ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
The treasury markets forged significant volatile trade early this week with the bull camp and bear camps dominating prices at one point. It is possible that US treasuries benefited from what is thought to be a premature hawkish stance by the ECB. In other words, in the event central banks move to quickly to tighten policies that could result in a tripping up of the global economy which in turn would dramatically increase the chances of stagflation.

The treasury markets enter a week that should produce fireworks in both directions. Obviously, the main feature of this week's action will be the Federal Reserve meeting and policy statement Wednesday which is largely expected to produce a timeline for the beginning of tapering of US assets in the open market. Several Fed members have already suggested that jobs numbers allow the Fed to begin tapering even though the criterion laid out by the Fed initially has yet to fully materialize.

In our opinion, the Fed is feeling an inflationary threat and has decided that the asset purchases are providing only minimal assistance to the economy in its current condition and in turn that policy leaves the Fed without additional gas pedal if needed. In looking ahead to the Friday monthly payroll release, expectations call for a rather robust 425,000 jobs gain, along with expectations for increased wages and another decline in the US unemployment rate! In short, there are several bearish classic fundamental issues operating in the market, but the treasury bond market has been largely immune to typical bearish fundamentals.

The latest US CDC infection count was 86,786 (Friday, October 29th) and while that shows improvement over the numbers posted two weeks ago, the daily counts are still too high to suggest the Delta wave is going to be under definitive control anytime soon. The October 26th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 92,053 contracts after net buying 5,763 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders net sold 118,702 contracts and are now net short 440,700 contracts.

CURRENCIES:
With the dollar forging a significant range up action last Friday, the currency index looks to have come back into favor off the prospect that the ECB and other central banks might be acting premature with

respect to rate hike timing. In other words, premature central bank tightening could trip up inflation and fan stagflation. Technically the December dollar index forged a fresh high for the move at the start of this week, but quickly fell back to unchanged levels as if the bull case was unsupported.

The dollar was partially lifted by disappointing Chinese PMI data, and it might also be drafting early speculative buying off the prospect of a US tapering announcement later this week. In retrospect, the currency markets might be poised to shift their focus away from macroeconomic differentials to interest rate differentials which would also favor the dollar with its higher interest rate structure. The Commitments of Traders report for the week ending October 26th showed Dollar Non-Commercial & Non-Reportable traders are net long 41,937 contracts after net selling 785 contracts.

The euro managed to stand up to the initial strength in the US dollar this week and in the process avoided a fresh low for the move. Surprisingly, the euro was not definitively undermined because of very disappointing German retail sales for the month of September or indirectly pressured because of the soft Swiss purchasing Manager's report. The Commitments of Traders report for the week ending October 26th showed Euro Non-Commercial & Non-Reportable traders net sold 2,076 contracts and are now net long 15,909 contracts. At this point there does not appear to be technical or fundamental reasoning to suggest the 2021 slide in the euro has run its course.

While the Yen did not forge a downside breakout early this week, the charts remain negative and the fundamentals from Japan favor the downside. However, the Yen might have seen temporary cushion from a private bank manufacturing PMI report for October which came in slightly better than the prior month. Like the euro, there are not many fundamental or technical reasons to call for an end to the downward track. While the Swiss franc forged a very impressive October rally and in the process, climbed above long-term downtrend channel resistance lines, the fundamental case is lacking for a sustained drive higher now. In an early-week development, Swiss purchasing managers came in softer than the prior month and softer than expectations and that could discourage fresh buyers.

With a significant downside extension early this week, the October attempt to rally has been fully reversed and technical patterns now favor a sub 1.36 trade in the coming sessions. Apparently a slightly better-than-expected UK manufacturing PMI result for October has had little cushioning impact for the currency. While the Canadian dollar has been a stalwart performer over the past 40 trading days, the currency appears to have stalled and is vulnerable to signs of strength in the dollar. We are not prepared to project the Canadian sharply lower in the days ahead, but a retest of key lows last week at 80.59 and again down at 80.41 is possible.

STOCKS:
In our opinion, the equity markets have burned through a significant amount of positive corporate earnings and appear to be stalled at current levels. However, seeing key bellwether companies Amazon and Apple experience supply chain problems and project those supply chain problems into the end of the year certainly adds risk to those with long positions. Global equity markets early this week were mostly higher with the exceptions the markets in China which traded lower in the wake of disappointing October PMI readings. Either the markets are comfortable with the prospect of tapering from the US Federal Reserve, or a portion of the market thinks the Fed will hold off in this meeting.

In our opinion, the markets are already accepting of the beginning of tapering with the Fed going to great lengths to make it clear that tapering is not raising rates. From a technical or seasonal perspective, the turn of the calendar could provide the beginning of the month asset allocation to equities and with November kicking off the holiday shopping season, there are several bullish themes in the headlines. With a new all-time high early this week, US equity markets continue to benefit from the lack of competitive investments and from the idea that low rates will remain in place for the foreseeable future.

As indicated already, some buying looks to be seasonally orientated while others see the beginning of tapering as a sign that the worst of the financial/economic carnage is behind the markets. With a net spec and fund long addition last week of 43,854 contracts, and the E-mini-S&P posting new high this morning, we think the net spec and fund long has reached a 15-month high! E-Mini-S&P positioning in the Commitments of Traders for the week ending October 26th showed Non-Commercial & Non-Reportable traders are net long 125,358 contracts after net buying 43,854 contracts.

Like the S&P, the Dow futures also posted all-time highs in the initial trade this week which means the markets are not fearful of anemic Chinese economic activity or unnerved by the prospect of a US tapering announcement on Wednesday. Dow Jones $5 positioning in the Commitments of Traders for the week ending October 26th showed Non-Commercial & Non-Reportable traders are net long 5,200 contracts after net selling 2,988 contracts last week. Not to be left out, the NASDAQ also forged fresh all-time highs in the early going this week in a sign that last week's strength and leadership is extended into another trading week.

While headlines early this week were not significant, they favor the bull camp with the announcement of a strategic alliance between Microsoft and Sega and from news that Tesla has signed a contract for lithium batteries supply from China. As can be seen from the latest positioning report the NASDAQ should retain significant speculative buying capacity with the market early last week holding a net short. Nasdaq Mini positioning in the Commitments of Traders for the week ending October 26th showed Non-Commercial & Non-Reportable traders reduced their net short position by 3,608 contracts to a net short 7,515 contracts.

GOLD, SILVER & PLATINUM:
In looking ahead to this week's action, the bear camp in gold and silver should be licking their chops as the markets widely expect the Fed to announce the beginning of tapering of asset purchases on Wednesday. With the added pressure of a surge in the dollar from last week's lows and the recent rise in US short term interest rates, the bear camp has several themes operating in its favor. However, the action in the dollar index is the key driving force in gold as last week's significant upward thrust in the US dollar correlated almost instantly with the biggest washout in December gold since September 16th.

What is not clear is the primary driving force behind the sharp range up in the dollar index, as the sharp gains in the dollar came after the brunt of the US scheduled data released on Friday. On the other hand, there was an inverse relationship between gold and equities which combined with the generally positive US scheduled data might have lowered economic uncertainty and added to the selling off the idea that flight to quality was declining along with economic uncertainty. While the net spec and fund long in gold is relatively low compared to the action since July 2019, the latest net spec and fund long is overbought relative to the November 2016 through June 2019!

Gold positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders were net long 101,251 contracts after increasing their already long position by 31,970 contracts. Non-Commercial & Non-Reportable traders net bought 25,249 contracts and are now net long 251,444 contracts. In the coming sessions the market will be presented with a US Federal Reserve meeting followed by monthly jobs on Friday. While some US scheduled data argues against the beginning of tapering this month, the Fed appears to have primed the markets for a reduction in asset purchases. Therefore, gold is likely to see some pressure on the inevitable removal of a portion of the punch bowl and that pressure could be temporary and partially factored into treasuries and precious metals prices already.

In fact, two weeks ago tapering was the primary headline operating in the marketplace! Obviously, the silver market broke down with gold at the end of last week and has settled into a downtrend pattern on its charts. While maybe not as sensitive as gold to any tapering decision by the US Federal Reserve, silver is unlikely to avoid sympathy losses. Like the gold market, the net spec and fund long in silver is low compared to the last 18 months, but in the upper range of the last 3 years. The Commitments of Traders report for the week ending October 26th showed Silver Managed Money traders added 9,572 contracts to their already long position and are now net long 29,180. Non-Commercial & Non-Reportable traders were net long 52,947 contracts after increasing their already long position by 7,693 contracts.

From a fundamental perspective, palladium demand views were slightly undermined early this week by Chinese PMI data as the Chinese economy continues to limp along and that in turn keeps Chinese auto sector demand for palladium measured. On the other hand, adjusted for the declines in palladium since the last positioning report was measured, we suspect the palladium market is once again venturing toward a record spec and fund short. Palladium positioning in the Commitments of Traders for the week ending October 26th showed Palladium Managed Money traders hit a new extreme short of 2,569 contracts. Managed Money traders are net short 2,569 contracts after net selling 376 contracts.

Non-Commercial & Non-Reportable traders were net short 2,999 contracts after increasing their already short position by 618 contracts. Unfortunately for the bull camp, the platinum market has a middle-of-the-road net spec and fund long positioning and therefore it could take significant declines to put speculative positioning into an oversold condition. The October 26th Commitments of Traders report showed Platinum Managed Money traders were net long 7,130 contracts after increasing their already long position by 958 contracts. Non-Commercial & Non-Reportable traders net sold 8 contracts and are now net long 22,487 contracts.

COPPER:
With ongoing weakness in bellwether industrial materials like iron ore, weakness in copper early this week was not surprising. However, the bear camp should be somewhat ruffled by the large 8,875 tonne decline in daily LME copper warehouse stocks. However, the copper market should be undermined because of disappointing Chinese PMI readings for October which many see as a sign that the energy crisis is holding back the Chinese economy. In the end, the lack of definitively positive Chinese PMI readings leaves a previous bearish status quo in force.

With a downside breakout extending a 9-day wave down, the charts favor the bear camp to start the new trading week. Over a several week period, the latest net spec and fund long in copper is slightly overbought leaving the market vulnerable to further long liquidation selling. Copper positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders were net long 47,596 contracts after decreasing their long position by 6,434 contracts. Non-Commercial & Non-Reportable traders are net long 46,312 contracts after net buying 596 contracts.

ENERGY COMPLEX:
Apparently, the corrective track from early last week has been reversed with a 3rd higher high for crude oil posted in the early going this week. While some traders will suggest seeing China tap their strategic reserves could reduce imports in the near term, the necessity to use strategic reserves highlights "tightness/demand" inside China. Granted the purchases have probably become speculative hedges against a lack of supply and/or high prices this winter. In our opinion, China has policies in place to maintain adequate strategic supplies and the Chinese President recently has indicated the need for greater stockpiling. Therefore, China will be forced to rebuild its strategic reserve and could enter the winter season with strategic reserves low. In a fresh supply-side development global floating storage of crude oil in the latest week declined by 26%, with Asian-Pacific storage down by 32%! Perhaps new highs in US equities have provided a demand lift early today but it also appears that a global diesel shortage is also developing which in turn provides the energy complex with an additional bullish theme.

While the net spec and fund long in crude oil was likely brought down by the correction last week, the positioning in crude oil remains somewhat burdensome into the new trading week. Crude Oil positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders are net long 340,844 contracts after net selling 5,992 contracts. Non-Commercial & Non-Reportable traders were net long 552,716 contracts after decreasing their long position by only 2,742 contracts. The weekly Baker Hughes rig operating count showed an increase of one in the combination of oil and gas rigs. According to Reuters, the combination of oil and gas rigs operating rose for the 15th straight month. The latest US daily infection count was 86,786 for Friday, October 29th which is a number that favors the bear camp in oil and other physical commodities as the delta wave refuses to die. Later this week the US Federal Reserve will meet and offer a statement with the markets expecting the Fed to announce the beginning of a tapering of asset purchases and that could be seen as a negative for all commodities.

With the gasoline market clearly rejecting a spike down move last Thursday at $2.3178, that level looks to be a near term low and the December contract looks to settle in above $2.50. Certainly, activity-based studies show good fuel demand, but there are signs of a developing distillate shortage and that could ramp up global refining activity and in turn rebuild global gasoline supplies. The EIA on Friday pegged US August gasoline demand to have increased by 7.1% versus year ago levels with the agency also showing an increase in US gasoline exports in the month. The additional gasoline export was 64,000 barrels per day above the prior month. While the net spec and fund long in gasoline is less overbought than crude oil and or heating oil/diesel it was likely balanced significantly by last week's slide in prices. Gas (RBOB) positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders added 3,783 contracts to their already long position and are now net long 72,137. Non-Commercial & Non-Reportable traders added 2,858 contracts to their already long position and are now net long 60,146.

With the net spec and fund long overbought in the ULSD contract, the washout at the end of last week should have balanced the market significantly. However, the fundamental condition for the distillate market is very bullish with China reportedly using strategic oil reserves to provide refiners with supply to produce badly needed diesel. In fact, China has apparently "solicited" refiners for solutions to the energy crisis and that also suggested product tightness is a key issue. Yet another supportive development came from Russia where they expect exports of fuel oil to drop in November by as much as 500,000 metric tonnes to as much as 600,000 metric tonnes. The Commitments of Traders report for the week ending October 26th showed Heating Oil Managed Money traders are net long 44,526 contracts after net buying 1,391 contracts. Non-Commercial & Non-Reportable traders net sold 786 contracts and are now net long 51,537 contracts.

With a very poor reversal/finish last week and a downside extension this morning, the natural gas market is vulnerable to further corrective action. While it is normal to have mild temperatures in the shoulder season, and it is common for injections to build during the shoulder season, the natural gas market was apparently expecting to proceed directly to a cold winter and an inadequate supply environment. It should be noted that the injection season is rapidly coming to an end and that could remove the bearish psychology associated with the normal seasonal rebuilding of supply. In fact, European natural gas stockpiles peak in supply was significantly lower than normal, at 77.3% of capacity and 7% below the lowest previous seasonal peak. Therefore, the potential for a winter bull market in Europe is not removed with the market likely to bottom this week.

From a technical perspective, the natural gas market adjusted for the declines after the COT positioning report was compiled should have puffed up the net spec and fund short near levels that could increase the risk to fresh shorts substantially. In fact, from the last positioning report mark off into the low today prices declined by $0.72! The Commitments of Traders report for the week ending October 26th showed Natural Gas Managed Money traders net sold 10,039 contracts which moved them from a net long to a net short position of 5,703 contracts. Non-Commercial & Non-Reportable traders net sold 10,219 contracts and are now net short 95,609 contracts. Not surprisingly, the bear camp has the edge in the natural gas market with the shoulder season deflating the cold winter/extreme tightness views in the marketplace.

BEANS:

The soybean market seems to have corrected the oversold condition from mid-October, and the two-week recovery may be running out of steam as the market does not seem to have the supply fundamentals to continue to advance. Vegetable oil prices seem to be showing signs of peeking as the supply of oilseeds looks to grow rapidly in the next year, especially from soybeans. News of increased COVID infections in China which could lead to additional lockdown measures is a factor which might slow usage. The October USDA reports pegged world ending stocks for 2021/22 at 104.57 million tonnes, an increase of 5.41 million from the previous year and the second highest ever.

With the possibility of reduced demand from China (COVID and less demand from their pork industry) and the potential further revisions in US production estimates, world ending stocks could increase another 2-3 million tonnes, which could create a burdensome beginning stocks setup for 2022/23. November soybeans closed slightly higher on the session Friday, soymeal pushed higher after early weakness and soybean oil was supported by the palm oil rally. News of improved export activity for soybeans helped to support the market on the early break. Exporters announced the sale of 132,000 tonnes of US soybeans sold to unknown destination, and also a sale of 222,350 tonnes of US soybeans sold to unknown destination.

For the USDA September crush report, traders see crush near 163.6 million bushels, 162.9-165 range, as compared with 171 million bushels last year. US soybean oil stocks as of September 30 are expected to come in near 2.19 billion pounds, 2.136-2.210 range, as compared with 1.853 billion pounds last year. The Commitments of Traders report for the week ending October 26th showed Soybeans Managed Money traders were net long 23,911 contracts after increasing their already long position by 5,746 contracts for the week.

Non-Commercial & Non-Reportable traders net bought 15,829 contracts which moved them from a net short to a net long position of 14,231 contracts. For soyoil, Managed Money traders net bought 3,420 contracts and are now net long 85,631 contracts. Non-Commercial & Non-Reportable traders net bought 1,453 contracts and are now net long 95,284 contracts. For meal, Managed Money traders are net short 15,141 contracts after net buying 17,018 contracts for the week which is active short-covering. Non-Commercial & Non-Reportable traders are net long 36,875 contracts after net buying 19,448 contracts.

CORN:
While a bit overbought technically, the corn market seems to have the demand fundamentals to see a continued short-term uptrend. After choppy and two-sided trade early in the session, December corn closed moderately higher on the session Friday and experienced the highest close since August 16th. For the week, the market closed 30 1/4 cents higher or up 5.6%. Ethanol production has come in well above trade expectations for the third week in a row and this provided solid support to the market this week. Ethanol profit margins last week reached $1.63 which is the highest since at least 2015.

Exporters announced the sale of 279,415 tonnes of US corn to Mexico. US corn is currently the lowest priced corn on the world market. After the solid gains this week, the market is a bit overbought but open interest has turned to trend higher and this is a positive development as fund traders might be more active buyers over the near term. A surge higher in the US dollar is seen as a potential negative force. The EU's 2021 corn crop estimate was cut to 67.8 million tonnes, from 68.8 million as a previous estimate, according to the European Commission.

Fertilizer in Europe is set to get even pricier, adding to concerns that bigger production costs for food could add to inflation. A gauge of western European prices for ammonia, used to make nitrogen fertilizer, surged to a 13-year high to $910 a metric tonne. The October 26th Commitments of Traders report showed Corn Managed Money traders net bought 25,222 contracts and are now net long 244,790 contracts. CIT traders were net long 390,393 contracts after increasing their already long position by 6,706 contracts. Non-Commercial & Non-Reportable traders are net long 266,872 contracts after net buying 38,642 contracts in just one week.

WHEAT:
The wheat market remains in a solid uptrend and while overbought, there is still no technical sign of a short-term peak. A shift to a drier pattern for the next few weeks for the plains was seen as a positive

force. The market managed to absorb a huge rally in the US dollar on Friday and still managed to hold support. Egypt is tendering for wheat and traders will monitor the results closely. So far this marketing year, Russia grain exports are down 24%.

Wheat exports are down 21.2% to 11.6 million tonnes. Morocco import tariffs are being lowered in order to attempt some stability in grain prices and this may keep imports high. If we combine US and other major exporter ending stocks, the 2021/22 season looks tight at just 49.00 million tonnes, down from 58.76 million, 59.91 million, and 66.74 million in the previous three years. With food inflation and food security a serious threat, some key exporters might end up limiting or restricting exports to build up domestic supplies.

December wheat closed slightly higher on the session Friday and this left the market with a gain of 5 cents for the week. The market challenged Thursday's highs but could not find the buying support to break out to the upside. Talk of the overbought condition of the market and the surge higher in the US dollar were seen as limiting factors. The EU's 2021 soft-wheat harvest is now seen at 130.3 million tonnes, down from a September estimate for 131 million, according to the European Commission. Ukraine's grain exports were up 19.3% year-over-year as of Oct. 29th to top 19 million tonnes. The total includes 12.2 million tonnes, up 18%.

Wheat positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders net bought 9,119 contracts and are now net short just 8,619 contracts. This is a strong short-covering trend. Non-Commercial & Non-Reportable traders are net short 14,945 contracts after net buying 12,127 contracts. For KC Wheat, Managed Money traders added 5,583 contracts to their already long position and are now net long 52,973. Non-Commercial & Non-Reportable traders were net long 47,413 contracts after increasing their already long position by 5,587 contracts.

HOGS:
The technical action is positive and the market acts like a significant low is in place. November is typically not a good month to consider buying hogs, but this year may be an exception. First quarter 2022 US pork production is expected to fall to a three-year low, down 4.3% from 2021. Production is expected to fall another 500 million pounds in the second quarter, which would be the third largest decline for that quarter on record. This should be a positive force for June Hogs. For 2022, US per capita pork consumption is forecast at 49.7 pounds, down from 50.6 in 2021 and 52.0 in 2020. Exports are expected to increase to 7.405 billion pounds, up 2.9% from 2021.

The market received a stochastic buy signal this week from a deeply oversold level. The stiff discount of futures to the cash market has added to the positive tone. The USDA pork cutout, released after the close Friday, came in at $94.68, up $3.25 from Thursday but down from $96.56 the previous week. The CME Lean Hog Index as of October 27 was 80.70, down from 81.67 the previous session and 84.83 a week before. December hogs closed moderately higher on the session Friday and the buying pushed the market up to the highest level since October 20th. The extreme oversold technical condition for the market, plus the discount of futures to the cash market are factors which might provide support on a further setback.

Dalian live hog futures on Monday were down 4.5% from Friday. The USDA estimated hog slaughter came in at 474,000 head Friday and 156,000 head for Saturday. This brought the total for last week to 2.551 million head, down from 2.598 million the previous week and 2.694 million a year ago. Estimated US pork production for the week ending October 30 came in at 543.8 million pounds, down from 551.4 the previous week and down from 586.0 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 17,727 contracts of lean hogs for the week ending October 26, reducing their net long to 44,673. Non-commercial & non-reportable traders combined were net sellers of 12,949, reducing their net long to 46,488.

CATTLE:
The cattle market is in a short-term corrective mode as the futures and cash markets move closer together. The continued uptrend in the cash market is a positive factor and supply is still tightening a bit. The USDA boxed beef cutout was up $1.12 at mid-session Friday and closed 83 cents higher at $285.72. This was up from $281.82 the previous week and was the highest the cutout had been since October 6. Cash live cattle trade was quiet on Friday. As of Friday afternoon, the 5-day, 5-area weighted average price was 126.29, up from 124.39 a week before.

The USDA estimated cattle slaughter came in at 120,000 head Friday and 60,000 head for Saturday. This brought the total for last week to 668,000 head, up from 661,000 the previous week and 640,000 a year ago. Average estimated dressed cattle weights for the week ending October 30 came in at 833 pounds, up from 832 from the previous week and down from 842 a year ago. The 5-year average weekly weight for that week is 832.8. Estimated beef production for the same week came in at 555.6 million pounds, up from 537.4 million a year ago.

December cattle closed sharply lower on the session Last Friday with more talk of the overbought condition of the market, and talk that the market turned down from key resistance at 131.62 helping to spark some selling. Cash cattle remains in a steady uptrend, and if beef prices were to turn seasonally higher, packers could bid up cash markets quicker than expected.

Weights remain low and producers seem current with marketing's so if profit margins were to increase again, packers have all the incentive to move as many cattle through the pipeline as possible. Friday's Commitments of Traders reports showed managed money traders were net sellers of 1,816 contracts of live cattle for the week ending October 26, reducing their net long to 42,911. Non-commercial & non-reportable traders were net sellers of 329, reducing their net long to 50,365.

COCOA:
Cocoa's demand outlook should remain on a longer-term upswing, but near-term prospects have been hurt by shipping container shortages and production limitations. This may not improve until early next year, and that could keep the cocoa market on the defensive during the fourth quarter. December cocoa was unable to shake off early pressure as it reached a 1-week low before finishing Friday's trading session with a moderate loss. For the week, December cocoa finished with a loss of 39 points (down 1.5%) which was a third negative weekly result in a row.

While Hershey's quarterly earnings came in better than Wall Street forecasts, they said in their post-earnings comments that they were unable to fully meet rising global demand due to supply chain bottlenecks. As a result, this could keep the amount of chocolate products produced for the holiday season lower than what demand would allow, and that remained a source of pressure on the cocoa market going into month-end. In addition, a sharp selloff in the Eurocurrency put additional carryover pressure on cocoa prices as extended currency weakness could make it more even more difficult for Euro zone grinders to acquire near-term cocoa supplies.

West African growing areas have rainfall in the forecast for most days through the middle of next week, and that should provide some benefit for the region’s late main crop and mid-crop production. Keep in mind that early results for Ivory Coast port arrivals this season have been well below last season’s pace. If their latest weekly port arrivals total comes in below the comparable period last year, it could be more evidence that this season’s West African production will come in below last season’s totals.

The Commitments of Traders report for the week ending October 26th showed Cocoa Managed Money traders reduced their net long position by 2,058 contracts to a net long 4,352 contracts. CIT traders net bought 825 contracts and are now net long 38,509 contracts. Non-Commercial No CIT traders were net short 12,531 contracts after increasing their already short position by 1,859 contracts. Non-Commercial & Non-Reportable traders net sold 2,914 contracts and are now net long 16,873 contracts.

COFFEE:

Coffee continues to see choppy price action, but has been able to rise nearly 30 cents in value (up 17%) from an early August low. With the market unable to get past several supply issues, coffee should extend its longer-term uptrend during early November. December coffee was able to regain upside momentum after a 2-day pullback as it finished Friday’s trading session with a sizable gain. For the week, December coffee finished with a gain of 4.10 cents (up 2.1%) which was a fourth positive weekly result over the past 6 weeks and a positive weekly reversal from last Monday’s 2 1/2 week low.

Supply chain bottlenecks are restricting the flow of coffee from Brazil and Vietnam which continues to provide underlying support to the market. Vietnam’s October coffee exports are expected to come in around 90,000 tonnes (1.5 million bags) which is down 2.2% from last year. Over the first 10 months of 2021, Vietnam’s coffee exports are expected to come in at 1.27 million tonnes (21.167 million bags) which is 5.1% behind last year’s pace. A global shortage of shipping containers has led to end-users drawing down warehouse stocks.

ICE exchange coffee stocks fell by 8,180 bags on Friday and finished October at 1.880 million. This resulted in a fourth monthly decline in a row, the lowest month-end stocks total since March and the largest monthly decline (more than 209,000 bags) since August of 2020. In addition, the prospects that a La Nina weather event will last through early 2022 provided additional support to the coffee market as that will bring back drier than normal conditions to Brazilian growing areas.

There was decent rainfall over Brazilian growing areas over the weekend, but there will be mostly dry conditions for several days this week followed by a period with only light daily rainfall totals. Coffee positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders added 504 contracts to their already long position and are now net long 52,351. CIT traders are net long 56,187 contracts after net buying 667 contracts. Non-Commercial No CIT traders net sold 482 contracts and are now net long 44,858 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 75 contracts to a net long 67,546 contracts.

COTTON:

The cotton market remains in a strong bull trend. December cotton closed sharply higher for the second day in a row on Friday, trading to its highest level since it put in its contract high on October 8. The upside break-out today leaves 121.43 as next upside target. One of the reasons being cited for the market ending the week in such a strong posture is the strong US export sales reports for the past couple of weeks, especially with the strong interest on the part of China. The surge in prices so far has not slowed demand.

There was a report over the weekend that a region in the southern part of Punjab, India has seen a 34% loss in cotton production this year due to pink bollworm. Estimates are that 53% of all cotton planted area in Punjab have been lost. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,291 contracts of cotton for the week ending October 26, reducing their net long to 77,136. Non-commercial, no CIT traders were net sellers of 3,588, reducing their net long to 80,215. Non-commercial & non-reportable traders were net sellers of 3,936, reducing their net long to 118,038.

SUGAR:

Sugar prices lost upside momentum late last week, but held within a fairly tight trading range well above their mid-October lows. With open interest starting to increase after reaching a 2021 low, sugar is showing more signs that it may be down correcting and can sustain upside momentum early in November. March sugar came under pressure at midsession as it finished Friday’s trading session with a moderate loss. For the week, however, March sugar finished with a gain of 19 ticks (up 1.0%) which broke a 2-week losing streak.

Early losses in energy markets were a source of carryover pressure on sugar prices as that may weaken near-term ethanol demand in Brazil and India. Crude oil prices rallied late on Friday, however, and that may provide carryover support to the sugar market early this week. Prospects that Thailand will have a sharp increase in their 2021/22 sugar production from the previous 2 seasons put additional pressure on the sugar market going into month-end, as most of that increase will go into the global export marketplace.

Early forecasts had India exporting 6 million tonnes of sugar this season in spite of not having a government subsidy. As more of their crushing is shifted over to ethanol production, 2021/22 India exports may fall well short of 6 million tonnes. Brazil’s Center-South sugar production and cane crushing are well behind last season’s pace, and that shortfall may continue to increase are more of their mills shut down their operations for the season. Brazilian gasoline prices are rising, which could result in mills that are still operating shifting more of their crushing from sugar production over to ethanol production.

Sugar positioning in the Commitments of Traders for the week ending October 26th showed Managed Money traders reduced their net long position by 15,043 contracts to a net long 162,889 contracts. CIT traders were net long 187,033 contracts after decreasing their long position by 309 contracts. Non-Commercial No CIT traders are net long 112,117 contracts after net selling 14,031 contracts. Non-

Commercial & Non-Reportable traders were net long 234,650 contracts after decreasing their long position by 1,171 contracts.

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