ADM Investor Services, Inc.

Weekly Futures Market Summary

October 2, 2023 **by the ADMIS Research Team**

BONDS:

While last Friday's latest personal income, personal spending, PCE and core PCE readings were in-line with trade forecasts, there was a sizable decline in the goods trade balance and a better than expected reading on consumer sentiment. Later in the day, the Fed's Williams said that the Fed is at or near a peak for the Fed Funds rate, and that monetary policy is having the desired effect on the US economy. Treasuries were unable to hold onto early strength but closed last Friday with moderate gains. In retrospect, the flight to quality threat from a US government shutdown has temporarily abated but the bounce last week of 2 1/2 points in bonds and 1 1/2-point rally in notes should have corrected the oversold condition from the aggressive March washouts and that should provide fresh selling impetus this week.

Apparently, softer than expected Chinese and German manufacturing PMI data overnight was not supportive of US treasuries and therefore the bull camp is likely to vulnerable to any hawkish comments from the US Federal Reserve Chairman this morning However, it is possible that the failure to stop runaway spending by the US government "again" could force the US Federal Reserve Chairman to remain hawkish as inflation fighting is more difficult in the face of run-away deficit spending. With the CME Fed Funds watch tool indicating there is only a 14% chance of a US rate hike in November, it would certainly be a surprise/shock to the market if the Fed chairman today alludes to a hike net month.

On the other hand, the US ISM Manufacturing prices paid, and the ISM Manufacturing employment index take on added importance as a combination of inflation signals and strength in the US jobs market (with monthly payrolls looming) could embolden Fed hawks. From a longer-term perspective, Reuters had a story suggesting the end of the historic low interest rate environment brought on by the financial crisis in 2008 has already ended. The September 26th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 155,661 contracts after increasing their already short position by 7,538 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 21,894 contracts and are now net short 650,027 contracts.

CURRENCIES:

The Dollar remained under pressure through midsession, but was able to recovery a large portion of early losses by the close of Friday's trading session. While the increasing likelihood of a US government shutdown was a source of pressure, several better than expected reading for key US data helped the Dollar regain strength late in the day. The Canadian dollar found early support from a better than expected Canadian GDP reading, but fell back to a new 2 1/2 week low before closing with a heavy loss. With higher interest rate expectations returning to the fray and disappointing Chinese and German manufacturing PMI data, the dollar has come back into vogue.

In fact, if US manufacturing PMI prices paid readings are hotter than expected, treasury yields make higher highs and or other US scheduled data shows positive traction, we suspect the dollar index will post a fresh contract highs. From a technical perspective, the dollar high to low correction last week of 119 ticks likely balanced the overbought technical condition which should facilitate a resumption of the uptrend. The Commitments of Traders report for the week ending September 26th showed Dollar Non-Commercial & Non-Reportable traders net bought 1,288 contracts and are now net long 18,632 contracts.

With the euro posting a low to high bounce last week of 130 points, the oversold condition is partially balanced allowing for a fresh wave of selling. While Italy and France posted positive manufacturing PMI readings (and Italy posted a favorable unemployment rate decline) disappointing German manufacturing PMI takes precedence as the German economy is the primary engine of the European economy. The September 26th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 118,614 contracts after net selling 9,506 contracts.

Not surprisingly, the Pound bias is down with Nationwide housing prices in September contracting again as that partially countervailed a slightly better-than-expected manufacturing PMI reading for September. The massive range/reversal last Friday combined with a definitive downside extension this morning leaves the charts in the Canadian dollar patently bearish. Therefore, even if Canadian global manufacturing PMI readings for September are positive, that is unlikely to dissuade the Canadian from a pullback early this week.

STOCKS:

Global markets held onto a positive tone early but took a negative shift late in last Friday's trading session. There were few signs of progress on avoiding a government shutdown, which put increasing pressure on many market sectors. In addition, there were reports that the UAW may expand their strike to additional facilities which also eroded global risk sentiment. US equity markets turned back to the downside and finished Friday's trading under pressure.

Global equity markets at the start of this week were mostly higher with gains very modest. In fact, gains were surrendered and optimism from a "stop gap" spending bill from the weekend dissipated quickly. While not a major negative for US stocks, fresh concerns toward the Chinese manufacturing economy an economy with the second largest equity market in the world) should push some longs to the sidelines. Even though US treasury yields are holding above multi-decade highs in the early going this week, favorable US data and/or hawkish dialogue from the Fed chairman speech is likely to extend the September slide into October.

Investors remain skittish because of fears of progressively higher US interest rates. In short, positive US economic data looks to be negative for stock prices. E-Mini S&P positioning in the Commitments of Traders for the week ending September 26th showed Non-Commercial & Non-Reportable traders reduced their net short position by 68,606 contracts to a net short 54,126 contracts.

With the Dow charts unable to forge a noted recovery retracement from the very aggressive September washout and tracking lower, the bear camp remains in control as the fear of higher rates and more importantly the fear of rotation away from equities hangs in the marketplace giving confidence to the bear camp. Dow Jones $5 positioning in the Commitments of Traders for the week ending September 26th showed Non-Commercial & Non-Reportable traders are net short 19,478 contracts after net selling 2,190 contracts.

In addition to negative big picture macro forces returning, the NASDAQ is confronted with a bevy of bearish tech sector headlines. Bearish news from big tech remains bearish with Apple's challenge to massive Dutch fines rejected by regulators and news that Tesla deliveries will fall because of factory closures and soft demand. Nasdaq Mini positioning in the Commitments of Traders for the week ending September 26th showed Non-Commercial & Non-Reportable traders were net long 2,500 contracts after decreasing their long position by 1,182 contracts.

GOLD, SILVER & PLATINUM:

While the recovery in the dollar is not significant early this week, and the slide in treasuries has not resulted in higher highs in (an upside breakout) in treasury yields, outside forces have clearly shifted back in favor of the bear camp. Apparently, China released its manufacturing PMI readings for September which countervailed recent signs of green shoots and a measure of optimism that was associated with the upcoming extended holiday. Once again, the US Congress "kicked the debt problem down the road" with a continuing resolution pushing the threat into mid-November. With the gold market last week posting a high to low slide of $84, the fear of a US government shutdown resulted in the market returning to a classic physical (nonfinancial) commodity market personality. Therefore, both gold and silver look to remain hostage to the action in the dollar and US treasuries.

Certainly, the US dollar came under significant liquidation pressure following last Wednesday's spike high, but the dollar index has rebounded aggressively from its low Friday with a recovery of nearly 70 points which could indicate it retains a bullish posture. With last week soft interpretation US inflation readings, treasury yields near two-decade highs, the Chinese on holiday, and investors continuing to flee from ETF instruments, the path of least resistance remains down. Certainly, gold is oversold from the September high to low washout of $125 as is silver with its high to low washout of nearly $3.60, but without a new high for the move in the dollar and/or a significant bounce in treasuries, there is no reason to take control away from the bear camp.

Gold positioning in the Commitments of Traders for the week ending September 26th showed Managed Money traders net sold 30,995 contracts and are now net long 35,644 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 22,597 contracts to a net long 132,875 contracts. Similarly, silver from the COT positioning report saw a decline of $1.20, which should bring down the spec and fund long, but not to a level we would label as "sold out". Silver positioning in the Commitments of Traders for the week ending September 26th showed Managed Money traders were net long 5,846 contracts after increasing their already long position by 3,490 contracts. Non-Commercial & Non-Reportable traders net bought 3,042 contracts and are now net long 31,425 contracts.

With the Chinese on holiday and platinum unable to display follow-through in either direction last week, we see the January contract caught within a range defined as $949 and $895. The September 26th Commitments of Traders report showed Platinum Managed Money traders net sold 2,888 contracts which moved them from a net long to a net short position of 1,726 contracts. Non-Commercial & Non-Reportable traders net sold 2,893 contracts and are now net long 12,633 contracts. Palladium positioning in the Commitments of Traders for the week ending September 26th showed Managed Money traders are net short 9,358 contracts after net buying 87 contracts. Non-Commercial & Non-Reportable traders net sold 126 contracts and are now net short 10,558 contracts.

COPPER:

Despite the Chinese economy on an extended holiday, negative headlines continue to flow the world's largest copper consuming nation. In fact, a softer than expected Caixin manufacturing PMI reading counters a recent emerging pattern of more upbeat Chinese economic headlines. Furthermore, according to Bloomberg, Chinese investors think the worst of the property sector woes are yet to pass. Fortunately for the bull camp the copper market has held a moderately significant net spec and fund short recently and that could mitigate the magnitude of fresh selling! However, copper at the end of last week forged a bounce of $0.13 and that probably balanced the oversold condition thereby allowing for some fresh selling this week.

Fortunately for the bull camp, Shanghai copper warehouse stocks fell sharply last week and the prospect of a strike in Chile could provide a threat against supply to countervail lingering international copper demand suspicions. A Chilean strike is likely after the union of supervisors at the Chilean "Escondida" mine posted a 99% rejection of the contract offering from the company. Last year the Escondida mine produced 105 million metric tonnes of copper and is therefore a force capable of significanting impacting prices. The Commitments of Traders report for the week ending September 26th showed Copper Managed Money traders added 15,384 contracts to their already short position and are now net short 21,220. Non-Commercial & Non-Reportable traders added 14,992 contracts to their already short position and are now net short 27,903.

ENERGY COMPLEX:

While crude oil prices are higher early this week and press coverage suggests the "global tight supply situation" theme will continue to lift prices, we see the retrenchment off last week's spike high combined with disappointing Chinese manufacturing data signaling an interim top. In fact, with the disappointing Chinese data joined by evidence that Asian crude oil imports last month declined for a second straight month the tight supply situation is showing signs of moderating. However, there will be an OPEC meeting on Wednesday and if prices continue to fall back from last week's high and especially if November crude falls back below $89.00 there should be definitive continued commitment to production restraint.

In another minimally supportive development, weekly crude oil in floating storage declined by 11% versus last week with storage falling in every major region reported. Following last week's trading range of $7.00 per barrel, the largest net spec and fund long since February 2022, and aggressive reversal after a breakout above $95.00, the market has posted technical signs of a top. In retrospect, a major portion of the late August and early September rally was built on the threat of lower crude oil supply in the fourth quarter. Last week's EIA report did expand the year-over-year EIA crude stocks inventory deficit to 14.2 million barrels and the Cushing, Oklahoma inventory situation remains on the verge of a shutdown from supply nearing minimum operating requirements.

However, US energy demand prospects will be tested later today with an avalanche of PMI readings and several US manufacturing PMI reports. Crude Oil positioning in the Commitments of Traders for the week ending September 26th showed Managed Money traders added 20,123 contracts to their already long position and are now net long 314,519. Non-Commercial & Non-Reportable traders net bought 17,903 contracts and are now net long 417,620 contracts. In conclusion, the crude oil market is vulnerable and sensitive to bearish fundamentals, while technical signals suggest the aggressive September rally has resulted in a temporary blowoff top.

With RBOB rejecting a probe below $2.40 again and Russian oil refiners reducing daily throughput rates last month to the lowest level since May, the odds of temporary respect of the $2.40 level have increased. Nonetheless, the gasoline market severely damaged its charts last week into the close and since that action follows dramatic liquidation from mid-month, the gasoline market has forged a temporary top. On the other hand, despite the November gasoline contract violating the $2.40 level twice, it might have found value at that level. In fact, with the November gasoline contract from the last COT positioning report measurement falling $0.13 the fund long is likely near the lowest levels of the last two years.

Gas (RBOB) positioning in the Commitments of Traders for the week ending September 26th showed Managed Money traders net sold 13,221 contracts and are now net long 51,421 contracts. Non-Commercial & Non-Reportable traders net sold 8,445 contracts and are now net long 52,934 contracts. However, despite consistent increases in Bloomberg global road congestion readings, the northern hemisphere should see seasonal demand begin to soften especially with the EIA implied gasoline demand reading last week the softest since the beginning of September. In the early action this week, big picture macroeconomic sentiment is likely to play an important role in the RBOB market's behavior around the $2.40 level. While we do not expect the avoidance of the US government shutdown to provide sustained support for diesel prices, a measure of relief might spark speculative buying. The September washout saw open interest fall from 388,025 contracts down to 338,074 contracts lending credence to the "mostly sold out" argument.

However, the diesel market appears to be untethered with gasoline given the market's aggressive rejection of the slide below $3.20 last week, which is likely the result of ongoing global ULSD tightness fears like those in the crude oil market. In fact, the Russian government indicated it was poised to implement measures to combat surging fuel prices in the country continue to rise. Reportedly Russian diesel exports will not be allowed throughout October. However, the tightness theme is not supported by supply conditions in the US and with the Chinese on holiday a reduction in diesel use for commercial activity could temper last week's attempt to recover. The Commitments of Traders report for the week ending September 26th showed Heating Oil Managed Money traders were net long 38,061 contracts after increasing their already long position by 1,901 contracts. Non-Commercial & Non-Reportable traders are net long 70,829 contracts after net selling 652 contracts.

The natural gas market continues to be very difficult to predict as prices continue to coil in a tight range with the market embracing oversupply and merely consistent demand. With the Russian national gas company continuing to push normal amounts of gas through Ukraine and mild European weather, there should be overhead fundamental resistance. Last week, the Baker Hughes oil rig drilling data showed oil and gas rigs declining for a 3rd quarter in a row with the rigs operating reaching the lowest level since February 2022. While gas rigs operating in September increased by 1 but the August rig operating count dropped 13 rigs. The September 26th Commitments of Traders report showed Natural Gas Managed Money traders net sold 23,379 contracts and are now net short 56,190 contracts. Non-Commercial & Non-Reportable traders added 1,800 contracts to their already short position and are now net short 76,519.

BEANS:

The breakout to the downside late last week was bearish and with funds still holding a long position of more than 30,000 contracts, soybean prices are likely to see further long liquidation early this week. With the Quarterly Stocks report now behind us, traders focus will now move to South American weather and US harvest, which made significant progress last week and over the weekend with clear skies across most of the Midwest. Harvest progress is expected to be around 25% complete. Some rain is forecast for the Western belt midweek and the eastern belt late this week, but coverage amounts do not look to be heavy enough to significantly delay harvest.

Mato Grosso bean planting is just beginning and is now 1.8% planted compared to 1% average. Dry weather in northern Brazil may slow the planting pace. China demand may be slow this week as they celebrate their Golden week holiday. USDA crush is expected at 2 PM CDT Monday with an average guess of 171.6 million bushels. Mississippi River levels remain an ongoing problem and St. Louis barge rates were $52.91 per short ton, up $14.50 from the week before and now above the same week last year. The path of least resistance looks lower after Friday's breach of chart support. US soybean stocks on September 1st came in at 268 million bushels versus an average trade expectation of 244 billion and a range of expectations from 216 to 270. September 1, 2022, stocks were 274 million.

The Commitments of Traders report for the week ending September 26th showed Soybeans Managed Money traders net sold 15,774 contracts and are now net long 30,058 contracts. CIT traders net sold 11,987 contracts and are now net long 130,272 contracts. Non-Commercial No CIT traders net sold

11,677 contracts and are now net long 9,500 contracts. Non-Commercial & Non-Reportable traders are net long 11,728 contracts after net selling 16,271 contracts.

The Commitments of Traders report for the week ending September 26th showed Soyoil Managed Money traders net sold 12,014 contracts and are now net long 35,050 contracts. CIT traders net sold 2,812 contracts and are now net long 109,769 contracts. Non-Commercial No CIT traders reduced their net long position by 7,714 contracts to a net long 6,692 contracts. Non-Commercial & Non-Reportable traders net long 47,225 contracts after decreasing their long position by 14,279 contracts.

Soymeal positioning in the Commitments of Traders for the week ending September 26th showed Managed Money traders net bought 3,323 contracts and are now net long 59,196 contracts. CIT traders are net long 119,239 contracts after net selling 451 contracts. Non-Commercial No CIT traders are net long 39,560 contracts after net selling 582 contracts. Non-Commercial & Non-Reportable traders are net long 101,468 contracts after net selling 454 contracts.

CORN:

Friendly Quarterly Stocks data was not enough to offset spillover weakness from wheat and beans and harvest hedge pressure and confirmed the fact that the carryout will likely stay over 2 billion bushels. The government remains open so harvest progress will be released Monday afternoon and is expected around 30% complete. Very good harvest weather over the weekend will continue into mid-week when the Western corn belt and southern Plains are expected to see rains. Eastern belt rains will hold off until the end of this week. Mississippi River levels have been in the news as a key stretch of the river is near a record low. It doesn't appear that rains this week would be enough to ease the transportation problems.

The funds increased their short positions to the most in three years, now 168,606 contracts, up nearly 24,000 contracts last week. South American weather will now be the key driver for the market as we move further into fall and although temperatures and rainfall has not been ideal in center and northern Brazil, it's too early in the season for the market to get excited about it as crops are just now getting in the ground. The US/Mexico GMO corn dispute may come to a resolution next March, according to Mexico's economic minister and depending on the outcome could have a significant effect on prices as Mexico is one of the top US corn buyers. We still see long term value in December corn prices in the 4.50-4.60 range but an extension of rallies requires some new bullish news.

Quarterly Stocks in all positions on September 1, 2023 totaled 1.36 billion bushels, down 1 percent from a year ago and compared to an average pre-report guess of 1.429 billion. Of the total corn stocks, 605 million bushels are stored on farms, up 19 percent from a year earlier. Off-farm stocks, at 756 million bushels, are down 13 percent from a year ago. The June - August 2023 indicated disappearance is 2.75 billion bushels, compared with 2.97 billion bushels during the same period last year. 2022 production was lowered 15 million bushels.

The September 26th Commitments of Traders report showed Corn Managed Money traders added 23,791 contracts to their already short position and are now net short 168,606. CIT traders are net long 246,678 contracts after net selling 2,015 contracts. Non-Commercial No CIT traders added 18,218 contracts to their already short position and are now net short 217,929. Non-Commercial & Non-Reportable traders added 18,611 contracts to their already short position and are now net short 180,383.

WHEAT:

The bearish surprise Friday was not in the quarterly stocks number but, instead, US wheat production numbers increased significantly in nearly all categories of wheat with most coming in above the highest guess. This caught traders flat-footed after the recent consolidation and funds were reportedly heavy sellers of over 10,000 contracts. Open interest also rose 7655 contracts indicating new shorts were pressing the market down. Overall, US wheat supplies are low; however, demand is also low, and it doesn't matter how low your supplies are if you have few buyers for those supplies. Black Sea news is also bearish with five more ships heading to Ukraine ports to load grain after three just left.

Although Friday's sharp break on heavy volume is bearish, some sort of relief bounce may be expected early this week, but sellers will be likely waiting to pounce on it. The southern Plains will see welcome rains later this week to help seeding efforts. Black Sea supplies remain ample and Russian exports of total grain so far this year are more than 1 1/2 times last year's total grain exports as of the end of September. Some parts of Australia are getting some beneficial rains meaning oversold chart conditions may be the only thing the bulls can point to for a market rally.

Quarterly Stocks were considered neutral, but US wheat production numbers were decidedly bearish with all categories of wheat production, except Durum and White Winter, coming in above the highest guesses. All wheat stored in all positions on September 1, 2023 totaled 1.78 billion bushels, compared to an average guess of 1.772 billion and up slightly from a year ago. In 17 of the last 20 years of this report, the winter wheat crop has been lowered, but that was not the case this year. All wheat production is up 10% from last year.

Surprisingly, after cutting HRS yields in the August supply and demand report, USDA reversed course and increased spring wheat yields in this report by 3.4 bushels per acre. On-farm stocks are estimated at 598 million bushels, up 1 percent from last September. Off-farm stocks, at 1.18 billion bushels, are down less than 1 percent from a year ago. The June - August 2023 indicated disappearance is 614 million bushels, up 8 percent from the same period a year earlier.

The Commitments of Traders report for the week ending September 26th showed Wheat Managed Money traders net bought 421 contracts and are now net short 96,384 contracts. Wheat CIT traders hit a new extreme long of 65,146 contracts. CIT traders are net long 65,146 contracts after net selling 781 contracts. Non-Commercial No CIT traders added 990 contracts to their already short position and are now net short 86,832. Non-Commercial & Non-Reportable traders were net short 66,240 contracts after increasing their already short position by 3,511 contracts.

The September 26th Commitments of Traders report showed KC Wheat Managed Money traders added 4,055 contracts to their already short position and are now net short 16,385. CIT traders were net long 50,560 contracts after decreasing their long position by 714 contracts. Non-Commercial No CIT traders added 3,590 contracts to their already short position and are now net short 25,731. Non-Commercial & Non-Reportable traders net sold 5,436 contracts and are now net short 19,598 contracts.

HOGS:

December hogs sold off on Friday in the wake of a bearish Hogs and Pigs report Thursday afternoon, leaving the market vulnerable to a test of support at the August low. The report showed September 1 supply came 100.3% of last year versus an average trade expectation of 99.2% and a range of expectations from 98.1% to 99.8%. Kept for breeding came in at 98.8% versus 98.7% expected, and market hogs came in at 100.4% versus 99.3% expected. The June-August pig crop was 100.4% of last year versus 98.6% expected. The report did confirm a reduction in the breeding herd, which is still supportive long-term, but the overall supply showed a larger supply than last year instead of smaller. The CME Lean Hog Index as of September 27 was 86.14, unchanged from the previous session and down from 87.17 the previous week.

The USDA estimated hog slaughter came in at 473,000 head Friday and 208,000 head for Saturday. This brought the total for last week to 2.604 million head, up from 2.537 million the previous week and 2.485

million a year ago. Estimated US pork production last week was 539.4 million pounds, up from 523.2 million the previous week and 528.1 million a year ago. The USDA pork cutout, released after the close Friday, came in at $96.55, up 4 cents from Thursday but down from $96.86 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,527 contracts of lean hogs for the week ending September 26, reducing their net long to 32,458. The net long is roughly one-third of the way to the record 98,000, which indicates the market is far from overbought.

CATTLE:

December cattle were lower last Friday in a reversal of last Thursday's strong action, and they were back near the bottom of a two-week trading range. The market may have seen spillover pressure from sharp declines in the hog and grain markets. The USDA estimated cattle slaughter came in at 96,000 head Friday and 11,000 head for Saturday. This brought the total for last week to 612,000 head, down from 625,000 the previous week and 667,000 a year ago. The estimated average dressed cattle weight last week was 827 pounds, up from 826 the previous week but down from 831 a year ago. The 5-year average weight for that week is 832 pounds. Estimated beef production last week was 505.1 million pounds, down from 553.2 million a year ago.

The USDA boxed beef cutout was up 90 cents at mid-session Friday but closed 73 cents lower at $300.78. This was down from $303.33 the previous week. Cash live cattle traded about $1 lower last week. As of Friday afternoon, the five-day, five-area weighted average price was at $183.56, down from $184.59 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,141 contracts of live cattle for the week ending September 26, reducing their net long to 101,860. This is near the upper end of the historic range which leaves cattle vulnerable to heavy selling if support levels are taken out.

COCOA:

Cocoa prices have fallen 9.4% in the past two weeks and have traded below the 50-day moving average for the first time since mid-March. This has alleviated an overbought technical condition and has even made the market short-term oversold. Prices have stayed above the 100-day moving average and far above the 200-day. A negative shift in global risk sentiment has weighed on prices recently, as traders worry about demand implications, especially with prices as high as they are. Renewed weakness in the euro and the British pound can also put pressure on cocoa, as it makes it more expensive to for European grinders to buy. A shift towards rainy weather over West African growing areas could benefit upcoming production, and this is especially important given expectations that El Nino will drier than normal conditions the region later this season.

Over the weekend, the Ivory Coast Coffee and Cocoa Board announced that their minimum farmgate price for the 2023/24 main crop harvest would 1,000 CFA francs (roughly $1.62) per kilo. This is an 11% increase from last season's minimum farmgate price. Ghana's 2023/24 minimum purchase price of 20,943 Ghanaian cedi (roughly $1.80) per kilo should help to reduce smuggling of cocoa from Ghana to Ivory Coast. Friday's Commitments of Traders showed managed money traders were net sellers of 13,020 contracts of cocoa for the week ending September 26, reducing their net long to 66,521. This was a substantial decline from the near-record 79,541 net long from the previous week.

COFFEE:

Coffee prices have fallen for seven of the past eight sessions and are this/close to the January low. While the market is well into bargain territory, it probably needs a bullish supply development to sustain any sort of recovery move. Brazil's harvest is basically complete, but exports are likely to continue to be strong through the rest of the year. Their 2023/24 "off-year" Arabica crop is estimated to be 16.6% larger than the 2022/23 "on-year" crop. Concerns that the negative shift in global risk sentiment would weaken out-of-home consumption also weighed on prices last week. Vietnam's coffee exports in September were down 32.7% from last year, and their 2023 total so far was 7.3% lower.

ICE exchange coffee stocks fell 2,128 bags on Friday and finished September at 441,945, 42,793 below month-end total for August. This was the eighth monthly decline in a row and the third lowest since 1999. The ICE exchange also said that they will not allow coffee that has been decertified to be resubmitted for grading, which is likely to reduce the flow of coffee into exchange warehouses in the fourth quarter. Friday's Commitments of Traders report showed managed money traders were net sellers of 5,166 contracts of coffee for the week ending September 26, increasing their net short to 21,527.

COTTON:

December cotton is back in the middle of its month-long range after a steep selloff on Friday and subsequent selling early this week. Steep declines in the corn, wheat, and soybean markets in the wake of the USDA's quarterly grain stocks report appeared to encourage selling in cotton. Growers in Brazil are expected to export a record amount of cotton between July 2023 and June 2024, with the president of a growers group forecasting shipments of 2.5 million tonnes (11.475 million bales). Shipments in September hit an unprecedented 200,000 tonnes (918,600 bales). The most recent USDA supply/demand report put their 2023/24 exports at 11.8 million bales, up from 6.66 million last year. The strong export pace is eating into US sales. Cumulative weekly export sales for the marketing year that began on August 1 are the lowest since 2016/17.

High US prices brought on by lower US production is likely one reason for the low sales, but the strong dollar plays a part as well. US crop conditions are near record low levels, which suggests the USDA will lower its production estimates and tighten ending stocks in upcoming supply/demand reports, but lower exports will mitigate the effect. There seems to be enough cotton around the world to fill in for the loss of the US crop. Traders may start to focus on Australian production with the onset of El Nino. December cotton may see some support if traders cover shorts ahead of Monday afternoon's Crop Progress report. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,189 contracts of cotton for the week ending September 26, reducing their net long to 45,520. The net long is towards the middle of the historic range and indicates the market is neither overbought nor oversold.

SUGAR:

An improvement in India's weather outlook leaves the sugar market vulnerable to a pullback, and the October contract expired Friday with a record delivery of 2.87 million tonnes, which is usually seen as a bearish signal. The India Meteorology Department said that India's 2023 monsoon rainfall came in at 6% below the long-period average, which would put this year in the "below average" category. However, September's rainfall was 13% above the long-period average, which was a significant improvement from August, and this has allowed reservoirs to reach 73% of storage capacity. The withdrawal of this year's monsoon is running more than a week later than normal, which should bring heavier than normal rainfall in early October, particularly in south peninsular India.

This would benefit cane crops in Maharashtra and Karnataka, two of India's largest sugar producing states. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,571 contracts of sugar for the week ending September 26, reducing their net long to 204,921. Despite the selling last week, the managed money net long is still historically large, leaving the market vulnerable to heavy selling if support levels are taken out. It does not appear that the recent gains in oil prices have triggered a shift in the use of cane in center-south Brazil, which is not surprising given that sugar prices are nearly double where they were a year ago.

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