ADM Investor Services, Inc.

Weekly Futures Market Summary

March 18, 2024 **by the ADMIS Research Team**

BONDS:

The Treasury markets have maintained a tight coiling price pattern as Bonds and Notes are finding mild pressure early this week. With significant market events later in the week, there may be little motivation for a sizable move in prices. Global equity markets found a positive tone following better than expected Chinese economic data, and that could weigh on Treasuries. While the CME's Fed Watch tool is projecting only a 1% chance for a rate cut at Wednesday's FOMC meeting, the Fed's quarterly economic projections will provide clues on upcoming policy moves.

If The Fed pulls back on their December projection of 75 basis points in rate cuts this year, it could send Treasury prices well below their mid-February lows. The March 12th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net long 4,568 contracts after decreasing their long position by 7,296 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders reduced their net short position by 105,475 contracts to a net short 500,433 contracts.

CURRENCIES:

The Dollar has kept within a tight range for a second session in a row early Monday ahead of the FOMC meeting notes on Wednesday. The prospect of a rate cut at Wednesday's FOMC meeting has fallen to just 1%, and there is an increasing chance that the Fed may adjust their December projection of cutting 75 basis points this year down to only 50 basis points. Recent US economic data has produced mixed results, but the mild uptick with the latest inflation readings may become the front and center issue for Fed members at this week's meeting.

The US economic calendar will be relatively light in front of the FOMC meeting, but Monday's NAHB housing market index as well as Tuesday's housing starts and building permits readings are all expected to show improvement that should underpin the Dollar early this week. The March 12th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders added 2,408 contracts to their already long position and are now net long 6,374.

The Yen fell to a 1 1/2 week low in front of Tuesday's Bank of Japan policy meeting as they have been preparing to shift its policy towards increasing rates, and this could mark a major low for the Yen. The BOJ had not raised rates since early 2007, and they have had a negative interest rate policy in place since February 2016 and a yield curve control (YCC) policy since September 2016. Japanese wage negotiations are projecting the largest increases in more than 30 years, which should give the BOJ added confidence to make a hawkish shift in policy.

The Euro has shaken off mild early pressure following an in-line Euro zone CPI reading, but further gains should be held in check in front of Wednesday's FOMC meeting. The Canadian dollar has held its ground above last Friday's low and may receive a boost from a likely uptick in Canadian IPPI later this morning. The Commitments of Traders report for the week ending March 12th showed Euro Non-Commercial & Non-Reportable traders net bought 8,914 contracts and are now net long 109,428 contracts.

STOCKS:

Global equity markets started out an eventful week with a mostly positive tone. A set of critical Chinese economic numbers were highlighted by better-than-expected readings for industrial production and retail sales. European data included an in-line reading for February Euro zone CPI. US equity markets have found their footing after their pullback late last week, although gains have been muted in front of Wednesday's FOMC meeting results.

Positive Chinese data results have soothed market concern over the strength of their economic rebound. There is a chance that the Fed's quarterly economic projections may adjust their forecast of 75 basis points of cuts in 2024 down to 50, and that may keep S&P gains in check until Wednesday. The March 12th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 149,523 contracts after net selling 24,315 contracts.

Several Dow components are financial services firms which would be impacted by the Fed pulling back on rate cuts this year. The Nasdaq has found decent early support as Tesla shares have rebounded from Friday's 11-month low while the market has shaken off Adobe's negative guidance from late last week. The Commitments of Traders report for the week ending March 12th showed mini-Dow Jones Non-Commercial & Non-Reportable traders were net long 17,809 contracts after increasing their already long position by 487 contracts. Nasdaq Mini Non-Commercial & Non-Reportable traders were net long 9,838 contracts after decreasing their long position by 2,147 contracts.

GOLD, SILVER & PLATINUM:

With several critical central bank meetings this week, gold and silver are finding mild pressure early in this week’s action. The precious metals saw mixed results on Friday as gold could not shake off mild early pressure by the close, while silver rallied to a 3 1/2 month high. A mixed tone in recent US economic data has led to uncertainty over the Fed's rate cut outlook this year. The Dollar continues to hold close to an early 1 1/2 week high, and that is weighing on precious metals prices. The PGM metals have found little benefit from strong Chinese economic data as both are under early pressure this week.

The March 12th Commitments of Traders report showed Gold Managed Money traders are net long 159,560 contracts after net buying 28,500 contracts. This is their most bullish position since March 2022. Non-Commercial & Non-Reportable traders were net long 236,988 contracts after increasing their already long position by 15,362 contracts. Silver Managed Money traders are net long 26,661 contracts after net buying 11,131 contracts, their largest net long since July 2023. Non-Commercial & Non-Reportable traders are net long 54,421 contracts after net buying 10,045 contracts. Platinum Managed Money traders are net short 2,453 contracts after net buying 17,595 contracts. Palladium Managed Money traders were net short 10,436 contracts after decreasing their short position by 1,897 contracts.

COPPER:

Copper prices are starting out under mild early pressure after rising 4.9% from Wednesday through Friday, hitting a 12 1/2 month high, as the market is starting to reflect tight near-term global supplies. LME copper stocks have only had six daily builds over the previous 55 readings and have fallen to their lowest levels since early September. Expectations of a Chinese economic rebound has provided support to copper recently. While the latest Chinese industrial production reading was higher than expected, that has been offset by a sharp increase in Shanghai exchange copper stocks over the past four weeks.

Shanghai deliverable copper stocks reached 286,395, their highest since April 2020. On the other hand, last week's news that Chinese smelters are cutting their production capacity continues to underpin copper prices. The March 12th Commitments of Traders report showed Copper Managed Money traders went from a net short to a net long position of 8,546 contracts after net buying 17,144 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 6,842 contracts after net buying 11,273 contracts.

ENERGY COMPLEX:

Crude oil prices have built onto last week's 4% rally and traded up to their highest level since October. Stronger than expected Chinese factory output data provided early support. There are supply-side concerns with more Ukrainian drone attacks on Russian infrastructure over the weekend. Vladimir Putin won the Russian election over the weekend and vowed to retaliate against Ukraine for the continued drone attacks on key infrastructure. By some accounts, as much as 7% of Russian refining capacity has been idled during the first quarter.

The geopolitical risk premium is being intensified by reports that Israel's Prime Minister Netanyahu will proceed with plans to invade Rafah, which delays any near-term resolution to the conflict. There were more attacks on shipping near Yemen over the weekend after a Houthi leader warned that they would continue with the attacks during Ramadan. Some lingering support may be coming from last week's IEA and OPEC reports showing an improved demand outlook for crude oil.

The spread between Brent December 2024 and December 2025 futures continues to rise, increasing backwardation, which can indicate oil may see further gains suggesting tighter second quarter conditions. Crude Oil positioning in the Commitments of Traders for the week ending March 12th showed Managed Money traders were net long 169,893 contracts after decreasing their long position by 14,067 contracts. Non-commercial and non-reportable traders reduced their net long position by 8,380 contracts to a net long 280,187 contracts.

A strong early showing in crude oil, fresh geopolitical concerns and a supportive outside market tone provide initial support. As a result, May RBOB gasoline prices cleared the October swing high and rallied into new contract high territory. Reports out of China over the weekend show an uptick in gasoline demand over the Lunar New Year as refiners processed a record amount of crude oil. There were also reports that over 370,000 barrels per day of Russian refinery capacity is offline due to drone attacks. Although US refinery utilization has risen more than 5% over the past two weeks to 86.8%, it is still below last year's 88.2% and well below the 92% level seen earlier this year. North American driving demand should see a mild uptick over the next few weeks as we approach the Easter holiday weekend at month-end.

Gas (RBOB) positioning in the Commitments of Traders for the week ending March 12th showed Managed Money traders were net long 66,769 contracts after increasing their already long position by 6,735 contracts. This represents a new six-week high. Non-commercial & non-reportable traders net bought 4,521 contracts and are now net long 71,663 contracts. Heating Oil Managed Money traders reduced their net long position by 6,015 contracts to a net long 10,937 contracts, a new nine-month low. Non-commercial & non-reportable traders net sold 3,662 contracts and are now net long 32,040 contracts.

Natural gas prices climbed higher early this week with the May contract approaching last week's high at $1.961. Unseasonably warm temperatures across the US have diminished heating and power plant demand during the final weeks of the North American winter heating season. US dry gas production is barely above the 100 bcf per day level and well below its record highs, due in large part to US gas storage running 37% above the 5-year average. Although there may be a mild uptick in Chinese LNG import demand, US LNG continue to hold just above the 13 bcf per day level. The Commitments of Traders report for the week ending March 12th showed Natural Gas Managed Money traders were net short 98,042 contracts after decreasing their short position by 8,666 contracts. Non-commercial & non-reportable traders reduced their net short position by 28,010 contracts to a net short 70,755 contracts.

BEANS:

With 9 trading sessions left before the March Quarterly Stocks and Acreage Intentions report, weather will be the major focus for traders this week. Rains in southern Brazil are not ideal with harvest ongoing, but more importantly, after a dry week this week, rains are forecast for the central Midwest, including Iowa, by early next week. Subsoil moisture improvement is needed before spring planting.

Brazil soy premiums sagged last week as harvest moved forward. Overall Brazil harvest is expected between 62 and 65% complete and Mato Grosso is nearly finished at 96% complete. Safras lowered their Brazil production estimate to 148.6 million tonnes, down from 149.076 million last month. USDA stands at 156 million tonnes. NOPA crush came in at a whopping 186.194 million bushels, well above the average guess of 178.06 million and easily the highest February reading of all time.

Bean oil stocks were 1.690 billion pounds, above the 1.590 billion pre-report estimate. The extra leap day in February and mild weather helped crush outperform expectations. May bean oil seeing its highest close since December 20th. China announced a bean auction this week to rotate reserve stocks. The weekly chart saw its 3rd higher weekly close in a row after seeing lower weekly closes for 12 of 13 weeks prior to the last week of February.

This week will be mainly about the weather and traders beginning to position for the important end of the month quarterly stocks and acreage intentions report. Heavy hedge-related selling seen on Thursday's rally last week could resume if prices move back over 1210 on May. If Midwest showers in the 6 to 10 day timeframe verify, rallies will be tough to extend beyond last week's high.

Soybeans positioning in the Commitments of Traders for the week ending March 12th showed Managed Money traders net bought 16,862 contracts and are now net short 155,137 contracts. CIT traders are net long 121,435 contracts after net buying 5,414 contracts. Non-Commercial No CIT traders are net short 179,963 contracts after net buying 14,654 contracts. Non-Commercial & Non-Reportable traders are net short 185,178 contracts after net buying 20,316 contracts.

The March 12th Commitments of Traders report showed Soyoil Managed Money traders net bought 29,063 contracts and are now net short 33,410 contracts. CIT traders added 2,275 contracts to their already long position and are now net long 132,530. Non-Commercial No CIT traders are net short 74,630 contracts after net buying 12,006 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 20,423 contracts to a net short 32,278 contracts.

The Commitments of Traders report for the week ending March 12th showed Soymeal Managed Money traders were net short 50,935 contracts after increasing their already short position by 1,409 contracts. CIT traders net sold 98 contracts and are now net long 76,798 contracts. Non-Commercial No CIT traders added 1,047 contracts to their already short position and are now net short 70,825. Non-Commercial & Non-Reportable traders reduced their net short position by 2,338 contracts to a net short 41,665 contracts.

CORN:

Brazil rains are on tap late this week and that may offer a bearish headwind to offset the positive technical picture. In addition, rains for the dry areas of the central Midwest are forecast for this coming weekend, including Iowa. Midwest temperatures for the next 2 weeks are expected to be below normal, which will limit early planting ideas. China's February imports of corn were 2.6 million tonnes, down 15.7% year-over-year. Ukraine's farm ministry forecast corn planted area to fall to 3.863 May and hectors, down from 4.043 million last season.

The 4.5% drop is less than their February forecast which called for a drop of 9%. Safrinha corn in Mato Grosso is 98% planted and weather is increasingly important there. Significant fund short covering was the theme last week as Managed Money dropped 41,000 contracts and now stand at 256,000 contracts short as of last Tuesday. US and Argentine corn are near parity, and we expect good exports again this week. The late February low on May corn was an important low in our opinion, but it will likely take a renewed weather issue to sustain any strength above 450, beyond a minor short covering rally. Pullbacks below 432 are expected to find good support.

The Commitments of Traders report for the week ending March 12th showed Corn Managed Money traders reduced their net short position by 40,867 contracts to a net short 255,928 contracts. CIT traders added 6,562 contracts to their already long position and are now net long 286,471. Non-Commercial No CIT traders were net short 271,833 contracts after decreasing their short position by 33,585 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 47,119 contracts to a net short 213,850 contracts.

WHEAT:

Wheat prices are finding support on the Russian attacks on the Odessa port and below normal temperatures coming into the northern Plains. Ukraine and Russia are getting more aggressive with their infrastructure attacks and the port of Odessa suffered damage to agribusiness facilities there over the weekend, but to what degree is not yet known. The EU is mulling concessions to protesting farmers and is considering a ban on Russian agriculture imports into the EU.

Recent strength in the Mexican peso is giving Mexico more buying power for US imports. Commitment of Traders data showed funds increasing their short position in Chicago by 14,000 contracts through Tuesday of last week and weakness in the 2nd half of the week likely means short positioning is even larger now. Net Managed Money shorts in Kansas City stand at 36,000 contracts.

HRW is well ahead of schedule in the southern Plains and weather watchers will be looking for any cold snap, which could send Kansas City wheat into an aggressive short covering rally. The latest forecast model updates show welcome moisture chances for the southern Plains this coming weekend, but the southwest third of the crop belt may miss out. We don't see any fundamental reason for anything more than a short covering bounce this week unless rain chances for this coming weekend begin to fade.

Wheat positioning in the Commitments of Traders for the week ending March 12th showed Managed Money traders were net short 78,870 contracts after increasing their already short position by 13,331 contracts. CIT traders are net long 107,138 contracts after net selling 3,522 contracts. Non-Commercial No CIT traders were net short 101,726 contracts after increasing their already short position by 13,351 contracts. Non-Commercial & Non-Reportable traders are net short 57,911 contracts after net selling 9,260 contracts.

The March 12th Commitments of Traders report showed KC Wheat Managed Money traders net bought 5,339 contracts and are now net short 35,547 contracts. CIT traders are net long 71,789 contracts after net buying 6,882 contracts. Non-Commercial No CIT traders are net short 49,295 contracts after net buying 1,392 contracts. Non-Commercial & Non-Reportable traders were net short 27,733 contracts after decreasing their short position by 3,893 contracts.

HOGS:

With April hogs sharp rally on Friday, the 3 1/2 month uptrend has resumed and the path of least resistance looks higher. Pork cutout is the highest it's been since early October. A stronger seasonal price trend is typically seen into summer and that may provide underlying support on breaks. The CME Lean Hog Index as of March 13 was 82.19, up from 82.02 the previous session and 81.48 the previous week. The USDA estimated hog slaughter came in at 444,000 head Friday and 137,000 head for Saturday. This brought the total for last week to 2.479 million head, up from 2.456 million the previous week but down from 2.492 million a year ago.

The USDA pork cutout, released after the close Friday, came in at $92.51, up 39 cents from Thursday and up from $90.74 the previous week. Estimated US pork production last week was 534.7 million pounds, up from 530.3 million the previous week but down from 541.6 million a year ago. China's national average spot pig price as of March 18 was up 0.96% from the previous day. For the week prices are up 0.96%, up 4.17% for the month and up 2.43% year to date and down 3.60% versus a year ago. Dalian live hog futures as of March 18 were up 2.3% from the previous day. For the week prices are up 2.3% and up 5.19% for the month and up 4.03% year to date

CATTLE:

After the significant reversal lower last Thursday, it is a bit surprising cattle prices did not follow through to the downside Friday, but stronger cash trade supported the market. The month-long consolidation remains intact and important moving average support stands at 185.45 on April. The sideways/higher trend is still in place. The USDA estimated cattle slaughter came in at 113,000 head Friday and 15,000 head for Saturday. This brought the total for last week to 601,000 head, up from 583,000 the previous week but down from 628,384 a year ago.

The estimated average dressed cattle weight last week was 836 pounds, up from 832 the previous week and 822 a year ago. The 5-year average weight for that week is 824 pounds. Estimated beef production last week was 501.4 million pounds, down from 515.7 million a year ago. The USDA boxed beef cutout was up 74 cents at mid-session Friday and closed $1.12 higher at $311.90. This was up from $307.04 the previous week and was the highest it had been since September 8, 2023. Cash live cattle traded in heavy volume on Friday.

The five-area weighted average price last week was $187.20, up from $185.09 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,947 contracts of cattle for the week ending March 12, increasing their net long to 63,311. This is their largest net long since October but still well below the 117,000-plus from last July. This indicates there is more buying fuel for the funds if they are interested.

COCOA:

Cocoa prices continue to reach unprecedented heights, as tight supply and forecast for large global production deficits have sparked panic buying. May cocoa gapped higher Monday morning and traded to another new all-time high, just short of $8,500. Reports that West African farmers are starting to hoard cocoa beans has compounded an already tight supply situation in the region. Several processing plants in Ivory Coast and Ghana have had to shut down operations due to a lack of beans to crush.

As of March 10, Ivory Coast cocoa deliveries were running 30% behind year ago. There are concerns that producers may be unable to fulfill some contracts. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,713 contracts of cocoa for the week ending March 12, increasing their net long to 33,678. This is the first increase since January, which shows funds are starting to get interested again after being in a liquidation mode. Back on January 23 they were net long 70,661, so they are far from overbought.

COFFEE:

May coffee is higher this morning but is trading inside Friday's range. Dry weather this year in Brazil's key coffee growing region has provided underlying support for the coffee market, but this has been limited by forecasts for a large global surplus next year and a steady increase in ICE exchange stocks. Last week, Rabobank forecast a global coffee surplus of 4.5 million bags for 2024/25, up from a surplus of 500,000 bags for 2023/24. On Friday, Marex Group called for a 6.6 million-bag surplus.

There are also concerns about European imports being hit by shipping disruptions in the Red Sea, which could lead to a buildup of supply at origin. Last week there were also reports of Brazilian farmers getting a slow start in pricing their upcoming crop. Safras & Mercado said farmers had only priced 14% of the new Arabica crop as of March 12 versus 25% historically. In contrast, robusta supplies in top producer Vietnam remain very tight, and traders are said to be anticipating a downward revision of 2-3% in their 2023/24 crop forecast.

ICE exchange stocks increased by 20,853 bags on Friday to 488,678, up from 467,825 on Thursday and the highest in at least six months. This is up from a 24-year low of 244,066 bags in November. There are 154,630 pending review. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,707 contracts of coffee for the week ending March 12, increasing their net long to 47,069. This is in the vicinity of the all-time high of 60,133.

COTTON:

The cotton market could be headed for more consolidation, as traders will be reluctant to push the market too much lower ahead of spring planting. The market's focus could soon shift to the upcoming USDA Prospective Plantings report due out next Thursday, March 28. The USDA Outlook Forum in February forecast 2024/25 plantings at 11.0 million acres versus 10.23 million last year and 13.75 million the year before that. 11.0 million planted would be the second smallest since 2016/17. Last year's harvested acreage was only 7.06 million, which was the lowest on record going back to 1960/61.

Soil moisture conditions are much better than a year ago, which improves the chances for heavier plantings, and the market has done a pretty good job of bidding for acres this winter. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,201 contracts of cotton for the week ending March 12, reducing their net long to 93,160. This is still in the vicinity of the record net long of 108,000, which leaves the market vulnerable to heavy selling if support levels are violated.

SUGAR:

May sugar pushed above the 50-day moving average Monday morning, which keeps the uptrend off the March low intact. Analysts have been lowering their forecasts for Brazil's upcoming (2024/25) sugar production due to dry conditions since late last year. Brazil's Center-South production for the current (2023/24) crop is about 26% ahead of last year. New-crop harvest is expected to begin late this month or early next. Fitch Solutions said on Friday that prices are being supported by reports of decreased sugar cane plantings in key Indian states as well as the anticipated reduction in output from Brazil.

Reports of improving Brazilian demand for ethanol could also draw cane crushing away from sugar production. Crude oil prices reaching their highest level in four months last week is supportive. Friday's Commitments of Traders report showed managed money traders were net buyers of 6,626 contracts of sugar for the week ending March 12, increasing their net long to 52,171. This is well below the 200,000-plus net long these traders held for most of 2023, which means the market is far from overbought. The buying trend is short-term positive.

>>Questions? Please contact us at + 1 877 690 7303 or via email at sales@admis.com for comments on this report or would like more information about our ADMIS research reports.

Follow ADMIS on Social Media