ADM Investor Services, Inc.

Weekly Futures Market Summary

May 6, 2024 **by the ADMIS Research Team**

BONDS:

With a major range up explosion in treasury prices last Friday, it is clear the much lower than expected nonfarm payroll gain convinced even more traders that the Fed was not leaning in favor of hiking rates. Furthermore, bonds were supported by some minimal relief on hourly wage pressure, but it could take additional signs of slowing and signs of softer inflation to bring June bonds above downtrend channel resistance of 117-17. Obviously, the path of least resistance in treasury prices remains up early this week with the recovery off the April spike low reaching 3 1/2 points in bonds.

In retrospect, the trade saw a subtle shift (softening) in US inflation and jobs and in turn the trade has embraced the idea of only two rate cuts this year! However, the CME Fed Watch tool does not expect a greater than 50% chance of a rate cut in any of the remaining Fed meetings this year. The US treasury markets should be supported from ECB commentary indicating the case for rate cuts are accumulating with the latest ECB member predicting three rate cuts before the end of the year. However, the US did create 175,000 jobs in April and the March reading was revised higher to a very 315,000! The bull camp was also fueled by a softer than expected average hourly earnings which some traders saw as a softer inflation signal.

This week the markets will see a wave of US refunding auctions starting with T-bill auctions today, a three year note auction tomorrow, a 10 year note auction on Wednesday, and a 30-year bond auction on Thursday. The Commitments of Traders report for the week ending April 30th showed Bonds Non-Commercial & Non-Reportable traders added 643 contracts to their already long position and are now net long 15,728. T-Notes positioning showed Non-Commercial & Non-Reportable traders were net short 512,115 contracts after decreasing their short position by 15,722 contracts.

CURRENCIES:

The dollar index last week posted a massive three day high to low slide of nearly two full points after markets saw a tempering of US rate "hike" prospects from Fed dialogue. However, the US inflation threat remains in place but temporarily tamped down thereby allowing the bear camp to pressure the dollar perhaps down to the 104.00 level in the June contract. A minimal support for the dollar and pressure for the euro came from an ECB official who suggested there could be 3 rate cuts this year.
Apparently, the currency trade thinks the ECB is more likely to cut rates sooner than the US Fed and expects the ECB to cut rates more than the US Fed this year. Despite the interest rate differential edge, the dollar has suffered significant damage on its charts and we get the sense that the trade is set to overemphasize the prospect of rate cut hopes from the softer than expected US payroll reading last Friday.

On the other hand, in addition to the softer than expected headline reading, US wage gains were softer than expected and the dollar failed at several key support levels potentially fueling an overreaction on the downside last Friday. With the April 30th Commitments of Traders report showing the Dollar Non-Commercial & Non-Reportable traders net long 2,165 contracts, and the dollar from the COT report into the low Friday 170 points lower the dollar was oversold. Furthermore, the dollar aggressively rejected the major spike down failure in a sign that prices below 105.00 are seen as value.

As indicated already, we are surprised in the bullish action in the euro given ongoing central bank suggestions of three European rate cuts this year. However, the dollar saw a significant deflating from a softer than expected jobs report as that prompted waves of technically based stop loss selling in the dollar, which in turn provided spillover buying to the euro. Euro positioning in the Commitments of Traders for the week ending April 30th showed Non-Commercial & Non-Reportable traders are net long 6,492 contracts after net buying 4,808 contracts.

Obviously, the path of least resistance has shifted up in the pound with Friday's upside breakout followed by trade mostly in positive territory early this week. Apparently, the trade expects this week's BOE meeting to be supportive of the Pound, with the pound managing to discount a significant defeat four ruling conservatives in local elections. While the Canadian dollar initially benefited from the softer than expected US payrolls and renewed US rate cut hopes, the currency reversed course, traded 50 points below the Friday high this morning despite a 10 month high in Canadian services PMI last Friday.

STOCKS:

With a higher high for the move last Friday, the stock market has shifted sentiment from short covering to outright buying. In retrospect, the market sentiment improves with selective reasoning as widespread fears of a loss of Apple's Chinese market share and earnings at deflated levels, and because of the largest ever stock buyback program ever for Apple shares. While we think the significant upside market reaction to a tempering of US rate hike prospects is questionable, the jobs data Friday increases the chance that the Fed is solidly on hold for the near-term.
Global equity markets were higher at the start of this week except for the markets in Japan and Russia.

Apparently, global equity markets are not unnerved by talk of an impending Israeli offensive and news that Russia is practicing the deployment of tactical nuclear weapons! However, the Apple stock buyback and fresh rate cut hopes have the market's attention. With a higher high at the start of this week, very optimistic Apple AI news, the historic Apple share buyback, and a Goldilocks US payroll report, the bull camp has the upper hand again. However, given the S&P traded 120 points above the level where the S&P spec and fund long likely reached the higher level since April 2022, the market is becoming overbought from one classic technical indicator. The Commitments of Traders report for the week ending April 30th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net long 118,663 contracts after net selling 38,325 contracts.

Clearly the Dow Jones is being lifted by Apple shares with the company displaying very lofty AI return potential last week and promising to reduce costs significantly in the pursuit of AI revenues. Obviously, the Dow Jones is also garnering lift from newfound rate cut hopes even if those hopes are in our opinion exaggerated. However, the Dow Jones could post relatively stronger gains than other sectors of the market given its notable liquidation/correction of the net spec and fund long positioning to the lowest level this year.

The April 30th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net long 6,636 contracts after decreasing their long position by 1,091 contracts. With AI optimism back in a front row seat, hope of lower US interest rates and optimism from Apple still echoing in the markets, the path of least resistance is up in the NASDAQ with near-term targeting this week seen at 18,160. Nasdaq Mini positioning in the Commitments of Traders for the week ending April 30th showed Non-Commercial & Non-Reportable traders are net long 15,083 contracts after net selling 2,798 contracts.

GOLD, SILVER & PLATINUM:

With relative calm in the Middle East apparently poised to end soon with an Israeli attack of the southern Gaza city of Rafah, it is not surprising to see gold and silver leap higher to start the new week. While news coverage of the markets suggests gold is rising off US rate cut hopes for later this year, we suspect rate cut hopes are a minimal portion of the fuel for this week's early gains. Classic demand signals were present with the Perth Mint April gold sales doubled from March sales while silver sales declined to their lowest level since December. Unfortunately for the bull camp, strong Perth Mint gold sales were offset by an outflow from gold ETF holdings of 110,591 ounces on Friday and a total outflow last week of 409,098 ounces.

Furthermore, silver ETF holdings last week declined by 6.16 million ounces leaving gold and silver holdings down 5.6% and 1% year-to-date respectively. Another flight to quality injection early this week came from Russia where Putin ordered the Russian military to practice tactical nuclear weapon scenarios! However, the action in gold last week should discourage the bull camp as the trade was presented with favorable global gold demand readings from the World Gold Council and prices did not initially benefit. However, given the potential for support from outside market impacts and a looming offensive by Israel, traders should avoid sell orders below $2,370 in June gold and silver traders should avoid sell orders in silver below $27.90.

With June gold into the close Friday trading $32 above the level where the most recent COT report was measured, the net spec and fund in gold remains burdensome and near the highest levels in two years! The April 30th Commitments of Traders report showed Gold Managed Money traders are net long 167,139 contracts after net selling 9,018 contracts. Non-Commercial & non-reportable traders are net long 253,846 contracts after net buying 1,240 contracts. Similarly, the silver net spec and fund long remains burdensome at the largest level in 26 months. Silver positioning in the Commitments of Traders for the week ending April 30th showed Managed Money traders are net long 33,760 contracts after net selling 6,195 contracts. Non-Commercial & non-reportable traders reduced their net long position by 4,088 contracts to a net long 70,781 contracts.

The Commitments of Traders report for the week ending April 30th showed Platinum Managed Money traders are net short 3,808 contracts after net buying 993 contracts. Non-Commercial & non-reportable traders were net long 14,187 contracts after decreasing their long position by 1,486 contracts. The Commitments of Traders report for the week ending April 30th showed Palladium Managed Money traders are net short 11,845 contracts after net selling 2,137 contracts. Non-Commercial & non-reportable traders net sold 1,612 contracts and are now net short 10,742 contracts.

COPPER:

With the reversal/recovery on Friday extended aggressively at the start of this week, the copper trade has found renewed vigor and could test contract highs later this week. Apparently, Chinese treatment charges have increased but remain "negative" which seems to imply the reduced smelting capacity in China will remain off-line for now. Reports from China suggest Chinese smelters are turning to local scrap copper which have seen a significant increases in supply in the wake of this year's dramatic appreciation in LME and international prices. In fact, the explosion in global prices is thought to be drawing out Chinese refined copper exports. Last week the trade estimated Chinese smelters could export 50,000 tonnes of copper this month.

With July copper Monday morning nearly 7 cents above the level where the last COT report posted the largest long since February 2021, the market is obviously seriously overextended technically. The Commitments of Traders report for the week ending April 30th showed Copper Managed Money traders reduced their net long position by 2,907 contracts to a net long 64,303 contracts. Non-Commercial & non-reportable traders added 2,924 contracts to their already long position and are now net long 66,138. However, the trade is backing up the bullish speculative positioning with Goldman Sachs raising their price projections from $10,000 to $12,000 last week, and other analysts indicating copper may be rushing to price in longer-term shortages and not necessarily near-term Chinese demand.

ENERGY COMPLEX:

Despite the large slide in prices over the last week, many global oil exporters have raised June prices to customers. Saudi hikes are typically the most important price signal, but several other Middle East exporters and the Brazilian national oil company have raised prices for June delivery. With the crude oil net spec and fund long positioning already modest before last week's $6.00 washout, the crude oil market should see stop loss selling slow or halt. In fact, with international aid agencies preparing for an Israeli attack of a southern Gaza city, the dollar falling aggressively at the end of last week, and June crude oil reaching what has been a notable consolidation support level at $78.00 in the past, the risk to fresh shorts has increased.

On the other hand, talk of supply tightness has been punctured severely by news that US Gulf Coast crude supplies have reached a one-year high especially with weekly EIA and API crude oil inventories jumping dramatically last week. Certainly, strong US crude oil exports from earlier this year could resurface if the dollar continues lower, but in the near-term US domestic supply issues are likely to favor the bear camp. In a minimally but widely anticipated development, OPEC+ is expected to extend their production restraint agreement next month, but that supportive storyline is partially undermined by Iraq and Kazakhstan plans to compensate the cartel for overproduction.

In other words, production restraint could become less supportive of prices next month. As indicated already, the net spec and fund long position in crude oil prior to last week's washout was near the middle of the last 18 months positioning range and therefore the market should become progressively less vulnerable to waves of stop loss selling. The Commitments of Traders report for the week ending April 30th showed Crude Oil Managed Money traders are net long 172,689 contracts after net selling 6,957 contracts. Non-Commercial & non-reportable traders are net long 321,082 contracts after net selling 1,196 contracts.

With a wild two-sided range on Friday culminating with a very poor close and little in the way of solid support until $2.50, the gasoline market remains vulnerable to more aggressive selling. In fact, recent US high frequency gasoline demand indicators showed disappointing gasoline consumption is likely unfolding because of the 20% rise in retail pump prices since January. Furthermore, the last COT positioning report in gasoline showed a net spec and fund long in the upper quarter of the spec positioning range of the last three years. However, since the last COT positioning report was measured, gasoline prices fell $0.14 which will probably result in less aggressive declines.

The April 30th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 67,786 contracts after decreasing their long position by 5,176 contracts. Non-Commercial & non-reportable traders net sold 5,671 contracts and are now net long 79,584 contracts. Fortunately for the bull camp, northern hemisphere seasonal demand should be on the rise, US refinery operating activity last week posted the lowest reading in eight weeks and implied gasoline demand has been falling despite what should be typical expansion of seasonal activity patterns. Heating Oil positioning in the Commitments of Traders for the week ending April 30th showed Managed Money traders went from a net long to a net short position of 1,641 contracts after net selling 5,001 contracts. Non-Commercial & non-reportable traders net sold 6,430 contracts and are now net long 16,695 contracts.

Clearly, last week's talk of lower US production combined with warmer northern hemisphere temperatures and expanded US LNG export activity provided some spark for last Friday's impressive rally. In fact, a major US gas exporter (Cheniere Energy) saw profits rise on its export volumes, which is a clear break with their flows over the last several years. Perhaps the trade is also benefiting from long-term production reduction views after the US oil and gas rig count fell to the lowest level since January 2022 at the end of last week.

It should be noted the net spec and fund short at the end of last month was the largest net spec and fund short since the end of February 2020 (the zenith of the initial panic liquidation from Covid) with the market at times trading $0.08 lower than where the report was measured. The Commitments of Traders report for the week ending April 30th showed Natural Gas Managed Money traders were net short 103,768 contracts after increasing their already short position by 15,377 contracts. Non-Commercial & non-reportable traders are net short 133,459 contracts after net selling 17,549 contracts. Therefore, a large portion of the rallies last Thursday and Friday were likely exaggerated by short covering.

BEANS:

Media reports of the dire situation in Rio Grande do Sul due to the severe flooding, the worst in 83 years, are keeping the focus on the overall uncertainty over the size of the South American crops, which favors the bull camp. Prior to the flooding, Rio Grande do Sul was on track to be the second-largest bean producing state in Brazil. Frost in Argentina last Friday also adds another unknown for traders to think about as the growing season may have ended early for some immature beans.

In the US, rains are moving through southern parts of the Eastern corn belt this morning and more is expected over the next 5 days in the central and eastern corn belt, with the heaviest in Kentucky and Tennessee. The 6 to 10 day forecast shows below normal precipitation for the central corn belt which should restart planting efforts in earnest. The 1st couple weeks of May typically see the most significant planting progress of the spring. US soybean seeding is expected in a range of 30 to 34% in Monday afternoon's progress report.

Brazilian farm co-op, Cotrisal, in the Rio Grande do Sul region estimated 4-5 million tonnes of beans are at risk. They estimate the crop at around 19 to 20 million tonnes, down from CONAB at 22 million. Additional rains are forecast for the southern Brazil area which will exacerbate the flooding later this week. Green Plains is said to be pressing the US to investigate used cooking oil imports, which have replaced some bean oil usage as feedstock for renewable diesel.

Argentine transit workers say they will go on strike Monday for 3 hours to protest and bring attention to their opposition of the labor reform bill being voted on in the Argentine Senate next week. This strike is unlikely to have the same bullish effect on meal as the oilseed and maritime workers strike last week as it does not affect crush production, only logistics. July beans had a 60-cent rally from Wednesday's low to the end of the last week and touched the 100-day moving average at 1220.

Soybeans positioning in the Commitments of Traders for the week ending April 30th showed Managed Money traders are net short 149,236 contracts after net selling 222 contracts. CIT traders net bought 3,986 contracts and are now net long 119,588 contracts. Non-Commercial No CIT traders are net short 162,072 contracts after net buying 1,951 contracts. Non-Commercial & Non-Reportable traders are net short 165,004 contracts after net buying 1,854 contracts.

The April 30th Commitments of Traders report showed Soyoil Managed Money traders net sold 17,354 contracts and are now net short 66,882 contracts. CIT traders added 5,512 contracts to their already long position and are now net long 127,640. Non-Commercial No CIT traders were net short 88,380 contracts after increasing their already short position by 20,653 contracts. Non-Commercial & Non-Reportable traders net sold 18,141 contracts and are now net short 60,091 contracts.

The Commitments of Traders report for the week ending April 30th showed Soymeal Managed Money traders net bought 23,915 contracts and are now net long 43,596 contracts. CIT traders net bought 4,816 contracts and are now net long 103,579 contracts. Non-Commercial No CIT traders went from a net short to a net long position of 6,266 contracts after net buying 19,148 contracts. Non-Commercial & Non-Reportable traders added 23,329 contracts to their already long position and are now net long 55,043.

CORN:

Corn prices had a strong technical performance last week, finally closing slightly above the upper boundary of the long sideways range. Although rains are in the forecast this week for the central and eastern corn belt, the 6 to 10 day outlook shows below normal precipitation for most of the Midwest which may offer some pressure to start the week. However, severe flooding in Rio Grande do Sul in Brazil, the 6 largest corn producing state, as well as frosts in Argentina ending the growing season early for a small part of the crop that was not yet mature, in addition to the leafhopper infestation, increases the uncertainty over South American crop size and will be supportive to pullbacks.

The CDC is warning dairy workers they may be at risk of contracting bird flu and recommend protective gear for those in close contact with cattle. Furthermore, Canada has toughened livestock import regulations and imported cattle must now have a negative bird flu test. Argentina's transit workers will go on strike today for 3 hours to protest the labor reform bill going through the Argentine Senate next week. US corn seeding is expected to be between 35% to 39% Monday afternoon. After the strong close last week, the door is open for a further technical rally to the 200-day moving average.

Corn positioning in the Commitments of Traders for the week ending April 30th showed Managed Money traders net bought 20,506 contracts and are now net short 218,040 contracts. CIT traders are net long 290,566 contracts after net buying 12,257 contracts. Non-Commercial No CIT traders were net short 230,252 contracts after decreasing their short position by 9,454 contracts. Non-Commercial & non-reportable traders are net short 184,044 contracts after net buying 15,623 contracts.

WHEAT:

Unexpected rainfall over the weekend in far Southwest Kansas resulted in some market pressure to start the week. However, the dry areas of the Black Sea region will only see very limited improvement over the next 10 days, which will keep shorts on edge. April precipitation in Southwest Russia was the lowest in 10 years. EU wheat hit a four-month high Friday, while both Chicago and KC wheat tested last week's highs. Central Oklahoma and Texas saw beneficial rains over the weekend and widespread thunderstorms are expected later today, which will relieve some HRW stress and leave roughly 25% of the crop to dry.

Commitment of Traders data showed managed Money reduced their short position by 28,000 contracts to a net short of 48,000 contracts in Chicago wheat, their smallest net short since July of last year. Friday, July Chicago rallied to within one cent of the previous week's highs today and if prices can move above 633, it would open the door for a possible run to resistance at the December 2023 high of 666, which has been the high since late August of last year. Breaks should be well supported until the Russian forecast changes.

The April 30th Commitments of Traders report showed Wheat Managed Money traders net bought 28,318 contracts and are now net short 47,866 contracts. CIT traders net bought 2,780 contracts and are now net long 119,006 contracts. Non-Commercial No CIT traders were net short 85,899 contracts after decreasing their short position by 19,909 contracts. Non-Commercial & Non-Reportable traders are net short 35,296 contracts after net buying 17,790 contracts.

The Commitments of Traders report for the week ending April 30th showed KC Wheat Managed Money traders are net short 29,610 contracts after net buying 18,598 contracts. KC Wheat CIT traders hit a new extreme long of 76,493 contracts. CIT traders are net long 76,493 contracts after net buying 3,740 contracts. Non-Commercial No CIT traders were net short 48,002 contracts after decreasing their short position by 12,380 contracts. Non-Commercial & Non-Reportable traders are net short 28,201 contracts after net buying 10,807 contracts.

HOGS:

June hog prices have already fallen 10% from the contract high in April, and the pace of selling has slowed since the big selloff on Wednesday, but Friday's Commitments of Traders report suggested there could still be a significant long liquidation threat. The report showed managed money traders were net sellers of 7,008 contracts for the week ending April 30, reducing their net long to 85,379. This data was collected prior to the collapse in prices last week, so we suspect the fund net long is currently smaller than the report indicated. Nonetheless, the net long was still in the vicinity of the record 92,731 from April 9.

The CME Lean Hog Index as of May 1 was 90.92, up from 90.60 the previous session and 90.88 the previous week. The USDA estimated hog slaughter came in at 2.406 million head last week, up from 2.379 million the previous week but down from 2.452 million a year ago. Estimated US pork production last week was 519.8 million pounds, up from 513.3 million the previous week but down from 530.5 million a year ago. The USDA pork cutout, released after the close Friday, came in at $97.50, down 10 cents from Thursday but up from $97.11 the previous week.

CATTLE:

The approach of summer grilling season should mean more active beef demand, but support for prices has been undercut by expectations for ample supply due to heavy cattle weights. The USDA estimated cattle slaughter came in at 619,000 head last week, up from 613,000 the previous week but down from 621,000 a year ago. The estimated average dressed cattle weight last week was 848 pounds, unchanged from the previous week but up from 819 a year ago. It was these heavy weights that brought beef production to an estimated 523.9 million pounds last week, up from 507.3 million a year ago. The USDA boxed beef cutout was $1.30 higher on Friday at $294.20 but down from $297.14 the previous week.

Cash live cattle were firmer last week. As of Friday afternoon, the five-day, five area weighted average price was $185.84, up from $183.99 the previous week. The bird flu story has brought in some fund selling at times, but so far, fears that it would have a meaningful impact on demand have been unfounded. Tests of ground beef come up negative for the virus in states where it was present in dairy herds. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,034 contracts of live cattle for the week ending April 30, reducing their net long to 33,620. This was down from 103,000 in September and an all-time high of 155,000 from 2019 and indicates the market is far from overbought.

COCOA:

Cocoa’s turnaround on Friday was the second recovery from a massive intra-day loss into positive territory over the past four sessions, as well as its largest daily gain since April 24th. Although the market is still 30% below the mid-April record high, cocoa prices are likely to see upside follow-through early this week. July cocoa rebounded from a 7-week low to finish Friday’s trading session with a sizable gain and a positive daily reversal. For the week, however, July cocoa finished with a massive loss of 2,449 points (down 23.1%) which was a second negative weekly result in a row following a 9-week winning streak. A key factor in cocoa's rebound came from the major US chocolate maker Hershey who reported better than expected quarterly earnings and revenues.

Although higher prices contributed to the strength of their results, Hershey also reported larger North American volume. This indicates that consumer demand has been resilient in the face of higher raw material prices which strengthened cocoa's demand outlook and helped the market to regain upside momentum. In addition, a rebound in the Euro provided cocoa with carryover support as that may provide some help to European grinders with acquiring near-term supplies. Starting today, West African growing areas have rainfall in the forecast for most days through early next week. This should benefit their late mid-crop production and next season's early main crop output and may keep further gains in check early this week.

The Commitments of Traders report for the week ending April 30th showed Cocoa Managed Money traders net sold 219 contracts and are now net long 13,725 contracts. CIT traders reduced their net long position by 2,090 contracts to a net long 16,947 contracts. Non-Commercial No CIT traders reduced their net long position by 3,333 contracts to a net long 7,281 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,142 contracts to a net long 20,716 contracts. Cocoa's managed money net long positive has reached its lowest level since early 2023, and along with 13-year lows in open interest is showing that many traders are backing away from the market.

COFFEE:

Coffee prices have been unable to find their footing during May as they continue to be pressured by bearish supply developments. With the near-term demand outlook providing little if any support, coffee is likely to remain on the defensive early this week. July coffee could not hold onto early gains as fell to a 4-week low before finishing Friday's trading with a heavy loss. For the week, July coffee finished with a loss of 23.25 cents (down 10.4%) which was a second negative weekly result in a row following coffee's 5-week winning streak.

ICE exchange coffee stocks increased by 7,142 bags on Friday to reach a new 11-month high as their buildup since the start of February reflects ample near-term supply and lukewarm demand, both of which are pressuring coffee prices early this month. Honduran coffee exports last month were 2.3% above last year's total. While Honduran 2023/24 exports are 1.7% behind last season's pace, increased shipments from Central America since the start of this year have also weighed on coffee prices.

The International Coffee Organization said that March global Arabica exports came in at 7.443 million bags which was 9.7% above last year's level. A rally in the Brazilian currency to a 3-week high helped to keep further losses in check as that eases pressure on Brazil's farmers to market their remaining support before the 2024/25 Arabica harvest reaches full speed next month.

Coffee positioning in the Commitments of Traders for the week ending April 30th showed Managed Money traders net bought 157 contracts and are now net long 68,340 contracts. CIT traders reduced their net long position by 1,855 contracts to a net long 50,652 contracts. Non-Commercial No CIT traders are net long 48,976 contracts after net selling 1,729 contracts. Non-Commercial & Non-Reportable traders were net long 75,081 contracts after decreasing their long position by 2,035 contracts.

COTTON:

An outside reversal higher in July cotton last Friday could provide the market with some support. July fell to its lowest level since November 2022 on Friday, down 27% from the contract high from February. The market seems to have has been drained of any sort of weather premium, which may be a bit risky at the start of the growing season. We may also see some choppy action ahead of Friday's monthly USDA supply/demand report, which will have the first official US and world numbers for the 2024/25 marketing year. The March USDA prospective plantings put US cotton plantings this year at 10.67 million acres, up from 10.23 million last year but down from 13.75 million two years ago. This would still be the second lowest since 2016/17.

Last week's US Drought Monitor showed 8% of US cotton production was in an area experiencing drought versus 38% a year ago and 56% two years ago, which suggests the US crop could get off to a strong start. Friday's Commitments of Traders showed managed money traders went were net sellers of 11,435 contracts of cotton for the week ending April 30, which took them from a net long position to a net short of 1,934. This was down from a net long of 96,000 in March. A report out of India said business volume was extremely low, that there is a slump in demand and that many mills are attempting to sell pre-purchased cotton.

SUGAR:

Sugar prices continue to have trouble sustaining upside momentum as they remain in the bottom portion of last Monday's trading range. With the market continuing to be weighed down bearish supply developments, sugar prices may be setting up for a downside breakout from its late April/May consolidation zone. July sugar continued to see coiling action as it shook off early losses, only to lose strength late in the day to finish Friday's trading session with a mild gain. For the week, July sugar finished with a gain of 0.19 cent (up 1.0%) which broke a 4-week losing streak.

The Brazilian currency reached a 3-week high which provided carryover support to the sugar market as that eases pressure on mills to produce sugar for export. However, a pullback in crude oil and RBOB prices put carryover pressure on the sugar market as that may weaken near-term ethanol demand. The European Commission forecast 2024/25 EU sugar beet planted area at 1.495 million hectares (up 2.3% from last season). They also expect beet yields to hold steady with last year, which should lead to a 7% increase in EU sugar production (up to 15.6 million tonnes) and a 77% increase in EU sugar exports (up to 1.1 million tonnes).

Brazil's Center-South cane growing regions have mostly dry conditions in the forecast through early next week. This should minimize any delays to harvesting and crushing and keep Center-South sugar production at relatively high output levels early this month. The Commitments of Traders report for the week ending April 30th showed Sugar Managed Money traders were net long 38 contracts after decreasing their long position by 11,626 contracts. CIT traders net bought 3,237 contracts and are now net long 166,710 contracts. Non-Commercial No CIT traders were net short 37,684 contracts after increasing their already short position by 9,659 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,682 contracts to a net long 3,848 contracts. Sugar's managed money net long is at the smallest level since mid-2022 and far below levels seen late last year.

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