ADM Investor Services, Inc.

Weekly Futures Market Summary

September 11, 2023 **by the ADMIS Research Team**

BONDS:

With treasury prices posting gains late last week in the face of an extremely thin US scheduled report slate and a bounce in equities, we assume the action was largely inspired by short covering/position squaring ahead of the weekend. In retrospect, the treasury markets end the trading week with mixed views toward the economy with monthly payrolls soft and the latest initial claims data suggesting the jobs market continues to hold together. Going forward, the markets will see increased influences from upcoming central bank meetings with more banks expected to pause than hike. While there are no critical US scheduled economic reports on Monday, the treasury trade is presented with 3 days of auctions and given the upcoming Fed decision the auction impact could be more important than usual this week.

However, the primary focus of the trade this week is certainly the US consumer price index readings for August which will be released on Wednesday. Unfortunately for the bull camp, expectations for the headline consumer price index reading project a 0.5% month over month gain and that could temporarily lower the market high expectations for a Fed pause next week. In fact, expectations the Fed will pause remain high as per the CME Fed Watch tool (at 93%) and market sentiment in general seems to take a pause by the Fed for granted. Without scheduled data on Monday, the treasury market is likely to experience spillover pressure from global equity market gains and the latest campaign of stimulus offerings from the Chinese government.

The markets are aware that as much as 30% of the Chinese economy is tied to real estate and reducing home buyer restrictions in two major cities is not inconsequential. In fact, with Chinese new bank loan activity seen as improving that suggests more Chinese are becoming comfortable with assuming business risk. There will be an interest rate decision on Thursday from the ECB but with the euro zone recently cutting growth forecasts and the US Fed expected to pause later this month odds favor steady European interest rates. The September 5th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 144,212 contracts after decreasing their short position by 7,050 contracts. T-Notes' positioning showed Non-Commercial & Non-Reportable traders net sold 12,742 contracts and are now net short 766,045 contracts.

CURRENCIES:

The dollar appeared to falter last Friday, possibly because of a lack of scheduled data and perhaps from simple profit-taking after nearly 2 straight months of gains. In fact, the Chinese currency closed at the lowest levels since 2007 in a sign that domestic capital is fleeing China. Similarly, capital is fleeing from Japan creating chatter in the market of significant intervention once the Yen encounters the 150 per Dollar level. While the corrective setback in the dollar early this week has impacted nondollar actively traded currencies, the impact of dollar weakness has been more pronounced in equities and many commodity markets.

It is possible that some dollar weakness early this week is the result of news that the Chinese central bank has begun investigating significant Chinese company purchases of US dollars. In other words, expatriation of money from China to areas outside of the control of the Chinese government is viewed as a threat to be extinguished. On the other hand, seeing the dollar post several days of downside action into a CPI report which is projected to produce a hot reading could provide a wave of purchases later in the week. The September 5th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders are net long 4,994 contracts after net buying 1,113 contracts.

Like the US central bank, the European Central Bank is scheduled to make a policy decision ahead. The European Central Bank decision is scheduled for Thursday, and we think trade should be more convinced of a pause in Europe than in the US. In addition to soft German data released over the last 2 weeks and given the 0.7% decline in Italian industrial output the “win by default” rally from dollar weakness in the euro could be restrained. The Commitments of Traders report for the week ending September 5th showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 13,382 contracts to a net long 177,449 contracts.

While the Yen has managed to benefit from recent dollar weakness the condition of the Japanese economy and the widespread belief that the Bank of Japan is handcuffed with easy policies should mean upcoming gains will be limited and mostly short covering. Furthermore, Japanese machine-tool orders for August declined by 17.6% overnight which should embolden the bear camp. With the Swiss franc failing to breakout to the upside of a recent consolidation pattern in the face of a 2nd day of dollar weakness, that highlights a lack of interest in the Swiss franc. However, open interest has risen on the recent consolidation and potentially indicating value at the 1.1200 level. In the end, the bull camp has a slight and temporary edge.

Fortunately for the bull camp in the Pound, the currency posted a 3-day high early this week with gains in equity prices providing an additional lift to the currency. Unfortunately for the bull camp sentiment toward the UK economy remains suspect and downtrend channel selling resistance is unlikely to be tested. In addition to the minimal breakdown in the US dollar, news that the Canadian government is planning to assist in fixing the extreme housing shortage in Canada should add to the early buying trend.

STOCKS:

The stock markets managed to shake off weakness late last Friday following a wave of lower global market signals and managed the recovery in the face of negative sales news from Kroger. The markets also managed to discount spillover pressure on Apple suppliers from the Chinese ban on government employees owning Apple phones. In a positive note, the market saw chatter from talk that food companies might be the target of buyouts directly ahead. Global equity markets at the start of this week were higher except for the Hang Seng which traded 0.5% lower. With a 3 day high early this week in the S&P and the near sweep of positive global equity market action overnight the bull camp has a small measure of control from both fundamental and technical perspectives.

Not surprisingly, China has continued to pour out support programs which are generally small adjustments but have become important because of the accumulation from the past 2 months. At least in the action today the equity markets should extend gains from Tesla supercomputer sales projections (which Morgan Stanley thinks will boost Tesla value $600 billion higher, news of a Boeing plane sale to Vietnam Air, and from a fresh announcement of a buyout in the consumer food sector (JM Smucker buying Hostess Brands).

As indicated already, the S&P forged a higher high in the early going this week, giving credence to the potential for more short covering gains ahead. However, on Wednesday the markets will be presented with the US CPI report which could be considered more important than the last US nonfarm payroll report. In other words, equities already expect the Fed to pause but an "as expected" CPI could cause a ripple of doubt among the bull camp on the prospect of a dovish Fed meeting. In the end, the bias to start is up but without a major development surfacing beyond the overnight news, gains are likely to be metered.

On the other hand, the most recent COT positioning report showed the S&P holding a moderately large net spec and fund short and at times last week the market was trading 66 points below the level where the positioning was measured. Therefore, the S&P short is probably understated in the report thereby allowing for additional short covering buying. The Commitments of Traders report for the week ending September 5th showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 287 contracts and are now net short 137,777 contracts.

The Dow futures forged a "four day" high early this week and appear to have upside momentum capable of sending the index up to 34,770. In addition to positive spillover from the latest Chinese stimulus efforts, investors are emboldened by lower interest rates and a Boeing sale of jets to Vietnam air. Furthermore, the Dow futures hold a notable net spec and fund short of 10,000 contracts in a market with open interest of 98,000 contracts.

The Dow Jones $5 futures index positioning in the Commitments of Traders for the week ending September 5th showed Non-Commercial & Non-Reportable traders net sold 2,044 contracts and are now net short 10,231 contracts. The September 5th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 9,993 contracts after net selling 4,656 contracts.

GOLD, SILVER & PLATINUM:

While the headlines from the press early this week suggest that gold and silver prices are higher off speculation of hot inflation from the US later this week, we suggest that is an overstatement or not the case yet. At least recently, the major focus of the gold trade has been the direction of the dollar with the direction of treasuries periodically taking control. Therefore, seeing the dollar correct after extending its uptrend last week some gold and silver bulls are hopeful the dollar will have trouble extending the upward pattern in the coming week. While the US Fed decision is still more than a week out, Fed dialogue and US inflation data will be given added importance as the trade attempts to predict the outcome of the September 20th Fed meeting.

Expectations for the Wednesday US CPI report call for a gain of 0.5%, which is an inflationary reading! However, at the end of last week, the CME Fed Watch tool was still registering a very high 93% probability the Fed would not change rates next week. Nonetheless, the markets continue to be unsure as to the real status of the US economy as monthly jobs data have displayed a loss of momentum with other scheduled job data points mixed. We suspect the Fed will see inflation evidence as more important in their rate decision than the status of the US economy for at least one more meeting. Last week gold ETF holdings declined by 542,226 ounces and are approaching a decline on the year of 5%. Silver ETF holdings continue to drop with an outflow last week of 4.2 million ounces.

Fortunately for the bull camp, the net spec and fund long position in gold futures and options has dropped from 252,000 contracts on May 9th to the late August low of 119,000 contracts and given the liquidation since the positioning report was measured, the net spec and fund long in gold might have matched the smallest long since December 2022. The September 5th Commitments of Traders report showed Gold Managed Money traders are net long 66,340 contracts after net buying 8,206 contracts. Non-Commercial & Non-Reportable traders are net long 160,834 contracts after net buying 16,169 contracts.

Like gold, the silver market is likely to remain under pressure from several outside market forces and threatened internally by concern of slowing physical demand because of uncertain global economic activity. As mentioned already, investors continue to pull away from ETF silver holdings which in turn results in fund managers liquidating long futures and other silver derivative positions. In conclusion, many internal and external forces are bearish and will be difficult to reverse. While the December silver contract managed to respect last Thursday's low during Friday trade (thereby producing a double bottom on the charts), the close near the low of last week results in a very important pivot point price zone for this week.

Unfortunately for the bull camp, the net spec and fund long in the silver market remains burdensome even if this week's net long is adjusted for the $0.83 slide from the report mark off. The Commitments of Traders report for the week ending September 5th showed Silver Managed Money traders were net long 13,978 contracts after decreasing their long position by 3,501 contracts. Non-Commercial & Non-Reportable traders added 901 contracts to their already long position and are now net long 37,529.

COPPER:

As goes the Chinese economy, goes the copper market! Market sentiment turned positive toward the Chinese economy early this week following a series of fresh Chinese policy changes designed to stimulate the economy. However, the market is also lifted because August Chinese new bank loans jumped more than expected. There are also reports on the ground of increased retail activity in China and China relaxed regulations for insurers to invest in the stock market. Furthermore, two major cities in China eliminated all curbs on home purchases to attract buyers and in turn pull the Chinese property market out of stagnation.

However, there are residual bearish fundamentals likely to slow short covering fueled gains with significant a pattern of increases in both LME and Shanghai copper warehouse stocks, signs of increased production in South America, perpetual daily concern for slowing Chinese copper consumption and the typical wave of bearish outside market influences of rising rates, bearish currency market action and concerns of a US Chinese trade war. Last week, Shanghai copper warehouse stocks increased by 18% over the prior week with an inflow of 8,364 tonnes.

Fortunately for the bull camp, the copper market was near a moderately sold-out net spec and fund long positioning with the most recent reading showing a net short of 4,800 contracts which understates the size of the short given the $0.13 slide after the positioning report was measured. The Commitments of Traders report for the week ending September 5th showed Copper Managed Money traders went from a net short to a net long position of 3,904 contracts after net buying 10,217 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 10,516 contracts to a net short 4,800 contracts.

ENERGY COMPLEX:

Even though the energy markets are presented with a positive global macroeconomic vibe to start this week, US crude oil prices have tracked in negative territory. From the tropical storm/hurricane sector hurricane Lee has skirted the US East Coast already and headed out to sea to dissipate and tropical storm Margot also not a threat to landfall anywhere and the tropical wave off the coast of Africa many days off determining its track (into the Gulf of Mexico or up the East Coast) traders are likely to keep their focus on tight supply.

In fact, the main headline flowing in business media early this week is focused on a 20% decline in Cushing, Oklahoma supplies over the last 3 weeks. The Cushing, Oklahoma hub is a very important storage facility for US exports and is approaching the lowest levels in 9 years for this time of the year. Yet another positive supply development facing the trade is a decline in Iraq output projected for this month and the residual "market bid" from the view that the Saudis can lift prices.

Given the strength in the product markets last week, the loss of momentum in crude oil stands out as a possible early warning sign of a top in the petroleum complex. We are not discounting the apparent global supply tightness of crude and we are not discounting the effectiveness of OPEC+ production restraint, but economic uncertainty looks to expand through very critical global economic data this week (particularly from China) and the net spec and fund long positioning in the petroleum markets has become over a little extended.

In fact, the latest net spec and fund long in crude oil has probably reached the highest since July 19th and the northern hemisphere has entered a softer demand season. Crude Oil positioning in the Commitments of Traders for the week ending September 5th showed Managed Money traders are net long 248,990 contracts after net buying 61,341 contracts. Non-Commercial & Non-Reportable traders are net long 342,295 contracts after net buying 43,387 contracts. Looking ahead, tightness in the product markets (surprisingly in the global diesel market) are likely to help support and perhaps even drag crude oil prices higher.

In retrospect, the diesel futures on Friday exploded into new contract high ground and have posted a 5-day low to high rally of $0.312 which is nearly a 10% gain. Another bullish development is a trend of tightening global floating crude storage, tight European crude supplies and crude oil supplies at the EIA have declined nearly 30 million barrels lower in 4 weeks. In conclusion, supplies are tight, and the bull camp has the fundamental edge, but prices have likely entered "expensive" levels.

As indicated in the crude oil coverage, the product markets appear to have taken the leadership role in the petroleum complex. However, EIA gasoline stocks hold a minimal year-over-year deficit of only 62,000 barrels while EIA distillate stocks have a 6.8-million-barrel surplus versus year ago levels. The bull camp will argue that both gasoline and distillates stocks are tight as current stock levels are 14 and 20 million barrels below 5-year average levels in gasoline and distillates respectively.

While it is usually a risk to anticipate rallies in a market from weather events not on the radar yet, the peak of the hurricane season was just reached this weekend and the frequency of threats against US refinery capacity clustered along the Gulf states should not be discounted in the short-term. As usual, the threat or fear of a disruption of refinery activity is usually much greater than the ultimate reality. In other words, we can fear hurricane shutdowns 3 or 4 times and never encounter a threatening storm track.

The gasoline market is moderately overbought in its net spec and fund long positioning especially with the October gasoline contract rallying $0.11 into Friday's high from the report mark off. Gas (RBOB) positioning in the Commitments of Traders for the week ending September 5th showed Managed Money traders reduced their net long position by 3,188 contracts to a net long 64,131 contracts. Non-Commercial & Non-Reportable traders are net long 66,625 contracts after net selling 15 contracts.

Apparently, the diesel market has become the prime leadership market with chatter of global tightness embraced despite less significant US tightness and perhaps more importantly despite the unreliability of Chinese demand. Unfortunately for the bull camp, the latest COT positioning report adjusted for the gains from the positioning report likely result in the highest net spec and fund long in ULSD since the 3rd quarter of 2018! The Commitments of Traders report for the week ending September 5th showed Heating Oil Managed Money traders reduced their net long position by 737 contracts to a net long 36,817 contracts. Non-Commercial & Non-Reportable traders are net long 68,612 contracts after net buying 3,080 contracts.

The second half of the hurricane season has just begun meeting and we are currently within the peak of the season. Therefore, sellers should exercise caution especially with support solidifying at a long-held consolidation low of $2.50. On the other hand, increased prospects of an extended strike in Australia will likely prompt Japanese buying on the open market with that country 15% reliant on gas for its power. At least in the near-term prices will be underpinned (limited lifted) by the Australian gas worker's strike.

However, the strikes have started and there are no talks planned and some measure of speculative buying and short covering is possible, but we doubt those gains will hold through the week. In fact, while the natural gas futures and options positioning showed a net spec and fund short, the short is not excessive and is likely to provide only modest short covering on talk of an extended strike and/or the potential for a major hurricane influencing production in the Gulf of Mexico.

Natural Gas positioning in the Commitments of Traders for the week ending September 5th showed Managed Money traders net bought 3,418 contracts and are now net short 31,823 contracts. Non-Commercial & Non-Reportable traders are net short 91,039 contracts after net buying 1,023 contracts. While we give a minimal edge to the bull camp, our views are based on oversold technical signals, the potential the market has found solid chart value and the potential for specs to get long because of the increased formation of hurricanes.

BEANS:

With weather becoming less important, recent bearish supply news from South America and the upcoming world agricultural supply and demand report, we see a narrower range early this week. However, the bull camp has some residual ammunition with a developing pattern of export sales to China and unknown destinations over the last 2 weeks and expectations call for another week of deteriorating crop condition readings on Monday afternoon. On the other hand, the magnitude of recent sales are more psychologically supportive than fundamentally and statistically important. In fact, with the recent upgrade in southern hemisphere supply from the last crop and projections of larger crops next year, the November soybean contract is facing a significant price juncture through the Tuesday report.

However, given the severe decay in crop conditions last week, and a 50.3 yield predicted by Plantalytics, the soybean market should retain enough supply uncertainty to discourage selling. In fact, recent yield estimates have left more tight views in place with the global supply and demand readings likely to present a very temporary volatility event. Last week US soybean sales were significantly above the prior week with the focus on the old crop! Another but already realized supportive development is a report overnight raising Chinese soybean imports to a record 101 million tons for the 2022/2023 crop year which is 1 million tons above the latest USDA projection.

It should be noted that the USDA will release its WADSE figures on Tuesday morning, but the September report is not usually extremely volatile. The Commitments of Traders report for the week ending September 5th showed Soybeans Managed Money traders reduced their net long position by 8,175 contracts to a net long 82,810 contracts. CIT traders were net long 150,978 contracts after decreasing their long position by 1,568 contracts. Non-Commercial No CIT traders are net long 46,848 contracts after net selling 7,101 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,437 contracts to a net long 62,197 contracts.

Soyoil positioning in the Commitments of Traders for the week ending September 5th showed Managed Money traders were net long 55,159 contracts after decreasing their long position by 3,158 contracts. CIT traders net sold 1,271 contracts and are now net long 113,382 contracts. Non-Commercial No CIT traders were net long 14,831 contracts after increasing their already long position by 331 contracts. Non-Commercial & Non-Reportable traders net sold 1,723 contracts and are now net long 65,481 contracts. The Commitments of Traders report for the week ending September 5th showed Soymeal Managed Money traders net sold 8,631 contracts and are now net long 65,122 contracts. CIT traders net sold 1,875 contracts and are now net long 117,286 contracts. Non-Commercial No CIT traders reduced their net long position by 8,635 contracts to a net long 44,366 contracts. Non-Commercial & Non-Reportable traders net long 111,437 contracts after net selling 5,349 contracts.

CORN:

Crop conditions and Tuesday's USDA supply and demand report will be the market's focus to start the week. Last week's trading range of only $0.15 highlights the lackluster action as traders pare down risk and wait on any aggressive positioning until after the USDA report. Expectations are for a slight decrease of 1-2% in conditions, but with the early harvest starting, condition reports will become less of a factor over the next few weeks. Rain fell over the weekend across Nebraska, Iowa, and northern Illinois. Early harvest across most of the Midwest will be ramping up this week and temperatures will remain very moderate with highs in the 60s and 70s. The 8-14-day forecasts will bring back some warmth across most of the Midwest which should aid harvest as well.

There was an explosion at the ADM processing facility in Decatur, Illinois on Sunday night, with the extent of damage to the facility not known early this week although at least 8 people were injured. In a longer-term bullish note from the G-20 conference over the weekend, India proposed a Global Biofuel Initiative Alliance with a goal of reaching a 20% ethanol blend. Russia refused the UN's new grain corridor proposal that included several concessions but did not include the concrete Russian demand that the SWIFT payment system be reconnected to their agriculture bank. Tuesday's report will go a long way in determining whether the bull camp's suggestions for the early shut down of the corn plant in some areas due to the heat and dryness will trim yield.

Funds increased their net shorts slightly last week as the Commitments of Traders report for the week ending September 5th showed Corn Managed Money traders are net short 93,913 contracts after net selling 6,565 contracts. CIT traders were net long 258,879 contracts after decreasing their long position by 17,496 contracts. Non-Commercial No CIT traders net sold 6,923 contracts and are now net short 142,224 contracts. Non-Commercial & Non-Reportable traders were net short 98,544 contracts after increasing their already short position by 1,083 contracts.

WHEAT:

Tuesday's Supply and Demand report is expected to be relatively neutral but will set the stage for the rest of the month, until the Quarterly Stocks report Sept 29th. Ending stocks are expected to be little changed from last month and there will not be any update to US wheat production. This report is more about corn and beans. December Chicago prices have stayed in the $0.25 range for the last 7 days. Friday's new contract low in Chicago negated the earlier week key reversal up although, KC prices did not make a new low Friday and may still have a chance to build on the positive technical look.

Stats Canada All Wheat number Friday was slightly bullish as was Durum production, but the market did not react. The UN made a proposal to restart the grain corridor that included several concessions to Russia however, it was rejected since it did not include a reconnection of their agriculture bank to the SWIFT payment system. We expect pre-report positioning today but the lower US Dollar this morning will offer a measure of support.

The September 5th Commitments of Traders report showed Wheat Managed Money traders net bought 1,200 contracts and are now net short 78,681 contracts. Non-Commercial & Non-Reportable traders net short 53,997 contracts after decreasing their short position by 5,578 contracts.

The September 5th Commitments of Traders report showed KC Wheat Managed Money traders were net short 9,838 contracts after increasing their already short position by 4,206 contracts. Non-Commercial & Non-Reportable traders are net short 13,808 contracts after net selling 55 contracts.

HOGS:

The selloff in October hogs last Friday took the market back to the bottom of an upward sloping channel it has followed since the middle of August, and that level could be key support today. US pork export sales for the week ending August 31 came in at 26,266 tonnes for 2023 delivery and 3,119 for 2024, for a total of 29,385. This was down from 37,252 the previous week and was the lowest since August 3. However, this continued a four-week pattern of weekly sales coming in close to or above 30,000 tonnes, which is an improvement over the previous three months. Cumulative sales for 2023 have reached 1.301 million tonnes, up from 1.159 million a year ago but below the five-year average of 1.310 million. The CME Lean

Hog Index as of September 6 was 86.19, up from 86.01 the previous session but down from 90.67 the previous week.

The USDA estimated hog slaughter came in at 474,000 head Friday and 348,000 head for Saturday. This brought the total for last week to 2.234 million head, down from 2.381 million the previous week and 2.252 million a year ago. Estimated US pork production last week was 461.1 million pounds, down from 494.3 million the previous week and 477.6 million a year ago. The USDA pork cutout, released after the close Friday, came in at $96.85, up $3.20 from Thursday and up from $91.10 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,360 contracts of lean hogs for the week ending September 5, increasing their net long to 32,022. This is only one-third of the record net long of 98,000 from 2013. China's national average spot pig price today was down 0.54% from the previous session. Prices are down 2.5% for the month and 28% from a year ago.

CATTLE:

It will take a while to rebuild cattle inventory, and traders say producers are patient sellers. October cattle have been under the negative technical influence of a key reversal top on July 20, and they could be in position to test that level this week. The USDA estimated cattle slaughter came in at 125,000 head Friday and 51,000 head for Saturday. This brought the total for last week to 559,000 head, down from 629,000 the previous week and 606,000 a year ago. The estimated average dressed cattle weight last week was 823 pounds, up from 820 the previous week but down from 830 a year ago. The 5-year average weight for that week is 827 pounds. Estimated beef production last week was 458.8 million pounds, down from 502 million a year ago. The USDA boxed beef cutout was up $1.89 at mid-session Friday and closed $1.24 higher at $312.90. This was down from $313.79 the previous week.

Cash live cattle prices were mostly steady last week. As of Friday afternoon, the five-day, five-area weighted average price was $181.60 versus $181.86 the previous week. US beef export sales for the week ending August 31 came in at 11,949 tonnes for 2023 delivery and 241 tonnes for 2024 for total of 12,190. This was down from 17,708 the previous week and below the four-week average of 14,150. Cumulative sales for 2023 have reached 691,500 tonnes, down from 825,400 a year ago and below the five-year average for this time of year at 756,600. Friday's Commitments of Traders report showed managed money traders were net sellers of 478 contracts of live cattle for the week ending September 5, reducing their net long to 93,546. This is not too far off the 2023 peak of 120,000 from June, which suggests the market could be vulnerable to heavy long liquidation if support levels are taken out.

COCOA:

Cocoa prices continue to hold their ground within their late August/September consolidation zone as they have found support from bullish supply developments. Unless global risk sentiment takes a negative shift early this week, cocoa is likely to climb up to a new 12 1/2 year high over the next few weeks. December cocoa was able to build onto early support as it went on to post a sizable gain during Friday’s trading session. For the week, December cocoa finished with a gain of 49 points (up 1.4%) which was a fourth positive weekly result in a row.

There were reports that Ghana’s cocoa production this season will come in 11% below their government’s original target of 750,000 tonnes. This would put Ghana’s 2022/23 production at roughly 667,500 tonnes, which compares to the International Cocoa Organization’s estimate of 700,000 tonnes and would be a slight decline from their 2021/22 output. Over the weekend, Ghana announced that their 2023/24 guaranteed cocoa price paid to farmers would increase by 63% from this season’s price, which they feel will prevent smuggling of their nation’s cocoa beans to neighboring countries.

In addition, Cameroon announced that their 2023/24 fixed farmgate price for cocoa beans would increase by 25% above this season’s levels. A group of major Ivory Coast cocoa processing firms said that their July grindings were 5.7% above last year’s total, and that put their 2022/23 grindings 10.5% ahead of last season’s pace. A positive turnaround in global risk sentiment helped to improve cocoa’s near-term demand outlook which also boosted prices going into the weekend.

Cocoa positioning in the Commitments of Traders for the week ending September 5th showed Managed Money traders added 2,032 contracts to their already long position and are now net long 77,314. CIT traders are net long 27,269 contracts after net buying 263 contracts. Non-Commercial No CIT traders are net long 62,794 contracts after net buying 3,001 contracts. Non-Commercial & Non-Reportable traders added 3,525 contracts to their already long position and are now net long 88,070.

COFFEE:

Coffee’s 2-day pullback has put the market within striking distance of a new 2 1/2 year low. Unless the market can find bullish supply developments that can offset increasing Brazilian production, coffee prices are likely to remain on the defensive this week. December coffee was unable to find its footing as it fell to a new 3-week low before finishing Friday’s trading session with a moderate loss. For the week, December coffee finished with a loss of 3.25 cents (down 2.1%) and a second negative weekly result in a row. Brazil and Honduras are seeing production increases this year that have boosted their exports, and that continued to weigh on coffee prices going into the weekend.

2022/23 global Arabica exports through the end of July were 10.3% behind the previous season’s pace. As more of Brazil’s recently harvested coffee reaches their port facilities, however, that deficit should decrease. While Colombia’s annualized production pace remains close to a 9 1/2 year low, it has shown modest improvement during June and July which points towards improved output by the end of this year. A mild rebound in global risk sentiment provided mild support as that can help to improve its near-term demand outlook for restaurant and retail shop consumption. ICE exchange coffee stocks fell by 8,258 bags on Friday and are now more than 34,000 bags below their August month-end total.

While no grading took place on Friday, there are now 17,500 bags of coffee waiting to be graded which increases the chances that ICE exchange coffee stocks will reach a near-term low this week. Coffee positioning in the Commitments of Traders for the week ending September 5th showed Managed Money traders were net short 31,206 contracts after decreasing their short position by 1,249 contracts. CIT traders are net long 43,276 contracts after net selling 1,359 contracts. Non-Commercial No CIT traders were net short 25,869 contracts after decreasing their short position by 2,021 contracts. Non-Commercial & Non-Reportable traders net bought 2,022 contracts and are now net short 21,228 contracts.

COTTON:

We expect to see December cotton consolidate ahead of Tuesday's USDA supply demand report. The dollar has had its longest weekly winning streak since 2014, which does not bode well for US cotton exports. Weekly export sales are slow, but despite all the concerns about China's economic health, they have been largest buyer this year. The weather in the southern US is becoming less extreme, and here are increased chances of rainfall in Texas. However, this may be too late to offer much help to the crop. Central Texas is expected to receive as much as 400% of normal rainfall in the next seven days. For the USDA report, the average trade expectation for US 2023/24 cotton production is 13.57 million bales versus 13.99 million in the August report. Exports are expected to come in around 12.36 million bales versus 12.50 million in August, and ending stocks are expected at 2.87 million versus 3.10 million in August.

World production is expected to come in around 113.5 million bales, down from 114.12 million in August, with ending stocks at 91.08 million, down from 91.60 million. US cotton export sales for the week ending August 31 came in at 85,093 bales for the 2023/24 (current) marketing year and 6,600 for 2024/25 for a total of 91,693. This was up from 72,438 the previous week but below the four-week average of 110,525. Cumulative sales for 2023/24 have reached 45% of the USDA forecast for the marketing year versus a five-year average of 56% for this point in the season. This suggests that the USDA could lower its forecast for 2023/24 exports in upcoming supply/demand reports. Friday's Commitments of Traders showed managed money traders were net buyers of 13,768 contracts of cotton for the week ending September 5, increasing their net long to 52,171. This is their largest net long since August 30, 2022, it is but well below the 2021 peak at 95,000. The buying trend is short-term positive.

SUGAR:

After reaching a 6-week low on August 23, March sugar rallied 3.84 cents (16%) in less than three weeks as it found considerable strength from supply developments in south Asia. Brazil is heading for record high sugar exports this season, however, and that should offset a large portion of expected export declines from India and Thailand. March sugar fell from a new contract high into negative territory as it finished Friday's trading session with a moderate loss and a negative key reversal. For the week, March sugar finished with a gain of 0.55 cent (up 2.1%) which was a third positive weekly result in a row.

Stronger crude oil and RBOB gasoline prices provided the sugar market with early carryover support as that can help to strengthen near-term ethanol demand. India's August rainfall was 36% below average and the lowest for that month since at least 1901. This is expected to cause problems for their 2023/24 and 2024/25 cane crops. Thailand's upcoming 2023/24 sugar production is expected to decline 18% from 2022/23, which will result in a sharp decline in exports as well. While India is now unlikely to allow any sugar exports during the 2023/24 marketing year, they were already expected to out of the export market until the second quarter of 2024.

Indian government officials have said that they have sufficient sugar supply to cover domestic consumption needs if exports are not allowed. However, India may be considering a sugar stocks holding limit on their retailers and wholesalers which could free up more domestic supply and will weigh on sugar prices. Brazil's Center-South sugar production was 4 million tonnes ahead of last season's pace by mid-August. There have been few harvesting and crushing delays, and mills are keeping sugar's share of crushing close to 50% despite high crude oil and gasoline prices.

The September 5th Commitments of Traders report showed Sugar Managed Money traders added 28,792 contracts to their already long position and are now net long 196,785. CIT traders reduced their net long position by 1,217 contracts to a net long 169,690 contracts. Non-Commercial No CIT traders added 28,815 contracts to their already long position and are now net long 132,785. Non-Commercial & Non-Reportable traders are net long 270,109 contracts after net buying 37,139 contracts.

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