Weekly Futures Market Summary

January 22, 2024 **by the ADMIS Research Team**

BONDS:

The treasury bond market finished last week with volatile trading and a positive set up on the charts. Fundamentally, the ability to post new highs for last week after several positive US jobs reports suggests the 122-00 level in March bonds offers some form of value. The bull camp was also justified in the strong finish given disappointing US existing home sales results because of safe haven buying off rising concerns of Chinese debt problems. While not a significant bullish signal, treasury bonds have added to the rejection/recovery move off last Friday's spike down move with the strength early this week somewhat surprising in the face of what looks to be a continuation of risk on sentiment flowing from US equities.

However, it is likely that US treasuries are benefiting from a small amount of flight to quality buying in the wake of news from late last week that the Chinese central government had ordered heavily indebted local governments to suspend infrastructure projects. The initial strength this week is also surprising in the wake of hawkish comments from the San Francisco Federal Reserve President last Friday who suggested there is "a lot of work left to do" on bringing inflation to the Fed's goal of 2%.

Also limiting the upward track in US treasuries are signs that a noted increase in US treasury supply issuance is unsettling the trade, especially with last week's auctions seeing a significant drop in foreign interest in US securities. At present, estimates predict treasury issuance to nearly double this year with a total of $2 trillion dollars in 2024! In another negative, sentiment in the treasury markets continues to push back rate cut timing into the month of May, with the probability of a March rate cut falling to 46.2% early this week.

The January 16th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 67,202 contracts after net buying 20,390 contracts. For T-Notes Non-Commercial & Non-Reportable traders added 99,706 contracts to their already short position and are now net short 752,664. Global Perhaps the Chinese equity markets were disappointed in the lack of a rate cut by the Peoples China overnight especially after Beijing last week instructed some heavily indebted local governments to halt infrastructure spending programs. Apparently, the Chinese were limited in their ability to support their economy without adding significant pressure to an already falling Chinese currency.

CURRENCIES:

As in many financial markets, last week's economic news presented vastly different economic signals with US economic data (especially from jobs) showing the US economy is holding together, while data from Europe and the UK rekindled recession concerns. In fact, UK retail sales plummeted by a startling 3.2% while German producer prices fell by 1.2% on a month over month basis and by a shocking 8.6% on a year-over-year basis. In conclusion, the dollar left the trading week with a newfound macroeconomic differential edge.

Apparently, the dollar has encountered moderate resistance restraining the currency index despite bullish US scheduled data last week. Even more surprisingly the dollar has failed to rally despite significant weakness in the Chinese currency and despite almost daily declines in the probability of a US rate cut in the first quarter. Given the lack of bullish sensitivity in the dollar we suspect positive US data will merely cushion the index around critical support. The January 16th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 1,290 contracts after decreasing their long position by 918 contracts.

The slight upward tilt on the euro chart is surprising considering very concerning economic news flow from Germany last week and with the odds of a first quarter US rate cut dropping almost daily. In fact, the euro should be under fresh pressure given significant weakness in German exports to the US and China especially with German producer prices falling by a massive 8.6% last month. However, the euro is overbought in speculative positioning reports and the currency markets simply lack definitive leadership. The January 16th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders were net long 142,797 contracts after decreasing their long position by 19,599 contracts.

The best euro bulls can hope for is win by default. While we see no definitive winner in the currency markets as a race to the bottom continues), the pound could win by default especially if the prospects for UK tax cuts in the budget become a campaign issue. With a leadership vacuum in the currency markets, favorable chart action and expectations the Bank of Canada will remain on hold on Wednesday, the Canadian dollar qualifies as the leadership currency to start the trading week.

STOCKS:

In our opinion, the action in US equity markets last week was very impressive and very important to upcoming trends. In our opinion, it appears the markets have broken away from the "bad news is good for equities" posture and no longer need the assistance of the Fed. It also seems as if investors are fully embracing the AI phenomenon as the greatest thing since the initial development of the Internet. Global equity markets at the start of this week were generally higher except for the markets in China which traded significantly weaker. Perhaps the Chinese equity markets were disappointed in the lack of a rate cut by the Peoples bank of China especially after Beijing last week instructed some heavily indebted local governments to halt infrastructure spending. At least in the near-term, investors are not disappointed with the evaporating prospects of lower US rates which are apparently more than offset by a lack of alternative investments and or fear of missing out.

While the markets appear to have lost the "early 2024 rate cut prospect", it appears investors are happier to see the US economy holding together than in need of assistance! In fact, the latest chatter in the treasury markets has the Fed not cutting rates until May and that delay was given credence by hawkish dialogue from the San Francisco Fed President last Friday. Further evidence of bullish control is the market's ability to discount negative corporate headlines this morning involving Tesla, Boeing, and ADM. The Commitments of Traders report for the week ending January 16th showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 77,130 contracts and are now net short 96,340 contracts.

Like the S&P, the Dow has posted new highs early despite negative news from several Dow components. Obviously, seeing the investigation of Boeing 737 planes broadened is troublesome but the markets today appear to be focused on the continuation of a "Goldilocks" US economy. The Commitments of Traders report for the week ending January 16th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net long 17,611 contracts after decreasing their long position by 7,817 contracts. Despite reports of a Tesla price cut and a Tesla production issue in Germany, the NASDAQ has also forged new highs and is likely to extend. The January 16th Commitments of Traders report showed

Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 4,506 contracts and are now net long 39,395 contracts.

GOLD, SILVER & PLATINUM:

While the US dollar is showing some vulnerability on its charts early this week, treasury yields may have temporarily peaked leaving the primary outside market influences slightly supportive of gold. However, we see no reason to take control away from the bear camp with the hedge funds reducing their long positioning last week, another week of ETF holding declines, an overbought net spec and fund positioning, a residual negative global commodity market environment, and perhaps most importantly from growing economic concerns in China.

With the last COT positioning report showing the net spec and fund long in gold near the highest levels since May 2022, falling trading volume and declining open interest on last week's recovery bounce, the bear camp retains control over the trend. Gold positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders reduced their net long position by 5,654 contracts to a net long 100,634 contracts. Non-Commercial & non-reportable traders net sold 10,160 contracts and are now net long 210,968 contracts.

Certainly, the situation in China could produce a global flight to quality buying situation for gold, but the gold market has not shown much sensitivity to uncertainty issues over the last year. Silver positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders are net long 6,030 contracts after net selling 1,856 contracts. Non-Commercial & non-reportable traders reduced their net long position by 597 contracts to a net long 40,723 contracts.

The Commitments of Traders report for the week ending January 16th showed Platinum Managed Money traders net sold 16,403 contracts and are now net long 681 contracts. Non-Commercial & non-reportable traders are net long 17,717 contracts after net selling 11,017 contracts. The January 16th Commitments of Traders report showed Palladium Managed Money traders were net short 10,768 contracts after increasing their already short position by 2,614 contracts. Non-Commercial & non-reportable traders were net short 10,972 contracts after increasing their already short position by 1,491 contracts.

COPPER:

Apparently, the copper trade was not disappointed with the lack of an interest rate cut from China overnight, as prices are under only moderate pressure early today. However, some traders expect Chinese inventories to be built up into the February holiday as evidenced by the increase in Chinese bonded supplies last week and the second straight week of increased Shanghai exchange copper inventories. With the aggressive rally at the end of last week lifting the March copper contract toward downtrend channel resistance, the bear camp could be offered an opportunity to get short at favorable risk and reward levels on the charts.

In retrospect, seeing the Chinese government instruct local governments with debt problems to halt infrastructure programs is a very troubling sign for the Chinese economy and for the copper market. Unfortunately for the bull camp the PBOC did not cut rates on Monday, and with Chinese equities plummeting, we think March copper is poised to quickly return to the $3.70 level. In fact, with the recovery from last week's spike low, the net spec and fund short in copper was likely leveled potentially setting the table for an extension of the lower low and lower high pattern in place since the final days of 2023. The Commitments of Traders report for the week ending January 16th showed Copper Managed Money traders added 8,555 contracts to their already short position and are now net short 25,309. Non-Commercial & non-reportable traders are net short 22,467 contracts after net selling 14,045 contracts.

ENERGY COMPLEX:

While it appears that crude oil is destined to remain within a broad $5.00 per barrel trading range, prices are in the upper quarter of the range and fears of slumping global demand are ringing louder than fears of Middle East supply disruptions. Furthermore, Libya has restarted production from its largest oilfield, hedge funds reduced long positions last week and despite recent strong Chinese oil import data (apparent demand rose by 8.6% in December), signs of economic problems in China should be tempering Chinese oil demand prospects.

The bear camp should be emboldened by a 3.2% increase in crude oil in global floating storage especially with floating storage in Asia jumping significantly. However, the US continues to buy crude oil for the SPR, EIA crude oil stocks declined last week and posted a material 18-million-barrel deficit to year ago stock levels. Furthermore, supply risks remain elevated with the US, Yemeni rebels, Pakistan, and Iran all launching attacks after US production was temporarily curtailed by 600,000/700,000 barrels per day due to extreme cold last week.

We also see a portion of last week's recovery as classic short covering with the latest positioning report in crude oil showing the smallest/most liquidated net spec and fund long since October 2010! Crude Oil positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders reduced their net long position by 20,969 contracts to a net long 90,160 contracts. Non-Commercial & non-reportable traders reduced their net long position by 5,660 contracts to a net long 211,032 contracts. While Chinese oil imports have remained strong (2023 imports posted a new record of 11.28 million barrels per day), Russian shipments to China increased by 24% for total of 107 million metric tonnes.

Unfortunately for the bull camp, positive US energy demand prospects are becoming increasingly offset by escalating economic and financial concerns for China. Apparently, last week Chinese government officials ordered heavy debt ladened local governments to "halt" some infrastructure projects which creates concerns of a Chinese financial contagion. Certainly, a disruption of supply flows from the Middle East could suddenly ignite a range up extension in prices, but US product supplies are very burdensome and are likely to become even more burdensome in the weeks ahead.

As indicated in crude oil coverage, product market supply continues to weigh heavily on the petroleum complex with year over year surpluses in gasoline, distillate, and diesel inventories. We also suggest traders be prepared for EIA implied demand to fall this week as extreme winter conditions over the last two weeks discouraged all but necessary travel. Unlike the crude oil market, the gasoline market continues to hold burdensome net spec and fund long positioning. The January 16th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 59,220 contracts after net selling 2,885 contracts. Non-Commercial & non-reportable traders net sold 2,891 contracts and are now net long 74,101 contracts.

In conclusion, the gasoline market is oversupplied, demand is average to soft, and the speculative trade is overbought. Even though the recent polar vortex posted record cold and a surge in heating demand, heating degree days were running significantly below normal into the outbreak of cold and have returned to normal which favor the bear camp in ULSD. Heating Oil positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders are net long 22,698 contracts after net selling 3,033 contracts. Non-Commercial & non-reportable traders reduced their net long position by 234 contracts to a net long 49,822 contracts.

In retrospect, the natural gas market seemed to anticipate the polar vortex that hit the United States in the first half of January as prices ran up well ahead of the cold and with a warm-up through the end of the month it appears that the bull rally of the winter of 2024 has ended and has been reversed. However, both US and European gas trading open interest is up significantly to start 2024, and that has prompted talk of a major bottom in prices but without a major shift in physical supply statistics, prices are likely to remain under pressure.

Since the early December low, US natural gas open interest has skyrocketed with European gas trading posting a 40% increase over year ago levels. The January 16th Commitments of Traders report showed Natural Gas Managed Money traders are net short 7,369 contracts after net buying 38,105 contracts. Non-Commercial & non-reportable traders reduced their net short position by 16,112 contracts to a net short 38,221 contracts. In the end, value at the early December low is unlikely to hold this week especially given the gap lower washout, a recent significant jump in European wind power generation and given less cold in the US forecast.

BEANS:

We give the bull camp a slight edge to start the week on the short-term improvement in technical conditions after last week's reversal off support and improved export demand last week. Soybean prices in Brazil, as represented by the BM&F BOVESPA index for Parana, fell to their lowest since August 2020. Brazil soybean basis is $0.80 under Chicago March futures, the largest discount since May as early harvest supplies began to be available. Brazil harvest is 5% done compared to 3% average and in Mato Grosso, which accounts for 29% of Brazil's total bean production, 13% is harvested compared to a 7% average.

Weekend showers were beneficial for central Brazil and will move north this week. Argentina is expecting a mostly dry stretch for the next 10 days, except for the far north crop areas, and if the dryness extends beyond next week, a bullish price reaction could be seen. Soybean open interest has surged 16% so far in 2024 and speculative funds are holding their most bearish net short position since February 2020.

Last Friday’s Commitment of Traders data showed speculative funds sold 45,000 contracts of beans, raising their total net shorts to 76,000. Funds are now holding a net short position in meal of 4000 contracts and in bean oil of 47,000 contracts. China's total 2023 bean imports were up 11% from 2022 and 70% of their total imports were from Brazil, which was 29% increase from 2022. The US portion of China's bean imports fell 13% from the previous year to 24%. Trader focus this week will center on South American weather and whether last week's pickup in demand will continue.

The Export Sales Report showed that for the week ending January 11, net soybean sales came in at 781,277 tonnes for the current marketing year and 1,700 for the next marketing year for a total of 782,977. Cumulative soybean sales have reached 78.3% of the USDA forecast for the 2023/2024 marketing year versus a 5-year average of 74.9%. Sales need to average 312,000 tonnes per week to reach the USDA forecast.

Soybean positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders are net short 76,797 contracts after net selling 45,549 contracts. CIT traders reduced their net long position by 2,055 contracts to a net long 119,525 contracts. Non-Commercial No CIT traders added 53,791 contracts to their already short position and are now net short 104,527. Non-Commercial & non-reportable traders net sold 60,719 contracts and are now net short 112,439 contracts.

The Commitments of Traders report for the week ending January 16th showed Soyoil Managed Money traders were net short 47,011 contracts after increasing their already short position by 403 contracts. CIT traders net bought 8,732 contracts and are now net long 130,958 contracts. Non-Commercial No CIT traders were net short 72,574 contracts after increasing their already short position by 1,473 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 1,094 contracts to a net short 28,935 contracts.

Soymeal positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders went from a net long to a net short position of 4,079 contracts after net selling 14,540 contracts. CIT traders are net long 103,987 contracts after net buying 3,207 contracts. Non-Commercial No CIT traders added 9,297 contracts to their already short position and are now net short 40,470. Non-Commercial & Non-Reportable traders were net long 8,144 contracts after decreasing their long position by 5,796 contracts.

CORN:

Although March corn bounced off key support last week, upside follow-through is needed to confirm at least a short-term turn higher. Speculative fund short positioning is getting very crowded and now stands at upwards of 260,000 contracts, the largest in history for January, while commercials hold a net long position of 50,000 contracts. It is notable to remember that funds generally don't go into the spring months with such a large net short position due to weather risks. Total grain shorts across the CBOT stand at 456,000 contracts. Open interest has had its largest 3-week surge since May 2019 and was up another 23,000 contracts on Friday.

Brazilian Safrinha planting stands at 7% complete compared to 4% average. Mato Grosso is 10% planted compared to 5% average and with that state representing 50% of the total Safrinha output, the replenishment of soil moisture is a major headwind which may limit the extension of corn rallies. Seasonal tendencies point upward for the next month and with the very large fund net shorts, prices will need a bullish spark to initiate fund short covering, which could come from an extension of the dry period in Argentina beyond next week.

The Export Sales Report showed that for the week ending January 11, net corn sales came in at 1,251,109 tonnes for the current marketing year and 20,000 for the next marketing year for a total of 1,271,109. Cumulative sales have reached 59.1% of the USDA forecast for the 2023/2024 marketing year versus a 5-year average of 57.5%. Sales need to average 655,000 tonnes per week to reach the USDA forecast.

The Commitments of Traders report for the week ending January 16th showed Corn Managed Money traders were net short 260,542 contracts after increasing their already short position by 29,819 contracts. CIT traders are net long 251,759 contracts after net buying 20,279 contracts. Non-Commercial No CIT traders were net short 265,800 contracts after increasing their already short position by 38,392 contracts. Corn Non-Commercial & Non-Reportable traders hit a new extreme short of 264,054 contracts. Non-Commercial & Non-Reportable traders were net short 264,054 contracts after increasing their already short position by 46,318 contracts.

WHEAT:

The bull camp can point to the technical reversals late last week and ongoing Mideast tensions as a reason to push prices higher this week, however, the Plains are expected to see beneficial moisture which may limit rally potential. Iran-backed militants struck a US airbase in Iraq and shipping attacks have reduced Suez Canal transits by 40% compared to this point in January last year.

Last Friday's weekly export sales easily outperformed even the highest guesses after 2 weeks in a row of disappointing numbers and it will be important to see if that trend continues this week. The numerous global shipping issues may increase US export demand to some degree. Commitment of Traders data showed funds increased their Chicago net short to 69,000 contracts as of last Tuesday, up 10,000 from the previous week. China total wheat imports in 2023 were up 22% from 2022 and total grain imports were up 12%.

The Export Sales Report showed that for the week ending January 11, net wheat sales came in at 707,632 tonnes for the current marketing year and none for the next marketing year. Cumulative sales have reached 81.6% of the USDA forecast for the 2023/2024 marketing year versus a 5 year average of 75.5%. Sales need to average 109,000 tonnes per week to reach the USDA forecast.

Wheat positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders are net short 68,575 contracts after net selling 10,587 contracts. CIT traders were net long 83,954 contracts after increasing their already long position by 226 contracts. Non-Commercial No CIT traders are net short 71,947 contracts after net selling 8,996 contracts. Non-Commercial & Non-Reportable traders added 9,200 contracts to their already short position and are now net short 56,303.

KC Wheat positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders added 4,426 contracts to their already short position and are now net short 38,652. CIT traders were net long 58,995 contracts after increasing their already long position by 3,700 contracts. Non-Commercial No CIT traders are net short 45,286 contracts after net selling 4,720 contracts. Non-Commercial & Non-Reportable traders added 8,755 contracts to their already short position and are now net short 32,484.

HOGS:

A strong pork cutout indicates good demand, but a quick recovery in US pork production following the extreme cold and snow earlier this month may limit any further advance in hog prices. There is a winter weather advisory that stretches from eastern Kansas and Oklahoma through Missouri, the southeastern two-thirds of Iowa, and across Illinois, Indiana, southern Michigan and much of Ohio that could slow movement of hogs to market. However, the extended forecasts show a shift to above normal temperature across the US, with below normal precipitation over much of the Midwest.

The USDA estimated hog slaughter came in at 482,000 head Friday and 365,000 head for Saturday. This brought the total for last week to 2.652 million head, up from 2.174 million the previous week and 2.541 million a year ago. Estimated US pork production last week was 575.8 million pounds, up from 470.3 million the previous week and 552.7 million a year ago. The USDA pork cutout, released after the close Friday, came in at $87.25, up 4 cents from Thursday and up from $85.39 the previous week. This was the highest it had been since November 27. The CME Lean Hog Index as of January 17 was 67.87, up from 67.34 the previous session and 66.77 the previous week.

US pork export sales for the week ending January 11 came in at 33,428 tonnes, up from 23,343 the previous week and the highest since December 21. Cumulative sales for 2024 have reached 287,400 tonnes, up from 242,800 a year ago but below the five-year average of 370,900. The largest buyer was Mexico at 9,968 tonnes, followed by Japan at 9,015 and South Korea at 6,314. China bought 88 tonnes. Mexico has the most commitments for 2024 at 75,300 tonnes, followed by North Korea at 68,800, Japan at 41,600, and China at 19,200. Friday's Commitments of Traders showed managed money traders were net buyers of 4,782 contract of hogs for the week ending January 16, reducing their net short to 1,807.

CATTLE:

The USDA Cattle on Feed Report on Friday showed placements for the month of December at 95.5% of a year ago, which was right on the average trade expectation. (Expectations ranged from 91.5% to 98.0%.) December marketings came in at 99.1% of last year versus 99.3% expected (range 98.2% to 100.7%). January 1 on feed supply came in at 102.1% versus 102.2% expected (range 101.4% to 102.5%). A winter weather advisory extends down into eastern Kanada and Oklahoma, and some areas have winter storm and freezing fog warnings. Extreme cold reached all the way down into Oklahoma this past weekend, which could provide support to the market today.

However, the 6-10-day forecast calls for below normal precipitation and above normal temperatures across the Midwest and Plains states. Friday's export sales report showed US beef sales for the week ending January 11 at 21,381 tonnes, up from 12,241 the previous week and the highest since July 20. Cumulative sales for 2024 have reached 153,600 tonnes, down from 174,400 a year ago and below the five-year average of 190,100. The largest buyer was South Korea at 7,756 tonnes, followed by China at 5,209 and Japan at 2,422.

The USDA estimated cattle slaughter came in at 121,000 head Friday and 34,000 head for Saturday. This brought the total for last week to 617,000 head, up from 546,000 the previous week but down from 647,262 a year ago. The estimated average dressed cattle weight last week was 851 pounds, up from 849 the previous week and 826 a year ago. The 5-year average weight for that week is 831 pounds. Estimated beef production last week was 523.8 million pounds, down from 533.6 million a year ago.

The USDA boxed beef cutout was down 34 cents at mid-session Friday and closed 79 cents lower at $295.50. This was up from $289.26 the previous week. Cash live cattle trade was light last week, with only 3,587 head reported for the week as of Friday afternoon. This was down from 25,000 the previous week and 23,000 the week before that. Friday's Commitments of Traders report showed managed money traders were net sellers of 777 contracts of cattle for the week ending January 16, reducing their net long to 12,993. This is their smallest net long since May 2022.

COCOA:

Last week's fourth-quarter grind totals for Europe, Asia, and North America were all down from year ago levels, yet the cocoa market responded with a rally to new 46-year highs. The 2.5% year-over-year decline for European grindings was near the low end of expectations calling for a decline of 2-5%. North America saw a 2.95% decline versus expectations calling for declines of 6%-10%. The rebound in global consumer sentiment and a move to new all-time highs for the S&P 500 are viewed as supportive to demand. European and US equity markets were higher again at the start of this week.

Ivory Coast port arrivals totaled 41,000 tonnes for the week ending January 21, down from 64,000 a year ago. Total arrivals since the season began on October 1 have reached 995,000 tonnes, down 36% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,585 contracts of cocoa for the week ending January 16, increasing their net long to 63,701. The record net long is 79,541 from September. This leaves the market vulnerable to heavy selling if support levels are taken out.

COFFEE:

The NY Arabica coffee market has drawn support from tight Robusta supplies as well as strong economic data, specifically in the US, which is viewed as bullish for demand. The Houthi attacks on cargo ships in the Red Sea have slowed shipments of Vietnamese Robusta beans to Europe, forcing European buyers to look to Brazil and other areas, and this has lent support to the Arabica market as well. Colombia's fourth quarter output surge brought their 2023 production to 11.347 million bags which was their largest 12-month running total since November 2022. However, output remains well below their annualized pace from 2015 through 2021.

ICE exchange coffee stocks fell 10,702 bags on Friday to only 1,882 bags above the December month-end level. Of the 9,920 that went through the grading process on Friday, 4,480 failed approval. Friday's Commitments of Traders report showed managed money traders were net buyers of 585 contracts of coffee report for the week ending January 16, increasing their net long to 42,728. This is their largest net long since August 2022 and is near the upper end of the historic range. The record is 60,133 from February 2022. This leaves the market vulnerable to long liquidation if support levels are taken out.

COTTON:

Cotton bulls had been hoping to see increased business ahead of the lunar new year, and they got it. March cotton rallied sharply on Friday in the wake of a bullish export sales report and traded to its highest level since October 30. US cotton export sales for the week ending January 11 came in at 437,647 bales (current and new crop combined), up from 284,478 the previous week and the highest since November 2. Cumulative sales for 2023/24 have reached 9.306 million bales, up from 9.068 million a year ago but below the five-year average of 11.046 million for this point in the marketing year. Sales have recently crossed above year-ago levels for the first time this marketing year.

Shipments are also strong, reaching 257,695 bales last week, the highest weekly total since June 29. Shipments have been running above 200,000 bales per week for the past five weeks and have been above year-ago and five-year average levels for several weeks. The largest buyer last week was China at 227,708 bales, followed by Vietnam at 38,914. China has the most commitments for 2023/24 at 3.762 million bales, followed by Pakistan at 1.380 million. Last Friday's Commitments of Traders report showed managed money traders were net buyers of 4,856 contracts of cotton for the week ending January 16, reducing their net short to 2,016.

The buying trend is short-term positive, while the weather outlook is mixed. West Texas could receive some rain in the coming week, which could help recharge some areas that are still abnormally dry. The Delta is too wet. Australia, especially Queensland, is expected to receive significant rain this week due to the latest cyclone, but Argentina is not expected to get much rain for a while, which could lead to crop stress. The S&P 500 reached new all-time highs last week and saw further gains this week which are supportive to cotton.

SUGAR:

Czarnikow is forecasting Mexico's 2023/24 sugar production to come at 4.7 million tonnes, down 15% from 2022/23 and their lowest in 10 years. They are blaming poor cane development this year due to insufficient rain as well as poor yields during processing. Mexico is the largest source of US sugar imports, with the USDA projecting 836,000 metric tonnes to be shipped to the US during the 2023/24 season. This suggests that Mexico will have to import from Central America to fulfill its export quota to the US. Last year they imported heavily from India, but India's drop in production this year is expected to keep them out of the export market.

India's 2023/24 production was 7% behind the previous season's pace as of last Monday. Another cyclone is expected to hit Australian cane-growing areas this week after a previous one brought flooding to some areas. Traders are expressing concern that the dry weather in Brazil will hurt upcoming cane production. Friday's Commitments of Traders showed managed money traders were net sellers of 1,104 contracts of sugar for the week ending January 16, reducing their net long to 14,788. This was their smallest net long since September 2022 and was practically flat when compared to the record of 286,000 from 2016. As recently as November 7, these traders were net long 200,824 contracts. This suggests there is more room for fund buying.

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