ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
The Treasury bond market mostly consolidated last week with the trading range sitting just below 164-00 and to just above 165-00. The bond market held the gains despite better-than-expected Chicago purchasing managers and University of Michigan sentiment figures in a testament to the treasury markets lingering bullish psychology. Treasury prices merely coiled in a tight range early this week despite weakness in 4 of 8 country manufacturing PMI readings for July released. Furthermore, only two entities posted positive manufacturing PMI (Germany and the overall Euro zone) with one country posting an unchanged PMI which indicates July was not a stellar month for the global economy. It should be noted that expectations for US manufacturing PMI for July show only a very minimal gain of 0.3% versus June.

At least to start the trade this week, the action in equity markets looks to negatively impact Treasury prices but given upcoming US jobs data it is possible that the trading range early this week will be very narrow. Treasury bonds have seen a net spec and fund short position since March of 2020 but have seen that net short position reduced consistently since the net short high of 245,436 contracts back in January. The July 27th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 33,201 contracts to a net short 68,621 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders went from a net short to a net long position of 1,092 contracts after net buying 74,878 contracts.

CURRENCIES:
The dollar index ranged sharply lower late last week before rebounding aggressively as if week ending short covering was taking hold. However, at times last week the recovery currencies made significant gains against the dollar and that could continue this week if equities recover and the spread of the Delta variant begins to level out. The Dollar index was tracking lower early this week and with the market bouncing aggressively last Friday following last week's aggressive washout, the oversold technical condition of the market was likely alleviated.

However, we are surprised that the dollar has tracked lower over the prior 5 sessions, as the US infection count continues to rise and uncertainty for the economy from the Delta variant infections

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should have supported the dollar from a flight to quality perspective. The July 27th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 22,277 contracts after increasing their already long position by 4,428 contracts.

With the dollar off moderately to start the new week, seeing gains in the euro early was not surprising. However, the overall Euro zone and Germany posted positive manufacturing PMI data for July and that shows the European Union is generally maintaining positive traction. Euro positioning in the Commitments of Traders for the week ending July 27th showed Non-Commercial & Non-Reportable traders are net long 81,991 contracts after net selling 1,326 contracts.

While the Yen did not show definitive upward action, it should be noted that Japanese bank manufacturing PMI readings for July were one of the few July manufacturing PMI readings to post positive readings. The charts in the Swiss franc are the most definitively positive throughout the currency complex, with the Swiss also drafting support from fundamental data. In addition to a 0.7% consumer price index jump in July over year ago levels, Swiss purchasing managers jumped significantly from the prior month (71.1 versus 66.7).

The charts in the Pound were negative with last week's rally reversed aggressively and the trade below the low from Friday posted in the early going injuring the technical structure of the currency. Fortunately for the bull camp, UK manufacturing PMI for July matched expectations and matched June readings. Clearly, the Canadian dollar lost momentum from last week's significant bounce with the currency seemingly content to hold just above 80.00. On the other hand, the Canadian dollar should be supported because of upbeat Canadian growth expectations, a narrower budget deficit in the first 2 months of this year and to a lesser degree by the weakness in the US dollar.

STOCKS:
We think the equity markets were exhausted late last week and interested in taking profits ahead of a weekend following the latest US infection read above 86,000. Fortunately for the bull camp, the potential for progress on the infrastructure spending plan remains good and the last US scheduled data released from the US (Chicago purchasing managers and consumer sentiment) came in positive to provide a little macroeconomic optimism. At the start of this week, global equity markets were all higher with gains in the CSI 300 reaching up to 2.5%! While US markets have not made new all-time highs in the early going this week, the prospect of fresh all-time highs are good. Apparently, the equity markets are hopeful of progress on a $1 trillion US infrastructure spending bill but manufacturing PMI data from around the world was generally disappointing.

The path of least resistance is pointing up in the S&P early this with the market likely to post new all-time highs. However, given the markets recent reactions to US scheduled data, investors appear to be coming more sensitive to scheduled data and without a positive US PMI report, prices could fall back from early strength. In other words, the markets are beginning to display some concern for valuations without evidence that the US economy is gaining momentum instead of falling into neutral. Surprisingly, the S&P futures remain minimally net spec and fund long despite proximity to all-time highs! The Commitments of Traders report for the week ending July 27th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 90,185 contracts after increasing their already long position by 33,666 contracts.

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As in the S&P, the Dow futures sit in proximity to all-time highs to start this week. However, the net spec and fund long in the Dow futures is a mere fraction of the record net spec and fund long of 95,118 contracts. In addition to an impressive series of consolidation lows around 34,762, the Dow should be supported by upcoming corporate earnings reports. Dow Jones $5 positioning in the Commitments of Traders for the week ending July 27th showed Non-Commercial & Non-Reportable traders net bought 4,394 contracts and are now net long 4,793 contracts.

While the NASDAQ was not far off all-time highs, it is further from the highs than other measures of the market and likely set to remain off balance because of fears of further Chinese restrictions against key global tech orientated Chinese based companies. Some analysts think China is attempting to force Chinese orientated/originated companies to move back onshore and list on Chinese exchanges. However, positive tech headlines early this week leave the bull camp in control. Nasdaq Mini positioning in the Commitments of Traders for the week ending July 27th showed Non-Commercial & Non-Reportable traders were net short 17,917 contracts after increasing their already short position by 8,184 contracts.

GOLD, SILVER & PLATINUM:
Apparently, the gold and silver markets are not cheered by a sweep of global equity market gains to start the new trading week. In fact, gold and silver were tracking despite a softer dollar and higher PGM pricing! Obviously, the Chinese PMI reading is a dampening influence on all physical commodities as that confirms China's economy is struggling to maintain positive traction with domestic demand softening to a crawl. Therefore, it is a natural progression to fear a softening of Chinese gold purchases. Going forward, the gold and silver markets will have to prove they can avoid a retrenchment to start the new trading week, as the action at the end of last week probably weakened the resolve of the bull camp. In looking back to last week's news flow, the bull camp should see some residual support from the World Gold Council quarterly demand figures which showed a pickup in demand from central banks even though investment demand remained very anemic.

Last week, gold ETF holdings increased by 430,172 ounces but overall holdings remain 6% lower year-to-date. Another positive takeaway from last week's action was fresh dovish Fed dialogue leaving their commitment to low rates in place despite signs of inflation. With the dollar rebounding from a significant oversold condition at the end of last week, it is likely that the currency impact on gold and silver will become a negative influence again. Even though the net spec and fund long in gold is relatively modest, it is understated due to the rally that took place after the report was measured. The July 27th Commitments of Traders report showed Gold Managed Money traders were net long 105,811 contracts after decreasing their long position by 3,004 contracts. Non-Commercial & Non-Reportable traders are net long 237,186 contracts after net selling 6,946 contracts.

Like the gold market, the silver market will have to prove it can sustain last week's rally with the bull camp with the trade heavily reliant on big picture macroeconomic optimism. While the most recent COT positioning report understates the net spec and fund long the market should not be heavily vulnerable to stop loss selling. Silver positioning in the Commitments of Traders for the week ending July 27th showed Managed Money traders were net long 21,189 contracts after decreasing their long position by 5,058 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,840 contracts to a net long 46,282 contracts.

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While we concede to the bull track from last week's rally action, seeing US infections over 110,000 creates the potential for headwinds against the PGM markets. Apparently, the trade is not overly optimistic toward near term prices, as a Reuters poll last week predicted the average price for palladium this year to be only $2,694 and current prices are basically trading around that level! Fortunately for the bull camp, the net spec and fund long position remains relatively small relative to the last 15 months and that could serve to defuse selling in a down-trending chart set up. The Commitments of Traders report for the week ending July 27th showed Palladium Managed Money traders net sold 24 contracts and are now net long 2,518 contracts. Non-Commercial & Non-Reportable traders are net long 1,699 contracts after net buying 10 contracts.

With a very poor range down finish last week, the platinum market enters the new trading week vulnerable to follow through selling. As opposed to the palladium market which has a relatively small net spec and fund long, the platinum market holds a moderately large net spec and fund long of 19,363 contracts and in a relatively thin trade that could result in modest chart failures becoming major chart failures. With ETF holdings of 3.8 million ounces overall, seeing platinum ETF's last week shed 93,022 ounces is a sign that investors are cool toward the metal. Platinum positioning in the Commitments of Traders for the week ending July 27th showed Managed Money traders are net long 217 contracts after net selling 1,370 contracts. Non-Commercial & Non-Reportable traders net sold 1,424 contracts and are now net long 19,363 contracts.

COPPER:

Apparently, the developing supply threat in South America more than offsets a very disappointing Chinese manufacturing PMI reading for July as copper prices were tracking higher early this week. However, the bull camp should take solace from the potential strike at the world's biggest copper mine in Chile (BHP's Escondida mine) and from talk that real progress might be seen on a $1 trillion US Infrastructure bill this week. On the other hand, seeing the Chinese government announce an additional auction for 30,000 tonnes of copper for this week is a resistance thickening development. Further emboldening the bear camp are slackening Chinese copper demand expectations following soft Chinese PMI results and without a strike at the BHP facility, copper could reverse the early gains and work lower.

It should also be noted that the Chinese government is cracking down on a-number-of different import/trading entities, and therefore highflying base metals markets could be pressured aggressively if China forces importers to liquidate speculative holdings. Unfortunately for the bull camp, the latest positioning report shows a very lofty net spec and fund long. The July 27th Commitments of Traders report showed Copper Managed Money traders added 16,937 contracts to their already long position and are now net long 46,137. Non-Commercial & Non-Reportable traders net bought 15,290 contracts and are now net long 43,137 contracts.

ENERGY COMPLEX:

While the energy markets last week charged higher off improving demand views and a widespread belief in the market that a global supply deficit remains in place, oil prices early this week are under pressure despite an attack on an Israeli oil tanker. Furthermore, it should be noted that the US has promised a response against Iran because of the tanker attack. However, the markets recently were

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presented with news that OPEC plus output in July hit a 15-month high and that production is likely to be increased further in August by OPEC+. Apparently, OPEC's saw its output in July increase by 610,000 barrels per day and that supply increase is joined by the August 400,000 barrel per day increase from OPEC+. Even the demand side of the equation has shifted negative for prices with Chinese PMI data overnight disappointing and most of the manufacturing PMI data points released overnight coming in soft.

From a longer-term perspective, US rig operating counts continue to be strong even though last week's rig operating count dropped for the first time in 8 weeks. On the other hand, prior to the decline last week, the US rig operating count increased for nearly 3 consecutive months. In the meantime, prices look to temporarily correct unless there is a letdown in big picture macroeconomic psychology. Crude Oil positioning in the Commitments of Traders for the week ending July 27th showed Managed Money traders added 4,446 contracts to their already long position and are now net long 321,235. Non-Commercial & Non-Reportable traders were net long 568,842 contracts after decreasing their long position by 8,262 contracts.

The gasoline market continues to be the stellar performer throughout the energy complex with US gasoline consumption the centerpiece of the bull case. While the US implied demand readings have been improving recently, the primary force likely to drive gas prices even higher is further evidence that gasoline demand continues to outstrip supply. In other words, given the very strong US refinery activity rate (more product flow) demand must be solid or inventories would have built up over the last several weeks. It is difficult to determine what the surging US infection count will do to prices as the latest US daily reading topped 100,000, and that could spark a risk off environment.

On the other hand, it is also possible that the surging infection rate will result in more driving by those who are required to return to work and feel unsafe on public transportation. From a technical perspective, the net spec and fund long in gasoline remains very low which seems illogical given that prices are into contract high ground. Gas (RBOB) positioning in the Commitments of Traders for the week ending July 27th showed Managed Money traders were net long 46,770 contracts after increasing their already long position by 10,118 contracts. Non-Commercial & Non-Reportable traders were net long 45,287 contracts after increasing their already long position by 7,948 contracts.

The ULSD market looks to continue to follow the rest of the complex higher even though daily TSA checkpoint numbers remain around 2 million or 300,000 below 2019 levels. Nonetheless, distillate stocks and diesel stocks both maintain an annual deficit around 40 million barrels! Of the crude oil, gasoline, and diesel futures markets, the ULSD market has the least supportive fundamentals and therefore the bull camp is heavily reliant on positive outside market leadership. The July 27th Commitments of Traders report showed Heating Oil Managed Money traders are net long 37,947 contracts after net buying 6,879 contracts. Non-Commercial & Non-Reportable traders net bought 4,033 contracts and are now net long 46,065 contracts.

Even though last week's technical action showed a loss of upside momentum, the bull camp should be emboldened by a slightly hotter US temperature forecast for the Northeast out through August 15th. Natural gas prices should also be supported because of lower US natural gas production estimates from Bloomberg news, with US production as of August 1st thought to have declined by 1.6 billion cubic feet

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per day. In yet another supportive development, Chinese LNG local prices continue to surge with prices reaching above $17 per million metric BTUs. The weekly Baker Hughes oil rig count showed the first decline in overall US oil and gas drilling in 8 weeks and that should provide very minimal support to prices.

From a technical perspective, the latest COT positioning report in natural gas showed a moderately large net spec and fund short positioning and given the correction off the July high, the natural gas market could be close to technical balance heading into the new trading week. Natural Gas positioning in the Commitments of Traders for the week ending July 27th showed Managed Money traders net sold 13,508 contracts and are now net long 75,724 contracts. Non-Commercial & Non-Reportable traders are net short 98,271 contracts after net selling 9,660 contracts.

BEANS:
The seven day forecast models show almost no rain across the Midwest but the 6-10 day models show above normal temperatures but also above normal precipitation for Minnesota, Iowa, and the rest of the eastern Corn Belt. This could be crop saving rains for many producers. The Dakotas and Nebraska stay dry in the 6-10 and 8-14 day forecast models so significant losses are possible in the far Western Corn Belt.

In the last seven days, North Dakota has had almost no rain. About two thirds of Minnesota, 50% of South Dakota and 30% of Iowa received 1/4 inch or so, and these areas are vulnerable to stress given the lack of rain for the whole region for the 7-day forecast. For the far western Corn Belt, above normal temperatures and below normal precipitation look to continue through August 15.

The emergence of better than expected rains Thursday night for South Dakota helped to spark a negative tilt to the grain markets and November soybeans closed sharply lower on the session Friday. Malaysian palm oil futures were down as well and this sparked aggressive selling for soybean oil and futures were down 5.7% at the start of this week. The weather outlook for the next two weeks shows plenty of areas in the western Corn Belt which may not receive rain.

Datagro sees higher Brazil plantings for next year for the 15th year in a row with an increase of 4% to 40.57 million hectares or about 100.2 million acres. For the USDA crush report for the month of June, traders see crush at 162.1 million bushels (161.4-163.1 million range). This would be down from 173.5 million crushed in May and down from 177.3 million last year. Soy oil stocks are expected at 1.994 billion pounds, with a range of 1.970-2.015 billion.

Crops in fields that do not receive rain this coming week will likely be under stress. This is occurring in the key reproductive period for soybeans. To illustrate extreme sensitivity to yield, the USDA has an ending stocks estimate of 155 million bushels for soybeans. If yield is down 25% for the Dakotas and Minnesota and 10% in Iowa, it could result in a loss of 260 million bushels.

The July 27th Commitments of Traders report showed Soybeans managed money traders reduced their net long position by 1,823 contracts to a net long 94,051 contracts. Non-Commercial & Non-Reportable traders were net long 83,363 contracts after decreasing their long position by 9,240 contracts in just one

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week. For Soyoil, managed money traders are net long 61,262 contracts after net buying 4,115 contracts for the week. Non-Commercial & Non-Reportable traders are net long 63,473 contracts after net selling 1,411 contracts. For meal, managed money traders are net long 22,193 contracts after net buying 696 contracts. Non-Commercial & Non-Reportable traders net sold 1,014 contracts and are now net long 65,035 contracts.

CORN:

The corn market closed sharply lower on the session last Friday as better than expected rains emerged for South Dakota Thursday night. The bar is set high for the bears as record yield is needed in the US to avoid significant tightness. About two thirds of Minnesota, 50% of South Dakota and 30% of Iowa received 1/4 inch or so in the last 7 days, and these areas are vulnerable to stress given the lack of rain for the whole region for the 7-day forecast. The 6-10 day models show above normal precipitation for Iowa/Minnesota and above normal temperatures and this helped to pressure the market. For corn, the current ending stocks estimate is 1.432 billion bushels. If yield is down 25% for the Dakotas and Minnesota and 10% in Iowa, this could result in a loss of more than 1 billion bushels. December corn managed to close 2 1/4 cents higher on the week but the technical action on Friday was negative.

Low domestic supply is keeping corn prices on the rise in Brazil for five consecutive weeks. Open interest is low and traders are taking a "wait and see" attitude over the progress for the corn crop. Traders will monitor the weekly crop ratings report Monday afternoon very closely. The rally in the dollar and weakness in the stock market last Friday did not help. The July 27th Commitments of Traders report showed managed money traders were net long 228,009 contracts after increasing their already long position by 4,707 contracts for the week. Non-Commercial No CIT traders were net long 154,422 contracts after increasing their already long position by 2,860 contracts. Non-Commercial & Non-Reportable traders were net long 247,724 contracts after decreasing their long position by 9,059 contracts.

WHEAT:

Crop conditions are already poor for North Dakota and Montana, and the region has seen no rain in the last seven days and looks very dry for these two states and for the Canadian prairies for the next seven days. This could spark major abandonment and further production declines as the crop withers. September wheat experienced choppy and two-sided trade Friday as weakness in the other grains helped to pressure. December Minneapolis wheat closed moderately lower on the session but still closed sharply higher on the week. Egypt is tendering to buy wheat and traders will monitor this situation.

In addition, traders will monitor spring wheat crop conditions for release Monday afternoon. The European Commission raised its forecast of usable production to 127.7 million tonnes from 125.8 million estimated last month. That compares with 117.2 million tonnes last year. Russia's IKAR lowered their wheat production forecast to 78.5 million tonnes from 81.5 million tonnes previous. Just 20% of annual crops in the Canadian Prairie province of Alberta are rated good to excellent, with the forecast for high temperatures to hurt conditions further. The rating is well below the five-year average of 71% of crops good to excellent.

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The International Grains Council cut its monthly forecast for this year's US wheat crop to 47.5 million tonnes from the previous 51.1 million while it put Canadian wheat production at 28.5 million, down from 32.3 million last month. However, the European Union crop estimates increased and world production for wheat was revised down by just 1 million tonnes to 788 million. The July 27th Commitments of Traders report showed managed money traders net bought 6,837 contracts which moved them from a net short to a net long position of 3,067 contracts. Non-Commercial No CIT traders were net short 29,255 contracts after decreasing their short position by 3,463 contracts. For KC wheat, managed money traders are net long 31,765 contracts after net buying 4,020 contracts for the week. Non-Commercial & Non-Reportable traders net bought 916 contracts and are now net long 28,032 contracts.

HOGS:
The CME Lean Hog Index as of July 28 was 112.02, up from 111.94 the previous session but down from 112.25 the previous week. This leaves October hogs trading at a $24.00 discount to the cash market as compared with the 5-year average discount of $14.60. The outlook for increasing supply at the same time that China demand is on the decline is a bearish combination and helps to rationalize the huge discount. However, this leaves the market oversold and vulnerable to a bounce. October hogs closed sharply lower on the session Friday and the market fell sharply from Tuesday high of 94.05 to a low of 87.27. The selling pushed the market down to the lowest level since July 15. After four days down and with a discount to the cash market, the market may find some underlying support soon. However, supplies are on the rise and China demand is declining and that leaves a bearish fundamental tilt to the market.

The USDA pork cutout released after the close Friday came in at $122.64, down from $122.94 on Thursday but up from $121.02 the previous week. The USDA estimated hog slaughter came in at 439,000 head Friday and 12,000 head for Saturday. This brought the total for last week to 2.327 million head, down from 2.332 million the previous week and 2.537 million a year ago. Friday's Commitments of Traders showed managed money traders were net buyers of 8,916 contracts of lean hogs for the week ending July 27, increasing their net long to 85,980. This is historically high and leaves the market vulnerable to long liquidation selling if support levels are violated. Non-commercial & non-reportable traders were net buyers of 9,052, increasing their net long to 84,527. Estimated US pork production for the week ending July 31 came in at 487.3 million pounds, down from 488.7 the previous week and down from 533.2 a year ago.

CATTLE:
A bearish tilt to outside market forces and weakness in agricultural markets helped to pressure cattle last Friday and the outside forces may carry a more positive tilt early this week. The longer-term fundamentals look positive with declining production in the weeks and months ahead, and a still positive tilt to consumer demand for beef. Average estimated dressed cattle weights for the week ending July 31 came in at 816 pounds, up from 815 from the previous week and down from 835 a year ago. The 5-year average weekly weight for that week is 820.4. Over the last seven weeks, weights have moved sideways in a timeframe when weights normally trend higher. This is a positive force. The USDA boxed beef cutout was up $3.60 at mid-session Friday and closed $3.24 higher at $278.46. This was up from $266.63 the previous week and was the highest the cutout had been since July 9. Cash live cattle ended last week with a firm tone, roughly $0.50-$1.00 higher than the previous week.

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As of Friday afternoon, the 5-day/5-area weighted average price was 121.29, up from 120.36 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 11,271 contracts of live cattle for the week ending July 27, increasing their net long to 65,898. Non-commercial & non-reportable traders were net buyers of 10,856, increasing their net long to 77,407. Estimated beef production for the same week came in at 528.3 million pounds, down from 530 million a year ago. The USDA estimated cattle slaughter came in at 114,000 head Friday and 58,000 head for Saturday. This brought the total for last week to 649,000 head, up from 648,000 the previous week and 636,000 a year ago.

COCOA:

While cocoa was unable to avoid a second negative monthly result in a row, it finished July more than 130 points above an eleven-month low on July 20th. The near-term demand outlook is likely to remain a source of pressure over the next few weeks, but cocoa is showing more signs that a longer-term low has been put in. December cocoa was unable to shake off early pressure and dropped sharply at midsession as it finished Friday's trading session with a sizable loss. For the week, however, December cocoa finished with a gain of 58 points (up 2.4%) which broke a 2-week losing streak and was only the second positive weekly result since mid-May.

A pullback in European equity markets as well as a negative turnaround in the Eurocurrency put carryover pressure on the cocoa market as that may weigh on near-term Euro zone demand prospects. Europe accounts for more than one-third of all global cocoa processing without a domestic source of beans and while their second quarter grindings came in 13.6% above the 2020 total, that was their first year-over-year increase since the first quarter of 2019.

Rising new COVID case counts in Japan also weighed on cocoa prices as it may receive additional news attention with the Tokyo Olympics going on for another week. Asia has been the "engine" for global cocoa demand over the past few years, with Indonesia ramping up their processing capacity to become the world's third largest grindings nation. As a result, the spike in Japanese new COVID cases calls into question the outlook for Asian demand growth over the rest of this year.

Ivory Coast port arrivals have been well below last year's total over the past few weeks, so another comparatively low reading for last week may provide some supply-side support. The July 27th Commitments of Traders report showed Cocoa Managed Money traders are net short 15,565 contracts after net buying 7,265 contracts. CIT traders reduced their net long position by 2,029 contracts to a net long 21,044 contracts. Non-Commercial No CIT traders are net short 16,169 contracts after net buying 13,345 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 3,658 contracts after net buying 11,034 contracts.

COFFEE:

The more than 59 cent price range that December coffee trading within during the past 2 weeks was nearly as large as the more than 66 cent range the market traded in during the previous 2 1/2 years. Although the market is likely to see downside follow-through early this week, July's frost damage to Brazil's coffee trees should provide longer-term support to coffee prices. December coffee found early

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support, but then turned sharply to the downside as it reached a new 1-week low before finishing Friday's trading session with a heavy loss. For the week, December coffee finished with a loss of 9.50 cents (down 4.9%) which broke a 2-week winning streak and was also a negative weekly key reversal.

Although cold weather was reported over many Brazilian Arabica growing areas Thursday night and Friday morning, early indications were that widespread additional frost damage had been avoided. As a result, this helped to fuel significant profit-taking and additional long liquidation going into month-end. There were reports that 20% to 30% of Brazilian Arabica trees were impacted by the July 20th frost event, while last Thursday/Friday's cold wave was the third instance of frost conditions that occurred during July. Early forecasts have indicated that as much as 5 million bags or more of Brazil's 2022/23 "on-year" Arabica crop have been lost. This means that 2022/23 Brazilian Arabica production will almost certainly come in below their 2018/19 and 2020/21 crops, and is likely to be their lowest Arabica output since the 2014/15 season.

ICE exchange coffee stocks fell 1,998 bags on Friday and finished July at 2.174 million. That was nearly 15,000 bags below their June month-end total, and was the first monthly decline since September 2020. The Commitments of Traders report for the week ending July 27th showed Coffee Managed Money traders were net long 38,482 contracts after decreasing their long position by 865 contracts. CIT traders reduced their net long position by 6,113 contracts to a net long 65,326 contracts. Non-Commercial No CIT traders net sold 210 contracts and are now net long 32,923 contracts. Non-Commercial & Non-Reportable traders net sold 1,885 contracts and are now net long 56,710 contracts.

COTTON:

December cotton sold off sharply on Friday and closed at their lowest level since July 21. Traders were disappointed in the market's failure to follow-through on Wednesday's move to new contract highs, and some may have been anxious to take profits going into the weekend. The dollar recovered after Thursday's steep selloff, may have added to the longs' nervousness. However, the market did manage to close 4.49 higher on the month for the best performance since April. The 1-5-day forecast calls for moderate to heavy rains in west Texas, which further increases the odds for a strong crop this year. The 6-10 and 8-14 day forecasts call for normal to below normal temps in the region, with normal to below normal precipitation in the 6-10 and below normal in the 8-14. However, as we look ahead to the August USDA Crop Production and supply/demand (WASDE) reports, the lack of drought conditions in West Texas could open the door for significant production increases for the non-irrigated fields.

Last week's Crop Progress Report showed 53% of the Texas cotton crop was rated good/excellent as of July 25, up from 31% last year and above the 10-year average at 37%. The US crop overall was rated 61% good/excellent compared to year-ago and 10-year average ratings of 49%. This suggests production estimates could see significant adjustments higher. US cotton export sales have been strong, but they are not keeping pace with a normal year, and it is unlikely that the USDA will adjust demand higher to offset higher production. Friday's Commitments of Traders report showed managed mMoney traders were net buyers of 4,945 contracts of cotton for the week ending July 27, increasing their net long to 64,437. Non-commercial, no CIT traders were net buyers of 8,356, increasing their net long to 67,078. Non-commercial & non-reportable traders combined were net buyers of 9,482, increasing their net long to 99,553.

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SUGAR:
In spite of the Thursday/Friday pullback, sugar prices were able to extend their monthly winning streak to four in a row with a twelfth positive monthly result over the past 14 months. Although the market could see early downside follow-through this week, sugar should find carryover support from key outside markets and should be strength by recent bullish supply-side developments. October sugar was unable to hold onto early strength as it turned sharply to the downside and followed through on last Thursday's negative daily key reversal as it finished Friday's trading session with a sizable loss. For the week, October sugar finished with a loss of 26 ticks (down 1.4%) which broke a 2-week winning streak and was a negative key weekly reversal.

While Brazil's Center-South cane-growing regions saw cold weather Thursday night and Friday morning, early reports indicated there was little in the way extensive additional frost damage. In addition, the Brazilian currency lost more than 2% in value, and that currency weakness may encourage Brazilian mills to produce more sugar for the global export marketplace. The combination of a weaker Real and limited additional frost damage fueled sizable amounts of profit-taking and additional long liquidation going into month-end. Further losses may have been held in check by a rebound in energy prices as crude oil regained nearly $9 a barrel since July 20th while RBOB gasoline reached a new 6 1/2 year high. Strength in both energy markets should help to shore up Brazilian domestic ethanol demand, and that encourage Center-South mills to shift more of their crushing to ethanol.

This year's India monsoon rainfall was only 1% below the long-period average as of Sunday, which falls within the "normal" range which should benefit both their 2021/22 and 2022/23 cane crops. The Commitments of Traders report for the week ending July 27th showed Sugar Managed Money traders added 31,658 contracts to their already long position and are now net long 232,527. CIT traders were net long 217,145 contracts after increasing their already long position by 6,859 contracts. Non-Commercial No CIT traders were net long 169,913 contracts after increasing their already long position by 18,754 contracts. Non-Commercial & Non-Reportable traders added 37,938 contracts to their already long position and are now net long 322,596.

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