocks of 2.6 billion bushels.

In conclusion, small variations in corn yields will result in very large swings in supply and demand figures with a 181.5 bushels per acre yield producing the highest ending stocks since 1987. The USDA said that US corn stocks on June 1st came in at 4.106 billion bushels versus an average trade expectation of 4.250 billion and a range of expectations from 3.791 to 4.410 billion. Last year, June 1st stocks were 4.349 billion. Planted acreage came in at 94.1 million acres versus 91.9 million expected (range 91-93 million). This is up from 92.0 million in the March intentions report. The Commitments of Traders report for the week ending June 27th showed Corn Managed Money traders net sold 5,454 contracts and are now net long 52,845 contracts. CIT traders were net long 344,018 contracts after decreasing their long position by 1,507 contracts. Non-Commercial No CIT traders net bought 9,525 contracts which moved them from a net short to a net long position of 1,894 contracts. Non-Commercial & Non-Reportable traders net sold 634 contracts and are now net long 56,061 contracts.

WHEAT:

Friday's report reaction may have factored in the worst of the bearish news. The USDA Stocks and Acreage report was a shocker with huge acreage changes in corn and beans and a more minor increase in acres for all wheat, up over 900,000 from the March Intentions report. Most of the increase was in Spring wheat, which was up 500,000 from March Intentions and will put some pressure on Minn

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compared to KC and Chicago, especially if spring conditions improve a few percent this afternoon as expected.

On the bull side, wheat stocks tightened and were 33 million bushels below expectations at 580 million, down from year ago at 698 million bushels, and well below last year at 698 million bushels and the year prior at 845 million bushels. Funds sold an estimated 6,000 contracts Friday, however, they pared down short positions by 32,000 last week, reducing some of the short covering threat. There are reports the EU may offer some concessions on reconnecting Russia to the SWIFT payment system, in exchange for an extension of the grain corridor deal, which may be a slight negative for prices if they do so.

Wheat positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders were net short 52,168 contracts after decreasing their short position by 31,966 contracts. CIT traders are net long 87,777 contracts after net buying 5,382 contracts. Non-Commercial No CIT traders reduced their net short position by 23,227 contracts to a net short 62,979 contracts. Non-Commercial & Non-Reportable traders are net short 47,750 contracts after net buying 21,679 contracts.

KC Wheat positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders net bought 6,475 contracts and are now net long 12,419 contracts. CIT traders net bought 5,429 contracts and are now net long 44,948 contracts. Non-Commercial No CIT traders were net short 4,817 contracts after decreasing their short position by 3,586 contracts. Non-Commercial & Non-Reportable traders net bought 7,561 contracts which moved them from a net short to a net long position of 2,982 contracts.

HOGS:

Last week's Hogs and Pigs report showed surprising increases in US hog supply for medium and lower weight hogs but a tighter than expected supply of hogs weighing more than 180 pounds. This has supported the July and August contracts but has pressured October, December, and others. The USDA estimated hog slaughter came in at 447,000 head Friday and 73,000 head for Saturday. This brought the total for last week to 2.332 million head, down from 2.372 million the previous week but up from 2.284 million a year ago. Estimated US pork production last week was 496.0 million pounds, down from 505.7 million the previous week but up from 484.7 million a year ago.

The USDA pork cutout, released after the close Friday, came in at $100.84, down 12 cents from Thursday but up from $95.14 the previous week. The cutout is hovering around its highest level since October. The CME Lean Hog Index as of June 28 was 93.42, up from 92.96 the previous session and 90.47 the week prior. China's sow herd declined 0.6% in May according to their farm ministry data, but the total supply was 11% higher than a year earlier. It was up 9.9% in the first five months of the year. US pork production is forecast to decline by 30 million pounds in the third quarter, versus declines of 105 million last year and 138 million in 2021.

In the last 20 years, production has declined only five times between the second and third quarters. This year, third quarter production is expected to come in at 6.605 billion pounds, up slightly from 6.534 billion last year and 6.530 billion in 2021. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,120 contracts of lean hogs for the week ending June 27, increasing their net long to 9,465. This is close to a neutral position considering these traders were net short 31,000 contracts a month ago and were net long 52,00 at the beginning of the year. The buying trend is short-term positive.

CATTLE:

US beef production is down from a year ago, and cold storage supply is tight. This helped lift cattle prices to all-time highs in early June, and after a modest, three-week correction, the market is back testing that

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high. US beef production is forecast at 6.755 billion pounds in the third quarter, down from 7.144 billion for the same period last year and the lowest for this quarter since 2017. US frozen beef supply was at 10-year highs for most of last year, but the supply has fallen off dramatically since January, from 534.0 million pounds on January 31 to 423.5 million on May 31. Frozen beef supply tends to decline in the first half of the year, but this year's decline has been noteworthy.

Cash live cattle prices were lower last week. The five-day, five-area weighted average price as of Friday afternoon was $180.59, down from $182.26 the previous week. However, prices appeared to bottom on Tuesday, when the five-area average for the day fell to $178.19. The USDA boxed beef cutout was down 16 cents at mid-session Friday and closed 33 cents lower at $327.72. This was down from $334.01 the previous week and was the lowest it had been since June 7. The USDA estimated cattle slaughter came in at 123,000 head Friday and 19,000 head for Saturday. This brought the total for last week to 644,000 head, down from 649,000 the previous week but up from 641,000 a year ago.

The estimated average dressed cattle weight last week was 812 pounds, down from 813 the previous week but up from 809 a year ago. The 5-year average weight for that week is 812 pounds. Estimated US beef production last week was 521.8 million pounds, up from 517.4 million a year ago. Excessive heat in Texas could limit weight gain and keep supplies tight. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,030 contracts of live cattle for the week ending June 27, reducing their net long to 107,592. This is still near its largest level since 2019 and leaves the market in overbought territory and vulnerable to long liquidation if support levels are taken out. Feeder cattle prices surged on Friday in the wake of the collapse in corn prices, and this may have lent support to the live cattle futures.

COCOA:

While the cocoa market finished the second quarter by reaching a new 7 1/2 year high, the whipsaw price action seen over the last three days of June could indicate a near-term top may be close at hand. If global risk sentiment takes a negative shift before Tuesday’s holiday break, cocoa would be vulnerable to a sizable near-term pullback. September cocoa followed Thursday’s sharp selloff with a quick pivot back to the upside as it continued to build onto early strength as it went to post a sizable gain for Friday’s trading session. For the week, September cocoa finished with a gain of 150 points (up 4.7%) which was the fourth positive weekly result over the past 5 weeks.

Global markets finished June with a mostly “risk on” tone, which should provide a boost to cocoa’s near-term demand outlook that helped the market sustain upside momentum going into quarter-end. Friday’s key inflation readings (Euro zone CPI, French CPI and US core PCE) all came in lower than trade forecasts which further soothed cocoa’s near-term demand concerns. In addition, rallies in the Euro and British Pound provided carryover support to cocoa prices as their recent strength should help European grinders with acquiring near-term cocoa supplies. West African growing areas have rainfall in the forecasts for most days through the end of next weekend.

While the daily totals should be lower than what was seen during June, this rainfall is likely to disrupt the flow of cocoa beans to West Africa’s main port facilities, which in turn should keep their near-term supply situation comparatively tight through early July. The June 27th Commitments of Traders report showed Cocoa Managed Money traders added 2,290 contracts to their already long position and are now net long 70,688. CIT traders added 1,553 contracts to their already long position and are now net long 33,152. Non-Commercial No CIT traders were net long 46,358 contracts after increasing their already long position by 4,412 contracts. Non-Commercial & Non-Reportable traders net bought 4,863 contracts and are now net long 77,277 contracts.

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COFFEE:

Coffee had a downbeat finish to the second quarter as prices lost 31.35 cents in value (down 16.4%) in just over three weeks. While an active harvest pace in Brazil kept the coffee market on the defensive, coffee is showing early signs that a near-term low may be close at hand. September coffee was unable to hold onto early gains as it went on to post a moderate loss for Friday’s trading session. For the week, September coffee finished with a loss of 5,85 cents (down 3.6%) and a third negative weekly result in a row. Dry weather in Brazil’s major Arabica growing regions have helped the harvest catch up after earlier delays, while those areas have also not experienced any very cold temperatures that would cause frost damage to the trees.

As a result, this has increased the likelihood that the 2023/24 “off-year” Arabica crop will be larger than the 2022/23 “on-year” crop. In contrast, Colombia, the world’s second-largest Arabica producer, has seen little improvement since the end of the La Nina weather event earlier this year. La Nina brought heavier than normal rainfall that damaged trees and caused flooding, and many expected a bigger recovery in their output after it ended. Colombia’s production total from June 2022 through May 2023 was only 10.771 million bags, which was their lowest 12-month total since November 2013. It was down 11% from the comparable period last year (June 2021-May 2022) and 22% below the June 2020-May 2021 total.

ICE exchange coffee stocks fell by 904 bags on Friday and finished June at 544,915 bags, for a fifth monthly decline in a row and the third lowest month-end total since 1999. This reflects improving demand in Europe, where most ICE exchange stocks are located. Coffee positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders net sold 20,718 contracts which moved them from a net long to a net short position of 361 contracts. CIT traders are net long 49,616 contracts after net selling 3,500 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 3,939 contracts after net selling 14,630 contracts. Non-Commercial & Non-Reportable traders are net long 5,406 contracts after net selling 20,220 contracts.

COTTON:

US cotton planted area was revised lower in Friday's Acreage report, and this suggests the US cotton endings stocks/usage ratio could be the tightest in three years. The report showed US 2023/24 cotton planted area at 11.087 million acres versus an average trade expectation of 11.119 million and a range of expectations from 10.5 to 12.0 million. This was down from 11.256 million in the March Prospective Plantings report and from 13.763 million last year. Plugging the new planted acreage into the supply/demand balance sheet would put US 2023/24 production at 16.24 million bales versus 16.5 million in the June 9 USDA supply/demand report and 14.47 million last year.

This would put ending stocks at 3.24 million bales versus 3.50 million in the June 9 report and 3.20 million last year. The stocks/usage ratio would fall to 20.0% versus 21.6% on June 9, 21.3% in 2022/23, and it would be the tightest since 2020/21's 16.8%. Friday's Commitments of Traders report showed managed money traders were net sellers of 10,287 contracts of cotton for the week ending June 27, increasing their net short to 15,809. The selling trend was short-term negative. A key reversal and lower close in the June Dollar Index last Friday could be bullish to cotton if it proves to be the beginning of a selloff for the dollar.

Last week's US Drought Monitor showed 18% of the US cotton production was in an area experiencing drought as of June 27, up from 16% the previous week. This is the first time it conditions have not improved or held steady since March 21, but back then the area under drought was 46%. The 6-10- and 8-14-day forecasts call for much above normal temperatures and normal to below normal chances of precipitation in West Texas, which could limit any further improvement. The India Meteorological Department announced that their nation's June monsoon rainfall total was 87% of their longer-term average, but they also forecast rainfall to be in the "normal" category this month, which would benefit the 2023/24 crop.

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SUGAR:

The sugar market was able to put a decisive end to an 8-session losing streak last Friday but could not avoid a second negative monthly result in a row. Unless they can receive fresh bullish supply news, sugar prices may have trouble sustaining upside momentum this week. October sugar pivoted sharply to the upside early in the day, held within a tight consolidation before rallying late to finish with a sizable gain during Friday's trading session. The expiring ICE July sugar contract received roughly 412,000 of sugar delivered against it, which is a comparatively small delivery for a July ICE contract. This provided support to sugar prices as it indicates stronger demand in the physical market.

Stronger energy prices also provided carryover support to the sugar market as that can help to shore up ethanol demand in Brazil and India. Late on Friday, however, Brazil's major energy company Petrobras announced that they would cut their wholesale gasoline prices by 5.3%, and that is likely to weaken Brazil's domestic ethanol demand. The Brazilian currency gained more than 1% in value on Friday, which gave a boost to sugar prices as that may ease pressure on Brazilian mills to produce sugar for export. The India Meteorological Department announced that their nation's June monsoon rainfall was 87% of their longer-term average, but also forecast that monsoon rainfall this month will be in the "normal" category.

With their major growing regions receiving rainfall, this should benefit their 2023/24 cane crop as well as helping farmers with planting their 2024/25 cane crop. Sugar positioning in the Commitments of Traders for the week ending June 27th showed Managed Money traders were net long 176,889 contracts after decreasing their long position by 51,019 contracts. CIT traders were net long 160,998 contracts after increasing their already long position by 5,802 contracts. Non-Commercial No CIT traders are net long 112,950 contracts after net selling 45,308 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 68,755 contracts to a net long 211,534 contracts.

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