ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

In retrospect, we are incredulous with the action in treasury prices today following the hottest US inflation reading in 40 years. While some traders suggested the market was aware of the hot inflation potential, last Friday's bond and note action still seemed nonsensical. In fact, a stronger-than-expected consumer sentiment reading also failed to send bond and note prices down. However, even the equity markets discounted or ignored the 0.7% gain in the November CPI. Over the last several years treasury prices have been propelled higher and held higher by a combination of US Federal Reserve support, speculative long interest, and simple fear of the Fed.

Later this week the Federal Reserve will have an extremely difficult task as they begin to unwind historic supportive policy measures without puncturing economic and Treasury market sentiment. Typically, we would expect treasury prices to have declined sharply following last week's CPI report and therefore we doubt prices will fall in the wake of US producer price index reading for November which is expected to climb by a very hot +0.6%. However, some economists will suggest that the excluding food and energy component with a month over month gain of only 0.4% shows supply chain price pressures are beginning to stabilize. Even definitive risk on sentiment flowing from equities has had little negative influence on treasury prices and that is clearly justified by the uncertainty flowing from the omicron situation.

In fact, the latest US daily infection count was 152,974 for December 10th which in turn puts the 7-day moving average up to the highest level since September 26th. While not a major supportive development, escalating tensions between the G7, and Russia could provide flight to quality buying of US treasuries in the event Russia transitions from aggressive talk to aggressive action. It should be noted the G7 has warned of very aggressive sanctions of Russia if they violate the sovereignty of the Ukraine. The December 7th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 6,078 contracts to a net short 8,960 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 466,635 contracts after net buying 13,610 contracts.

CURRENCIES:
Surprisingly, the dollar index saw a hotter than expected US CPI report, rallied and then failed as if hotter inflation and the potential for higher yields in the US were not of interest to the trade. Perhaps the trade sees the US Fed sticking with their gradual taper exit instead of expecting accelerated tapering. On the other hand, the Japanese Yen and the British pound were significantly oversold late last week, in part of their gains might have been the result of technical short covering. While the dollar has not forged new contract highs in nearly a month, the technical and fundamental bias still favors the bull camp.

In addition to the long-held US interest rate differential edge, the dollar is likely to benefit this week from expectations that differential will expand further in the coming month. In fact, the ECB recently touted the need for added asset purchases while the US Federal Reserve has discussed the potential to speed up tapering! Historically, an as expected US PPI report would propel the dollar to contract highs. Dollar positioning in the Commitments of Traders for the week ending December 7th showed Non-Commercial & Non-Reportable traders reduced their net long position by 202 contracts to a net long 40,204 contracts.

Residual dollar strength, a looming US Federal Reserve meeting, negative euro charts, greater fear of omicron in Europe than in the US and a larger focus on US wholesale inflation than German wholesale inflation, leaves the path of least resistance in the euro pointing down. The Commitments of Traders report for the week ending December 7th showed Euro Non-Commercial & Non-Reportable traders are net long 16,857 contracts after net buying 11,669 contracts.

While Japanese machinery orders for October were better than expected the Tankan surveys of manufacturing and "all industry" were disappointing. However, we see the Yen as a sideline currency wrapped in a range bound by 88.45 and 87.85. Like the Japanese Yen, the Swiss franc also looks to be caught in a trading range (albeit a wider range), but the Swiss also sits just above a "failure point" on its charts in the early going this week.

With the UK Prime Minister warning of a severe omicron infection spike we suspect UK central bank meeting minutes will express caution toward the economy and the need for ongoing accommodative policies. From a chart perspective, the path of least resistance is down, The path of least resistance in the Canadian dollar is also down to start out the week, but it is unclear if the Bank of Canada meeting minutes will steer the Canadian away from a quick slide down to 78.00. However, the BOC has recently been at the forefront of central banks leaning in favor of hawkish policy changes.

STOCKS:
The stock market rallied straight through last Friday’s CPI report that could have hammered prices off fears of tightening Fed policy. However, seeing a hot CPI resulted in a rally in treasury prices which gave the bull camp an unusual windfall. The NASDAQ obviously outperformed the rest of the complex partly because of news that Microsoft might see authorization from the EU to undertake a buyout for an artificial intelligence and speech technology firm. Global equity markets were higher at the start of this week with the lone exception the Russian RTS. Increased geopolitical tensions between Russia and the rest of the world are seen following threats from the G7 of aggressive sanctions of Russia if they violate

the sovereignty of the Ukraine. Another negative largely discounted by the trade this morning came from the UK Prime Minister announcement that a wave of omicron infections was unfolding.

While the initial gains are not significant from that absolute perspective, the S&P has all-time highs in its sights in the early going this week. Apparently, the markets are unconcerned about the potential for a Russian incursion of the Ukraine, warnings of surging UK omicron infections and the presence of a US Federal Reserve statement later this week. On the other hand, adjusted for the gains since the last COT report was measured, the net spec and fund long is likely at the highest level since early 2020! The December 7th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 25,779 contracts and are now net long 173,825 contracts.

With the Dow futures forging an 18-day high and the markets clearly capable of discounting inflation threats, the path of least resistance is up, but volatility is likely to expand dramatically. Fortunately for the bull camp, the net spec and fund long in the Dow is nearly flat which in turn suggest the index retains speculative buying capacity. The December 7th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 3,445 contracts after net selling 969 contracts.

Relatively speaking the NASDAQ is lagging the rest of the markets but the index appears to be capable of grinding out gains until the US Fed statement is in the market's windshield. We see critical support in the NASDAQ at 16,251.50 and a key resistance point at a series of (ix highs around 16,456. The December 7th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 84 contracts to their already long position and are now net long 24,340.

GOLD, SILVER & PLATINUM:
Just as gold and silver failed to rally off one of the hottest US CPI readings in nearly 40 years, the markets have not rallied off similarly much hotter than expected German wholesale prices. Yet another failed bullish catalyst for gold and silver came from the Chinese government with Bloomberg headlines touting the Chinese government "pivoting toward growth policies". Fortunately for the bull camp, both gold and silver ETF holdings increased last week in a fashion that signals some investment interest. Unfortunately for the bull camp the US dollar has forged a 4-day high in the early going today and the risk on vibe flowing from global equities has put gold and silver off balance in the early trade.

In the end, the trade remains ultra-confident in the Fed's ability to snuff out inflation before it becomes entrenched, and that confidence is highlighted in the bullish resiliency of US treasuries. However, with a Fed rate decision/statement due out later this week, the impact of the Fed this week is likely to be negative for precious metals. Some traders indicated the lack of robust response in gold and silver to the US CPI last week was the result of high market expectations for the report while others point to talk of a faster taper rate as the culprit. An as expected PPI report should help gold and silver to add fundamental support to consolidation support.

However, a potential bright spot for the bull camp is the US dollar's lack of significant upside action following the hotter than expected US CPI report last week. The most recent positioning report in gold shows a middle of the road net long compared to the 2021 range in positioning and that equates to the

20-day sideways consolidation as a balancing force. Gold positioning in the Commitments of Traders for the week ending December 7th showed Managed Money traders net sold 11,570 contracts and are now net long 93,422 contracts. Non-Commercial & Non-Reportable traders were net long 255,268 contracts after decreasing their long position by 13,192 contracts.

The silver market on the other hand damaged its charts last week with a trade below $22.00 and with the high to low decline from the latest positioning report of $0.70, the silver net spec and fund long probably sits in the lower portion of the 2021 positioning range. The Commitments of Traders report for the week ending December 7th showed Silver Managed Money traders were net long 17,860 contracts after decreasing their long position by 9,718 contracts. Non-Commercial & Non-Reportable traders net sold 9,075 contracts and are now net long 44,089 contracts. In gold, we expect further sideways coiling and in silver we expect more erosive price action.

Like the gold and silver markets, the palladium market missed out on last week's potential inflation window of opportunity. Like the rest of the precious metals complex, the PGM trade remains confident in the Fed's ability to put the brakes on inflation before it becomes entrenched. As for the demand side of the equation, the recent reserve ratio reduction by China was met with a yawn in the PGM markets which suggests the trade remains skeptical of Chinese demand. A caveat to the bearish view toward PGM markets is the potential for a Russian incursion of the Ukraine which in turn could lead to a wide embargo of Russian exports like PGMs. With a decline to the late November consolidation low of $1,690, we suspect the palladium net spec and fund position will post a "record" short! The Commitments of Traders report for the week ending December 7th showed Palladium Managed Money traders net bought 294 contracts and are now net short 2,444 contracts. Non-Commercial & Non-Reportable traders net bought 238 contracts and are now net short 3,122 contracts.

The platinum market also remains in a downward bias with demand hopes injured by the latest virus headlines and the markets undermined because of higher refined PGM production guidance from Anglo-American platinum LTD for 2021. In a major retroactive negative, platinum ETF holdings last Friday reduced their holdings by 27,062 ounces or posted a daily decline of 0.7% of total holdings. Relatively speaking, the net spec and fund long positioning in platinum leaves room for additional stop loss selling on a failure of consolidation support. Platinum positioning in the Commitments of Traders for the week ending December 7th showed Managed Money traders went from a net long to a net short position of 3,776 contracts after net selling 3,811 contracts. Non-Commercial & Non-Reportable traders net sold 2,197 contracts and are now net long 12,409 contracts.

COPPER:

With disappointing builds in global exchange warehouse stocks at the end of last week, another daily LME copper stock build on Monday, a failed reaction to a Chinese reserve rate requirement reduction last week, ongoing uncertainty toward the Chinese economy and continue trade below the 200-day moving average of $4.3220, the bear camp has control. Certainly, global exchange warehouse stocks remain tight and still within striking distance of 13-year lows, but to bring copper out of the sideways/lower pattern will likely require true and sustained risk on sentiment in the West and/or more stimulus from China.

On the other hand, Russian January through October copper exports fell by 108,000 tons over the same period in 2020. From a technical perspective, the copper market might find support from the latest positioning reading from the commitment of traders as a decline to the early December low would likely put the net spec and fund long to the lowest level since June 2020! Copper positioning in the Commitments of Traders for the week ending December 7th showed Managed Money traders net bought 563 contracts and are now net long 13,945 contracts. Non-Commercial & Non-Reportable traders net sold 1,822 contracts and are now net long 14,210 contracts.

ENERGY COMPLEX:

Fortunately for the bull camp, global equities are throwing off positive sentiment to start the trading week as a US strategic supply sale of 18 million barrels looms later this week and global crude oil in floating storage increased by 2.5% on the week. In fact, the biggest gain in floating storage was seen in the Asian-Pacific area with a gain of 21%! Fortunately for the bull camp, a European firm is predicting OPEC+ will put increase production moves on hold and could even roll back some of previous production increases because of the omicron infection wave. Furthermore, after some initial strategic sales, sales by non-US-countries have dried up. In a longer-term negative, the oil rig operating count last week increased by four and has reached the highest level since April 2020.

Going forward, it seems that the macroeconomic outlook for China and Chinese energy demand has improved slightly over prior weeks, with the markets seeing the Chinese central bank in a more proactive supportive position. It would appear as if the January crude oil contract has built a shelf of support at $70.00 and likely orchestrated that consolidation just under the December highs because of persistent risk on action in US and global equity markets. In other words, equity markets could be seen as a measurement of the seriousness of the omicron situation which in turn is the primary demand focus of the trade. We also see the crude oil market drafting support as a hedge against inflation, while others suggest energy markets should be seen as a primary catalyst of inflation.

Going forward, the potential for Russian sanctions should discourage sellers and light up the market in the event the Russians make any aggressive moves into sovereign Ukraine territory. Other minimally supportive developments have come from restricted exports from some Russian ports due to adverse weather, and from news that Black Sea CPC blend oil exports for January are poised to fall relative to December. In the event of a return to the 200-day moving average down at $67.93, the net spec and fund long positioning in crude oil could reach the lowest level since March 2020. The December 7th Commitments of Traders report showed Crude Oil Managed Money traders added 2,433 contracts to their already long position and are now net long 260,064. Non-Commercial & Non-Reportable traders were net long 454,627 contracts after decreasing their long position by 27,998 contracts.

While the latest rulings from the EPA are very confusing (their policy decisions tried to make environmental, biofuel and fossil fuel constituencies happy) and therefore the net takeaway for gasoline prices is at best murky. On the other hand, the US President has predicted that US fuel prices will come down in the weeks ahead but without softer demand off the omicron variant, that is unlikely to happen. On the other hand, fuel oil in floating storage off Singapore last week increased by 12% which casts some doubt on the level of Chinese demand. In fact, seasonal demand should remain strong with the holiday driving season in full swing and the US refinery operating rate continuing to run below seasonal levels.

It should also be noted that US gasoline stocks continue to run at an 18-million-barrel year-over-year deficit despite stocks increasing in each of the last 2 weeks. From a technical perspective, the net spec and fund long in gasoline remains relatively balanced leaving the control of prices in the hands of the fundamental camp. The December 7th Commitments of Traders report showed Gas (RBOB) Managed Money traders reduced their net long position by 1,531 contracts to a net long 57,431 contracts. Non-Commercial & Non-Reportable traders net bought 3,954 contracts and are now net long 53,894 contracts. We see the RBOB market vulnerable to back and fill action.

Similarly, the ULSD market has a net spec and fund long in the lower portion of the range of positioning over the past 13 months. The Commitments of Traders report for the week ending December 7th showed Heating Oil Managed Money traders net bought 543 contracts and are now net long 14,937 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,008 contracts to a net long 22,466 contracts. Unfortunately for the bull camp US temperatures continue to favor the bear camp with the bulls temporarily bailed out from surging preholiday trucking/shipping activity. The 200-day moving average in January diesel is $2.1240.

About the most supportive thing that can be said about the global weather outlook for natural gas is that the markets are aware of an ongoing mild pattern and perhaps that was priced in with last week's spike low! On the other hand, there is a serious Eastern European supply threat looming with the Ukrainian secretary of state suggesting it would be difficult to see gas flow through the Nord Stream 2 pipeline if Russia shows aggression against the Ukraine. In a very supportive demand side development, Northeast Asian cash LNG prices have recovered with buyers in that region apparently competing with European buyers. Furthermore, a Bloomberg story suggests US LNG exports are now economically feasible to both Asia and European buyers.

While the net spec and fund short in natural gas is down from the levels seen back in August, the market remains short in speculative categories and that could defuse selling on approaches of last week's low of $3.63. The Commitments of Traders report for the week ending December 7th showed Natural Gas Managed Money traders net sold 36,085 contracts and are now net short 43,172 contracts. Non-Commercial & Non-Reportable traders were net short 100,104 contracts after increasing their already short position by 6,565 contracts. Last week gas rigs operating in the US increased by three and have reached their highest level since March 2020. With the natural gas market moderately oversold from a short-term technical perspective, mild US weather a known factor, cooler European temperatures later this week and the likelihood of aggressive Russian threats, being short the January natural gas contract below $4.00 is unattractive.

BEANS:

The forecast is a little less threatening than the Friday forecast, but dry enough to provide support on a further set-back. Outside market forces carried a bullish tilt Friday with the hot inflation number, strength in the stock market, weakness in the US dollar and strength in energy prices. January soybeans managed to close slightly higher on the session Friday, but well off of the early highs. A very hot inflation number helped to support the early strong gains and the rally to the highest level since November 24. Soybean oil closed moderately lower on the session and the selling pushed the market down to the lowest level since June 18. January meal closed sharply higher and the rally push the market up to the highest level since November 22. Some threatening weather for southern Brazil and Argentina may have help to support.

While still drier than normal, today's forecast for the next two weeks is not as dry as Friday, and this might spark some selling as traders realize that normal weather will likely cause a bearish outlook into 2022. For now, the weather is still somewhat threatening and the soybean oil market may have moved down too far, too fast. Other global vegetable oils did not fall as much as soybean oil in recent weeks, and this leaves soybean oil vulnerable to see a jump in usage. US soybean oil looks cheaper than Brazil and Argentina soybean oil and could even pull business away from palm oil. India's palm oil imports slump 22% in November to 539,639 tons from 693,319 tons a month earlier. Soybean oil imports reached 474,160 tons last month vs 216,920 tons in October.

The December 7th Commitments of Traders report showed Soybeans Managed Money traders net bought 4,457 contracts and are now net long 37,882 contracts. Non-Commercial & Non-Reportable traders were net long 22,462 contracts after increasing their already long position by 4,801 contracts. For Soyoil, Managed Money traders net sold 5,532 contracts and are now net long 58,828 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,345 contracts to a net long 55,146 contracts. For meal, Managed Money traders net sold 9,783 contracts and are now net long 27,898 contracts. Non-Commercial & Non-Reportable traders net sold 12,878 contracts and are now net long 71,209 contracts.

CORN:
The short-term weather situation for South America looks threatening, and this could attract significant buying from fund traders into 2022. However, while still drier than normal, there are scattered rains in the forecast for parts of Argentina and southern Brazil over the next two weeks, and a little more rain than what was in the forecast on Friday. Given the current usage pace, we expect the USDA to eventually raise the demand forecast by at least 150 million bushels.

Profit margins for ethanol producers sit at historically high levels. Raising ethanol usage for 2021/22 would lower beginning stocks for 2022/23 by that same amount. If the US plants 2.5 fewer million acres of corn in 2022 and yield is the same as 2021, ending stocks could fall to 1.247 billion bushels and pull the stocks/usage ratio down to a relatively tight 8.4%. A five-year average yield could send ending stocks down to 981 million bushels and result in a stocks/usage of 6.6%, which would be the second tightest on record.

March corn managed to push up to the highest level since November 29 on Friday but closed lower on the session in fairly quiet trade. A very hot inflation reading failed to spark much buying and even strength in the wheat market failed to provide much support. The US dollar was lower and energy markets were higher which may have helped support. Ideas that China buyers have been active at buying Ukrainian corn and barley and French feed wheat for feed grain needs may have helped to limit the buying. There is also talk that China has been buying Australian feed wheat as the wet weather lowered quality into the harvest.

Corn prices in China have stayed stubbornly higher at above $10 a bushel for quite some time and this has helped to cause traders to believe they will continue to look for alternatives. The Commitments of Traders report for the week ending December 7th showed Managed Money traders are net long 332,501 contracts after net buying 17,232 contracts for the week and the buying trend is a positive short-term force. Non-Commercial & Non-Reportable traders net bought 31,228 contracts and are now net long 366,906 contracts.

WHEAT:

Talk of the oversold condition of the market plus inflationary fears helped to support the turn up on Friday. The market failed to find new selling interest on the move to the new low, as traders believe the higher US and world ending stocks from the USDA report have already been priced on the break. The technical action is a positive and the market acts like a short-term low may be in place. With the negative USDA report, March wheat closed 18 1/2 cents lower on the week and down for the second week in a row.

Iraq plans to import 2 million tonnes of wheat next year and they look to issue an international tender to buy 500,000 tonnes of wheat in December, for early 2022. For now, US export pace remains sluggish but if Russia wheat export taxes stay high, buyers will eventually shift from Russia to other suppliers. After a more than 12% break in just 12 trading sessions, the market closed moderately higher on the session Friday after first trading down to the lowest level since October 28. Talk of China buying French and Australia feedwheat was also seen as a positive force.

Algeria is tendering to buy 50,000 tonnes of milling wheat. South Korea bought 60,000 tonnes of animal feed wheat which is thought to be sourced from India. The Philippines is believed to have rejected all offers and made no purchase in a tender for up to 300,000 tonnes of wheat. Russian Wheat exports decline 18% for the 2021-22 season so far and reached 19.4 million tons as of Dec. 9. Technical indicators are extremely oversold and the hook reversal Friday might provide some support.

Wheat positioning in the Commitments of Traders for the week ending December 7th showed Managed Money traders net sold 5,479 contracts and are now net long just 721 contracts. Non-Commercial No CIT traders were net short 21,377 contracts after decreasing their short position by 718 contracts. For KC wheat, Managed Money traders were net long 59,575 contracts after decreasing their long position by 2,793 contracts for the week. Non-Commercial & Non-Reportable traders were net long 51,189 contracts after decreasing their long position by 1,991 contracts.

HOGS:

The hog market is finding strong support from the lower production pace with pork production down 6.7% from a year ago this past week. Storms over the weekend could just add to the slower than expected production and might provide some support. February hogs closed sharply higher on the session Friday. The market continues to find support from talk that the slaughter pace is slowing down, and the market has already absorbed a seasonally high production pace. If the production shifts to a lower level, pork product prices are likely to move higher which could pull cash markets higher. The USDA pork cutout released after the close Friday came in at $84.77, down 77 cents from Thursday but up from $78.97 the previous week. The CME Lean Hog Index as of December 8 was 70.95, up from 70.83 the previous session and up 70.86 the previous week.

The USDA estimated hog slaughter came in at 476,000 head Friday and 256,000 head for Saturday. This brought the total for last week to 2.601 million head, down from 2.657 million the previous week and down from 2.755 million a year ago. Estimated US pork production for the week ending December 11 came in at 563.4 million pounds, down from 574.6 the previous week and down from 604.1 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 9,169 contracts of lean hogs for the week ending December 7, reducing their net long to 47,204. Non-commercial & non-reportable traders were net sellers of 5,777, reducing their net long to 37,790. China's national average spot pig price as of December 13 was down 5.14% from the previous day. For the month, prices are down 10.84% and down 55.75% year to date.

CATTLE:

The cattle market is still in the process of correcting the overbought technical condition, and with outside market forces looking more positive, the market may see support emerge soon. A jump in dress steer weights is a negative short-term force, and beef prices are also in a short-term downtrend. February cattle closed slightly higher on the session Friday after choppy and two-sided trade. Outside market forces seem to be demand positive and traders seem less fearful of a drop off in restaurant and entertainment businesses. The USDA boxed beef cutout was up $1.42 at mid-session Friday but closed 1 cent lower at $264.54. This was down from $274.36 the previous week. Cash live cattle traded in light volume on Friday, but prices were generally lower last week than the previous week. The five-day, five area weighted average last week was 139.74, down from 140.45 the previous week. Cumulative beef export sales for 2021 have reached 1.047 million tonnes, up from 917,000 a year ago and the highest on record. South Korea has the most commitments for 2021 at 278,700 tonnes, followed by Japan at 253,300 and China at 186,300.

A year ago, China's purchases were 58,600, and two years ago they were 9,900. The USDA estimated cattle slaughter came in at 121,000 head Friday and 58,000 head for Saturday. This brought the total for last week to 668,000 head, down from 676,000 the previous week but up from 664,000 a year ago. Average estimated dressed cattle weights for the week ending December 11 came in at 838 pounds, up from 834 from the previous week and down from 843 a year ago. The 5-year average weekly weight for that week is 833.0. Estimated beef production for the same week came in at 558.6 million pounds, up from 558.5 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,333 contracts of live cattle for the week ending December 7, increasing their net long to 79,850. Non-commercial & non-reportable traders combined were net buyers of 484, increasing their net long to 81,302.

COCOA:

Cocoa spent last week in a coiling price pattern that stayed well clear of its early December lows. While it may face early pressure, carryover support from key outside markets can help cocoa to regain upside momentum and extend its recovery move this week. March cocoa was able to shake off early pressure and finish Friday's inside-day trading session with a moderate gain. For the week, however, March cocoa finished with a loss of 1 point (down 0.1%) which was a second negative weekly result over the past 3 weeks and was a negative weekly reversal from Tuesday's 2-week high.

Moderate strength in European and US stocks markets as well as the Eurocurrency provided cocoa with carryover support, as that can help to soothe near-term demand concerns in both regions. The Omicron COVID variant continues to cast a long shadow over many commodities, but early indications of relatively mild symptoms reduces the chances for extensive lockdown measures that would impact chocolate consumption and purchases. In addition, indications that major West African producers will see lower production this season continue to provide underlying support.

Over the first 2 months of the 2021/22 season, Ivory Coast port arrivals are well behind last season's pace. Some of that deficit may be due to a lower minimum farmgate price this season, while heavy rainfall over the past few months has led to delays in harvesting, drying and transporting beans from farms and co-ops to port facilities. West Africa has started its "dry" season which will last until March and should help improve the supply flow of cocoa beans, but will also have a negative impact on the region's late main crop and mid-crop production this season.

The Commitments of Traders report for the week ending December 7th showed Cocoa Managed Money traders are net short 24,412 contracts after net selling 42 contracts. CIT traders net bought 3,840 contracts and are now net long 25,877 contracts. Non-Commercial No CIT traders net bought 368 contracts and are now net short 27,180 contracts. Non-Commercial & Non-Reportable traders net bought 485 contracts and are now net short 15,305 contracts.

COFFEE:

Coffee has been one of the strongest performing commodity markets this year, and as a result has seen several sizable pullbacks over the past few months. With the market building up a near-term net spec long position going into the final month of the year, coffee could see further downside action over the next few weeks. March coffee remained on the defensive as it fell to a new 1-week low before finishing Friday's trading with a heavy loss. For the week, March coffee finished with a loss of 10.75 cents (down 4.4%) which broke a 4-week winning streak and was a negative weekly key reversal from last Tuesday's 10-year high.

The Brazilian currency extended its pullback by losing more than 0.7% in value, and that put carryover pressure on the coffee market. Sustained currency weakness may put more pressure on Brazil's farmers to market their remaining supply to foreign customers. In addition, wet weather in the forecast for Brazilian growing areas pressured coffee prices as that should benefit their upcoming production. The Brazilian trade group Cecafe said that their nation's November coffee exports came in at 2.57 million bags which was 41% below last year's total, and was due to a smaller 2021/22 crop as well as from shipping container shortages. There are reports that continued wet weather has delayed Vietnam's harvest and could lead to quality issues with the new crop.

ICE exchange coffee stocks rose by 2,934 bags on Friday, and while they have fallen more than 484,000 bags during the fourth quarter so far (down 23.2%), they are on-track to break a 5-month streak of declines. Coffee positioning in the Commitments of Traders for the week ending December 7th showed Managed Money traders reduced their net long position by 1,382 contracts to a net long 56,073 contracts. CIT traders were net long 54,959 contracts after decreasing their long position by 1,344 contracts. Non-Commercial No CIT traders are net long 46,661 contracts after net selling 912 contracts. Non-Commercial & Non-Reportable traders are net long 66,374 contracts after net selling 1,511 contracts.

COTTON:
March cotton closed lower last Friday, but it stayed inside Monday's range as it had all week. The market did close higher on the week for the first time in three weeks. Traders cited less concern over the Omicron variant as one reason for the recovery last week. There was a mixed reaction to the monthly supply/demand report last week, but world ending stocks for 2021/22 coming in at 85.73 million bales, down from 86.93 million in November's report was viewed as supportive. This was below the average trade expectation of 86.74 million and below the low end of the range of expectations from 86.00 to 87.30 million.

Friday's Commitments of Traders showed managed money traders were net sellers of 7,434 of cotton for the week ending December 7, reducing their net long to 70,309. This is a long liquidation selling trend. Non-commercial & non-reportable traders were net sellers of 5,737, reducing their net long to 104,947. The managed money position is near the upper end of the historic range, leaving the market vulnerable to fund selling is support levels are taken out.

SUGAR:
Sugar prices consolidated within a 35-tick range last Thursday and Friday as their December recovery move ran out of near-term steam. With bullish supply factors providing underlying support, a positive turnaround in key outside markets can help sugar regain upside momentum early this week. March sugar continued to see coiling price action as it held onto recent gains and finished Friday’s trading session with a minimal gain. For the week, March sugar finished with a gain of 96 ticks (up 5.1%) which broke a 3-week losing streak.

A sluggish Brazilian currency was a source of early pressure as that could encourage Center-South mills to continue emphasizing sugar with their crushing. Energy prices held their ground near last week’s highs, however, which provided carryover support to the sugar market as that can help to improve ethanol demand in Brazil and India. The latest Unica supply report will come out early this week and while Brazil’s Center-South cane crushing and sugar production should fall further behind last season’s pace, ethanol’s share of crushing may continue to increase from levels seen early this year.

If crude oil and gasoline can return to their October/November price levels or climb above them, it would provide additional support for sugar prices. The Archer consultancy said that Center-South mills have forward sold 47.6% of their projected 2022/23 (next season) sugar exports, which compares to 61.% of their 2021/22 projected exports as this time last year. This could indicate that Center-South mills are planning to give ethanol a larger share for their remaining 2021/22 crushing operations.

The December 7th Commitments of Traders report showed Sugar Managed Money traders were net long 155,389 contracts after decreasing their long position by 22,844 contracts. CIT traders are net long 184,288 contracts after net selling 8,202 contracts. Non-Commercial No CIT traders are net long 97,930 contracts after net selling 13,168 contracts. Non-Commercial & Non-Reportable traders are net long 212,975 contracts after net selling 17,390 contracts.

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