ADM Investor Services, Inc.

Weekly Futures Market Summary

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

BONDS:

After aggressive gains in bonds and notes over the last several weeks from a series of soft second and third tier US economic data, a stronger than expected payroll report (first-tier) definitively repaired market views toward the US economy and that justifiably resulted in a fresh three-day low. While not substantially improving, almost every component of the US jobs report improved versus expectations, or from October! Therefore, a corrective tilt in treasuries may extend into this week.

While Monday's US economic reports slate is thin, the rest of the week should bring a wave of volatility as the next monthly inflation report cycle gets underway Tuesday with the release of Japanese producer prices which are expected to post muted readings. Over the weekend, Chinese consumer prices were reported to have declined at the fastest clip in three years, with factory gate deflation featured in the report. Estimates for US consumer prices on Tuesday morning call for a month over month gain of only 0.1% which should be seen as a sign inflation is under control.

While the CME Fed watch tool pegs the probability of a US rate cut in the March 20th meeting at only 42%, we suggest sentiment in the marketplace is at a higher psychological rate cut level. Clearly, the focus of the treasury trade has been on a developing pattern of softening US data with the markets embracing those modestly bullish signals without much concern for the inflation side of the Fed mandate. In fact, the bull case transitioned from classic short covering to soft landing buying on November 27th.

With treasury bonds into the CPI report and a 30-year bond auction Tuesday trading four points higher than on-hold pricing, the rate cut prospect is building into pricing quickly. It should also be noted that treasury bonds into last week's high were trading roughly 14 points above the level where the markets saw the Fed pivot from high rates for longer to on-hold. From a technical perspective, the recent rallies in bonds and notes narrowed the historically large net spec and fund short positions but those speculative shorts showed signs of rebuilding on the rallies last week.

The December 5th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 91,880 contracts after net selling 34,022 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net short 645,015 contracts after net buying 11,814 contracts. In conclusion, the path of least resistance is up but last week's highs present a formidable resistance area unless US CPI is 0.1% or less as the as expected 0.2% forecasted CPI leaves annualized inflation 0.4% above the Fed's target.

CURRENCIES:

The Dollar was able to regain upside momentum and reach a new 3-week high before finishing last Friday's trading session with a sizable gain. A stronger than expected set of US employment data provided a boost to the Dollar as it may push FOMC rate cuts further into the future. The Canadian Dollar was able to benefit from improving sentiment and hawkish BOC commentary to finish this week's trading on an upbeat note. The path of least resistance is up in the dollar at the start of this week as the markets still perceive the US economy to the growing and offering the best risk and reward in the current environment.

However, it appears that the global economy is at a junction with the post Covid recovery miracle seemingly losing momentum and the markets are unsure if the cure for inflation will produce negative growth. Therefore, the trade favors the US economy because of the respect for the economic stewardship of the US Fed which will weigh in with its latest views on Wednesday. The Commitments of Traders report for the week ending December 5th showed Dollar Non-Commercial & Non-Reportable traders added 1,281 contracts to their already long position and are now net long 19,572.

Until critical inflation data early Tuesday, the path of least resistance looks to remain down in the euro with traders expecting the European economy to slow near recession in the months ahead. However, as indicated already, this week will have critical global inflation readings and guidance from the US Federal Reserve thereby creating the potential for a volatility event and a fresh trend setting decision. Euro positioning in the Commitments of Traders for the week ending December 5th showed Non-Commercial & Non-Reportable traders were net long 186,234 contracts after increasing their already long position by 3,840 contracts.

From a technical perspective, the path of least resistance remains down in the Pound even though the currency saw upbeat views from a UK manufacturing industry coalition. While the Canadian dollar appears to have found value at the 73.50 level on the charts with a consolidation around that level over the prior 11 trading sessions, the Canadian is facing a showdown with the dollar tomorrow!

STOCKS:

Once again, US equity markets waffled around both sides of unchanged last Friday as favorable US jobs data prompted some long profit taking from those fearful that the widely hoped for first quarter US rate cut would be pushed beyond the first quarter. However, the markets recovered into positive territory around midsession but were unable to discount a negative AI development regarding the potential for UK regulatory problems with the Microsoft and Open AI combination.

Global equity markets at the start of this week were mixed with gains generally located in Asia and the TOPIX leading the world with a gain of 1.4%. With a higher high in the early trade in the S&P, it appears the leadership role in the market has shifted from the Dow to the S&P. Therefore, the bullish bias from last week's recovery has extended with investors at least partially embracing the prospects of a "Goldilocks" economic condition ahead. While the initial bias appears to be up, we do not detect a definitive risk on sentiment this morning with the bull case heavily built on the unending hope for a rate cut next year.

The bias is up with the S&P breaking out to the upside early this week but without upside breakout action in other market measures. It should be noted that Friday's rally and a seven-day high was posted on the highest trading volume since September 11th and more importantly the S&P futures remain net spec and fund "short"! The Commitments of Traders report for the week ending December 5th showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 29,835 contracts and are now net short 38,444 contracts.

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While the Dow futures sit just under the 2023 highs and appear to have built a shelf of solid support at 36,000, we suggest the index faces a significant junction with the index likely to enter the critical US inflation report cycle 1,800 points above the late October low! In other words, the bull camp has written a big check on ideas of falling inflation and lower rates. However, the Dow futures remain net spec and fund short suggesting the market is not without additional stop loss buying fuel. The Commitments of Traders report for the week ending December 5th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 26,591 contracts and are now net short 2,842 contracts.

After very sluggish/weak action in late November and early December the NASDAQ appears to have come back into favor even though NASDAQ company headlines have been generally discouraging with unending negative regulatory and legal issues partially eroding optimism from the hope for massive earnings from AI. Nasdaq Mini positioning in the Commitments of Traders for the week ending December 5th showed Non-Commercial & Non-Reportable traders were net long 14,899 contracts after increasing their already long position by 4,034 contracts.

GOLD, SILVER & PLATINUM:

Given the fundamental and technical events of the last two weeks, the trend in gold and silver has shifted back in favor of the bear camp. From a technical perspective, the massive rally last week exhibited a classic blowoff top and reversal with confirmation from an explosion in trading volume and a subsequent decline in open interest. From a fundamental perspective, the mainstay of the bull case in precious metal markets since October has been a weakening dollar which now appears to have recovered especially with the market's decision that despite signs of US slowing, the US will likely hold up better than most in the face of the lagged headwinds from the unprecedented rate hike cycle. However, the upward track in the dollar does not look to be as aggressive as was seen last summer and it is possible that falling implied treasury yields will help cushion gold and silver against $ liquidation pressure.

On the other hand, February gold touched its 200-day moving average Monday morning and could see a wave of stop loss selling with a failure of the psychological $2000 level. Unfortunately for the bull camp, the COT report showed gold holding the largest net spec and fund long positioning since May 2nd which should provide waves of stop loss selling unless US treasury yields plummet. Gold positioning in the Commitments of Traders for the week ending December 5th showed Managed Money traders are net long 132,515 contracts after net selling 11,895 contracts. Non-Commercial & non-reportable traders net bought 5,310 contracts and are now net long 235,229 contracts.

Looking ahead to this week's economic slate, the trade will be presented with another round of US treasury auctions which have become more volatile because of their expanding size. Given this excess supply, US economic data will have to be definitively soft, or the dollar and rates will likely rise sending gold below $2,000 perhaps down to $1,975. It should be noted that the week ahead will also bring US CPI and PPI readings which will add considerably to (or subtract from) the prospects of a US rate cut early next year. Fortunately for the bull camp, this week's US CPI and PPI readings are expected to signal moderating inflation with expectations for both reports calling for a gain of only 0.1%! In conclusion, the initial path of least resistance is down with technical stop loss selling momentum likely to control until after the US CPI report on Tuesday morning.

The silver market is presented with nearly the same bearish fundamental and technical picture as gold, with added fundamental bearishness seen from the threat of sagging physical demand because of sagging global industrial activity. Like gold, the silver market is also overbought in spec and fund positioning, with the latest COT report registering the biggest net spec long since July. The December 5th Commitments of Traders report showed Silver Managed Money traders reduced their net long position by 2,983 contracts to a net long 22,914 contracts. Non-Commercial & non-reportable traders net bought 2,259 contracts and are now net long 52,378 contracts.

The December 5th Commitments of Traders report showed Platinum Managed Money traders net sold 7,277 contracts which moved them from a net long to a net short position of 1,513 contracts. Non-Commercial & non-reportable traders net sold 6,179 contracts and are now net long 9,562 contracts. Palladium positioning in the Commitments of Traders for the week ending December 5th showed Managed Money traders added 1,429 contracts to their already short position and are now net short 10,608. Non-Commercial & non-reportable traders added 981 contracts to their already short position and are now net short 11,354.

COPPER:

In retrospect, the copper market has displayed significant two-sided volatility recently as the outlook for the Chinese economy has waffled between concerning and slightly hopeful. However, the global economic outlook is now softening and therefore economic signals from China have become even more important in determining daily copper prices.

Bloomberg indicated Chinese activity slowed last month (from high-frequency data) with one measure registering below pre-Covid trends. In our opinion, the Chinese economy is very vulnerable because of a lingering threat of financial contagion from real estate. Nonetheless, there are several supply threats from Central and South America lingering and recent Chinese copper import readings have been supportive.

Furthermore, the technical picture is positive with a series of higher lows and higher highs unfolding since late October and the copper market continuing to hold a net spec and fund short. The Commitments of Traders report for the week ending December 5th showed Copper Managed Money traders added 559 contracts to their already long position and are now net long 7,827. Non-Commercial & non-reportable traders reduced their net short position by 2,339 contracts to a net short 1,713 contracts.

ENERGY COMPLEX:

Despite a three day high early this week, the prevailing trend in the oil market remains down with demand suspicions and a lack of respect for OPEC+ cuts leaving the bear camp confident. In fact, global floating oil storage increased by 11% over last week, with Bloomberg coverage overnight suggesting US production expansion next year will offset most if not all production restraint efforts by OPEC+. Granted, there is some energy demand hope flowing from residual strength in global equities and from psychological support from news that the US will continue to rebuild its strategic supply, but that support has its limits. In fact, Chinese refinery demand for oil from the Saudi national oil company for next month will be the lowest in five months rekindling the bear edge in the market to start the new week.

While the crude oil market managed to reject and bounce from last week's spike low, the recovery was forged on low volume and a decline in open interest, suggesting the trade was not wholeheartedly behind the bounce. Unfortunately for the bull camp, the trade has lost its respect for OPEC+ to manage market pricing. The recent positioning report showed the crude oil market vulnerable to more stop loss selling. Certainly, the most recent COT positioning report readings overstate the long positioning, with crude oil prices into last week's low trading nearly $4.00 per barrel below the level where the report was measured. Nonetheless, without a spec and fund long below 204,163 contracts or a trade down to $67.50 do not think a bottom has been set in place.

The Commitments of Traders report for the week ending December 5th showed Crude Oil Managed Money traders were net long 87,552 contracts after decreasing their long position by 10,585 contracts. Non-Commercial & non-reportable traders net sold 6,141 contracts and are now net long 237,979 contracts. It should be noted that hedge funds have increased bearish positions over last week, the outlook for the US economy has deteriorated, the dollar is showing strength and US crude oil inventories currently stand at a year-over-year surplus of 31 million barrels. Furthermore, after extreme tightness several weeks ago in Cushing, Oklahoma, inventories have rebuilt perhaps because of US attempts to rebuild the SPR. In conclusion, without an unforeseen threat against supply, sagging demand should leave the bear camp in control.

While some will see the recovery off last Thursday's low as a sign of a bottom, we are not of that opinion. Bearish sentiment remains in place in RBOB with analysts predicting softer gasoline and jet fuel demand in the coming holiday. Adding into the negative track is last week's large 5.4-million-barrel inflow to EIA gasoline inventories and perhaps more importantly signs that Venezuela will begin to export crude oil conducive to producing gasoline in the US. Even the positioning report is bearish for gasoline with the latest net spec and fund long near the highest of the year. The Commitments of Traders report for the week ending December 5th showed Gas (RBOB) Managed Money traders are net long 65,489 contracts after net selling 840 contracts. Non-Commercial & non-reportable traders were net long 77,132 contracts after increasing their already long position by 2,366 contracts. While the RBOB market appears to have support in the January contract at $2.00 (which was significant consolidation support from May through the end of June), macro conditions are bearish and spillover pressure from crude oil is likely to continue.

Unfortunately for the bull camp in the diesel market, the latest net spec and fund long remains 44,000 contracts above the 2023 low suggesting more liquidation is possible. However, selling diesel and/or natural gas at the beginning of the northern hemisphere winter carries an element of historical risk. In fact, both EIA distillate and diesel inventories are at deficits to year ago levels, and global diesel supplies (in some areas) are desperately tight. However, near-term, and intermediate forecasts for the US and Europe have not registered below normal temperatures yet and therefore the bear camp is not threatened, and the bull camp is not enticed. The Commitments of Traders report for the week ending December 5th showed Heating Oil Managed Money traders were net long 28,972 contracts after decreasing their long position by 7,203 contracts. Non-Commercial & non-reportable traders net long 52,190 contracts after decreasing their long position by 6,525 contracts.

Like the petroleum markets, the best chance of a bottom in natural gas is a complete exhaustion of speculative selling. However, with the most recent COT positioning report showing a net spec and fund short 57,000 contracts smaller than the largest net spec and fund short of 2023, the market probably retains selling fuel. The December 5th Commitments of Traders report showed Natural Gas Managed Money traders net sold 17,515 contracts and are now net short 121,576 contracts. Non-Commercial & non-reportable traders are net short 89,918 contracts after net selling 2,335 contracts. While temperatures in the northern hemisphere are dropping, below average temperatures have been nearly absent so far. Since it is widely known throughout the markets that strategic supply throughout the northern hemisphere is at capacity, normal cold will not produce rallies. It is also widely known that US production will likely register new record readings which added to a surplus to the five-year average EIA storage levels of 6.7% gives the bear camp confidence to continue to press the market lower.

BEANS:

South American weather, demand and the platform of the new Argentine President will be the focus after a neutral USDA report Friday. Brazil rains are expected to underperform this week with better chances continuing to be pushed out into the 10 to 15 day extended outlook. Argentina, on the other hand, is expected to see good rains late this week. At the COP28 climate summit, the eight top commodity trading firms pledged to not buy soy from farms that ruin grasslands. Half of Brazil's Cerrado savannah has been cleared for farms in recent years.

The USDA raised Brazil's production for last season by 2 million tonnes and cut this season's production by a like amount to 161 million tonnes. This compares with last week's CONAB updated estimate of 160.177 million tonnes, down from 162.420 million previously and Safras' estimate of 158.23 million. Agrural estimated Brazil's crop is 91% planted compared to 95% last year and forward beans sales stand at 27% compared to a 37% average. Additional sales by Brazil farmers will be expected on rallies.

Analyzing the recent uptick in US soybean exports, a good portion of beans sales are going to countries with crushing facilities due to very profitable crush margins. Consequently, those countries then have additional meal and bean oil to export or use domestically. This is one reason for the recent soymeal weakness and that may continue. Milei is expected to announce his new economic platform Tuesday. Many questions remain on how quickly he can implement any changes, but a currency devaluation may be one of his first moves. Continued stress in Brazil is supportive to start the week.

The Commitments of Traders report for the week ending December 5th showed Soybeans Managed Money traders were net long 36,633 contracts after decreasing their long position by 30,929 contracts. CIT traders reduced their net long position by 5,159 contracts to a net long 136,611 contracts. Non-Commercial No CIT traders reduced their net long position by 28,434 contracts to a net long 6,315 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 29,864 contracts to a net long 10,709 contracts.

The Commitments of Traders report for the week ending December 5th showed Soyoil Managed Money traders were net short 17,902 contracts after increasing their already short position by 13,182 contracts. Non-Commercial & Non-Reportable traders net long 3,016 contracts after decreasing their long position by 14,927 contracts. The December 5th Commitments of Traders report showed Soymeal Managed Money traders net long 118,182 contracts after decreasing their long position by 17,616 contracts. Non-Commercial & non-reportable traders are net long 144,246 contracts after net selling 15,414 contracts.

CORN:

Better demand ideas are expected to be supportive on breaks and we give the edge to the bull camp to start the week. Despite stocks shrinking a little more than expected and an increase in US exports, Friday's report was a non-event for corn prices. South American crops were left unchanged as the USDA decided it's too early in the season to amend their numbers. Interestingly, the USDA's total Brazil corn production of 129 million tonnes is at odds with CONAB's updated estimate last week of 118.53 million tonnes.

The fund net shorts were reduced by nearly 46,000 contracts as of Tuesday of last week. Brazil rains were limited to less than 1/2 an inch over the weekend and are expected to be scattered this week, with warm temperatures. Better chances get pushed back into the 11-15-day timeframe. Beneficial rains are expected in Argentina later this week. China says their newly harvested crop will be a record, up 4% from a year ago, due to larger planted area.

Rising global freight rates, due to war risks in the Black Sea and Red Sea regions, and problems transiting the Panama Canal have given the US Pacific Northwest Coast ports (PNW) a price advantage. PNW capacity is booking quickly, and the reports China was switching Brazilian cargoes to the US last week are likely to be true, although there is no confirmation from the USDA just yet. Corn exports should remain on a rising trend.

The Commitments of Traders report for the week ending December 5th showed Corn Managed Money traders reduced their net short position by 45,945 contracts to a net short 160,533 contracts. CIT traders reduced their net long position by 479 contracts to a net long 223,377 contracts. Non-Commercial No CIT traders were net short 179,057 contracts after decreasing their short position by 45,444 contracts. Non-Commercial & Non-Reportable traders net bought 37,578 contracts and are now net short 155,220 contracts.

WHEAT:

The 8 consecutive day rally streak ended last Friday and prices were due a pullback. The important question for the market is whether or not China's buying of US wheat is over after last week's surge in purchases, and we think it probably is over until prices pull back, since US prices have now moved above other origins. Analysts are questioning whether USDA's 25 million bushel increase in US exports in Friday's report took into account last week's China purchases of 1,120,000 tonnes. If not, or if China continues to buy this week, USDA would be expected to raise exports and tighten ending stocks further in the January report.

The 1-5 day forecast has added needed rains for the Texas and Oklahoma panhandles. Funds reduced their net shorts by nearly 24,000 contracts as of Tuesday of last week, and the further rally in the last half of the week would suggest even more short covering was done. March Chicago futures has significant resistance at 6.69. Prices are due a pullback, but good support should be seen on reasonable setbacks as the chart has a bottom in place.

The December 5th Commitments of Traders report showed Wheat Managed Money traders reduced their net short position by 23,764 contracts to a net short 96,222 contracts. CIT traders are net long 80,478 contracts after net buying 8,309 contracts. Non-Commercial No CIT traders were net short 96,502 contracts after decreasing their short position by 19,645 contracts. Non-Commercial & non-reportable traders were net short 77,740 contracts after decreasing their short position by 23,983 contracts.

The December 5th Commitments of Traders report showed KC Wheat Managed Money traders are net short 38,858 contracts after net buying 10,891 contracts. CIT traders are net long 49,919 contracts after net buying 1,311 contracts. Non-Commercial No CIT traders were net short 42,028 contracts after decreasing their short position by 8,538 contracts. Non-Commercial & non-reportable traders are net short 26,471 contracts after net buying 11,929 contracts.

HOGS:

February hogs may find support from a stabilization in China hog prices as well as US pork prices. China's national average spot pig price was up 3.45% today, and Dalian live hog futures were up 0.70% and up 0.35% for the month. The USDA pork cutout, released after the close Friday, came in at $84.69, up $2.74 from Thursday and up from $82.63 the previous week. This was the highest it had been since November 27. In the monthly supply/demand report, USDA raised its US 2023 pork production forecast from 27.232 billion pounds to 27.257 billion, but they left 2024 production unchanged at 27.745 billion.

The USDA estimated hog slaughter came in at 484,000 head Friday and 257,000 head for Saturday. This brought the total for last week to 2.687 million head, down from 2.695 million the previous week but up from 2.579 million a year ago. Estimated US pork production last week was 575.8 million pounds, unchanged from the previous week and up from 558.5 million a year ago. The CME Lean Hog Index as of December 6 was 69.12, down from 69.43 the previous session and 71.35 the previous week.

February hogs were trading at a 0.20 premium to the lean index as of December 6 versus a 2.74 premium a year ago and a 5-year average premium of 5.60. This may lend some support, especially if cash prices work higher. Friday's Commitments of Traders showed managed money traders were net sellers of 3,420 contracts of hogs for the week ending December 5, increasing their net short 17,963. This is their biggest net short since July, but is smaller than the record net short of 31,110 from May.

CATTLE:

February live cattle recovered on Friday after a selloff last week that took prices to their lowest level since October 2022 and to the vicinity of contract lows. Declining beef prices have kept packer margins negative, which has pressured cash cattle prices, and the funds have been active sellers. The market is technically oversold, but the futures could continue to be under pressure as beef prices work lower. In

Friday's USDA supply/demand report, US 2023 beef production was left unchanged at 27 billion pounds, but 2024 production was increased from 25.878 billion pounds to 26.058 billion.

Despite the revision, production will be down for the second straight year. First-quarter production will be the lowest in five years, second quarter the lowest in four years, and third quarter the lowest in eight years. The USDA boxed beef cutout was $1.83 lower on Friday at $288.01. This was down from $297.46 the previous week and was the lowest it had been since April 4. Cash live cattle traded in moderate volume on Friday at steady to slightly lower than earlier in the week. As of Friday afternoon, the five-day, five-area weighted average price was $170.24, down from $174.38 the previous week.

The USDA estimated cattle slaughter came in at 122,000 head Friday and 11,000 head for Saturday. This brought the total for last week to 635,000 head, unchanged from the previous week but down from 648,000 a year ago. The estimated average dressed cattle weight last week was 840 pounds, up from 836 the previous week and 838 a year ago. The 5-year average weight for that week is 835 pounds. Estimated beef production last week was 532.5 million pounds, down from 542.3 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,747 contracts for the week ending December 5, reducing their net long to 27,723. This is their smallest net long since July 2022, which may ease some of the selling pressure on the part of the funds.

COCOA:

The cocoa market continues to find support from supply issues in most of their major growing nations, while global demand has been resilient despite a 95% increase in prices since September of 2022. That may not be the case next year, however, and that leaves cocoa vulnerable to a pullback over the final weeks of 2023. March cocoa shook off early losses and climbed to a new 46-year high before finishing Friday’s outside-day trading session with a sizable gain. For the week, March cocoa finished with a gain of 70 points (up 1.7%) which was a ninth positive weekly result over the past 10 weeks.

News that Ivory Coast has halted forward sales of their 2024/25 (next season’s) cocoa production provided additional evidence of West African supply issues that have underpinned cocoa prices during their 14-month uptrend. This season’s main crop arrivals in Ghana and Ivory Coast are well behind last season’s pace, and that also provided support to the cocoa market late last week. Major chocolate makers were able to pass along a portion of their higher costs for cocoa to consumers, and that did not prevent last season’s global grindings reaching a record high.

Keep in mind that in many cases, the cocoa used for this year’s holiday chocolates was bought earlier this year while cocoa purchased during the fourth quarter will be used for chocolates sold in mid-2024. The December 5th Commitments of Traders report showed Cocoa Managed Money traders were net long 62,959 contracts after decreasing their long position by 5,268 contracts. CIT traders net sold 4,297 contracts and are now net long 27,513 contracts. Non-Commercial No CIT traders net sold 3,283 contracts and are now net long 47,708 contracts. Non-Commercial & Non-Reportable traders net sold 5,472 contracts and are now net long 67,151 contracts.

COFFEE:

Coffee prices were able to find their footing late last week as they posted “higher lows” on Thursday and Friday. The market spent last week’s trading well below the 6-month high posted on December 1st, however, and remains vulnerable to further downside price action going into year-end. March coffee was unable to hold onto early gains as it went on to post a mild loss for Friday’s trading session. For the week, March coffee saw a loss of 7.20 cents (down 3.9%) which broke a 2-week winning streak.

Reports that Indonesia will see their 2024 coffee production fall 6.7% below this year's output underpinned the coffee market late this week, as that does not bode well for upcoming Vietnamese production as coffee output from both nations will be negatively impacted by the El Nino weather event. Honduran November coffee exports were up 63% from last year while Costa Rican November coffee exports were up 37% from last year. While some of that year-over-year increase was the result of October shipping delays, it also points to an improving Central American production outlook that weighed on coffee prices late last week.

ICE exchange coffee stocks were unchanged again on Friday as no exchange grading took place. There are more than 24,000 bags of coffee waiting to be graded, however, and that increases the likelihood that their November month-end total of 224,066 bags will become a longer-term low. The Commitments of Traders report for the week ending December 5th showed Coffee Managed Money traders are net long 32,193 contracts after net buying 6,196 contracts. CIT traders are net long 60,220 contracts after net buying 4,825 contracts. Non-Commercial No CIT traders are net long 16,482 contracts after net buying 3,032 contracts. Non-Commercial & Non-Reportable traders added 5,527 contracts to their already long position and are now net long 37,223.

COTTON:

March cotton saw a brief rally upon the release of the USDA supply/demand report on Friday after US production and ending stocks came in below expectations, but the market quickly turned lower after it failed to push through key resistance at the 200-day moving average. The fundamental picture has improved slightly for cotton over the past weeks, but it may need further evidence of improving demand to extend its rally. The USDA report showed US cotton production for 2023/24 at 12.78 million bales, down from 13.09 million in the November report and below the low end of expectations.

The average yield was lowered to 765 pounds/acre from 783 last month. Exports were left unchanged at 12.2 million bales, but domestic consumption was lowered to 1.9 million from 2.05 million in November. This pulled ending stocks down to 3.1 million bales from 3.2 million in November, which was below average expectations. World production was lowered to 112.92 million bales from 113.46 million last month, but consumption was lowered from 115.3 million bales to 113.73 million, leaving world ending stocks at 82.40 million bales versus 81.50 million last month.

The US stocks/use ratio has fallen to 22.0%, which is the lowest since 2020/21 (at 16.8%) and the second lowest since 2016/17. However, world stocks/use is at 72.5%, which is the second highest since 2019/20. Brazilian production was left unchanged at 14.56 million bales. This is their highest on record and is up from 11.72 million last year. Brazilian exports were lowered to 11.50 million bales from 11.80 million in November, but this compares to 6.66 million last year. Friday's Commitments of Traders showed managed money traders were net buyers of 1,534 contracts of cotton for the week ending December 5, increasing their net long to 2,229. This is close to a neutral level.

SUGAR:

Sugar prices were able to finish last week with their first back-to-back daily gains in 2 1/2 weeks. The market has been unable to have 3 positive daily results in a row since late October, however, and may have trouble sustaining upside momentum early this week. March sugar followed through on Thursday's reversal as they went on to post a sizable gain for Friday's inside-day trading session. For the week, however, March sugar finished with a loss of 1.73 cents (down 6.9%) which was a second very large weekly loss in a row and a sixth negative weekly result in a row.

India's Food Minister said that his nation's cane crop this season will come in 12% below last season's total, and that has provided support to the sugar market as that will limit India's sugar production. This followed last week's news that India has asked their mills not to use cane juice to produce ethanol, however, so its support to sugar prices was limited at best. A rebound in energy prices provided carryover support to the sugar market, as that may encourage Brazil's Center-South mills to shift some of their crushing from sugar production over to ethanol production.

The USDA adjusted their US sugar 2023/24 stocks/usage from 12.4 to 12.8, due in part to a 4% increase in imports, and also cut their forecast for 2023/24 Mexican sugar production from 5.330 million down to 5.283 million tonnes. The December 5th Commitments of Traders report showed Sugar Managed Money traders net sold 54,184 contracts and are now net long 113,814 contracts. CIT traders are net long 149,149 contracts after net selling 957 contracts. Non-Commercial No CIT traders net sold 42,630 contracts and are now net long 79,099 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 74,080 contracts to a net long 150,871 contracts.

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