ADM Investor Services, Inc.

Weekly Futures Market Summary

September 5, 2023 **by the ADMIS Research Team**

BONDS:

The treasury markets seem to overreact to last Friday's better-than-expected nonfarm payroll headline result. In fact, a slight uptick in the nonfarm payroll reading should have been fully countervailed by a surprising jump in the unemployment rate and a significant downward adjustment in the two last monthly payroll results. However, it should be noted that global manufacturing PMI, construction spending, and ISM manufacturing employment, ISM manufacturing new orders, ISM manufacturing prices paid and ISM manufacturing PMI readings for August were all better than expected leaving the last economic news of last week released squarely in favor of the bear camp. With the hard down failure at the end of last week extended early this week and December bonds posting the lowest reading since August 25th, the bear camp has regained control.

The surprising thing is the weakness in treasury prices early this week is forged in the face of fears of slowing in China and Europe. Apparently, a measure of deflationary sentiment is also of little interest to US treasuries perhaps because of residual ideas that the Fed ultimately wants to return rates back to a more normal historic level. Certainly, there is widespread relief in signs of softer global economic readings and falling global inflation and a there has been a reduction in flight to quality interest this morning following a debt payment by a beleaguered Chinese real estate developer. Therefore, the bear camp does have solid arguments. With the path of least resistance pointing down early expectations for a contraction in US factory order readings for July on Monday should provide little in the way of short covering buying.

With the bond market trading nearly two points below the level where the last COT positioning report was measured, this week's net spec and fund short position is likely heavily understated. Therefore, the net spec and fund short in bonds is likely to reach near two-year lows. The Commitments of Traders report for the week ending August 29th showed Bonds Non-Commercial & Non-Reportable traders are net short 151,262 contracts after net selling 4,023 contracts. Similarly, the net spec and fund short positioning in treasury notes adjusted for the one-point slide from last week's positioning report is likely to understate the net spec and fund short. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 753,303 contracts after increasing their already short position by 12,940 contracts.

CURRENCIES:

Despite what could be considered a concerning jump in the US unemployment rate, the dollar has ranged sharply higher in a week where most jobs-related data was disappointing. However, the headline nonfarm payroll reading was surprisingly better than expectations but was countervailed by a strong downward revision in the prior two monthly results. In the end, the dollar has very little interest rate and/or macroeconomic competition and is likely to resume its July and August upward track on the charts. The upside extension in the dollar from last week has been negatively extended early this week despite news that a beleaguered Chinese real estate developer has come up with a debt payment.

However, the dollar should be lifted following disappointing Chinese and European economic data which means soft US jobs data is mostly forgotten. Therefore, even higher US treasury yields are in the offing which should facilitate even more flow toward the US dollar. At present the dollar could continue higher even in the face of soft scheduled data! Dollar positioning in the Commitments of Traders for the week ending August 29th showed Non-Commercial & Non-Reportable traders are net long 3,881 contracts after net selling 1,721 contracts.

With the dollar breaking out to the upside, the downside breakout in the euro was expected early this week with selling compounded by very disappointing PMI readings throughout Europe. Clearly the trade sees the European economy "more vulnerable" than the US economy and more importantly thinks the US interest rate structure is likely to shift further in favor of the US. Euro positioning in the Commitments of Traders for the week ending August 29th showed Non-Commercial & Non-Reportable traders are net long 190,831 contracts after net selling 10,423 contracts.

While Japanese Jibun bank services PMI for August was unchanged from the prior month, expanding concerns for the Chinese economy deflates economic sentiment throughout Asia adding to the pre-existing bearish view toward the Japanese Yen. Furthermore, recent Japanese household spending and real wages have declined leaving the Bank of Japan as the least likely G7 central bank to raise its rates. With the failure of last week's low of 68.06 there is very little in the way of support in the Yen. Renewed money flow toward the dollar and disappointing Swiss GDP readings released yesterday sets the stage for further declines in the Swiss franc. In fact, Swiss GDP posted a very minor gain of 0.5% which is 1/3rd the growth rate seen last month.

Like other nondollar currencies the Pound has failed at support from the weekly charts and is likely headed to a past low of 1.2507. While BRC retail sales readings were positive yesterday and GBP S&P global composite and service sector readings were better than expected the Pound is out-of-favor with sentiment fully deflated. The massive range down failure in the Canadian dollar sets a bearish trend for the days ahead. In fact, given the magnitude of strength in the US dollar and a counterintuitive increase in US treasury futures yields (following soft jobs data in the US) sentiment toward the Canadian dollar is extremely bearish.

STOCKS:

After a generally positive opening last Friday, equities added to the gains through the US nonfarm payroll release, but then reversed course and tracked into negative territory ahead of mid-session. Obviously, investors were discouraged by a significant jump in US treasury yields and what seemed to be an overreaction to the nonfarm payroll headline. The markets were undermined as a result of the resignation of Walgreens CEO and broad range of quarterly revenues. Global equity markets at the start of this week were lower with declines measured in fractions of a percent to as much as 2% lower in the Hang Seng.

Negative sentiment in the markets is on full display early this week with global equity prices tracking lower despite news that a beleaguered Chinese real estate developer has made an interest rate payment. In other words, the economic outlook for China remains very sour with some headlines beginning to question the leadership in China. Obviously, the jump in US treasury yields in the face of soft US employment data has rekindled concerns that rates are poised to return to "more normal" historical levels regardless of softening inflation and softening economic activity. In short, investors are facing dual concerns of rising rates and lower profits/revenues. As if the markets needed additional bearish news, the return of Congress starts the fear mongering of a government shutdown.

While there are slowing fears fixed into sentiment following the disappointing US nonfarm payroll result Friday a temporary moderation of Chinese real estate sector concerns only helps to moderate a bearish environment. Certainly, the stock index markets are likely to become significantly oversold in spec categories on further declines early this week, but in our opinion oversold technical signals will not prevent a slide in prices. E-Mini S&P positioning in the Commitments of Traders for the week ending August 29th showed Non-Commercial & Non-Reportable traders net sold 26,943 contracts and are now net short 137,490 contracts. However, seeing US treasury yields return to the 2023 highs in the days ahead could spark rotation out of stocks and a retest of 4450.

A quasi double low on the charts around 34,756 is unlikely to support the market against bearish fundamentals and a lack of optimism toward US economic activity. Certainly, the markets have lost their ability to benefit from soft data as downside action (an upside breakout in yields) in the wake of soft US jobs data ruptures investor sentiment. Dow Jones $5 positioning in the Commitments of Traders for the week ending August 29th showed Non-Commercial & Non-Reportable traders are net short 8,187 contracts after net buying 3,768 contracts. While we expect the NASDAQ to benefit from strong Tesla Chinese car deliveries an emerging battle between Disney and charter communications (with respect to distribution of content rights) undermines sentiment toward NASDAQ stocks. The Commitments of Traders report for the week ending August 29th showed Nasdaq Mini Non-Commercial & Non-Reportable traders reduced their net long position by 4,279 contracts to a net long 14,649 contracts.

GOLD, SILVER & PLATINUM:

Not surprisingly, the gold and silver markets are under attack early with the dollar breaking out up and extending its sharp recovery from last week. Adding into the bearish tone is higher US interest rate signals and deflationary services and composite PMI readings overnight from China and the euro zone. Unfortunately for the bull camp, both gold and silver saw large outflows from ETF holdings on Friday with gold holdings last week declining by 43,390 ounces and silver ETF holdings down by a very significant 7.7 million ounces last week. The August 29th Commitments of Traders report showed Gold Managed Money traders net bought 32,439 contracts and are now net long 58,134 contracts. Non-Commercial & Non-Reportable traders are net long 144,665 contracts after net buying 25,399 contracts.

With the hedge fund managers in the positioning report raising their net speculative long positions early last week the inability to sustain above the 200-day moving average looks to be prompting significant stop loss selling. Fortunately for the bull camp the positioning report net long was near the lowest levels since December potentially reducing the magnitude of stop loss selling. Silver ETF holdings over the last week posted a net outflow of 10 million ounces, and there has been severe chart damage magnified by the failure at the 200-day moving average. The Commitments of Traders report for the week ending August 29th showed Silver Managed Money traders added 16,000 contracts to their already long position and are now net long 17,479. Non-Commercial & Non-Reportable traders net long 36,628 contracts after net buying 13,691 contracts.

Not surprisingly, the platinum market extended last week's downside reversal with a major failure on the charts this morning as outside market influences weighed heavily on prices to start the holiday shortened trading week. A sign of deteriorating sentiment toward platinum was seen with an outflow from ETF holdings last week of 24,084 ounces which is a 1% decline in holdings in just 5 sessions. With soft Chinese and European composite PMI readings very disappointing, negative dollar action and higher interest rate signals, it is not surprising October platinum failed to hold support at $950. Platinum positioning in the Commitments of Traders for the week ending August 29th showed Managed Money traders went from a net short to a net long position of 7,425 contracts after net buying 18,316 contracts. Non-Commercial & Non-Reportable traders net bought 14,306 contracts and are now net long 20,748 contracts.

With a fresh lower low for the move early today testing the vicinity of the 2023 low at $1,206.50 the large net spec and fund short position in palladium probably expanding quickly toward the record again. Palladium positioning in the Commitments of Traders for the week ending August 29th showed Managed Money traders are net short 9,407 contracts after net selling 770 contracts. Non-Commercial & Non-

Reportable traders are net short 10,232 contracts after net selling 465 contracts. In conclusion, the path of least resistance is down in palladium with the extreme oversold condition merely expected to slow the pace of the slide.

COPPER:

Obviously, extremely soft Chinese Caixin services PMI readings for August serve to exaggerate negative macroeconomic pressure on copper prices early this week. While a beleaguered Chinese real estate developer has made interest rate payments and moderated anxiety somewhat, fear of soft Chinese copper demand remains front and center this morning. On Monday, LME copper warehouse stocks jumped by a very significant 3,150 tonnes and that bearish supply news was followed up by a 1.7% increase in Chilean copper production in the most recent monthly output report (July).

Fortunately for the bull camp, speculative positioning in copper as of early last week was already very bearish and given the slide in prices since the report was measured, copper may be nearing one of the largest net shorts in 12 months. The Commitments of Traders report for the week ending August 29th showed Copper Managed Money traders net bought 8,796 contracts and are now net short 6,313 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 7,313 contracts to a net short 15,316 contracts.

ENERGY COMPLEX:

The upside extension/gap in September crude oil early this week follows a gap up opening last Friday presenting extremely bullish technical signals for the delivery contract. However, the actively traded October contract made a new high for the move and promptly fell back suggesting the oil market is not without its vulnerabilities. Apparently, the crude oil market is discounting disappointing Chinese scheduled data perhaps because of an interest rate payment by a beleaguered Chinese real estate firm and or because the trade continues to draft buying interest from evidence of tightening US crude oil supplies. However, seeing US crude oil supplies continue to fall precipitously in the face of strong US production discounts the idea of softening demand.

However, it is possible that the oil market continues to see tightening supply and undaunted demand, but international headlines suggest China is building oil inventories amid rising geopolitical tensions. In a mixed development, OPEC output in August increased by only 40,000 barrels per day because of a large 170,000 barrel per day reduction in production by Saudi Arabia more than offsetting a jump in Iranian output. Fortunately for the bull camp, Bloomberg carried a story predicting strong Iranian oil exports will now soften for the rest of this year. Some measure of current optimistic demand expectations has been fomented by fresh hope of a recovery in Chinese demand following an unending series of stimulus efforts.

However as indicated already a portion of current Chinese demand flow is thought to be strategic supply building and not current consumption. In fact, information from a private consultancy pegged crude oil in global floating storage up 28% versus year ago levels but that still leaves global floating inventories at 6-month lows. Unfortunately for the bull camp the net spec and fund long positioning in crude oil, (adjusted for the gains since the last report of nearly $5) should leave the net spec and fund long at 10-month highs. The Commitments of Traders report for the week ending August 29th showed Crude Oil Managed Money traders added 25,774 contracts to their already long position and are now net long 187,649. Non-Commercial & Non-Reportable traders net bought 4,732 contracts and are now net long 298,908 contracts.

While the October gasoline contract gave back most of the initial rally at the start of this week, structure on the charts starts the holiday shortened week in the bear’s favor. The trade is unconcerned about deteriorating economic sentiment following lackluster US jobs data and ongoing economic and political concern toward China. In our opinion, the gasoline market has benefited from several temporary refinery issues and from a measure of supply fear from last week's hurricane. However, recent US implied gasoline demand readings have been positive despite the approach of a typical seasonal softening of demand. In fact, the passage of the last US holiday of summer should begin to allow for a rebuilding of supplies, especially with the US refinery operating rate well above 5-year average levels since the end of June and above last year totals in 6 of the last 7 weeks.

With the gasoline market trading four cents above the level where the last COT positioning report was measured it is likely at the highest level in 7 months. The Commitments of Traders report for the week ending August 29th showed Gas (RBOB) Managed Money traders reduced their net long position by 4,788 contracts to a net long 67,319 contracts. Non-Commercial & Non-Reportable traders are net long 66,640 contracts after net selling 8,459 contracts. In retrospect, the diesel market was definitively weaker than the rest of the petroleum complex last week and fears of lower trucking demand from strikes should mean that rallies in diesel should be considered selling opportunities. The Commitments of Traders report for the week ending August 29th showed Heating Oil Managed Money traders net sold 925 contracts and are now net long 37,554 contracts. Non-Commercial & Non-Reportable traders net sold 1,557 contracts and are now net long 65,532 contracts.

A gap-down trade in natural gas rekindles confidence despite news of a significant jump in US heating degree days last week. Perhaps the washout is a function of last week's overdone rally which was likely the result of misguided fears of disrupted supply from the Gulf of Mexico hurricane. However, soft European consumption has facilitated softer European gas prices which in turn should throw gas futures prices back to the recent low of $2.58. In a bearish longer-term development Russia and China continue to push aggressively forward on long-term supply delivery systems which would rob the global gas market of demand. At this point a potential gas worker's strike in Australia is fully discounted. While the latest positioning report showed a modest net spec and fund short, that short reading is understated given the rally after last week's positioning report was measured. The August 29th Commitments of Traders report showed Natural Gas Managed Money traders are net short 35,241 contracts after net selling 17,207 contracts. Non-Commercial & Non-Reportable traders net sold 12,149 contracts and are now net short 92,062 contracts.

BEANS:

Despite weekend and recent stressful weather conditions, strong crush, increased USDA sales announcements, and record Indian edible oil consumption, November soybean prices have forged a fresh lower low for the move early this week and appear to be headed even lower. In looking at weather, recent and ongoing stressful conditions have likely had some adverse impact on the crop, but it is possible the trade is moving quickly to discount the weekly crop conditions report as less impactful on yields. As in previous weeks, the crop conditions report is expected to show a significant worsening of crop conditions perhaps by two to three percentage points. In looking ahead current hot and dry stressful conditions are expected to give way to the potential for monsoon type rains in portions of the southern Midwest.

With harvesting beginning in far southern areas, significant rain is likely to be supportive instead of bearish. Nonetheless, the bear camp has the edge unless crop conditions are much worse than expected in the weekly report. US soybean crush hit a new record high for the month of July at 184.82 million bushels versus the previous record of 184.51 million in 2020. This was at the upper end of pre-report estimates. The July average is 174.36 million bushels. US soybean crush pace hit a new record high for the month of July at 5.96 million bushels versus the previous record of 5.95 million in 2020 The July average crush pace is 5.62 million bushels per day.

The cumulative crush for the marketing year has reached 2.04 billion bushels 92.0% of the USDA's current estimate for the marketing year. As of July, last year, the cumulative crush had reached 92.1% of the USDA forecast of 2.03 billion bushels.US soybean oil stocks in July came in at 2.149 billion pounds versus 2.203 last month and 2.267 last year. The average stock level for this time of year is 2.147 billion pounds. The largest stock level for this month was 2.267 (2022) and lowest was 2.040 (2019). Current stock levels are running at 0.11% of USDA ending stocks estimates for the year.

CORN:

The long holiday weekend is behind us and prices are holding steady, despite a rally in the US dollar and weaker energy prices on Tuesday morning. The extreme heat in the western Midwest breaks today and rains have been seen in North Dakota and Western South Dakota with only a few other scattered showers around the Midwest over the weekend. By late this week, Minnesota, Wisconsin, and Indiana are expected to see showers, however Iowa and Illinois will miss out until early next week. After today the heat retreats to the Southwest corn belt until late this coming weekend. 6-10 day forecast now show above normal precipitation across the Great Plains with normal temperatures throughout the Midwest. Black Sea corridor talks did not produce any progress yesterday with Russia holding out for a reconnect to the Swift system for their Ag Bank.

Russia also struck several Danube ports with drones, an indication they are not going to allow Ukraine to ramp upriver shipping. Mississippi River freight rates were up 50% last week on low water restrictions and are now 85% above the 3-year average. River transportation may be a significant issue as we move closer to harvest. A well-known private weather forecaster estimated corn yields late last week at 177.8 bushels per acre, much higher than most other private estimates. The crop condition report Tuesday afternoon is expected to see a decline of 1 to 2%. Macro market headwinds will be a factor today as the US dollar is strong after the long weekend and made a new 5 1/2 month high.

The Commitments of Traders report for the week ending August 29th showed Corn Managed Money traders reduced their net short position by 18,787 contracts to a net short 87,348 contracts. CIT traders were net long 276,375 contracts after decreasing their long position by 2,066 contracts. Non-Commercial No CIT traders were net short 135,301 contracts after decreasing their short position by 19,895 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 30,403 contracts to a net short 97,461 contracts.

WHEAT:

Russian attacks on Ukraine's Danube ports over the weekend and grain corridor talks between Putin and Erdogan, which ended with little progress, have given prices a slight boost after the holiday weekend. The bearish large deliveries of last week were cut to 221 contracts of Chicago wheat delivered overnight and the majority stopped by commercial hands. Argentina received beneficial rains over the weekend and India is expecting better rains in September after a very dry August.

Australia's wheat crop, on the other hand, is expected at 25.4 million tonnes, down 36% from last year's bumper crop. We mentioned last week the chance Egypt may buy Russian wheat in a private deal rather than their normal tender process. Over the weekend Egypt did buy 480,000 tonnes of Russian wheat in a discounted off-market deal. Despite global demand picking up lately, an upside breakout to nearly 6-month highs in the US dollar overnight will hurt US competitiveness once again and will make it tougher for prices to bounce off contract lows early this week.

Wheat positioning in the Commitments of Traders for the week ending August 29th showed Managed Money traders were net short 79,881 contracts after increasing their already short position by 8,960 contracts. Non-Commercial & Non-Reportable traders were net short 59,575 contracts after increasing their already short position by 8,570 contracts.

The Commitments of Traders report for the week ending August 29th showed KC Wheat Managed Money traders net bought 333 contracts and are now net short 5,632 contracts. Non-Commercial & Non-Reportable traders added 917 contracts to their already short position and are now net short 13,753.

HOGS:

October hogs could be drawing support from the sharp reduction in Iowa hog weights last week, to their lowest level this year. Weights typically start to increase this time of year, and the 4-pound decline was the biggest single-week drop on record. Last week's export sales report showed pork sales for the week ending August 24 were the highest since April 27. This marked the first time that sales have come in above 30,000 for three straight weeks since late April. China made its biggest purchase since early July. The USDA pork cutout, released after the close Friday, came in at $93.64, up $2.54 from Thursday and up from $93.10 the previous week. October is National Pork Month, and procurement for that event typically picks up in the first week of September, which could provide some support to the cash market this week.

The CME Lean Hog Index as of August 30 was 89.26, down from 90.67 the previous session and 96.40 the previous week. The USDA estimated hog slaughter came in at 473,000 head Friday and 21,000 head for Saturday. This brought the total for last week to 2.388 million head, down from 2.495 million the previous week but up from 2.370 million a year ago. Estimated US pork production last week was 494.3 million pounds, down from 517.4 million the previous week and 497.9 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,253 contracts of lean hogs for the week ending August 29, increasing their net long to 26,662. This is well below the record net long of 98,000 from 2013, so the market is far from overbought.

CATTLE:

October live cattle continue to consolidate inside a 7-week range, as tight cattle supplies are offset by a softer tone in the cash market. The USDA boxed beef cutout was up $1.61 at last Friday's mid-session and closed 70 cents higher at $314.49. This was down from $317.90 the previous week. Much like the cattle futures, the cutout has been in a choppy, sideway pattern since mid-August. Cash live cattle trade was lower last week. As of Friday afternoon, the five-day, five-area weighted average price was $181.86, down from $182.33 the previous week. The USDA estimated cattle slaughter came in at 122,000 head Friday and 8,000 head for Saturday. This brought the total for last week to 629,000 head, up from 626,000 the previous week but down from 642,000 a year ago.

The estimated average dressed cattle weight last week was 820 pounds, up from 817 the previous week and down from 825 a year ago. The 5-year average weight for that week is 825 pounds. Estimated beef production last week was 514.5 million pounds, down from 527.6 million a year ago. Last week's export sales report was encouraging, with US beef sales for the week ending August 24 their highest since July 20. China made its biggest purchase since last November. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,282 contracts of cattle for the week ending August 29, increasing their net long to 94,024. This is down from the 2023 peak at 120,000 and the record 155,000 in 2019. This suggests the market is at overbought levels but is not extreme.

COCOA:

The cocoa market has been in a longer-term uptrend since September of 2022 with prices rising 67% during that timeframe. While it was able to fully recover from a 303-point selloff in early August (down 8.3%) to reach a new high for the move, cocoa's price action late last week may point towards another sizable pullback during early September. December cocoa continued to see downside follow-through from last Thursday's 12 1/2 year high as it went on to post a moderate loss for Friday's trading session. For the week, however, December cocoa finished with a gain of 139 points (up 4.0%) and a third positive weekly result in a row. A selloff in the Euro and British Pound put carryover pressure on cocoa prices as that will make it more difficult for European grinders to acquire near-term supplies.

Ongoing West African supply issues remain a major source of strength for cocoa prices and kept further losses in check going into the holiday weekend. The latest weekly Ivory Coast port arrivals total was below last year's comparable total, which kept their full season arrivals total behind last season's pace. This season's West African production has been hurt by a lack of adequate fertilizer and pesticide use which led to outbreaks of black pod and swollen shoot disease. The upcoming 2023/24 season will have El Nino conditions for at least the first six months that normally brings drier than normal conditions to

West Africa and southeast Asia while bringing heavier than normal rainfall to western Ecuador's cocoa growing areas, both of which have a negative impact on cocoa production.

While the International Cocoa Organization still expects this season's global grindings to climb above 5 million tonnes for the first time on record, they reduced their 2022/23 estimate by 67,000 tonnes. This indicates that recent high cocoa prices may be resulting in some weakness in demand. Cocoa positioning in the Commitments of Traders for the week ending August 29th showed Managed Money traders are net long 75,282 contracts after net buying 7,811 contracts. CIT traders were net long 27,006 contracts after increasing their already long position by 2,312 contracts. Non-Commercial No CIT traders net bought 9,441 contracts and are now net long 59,793 contracts. Non-Commercial & Non-Reportable traders net bought 10,473 contracts and are now net long 84,545 contracts.

COFFEE:

Coffee prices have made a lukewarm start to September as they continue to be pressured by an uptick in production this year in Brazil and Central American. Out-of-home demand is showing signs of improvement, however, and that can help to underpin coffee prices before they retest their mid-August lows. December coffee continued to see choppy action as it followed through on last Thursday's negative reversal and finished Friday's trading session with a sizable loss. For the week, December coffee finished with a loss of 1.25 cent (down 0.8%) which was a third negative weekly result over the past 4 weeks. Weaker global risk sentiment in front of the holiday weekend may negatively impact out-of-home coffee demand, and that put pressure on coffee prices.

ICE exchange coffee stocks fell by 1,355 bags on Friday and have reached the lowest levels since November. Their drawdown over the past seven months reflects some improvement in restaurant and retail shop demand, particularly in Europe where most ICE exchange coffee stocks are located. The Brazilian currency stayed close to a 1 1/2 week low, which also pressured coffee prices as that encourages Brazil's farmers to market their near-term supply to foreign customers. Brazil is expected to have larger Arabica production during the 2023/24 season which continues to pressure the market. Brazil's August coffee exports came in at 197,471 tonnes (3.291 million bags), which compares to 139,887 tonnes (2.331 million bags) last year which shows that this season's newly harvested beans are arriving at Brazilian port facilities.

Honduran coffee exports last month were 37% above last year's total, while Costa Rican coffee exports during August were 11% below last year's total. The August 29th Commitments of Traders report showed Coffee Managed Money traders net bought 2,531 contracts and are now net short 32,455 contracts. CIT traders net sold 1,530 contracts and are now net long 44,635 contracts. Non-Commercial No CIT traders are net short 27,890 contracts after net buying 3,428 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 1,862 contracts to a net short 23,250 contracts.

COTTON:

December cotton was sharply lower at the start of this week after trading to its highest level in just over a year on Friday. US Crop conditions were close to record low levels as of last Monday, and a resumption of hot weather for the US reduces the chances of any significant recovery for the crop this season. The 6-10- and 8-14-day forecasts call for much above normal temperatures to continue, centered on Texas but less extreme in other regions of the south. There will be increased chances of precipitation, but that is not necessarily helpful, as it may be too late to help the crop's development and it may damage open bolls. Last week, the USDA Attache lowered their estimate for China's 2023/24 cotton production to 5.9 million tonnes from their previous forecast of 6.1 million.

China's Xinjiang region has been experiencing moderate to severe drought this year, but the area may receive up to 50% more rain than usual in the early part of September, according to the deputy director of the National Climate Center, which may reduce quality and slow harvesting. The demand outlook has been unencouraging, with US export sales for 2023/24 the lowest in several years. Friday's Commitments of Traders report showed managed money traders were net buyers of 11,185 contracts of cotton for the week ending August 29, increasing their net long to 38,403 contracts. This is their largest net long since last September 20 but is still well below the 2021 peak at 97,000 and the record high of 109,000 from 2018.

SUGAR:

After a 3-day losing streak to finish August, sugar's abrupt turnaround on Friday lifted prices to within striking distance of a new 2 1/2 month high. While Asian supply issues continue to underpin prices, sugar prices may have a difficult time climbing above their 2023 highs from late April. October sugar regained strong upside momentum late in the day as it finished Friday's trading session with a sizable gain. For the week, October sugar finished with a gain of 98 ticks (up 3.9%) and a second positive weekly result in a row. India may be heading for its lowest monsoon rainfall in 8 years after they received record low August rainfall that was 36% below their long-period average.

India's full season monsoon rainfall was 11% below the long-period average as of Monday, which would require September rainfall to be 10% above their long-period average to lift 2023 above the 94% lower threshold to be considered a "normal" monsoon year for rainfall. This also makes it highly unlikely that India's government will allow their mills to export sugar until the second quarter of 2024. Thailand 2023/24 production is expected to have a sizable decline from this season, which will result in a notable decline in their 2023/24 exports from this season as well. Crude oil prices reached a 14-month high while RBOB gasoline reached a 2 1/2 week high, both of which provided carryover support to the sugar market as that may strengthen near-term ethanol demand.

On the other hand, 2023/24 Brazil Center-South sugar production was 4 million tonnes ahead of last season's pace midway through August (up 21%), with Center-South mills keeping sugar's share of crushing at 48.6% versus 44.6% over that timeframe last season. The August 29th Commitments of Traders report showed Sugar Managed Money traders net bought 31,247 contracts and are now net long 167,993 contracts. CIT traders are net long 170,907 contracts after net selling 6,620 contracts. Non-Commercial No CIT traders are net long 103,970 contracts after net buying 29,432 contracts. Non-Commercial & Non-Reportable traders added 50,209 contracts to their already long position and are now net long 232,970.

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