ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

Not surprisingly, the treasury markets came under significant pressure in the wake of a nonfarm payroll reading that was several times the anticipated jobs gain. In fact, whisper numbers overnight had nonfarm payrolls declining by as much as 400,000 and that exaggerated the surprise and the downside reaction in prices. Within the report the prior month was revised higher, average hourly earnings jumped more than expected in the labor participation rate jumped. Countervailing the bearish treasury results was a 0.1% increase in the unemployment rate last month.

Typically, a surprising nonfarm payroll result can take several sessions to be factored into prices, and with the January payroll number on Friday coming in significantly stronger than expected, the residual impact could remain in place for several days as it erased fears of a job market slowdown that had been facilitated by the initial disappointing December number. For some, the uptick in the unemployment rate tempers the bearish environment for Bonds. There were some inflationary attributes to the jobs report, with average hourly earnings coming in well above forecasts, and the labor force participation rate jumping sharply.

While there was a credible prediction of seven interest rate hikes this year floated over the weekend, most of the forecasts have settled in around four, and there are expectations that there could be a 50 basis-point hike next month. Friday's COT report likely understated the magnitude of net spec and fund net short in bonds, as prices have declined nearly 2 1/2 points since the report was measured. The report showed non-commercial & non-reportable traders were net buyers of 12,452 contracts of Bonds for the week ending February 1, reducing their net short to 68,725. These traders were net sellers of 119,950 contracts of T-Notes, increasing their net short to 593,953.

CURRENCIES:

Like other financial markets, the currency markets were surprised by the magnitude of gains in the US nonfarm payroll report, but the upside reaction in the dollar was wholly disappointing to the bull camp. In fact, seeing an upward revision in the December reading and a significantly better than expected January payroll reading clearly shifted the pendulum in favor of a March rate hike, and that should have lifted the dollar broadly. The Dollar was confined to a tight inside-day range at the start of this week, with mild upside follow-through from last Friday's reversal off a three-week low.

In addition to the surprisingly strong non-farm payrolls number on Friday, average hourly earnings came in well above forecasts. This has led some analysts to call for as many as seven Fed rate hikes by the end of the year. Recent US data has not been so robust, and with no major developments in Russia/Ukraine situation over the weekend, the Dollar may have to wait on the CPI results later this week to regain upside momentum. Friday's Commitments of Traders report showed non-commercial & non-reportable traders were net sellers of 643 contracts of the Dollar Index for the week ending February 1, reducing their net long to 41,837.

The Euro found moderate pressure early this week, but remained near the top end of last week's sharp upside move. European data was mixed as a better-than-expected Euro zone Sentix survey was balanced against disappointing German industrial production. The surprisingly hawkish post-meeting comments from ECB President Lagarde have put rate hikes on the table for this year which should provide underlying support for the Euro, but it may have trouble regaining upside momentum early in the week. The Commitments of Traders report showed non-commercial & non-reportable traders were net sellers of 59 contracts, reducing their net long to 51,770.

The Yen had an inside-day range at the start of this week, finding mild support but remaining well below last week's highs. The Japanese leading economic index came in better than expected and reached a new seven-year high, but the Bank of Japan is likely to require more signs of economic strength before they consider tightening their monetary policy. The Yen may need to receive additional safe-haven inflows before it can lift clear of its recent lows.

The Swiss franc shook off early pressure and posted a moderate gain at the start of this week action. Swiss unemployment had a surprise downtick to match a 13-year low, reflecting the relative strength of their economy during the COVID pandemic. A hawkish shift in ECB policy could help reduce pressure on the Swiss National Bank to weaken their "overvalued" currency, and that could help Swiss franc continue to regain lost ground.

The Pound was unable to hold onto early strength as it fell below last Friday's low early in this week’s action. Underlying support from last week's BOE rate hike has faded with the hawkish shift in ECB policy. While there have been some positive UK data recently, ongoing political turmoil has cast a shadow over the currency.

The Canadian dollar found mild strength early this week as it consolidated in the middle of last Friday's wide-sweeping range. The shockingly bad Canadian jobs data may have put the brakes on the BOC's hawkish policy stance, but a better-than-expected Canadian Ivey survey reflects a moderately positive tone for their economy. The Canadian dollar could benefit from any rebound in global risk sentiment.

STOCKS:

The equity markets waffled around both sides of unchanged at the start of this week with the trade unable to determine the net take away from the US monthly nonfarm payroll report. Fortunately for the bull camp, Amazon earnings saved the market from finishing the week on an extremely negative footing following major disappointments from Facebook earnings and Facebook stock price action. Not surprisingly, the NASDAQ saw the biggest benefit from the Amazon news, and we are very surprised that fears of rising interest rates did not result in instant and very aggressive selling. Global equity markets were mixed at the start of this week with more gainers than losers.

The equity markets have managed to skirt the initial wave of rising-rate fears from the US nonfarm payroll report on Friday, but investor resolve is likely to be tested on the issue again this week. Fortunately for the bull camp, the daily US infection trend is turning down, with the seven-day moving average falling to its lowest level since early December. However, March Bonds failing to hold 153-02 could rekindle rate-hike fears and send stocks reeling. From a technical perspective, Friday's spike down and recovery back above the midpoint of the day's range could be signaling two to three days of short covering ahead.

From a fundamental perspective, however, rate hike fears are so prevalent they could be largely accepted by now. Now that the trade has increased the probability of a March hike, the equity market trade is likely to shift its focus toward how many there will be. On the other hand, we see the potential for the trade to retest Friday's low, especially with bonds holding only 10 tics above last Friday's low in the early going this week. Friday's Commitments of Traders report showed non-commercial & non-reportable traders were net sellers of 98,258 contracts of the E-Mini S&P for the week ending February 1, reducing their net long to 189,521.

Like the S&P, the Dow futures forged a large, range-down washout and recovery back above the midpoint on Friday, indicating a market that is nearing a sold-out condition. However, big picture fundamental changes are afoot, with rising rates a major negative for the bull camp to contend with. We see an attempt to retest last Friday's low, but acknowledge the potential for optimistic news from the pandemic front as US infections decline. Unfortunately for the bull camp fresh longs probably require a stop below 34,500, which would mean prices are too high to enter a balanced risk/reward position.

The Commitments of Traders report showed non-commercial & non-reportable traders were net sellers of 1,420 contracts of the Dow Jones $5 contract for the week ending February 1, increasing their net short to 7,415. The NASDAQ forged the least impressive late January-early February recovery, so it could see the smallest downside corrective action ahead. We see the potential for a near term test of support followed by a possible retest of lower support with tech issues continuing to get negative political headlines. The Commitments of Traders report showed non-commercial & non-reportable traders were net sellers of 46,988 of the Nasdaq Mini, which moved them from a net long to a net short of 11,719.

GOLD, SILVER & PLATINUM:

Despite a slightly stronger dollar, gold prices forged a fresh seven day high early this week and appear to have absorbed last week's threat of rising interest rates. However, treasury yields are within striking distance of multiyear highs and given the much stronger-than-expected US nonfarm payroll report yields could breakout to the upside at any time. While the gold market last week carved out a gradual upward slope on its charts, the action was undersized considering the amount and importance of fundamental news flow. Unfortunately for the bull camp, surging jobs figures from the US were seen as a development capable of shifting the US Fed into action next month instead of the trade increasing the probability of inflationary price action.

Even more surprising is the lack of strength in gold and silver in the face of a major breakdown in the US dollar. However, for the dollar to become a primary catalyst capable of lifting gold prices may require a retest of the January low down at 94.61 in the March dollar index contract. While the markets have been intensely focused on Ukraine and the uncertainty associated with that pivotal Eastern Europe real estate, gold and silver should be catching indirect support from surging energy prices.

Fortunately for the bull camp, the latest positioning report shows gold net spec and fund long positioning to be near the lowest levels in one year and nearly half of the record net spec and fund long positioning. The Commitments of Traders report for the week ending February 1st showed Gold Managed Money traders are net long 62,548 contracts after net selling 55,160 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 56,173 contracts to a net long 219,158 contracts.

Going forward, gold and silver will likely take most of their direction from the action in US treasuries with last Friday's upside breakout in "yields" the markets attempt to factor in the size of a widely anticipated March US interest rate hike. While the trade was generally expecting a 25-basis point hike, the much stronger-than-expected US nonfarm payroll has many analysts raising their expectations for a 50-basis point hike. Therefore, the bull camp has an uphill battle fighting against rising rate expectations.

Unlike the gold market, the silver market last week did not rally and in fact at times silver was $0.50 lower on the week. Fortunately for the bull camp, the most recent COT positioning report adjusted into the low late last week probably registered a net spec and fund long near the lowest levels since June 2019! In other words, further selling in silver will push the market toward a "mostly liquidated" condition. The Commitments of Traders report for the week ending February 1st showed Silver Managed Money traders reduced their net long position by 15,867 contracts to a net long 11,573 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 13,339 contracts to a net long 35,413 contracts.

The palladium market finished last week with negative charts and a fresh sell signal in short-term indicators. Therefore, it is not surprising to see the market forged a lower low and an eight day low early this week. Apparently, the market sees the potential talks between the French president and the Russian President as a possible sign of following relationships which in turn reduces the threat against palladium supply. We attribute the weakness to a lack of fresh developments involving Russia and the Ukraine. However, with Russian President Putin returning to Russia and pipeline flows from Russia very slow or nonexistent, tensions should remain high and the threat against palladium supply will provide support to palladium prices.

Unfortunately for the bull camp, the breakdown on the charts last week leaves little in the way of critical support until the $2,200 level. The market should draft support from an ongoing net spec and fund "short" positioning. The Commitments of Traders report for the week ending February 1st showed Palladium Managed Money traders net bought 1,341 contracts and are now net short 199 contracts.

Non-Commercial & Non-Reportable traders are net short 1,059 contracts after net buying 1,306 contracts.

While the platinum contract generally slid last week, or in some views remained caught in a $1,000 to $1,050 coiling pattern, the market has forged a fresh lower low along with palladium early this week giving the bear camp control. While platinum is unlikely to draft as much lift from the Russian situation, it should see spillover support from palladium and crude oil price gains. Unlike the palladium market, the net spec and fund positioning in platinum is net long but only half of the level seen within the last 12 months! Platinum positioning in the Commitments of Traders for the week ending February 1st showed Managed Money traders are net long 9,760 contracts after net buying 1,759 contracts. Non-Commercial & Non-Reportable traders are net long 22,050 contracts after net buying 552 contracts.

COPPER:

All things considered, the copper market performed impressively last week in the face of an extended Chinese holiday. Unfortunately for the bull camp, the copper market is seeing pressure from a disappointing Chinese services PMI reading for January which came in at 51.4 versus the prior reading of 53.1! While not a significant development, LME copper warehouse stocks have reestablished a pattern of declines and the trade has generally viewed demand to be outstripping supply. However, the copper market appears to be starting the week off on a back foot despite reports of a possible supply disruption in Chile where road blockades are beginning to limit supply flow.

The copper market is also discounting surging iron ore and aluminum price action. Like the rest of the metals complex, the copper market has a very modest net spec and fund long which means the market should have the buying fuel to return to the top portion of a 4-month consolidation zone. Copper positioning in the Commitments of Traders for the week ending February 1st showed Managed Money traders were net long 19,256 contracts after decreasing their long position by 9,529 contracts. Non-Commercial & Non-Reportable traders are net long 21,252 contracts after net selling 11,236 contracts.

ENERGY COMPLEX:

While a favorable jobs report and declining US infections are favorable demand developments, the energy markets have seen several bearish supply developments early this week. First and foremost in the bear's quiver are insider reports that US and Iran talks are set to conclude which the trade interpreting that as a sign that Iranian oil could find its way back to the market. Furthermore, weekly crude in floating storage increased by 7.9% on a week over week basis and there has been a recovery in European wind and solar generated power. On the other hand, a cyber-attack of a European oil distribution hub and predictions that China will have to "restock" should provide modest underpin for prices. Obviously, the standoff between the Russians and the Ukrainians sits at the top of the bulls' list of arguments, with some traders wondering if Russian President Putin secured support from the Chinese leader for some type of aggressive action. Right behind the Russian influence is tightening distillate supplies thought to be the result of massive trucking and transportation use in order to repair kinks in the supply chain.

Even term spreads in crude oil are supporting the bull case, with backwardation of 6-month spread pricing reaching the highest level since September 2013. Surprisingly, the crude oil market is not overbought from the spec and fund net long positioning, as the most recent report showed a net long 10% below the high of the last 12 months and slightly more than 50% below the record long. Friday's Commitments of Traders report managed money traders were net long 303,872 contracts of crude as of February 1 after being net buyers of 6,430 contracts for the week. Non-commercial & non-reportable traders were net sellers of 8,019, reducing their net long to 488,595. Not surprisingly, forecasts of $100 oil continue to surface in the headlines, and given the market's mostly uniform track higher and its balanced technical condition, more gains are likely after a measure of corrective action. The Baker Hughes weekly rig operating count rose by two, reaching 221 rigs operating last week, which is 56% above year ago levels.

Like crude oil, the gasoline market forged very significant gains last week, with a low to high rally of $0.20 and that could leave the market subject to corrective weakness and a possible dip in March gasoline back below a key pivot price of $2.6375! While the gasoline market could be considered to have the least bullish fundamental supply set up of the complex, demand is strong enough to keep EIA stocks near last year's levels. In fact, EIA gasoline stocks shifted back into a 2-million-barrel deficit last week, after being at a slight surplus the week before. From a technical perspective, the market is short-term overbought but not so from a classic positioning perspective. Despite the breakneck, 90-cent rally since early December, the spec and fund net long in gasoline remains 40% below the record long! The Commitments of Traders report showed managed money traders were net buyers of 5,295 contracts of gasoline (RBOB) for the week ending February 1, increasing their net long to 80,579. Non-commercial & non-reportable traders were net buyers of 9,140, bringing their net long 77,178. On the other hand, last week's rally put short-term technical signals in a sell mode.

Supply tightness in heating oil, distillates, and diesel continues to be touted in the press and that should provide the ULSD market with a cushion against what appears to be a corrective tilt early this week. The press rightly suggests the ramping up of diesel prices is the result of strong transportation activity, as supply chains rush to normalize. Like other segments of the petroleum complex, the ULSD spec and fund net long positioning remains very modest despite the 90-cent rally since the beginning of December. The Commitments of Traders report showed managed money traders were net buyers of 2,348 contracts of ULSD for the week ending February 1, increasing their net long to 34,234. Non-commercial & non-reportable traders were net long 46,134 contracts after buying of 2,078. We see a critical pivot point today at $2.8147.

With the aggressive breakout down last week followed by a gap lower extension at the start of this week, the path of least resistance is pointing down in natural gas. Clearly, the charts leave the natural gas market in a vulnerable position to start the new trading week. However, the $4.25 level could become formidable support especially given last week's EIA report that showed current storage versus the 5-year average has expanded its deficit to year ago levels to 5.8%. That deficit is the most significant deficit since October and could be trending back to the tightness seen in early fall, which coincided with the sharp run-up from $3.75 to $6.13. With the last COT report positioning showing natural gas to be holding a net short of significance and seeing prices from the report fall $0.40 that could leave the net spec and fund short at the highest levels since April 2020!

The February 1st Commitments of Traders report showed Natural Gas Managed Money traders net bought 38,101 contracts and are now net long 48,489 contracts. Non-Commercial & Non-Reportable traders are net short 89,391 contracts after net buying 8,424 contracts. Unfortunately for the bull camp, short-term technical measures are in sell mode, US weather is more bearish than bullish, and the weekly rig count showed an increase of 1 rig. The weekly gain in natural gas rigs operating puts the tally at 116 which is the highest since January 2020. However, rig operating counts remain woefully below levels needed to provide for current global demand especially if Russia continues to hold back supply from Eastern Europe.

BEANS:

With the extreme overbought condition of the market, and the USDA estimates for the February 1 supply/demand report coming in showing only minor production losses, the soybean market looked vulnerable to at least a correction. However, the South America and Argentina weather forecast shifted even drier for the next two weeks, with very little rain and higher temperatures on the way. This is a significant shift from the scattered rains expected last week and the market looks set for another strong rally before the market reaches a peak.

Private exporters reported a sale of 295,000 tonnes of US soybeans to unknown destination. While overbought technically, the weather forecast for Brazil remains a bullish factor. March soybeans managed to close 83 1/2 cents higher on the week last week. The forecast remains threatening but traders seemed a bit nervous late last week that the forecast could change and this may have limited the buying. The forecast did change to drier, not wetter which was feared by the longs.

While traders see significant damage already done to the crops in Argentina and southern Brazil, the USDA estimates for the report show far less damage than feared. For the December 31st Canadian stocks report, traders see Canola stocks near 7.436 million tonnes, 7.000-7.727 million range, as compared with 13.295 million tonnes last year. For the February USDA supply/demand report, traders see soybean ending stocks near 310 million bushels, 182-350 million range, as compared with 350 million bushels in the January update. World ending stocks are expected near 91.51 million tonnes, 86-94 million range, as compared with 95.2 million tons in the January update.

Brazil soybean production is expected near 133.65 million tonnes, 126.5-137.5 million range, as compared with 139 million tonnes in January. Argentina production is expected near 44.51 million tonnes, 43-46 million range, as compared with the January update at 46.5 million tonnes. The level of Argentina's Parana River at crop-export hub Rosario was the lowest last month compared to any month of January since 1945, according to the Rosario Board of Trade. Ships loading crops took on an average of just 29,084 metric tonnes, an 11% drop from last year and the lowest for any month in data going back four years.

The Commitments of Traders report for the week ending February 1st showed Soybeans Managed Money traders added 39,593 contracts to their already long position in just one week and are now net long 154,488. Non-Commercial & Non-Reportable traders added 43,220 contracts to their already long position and are now net long 155,957. For Soyoil, Managed Money traders were net long 80,476 contracts after increasing their already long position by 11,703 contracts for the week. For Soymeal, Managed Money traders are net long 76,743 contracts after net buying 12,409 contracts for the week. Non-Commercial & Non-Reportable traders net bought 22,614 contracts and are now net long 127,246 contracts.

CORN:

While the corn market is still overbought and still trying to adjust to the weaker demand news out of China, the very dry two week weather forecast from South America should be enough to drive the market into new highs this week. March corn closed higher on the session Friday but with an inside trading day. For the week, the market was down 15 1/2 cents. The weather forecast for South America remains bullish, but traders were surprised see the much larger than expected stocks for ethanol, and a slowdown in demand from China as bearish forces. The market is still operating under the negative technical influence of Monday's key reversal. For the USDA February supply/demand report, traders see corn ending stocks near 1.512 billion bushels, 1.420-1.560 range, as compared with 1.540 billion bushels last month.

World ending stocks are expected to come in near 300.32 million tonnes, 294.30-303.00 range, as compared with 303.07 million tonnes in January. Brazil production is expected to come in near 113.63 million tonnes, 111-116.1 range, as compared with 115 million tonnes in January. Argentina production is expected near 52.16 million tonnes, 51-53.5 range, as compared with 54 million tonnes in January. The Commitments of Traders report for the week ending February 1st showed Corn Managed Money traders added 6,946 contracts to their already long position and are now net long 372,551. Non-Commercial & Non-Reportable traders added 22,470 contracts to their already long position and are now net long 409,399.

WHEAT:

Short-term fundamentals for the wheat market are still holding a bearish tilt, and news that China will allow imports from Russia just adds to the bearish tone. There is no rain in the 10 day forecast for the central and southern Plains, but the 8-14 day models turn wet. Short-term, focus on the other grains might provide some support for the market early this week. The technical action late last week was slightly improved. March wheat closed sharply higher on the session Friday, but the market still closed 23 cents lower on the week. Outside market forces were a positive force and strength in the other grains added to the positive tone. News that China will allow imports of wheat and barley from all regions of Russia is seen as a negative factor, but talk of the oversold condition helped to provide some short-term support.

In addition, traders seemed hopeful of a possibility of a change in the weather set up, or a change in the Russia/Ukraine situation over the weekend. For the February USDA supply/demand report, traders see wheat ending stocks near 629 million bushels, 596-655 million range, as compared with 628 million bushels last month. World ending stocks are seen near 279.89 million tonnes, 275.90-282.40 range, as compared with 279.95 million in January. China will now accept wheat from all over Russia, up from a previously allowed seven regions which excluded major growing areas. Russian wheat exports have jumped in the past decade, grabbing share across European and American markets.

China has been one of the few remaining holdouts, and winning access there now could challenge sales from the likes of France, Australia and the U.S. China's wheat purchases have doubled in just a few years to make it the world's fourth-biggest importer. Wheat positioning in the Commitments of Traders for the week ending February 1st showed Managed Money traders net sold 13,025 contracts and are now net short 26,452 contracts. Non-Commercial & Non-Reportable traders net sold 9,814 contracts and are now net short 17,162 contracts. KC Wheat positioning in the Commitments of Traders for the week ending February 1st showed Managed Money traders net sold 2,835 contracts and are now net long 37,799 contracts.

HOGS:
April hogs closed sharply higher on the session Friday after a lower opening but the key reversal high from Thursday is still intact. Cash markets inched higher with the 2-day Lean Index at 83.33. This leaves April hogs trading at a $16.44 premium to the cash market as compared with a normal premium for this time of the year at less than $3.00. This would indicate that traders expect a steep uptrend in the cash market in the weeks just ahead. Technical indicators are showing extreme overbought status, and the market is still operating under the negative technical influence of Thursday's key reversal. The USDA pork cutout, released after the close Friday, came in at $95.76, up 92 cents from Thursday and up from $93.89 the previous week.

The USDA estimated hog slaughter came in at 430,000 head Friday and 203,000 head for Saturday. This brought the total for last week to 2.436 million head, down from 2.526 million the previous week and down from 2.673 million a year ago. Estimated US pork production for the week ending February 5th was 534.2 million pounds, down from 552.5 the previous week and down from 584.1 a year ago. The CME Lean Hog Index as of February 2 was 83.33 up from 83.29 the previous session and 79.75 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,061 contracts of lean hogs, increasing their net long to 69,968. Non-commercial & non-reportable traders were net buyers of 3,967, increasing their net long to 60,550.

CATTLE:
The cattle market is technically overbought and trading at a higher than normal premium to the cash market. This may spark some long liquidation selling pressure, especially if beef prices continue to decline. The USDA boxed beef cutout closed $1.65 lower at $279.81. This was down from $290.42 the previous week and was the lowest the cutout had been since January 11. The average estimated dressed cattle weight for the week ending February 5th was 842 pounds, down from 843 the previous week and down from 844 a year ago. Estimated beef production last week was 537.0 million pounds, down from 549.3 million a year ago. Cash live cattle traded on Friday in the same firm pattern from earlier in the week.

As of Friday afternoon, the 5-day, 5-area weighted average price was 139.81, up from 136.93 the previous week. The USDA estimated cattle slaughter came in at 114,000 head Friday and 46,000 head for Saturday. This brought the total for last week to 639,000 head, down from 643,000 the previous week and 652,000 a year ago. Friday's Commitments of Traders showed managed money traders were net buyers of 19,951 contracts of live cattle, increasing their net long position to 69,272. Non-commercial & non-reportable traders were net buyers of 20,551, increasing their net long to 75,184. The buying trend is a short-term positive force.

COCOA:

Cocoa's 6-session winning streak has taken prices far above the 3 major moving averages and within striking distance of a new 4-month high. With the market receiving bullish supply/demand news, cocoa may be heading for a retest of the early October highs. May cocoa followed through on Thursday's outside-day higher close as it reached a new 2-week high before finishing Friday's trading session with a moderate gain and a sixth positive daily result in a row. For the week, May cocoa finished with a gain of 178 points (up 7.0%) which broke a 2-week losing streak.

Ongoing hot and dry weather over West African growing areas remains a key source of strength for the cocoa market as that should have a negative impact on the region's upcoming mid-crop production. The Ivory Coast Coffee & Cocoa Board said that this season's cocoa port arrivals through the end of January were 0.5% behind last season's pace, which makes it more likely that 2021/22 full-season production totals for Ivory Coast and Ghana will come in well below last season's total. In addition, a positive turnaround in global risk sentiment following US jobs data provided cocoa with support as that can help to shore up near-term demand prospects.

Brazil is the world's fifth largest chocolate consuming nation and sixth largest cocoa producer. While they are the eighth largest cocoa grinding nation, most of their production is processed domestically. In spite of recent economic hardships and the COVID pandemic, Brazil's cocoa processing association AIPC forecast their nation's 2022 grindings will increase 5% from last year's total of 224,168 tonnes. This would a second annual increase in a row, and shows that emerging market demand is continuing to improve along with Europe and Asian.

Cocoa positioning in the Commitments of Traders for the week ending February 1st showed Managed Money traders are net long 14,735 contracts after net selling 2,491 contracts. CIT traders net sold 1,957 contracts and are now net long 28,303 contracts. Non-Commercial No CIT traders were net long 3,143 contracts after decreasing their long position by 2,465 contracts. Non-Commercial & Non-Reportable traders net sold 1,269 contracts and are now net long 25,040 contracts.

COFFEE:

While coffee could not extend its winning streak to 4 sessions, it will start this week in close proximity to a new 2-month high. With the market receiving fresh bullish supply news, coffee can extend its recovery move early this week. May coffee fell back on the defensive early in the day, and in spite of a late rebound finished Friday's trading session with a moderate loss. For the week, however, May coffee finished with a gain of 6.00 cents (up 2.5%) which broke a 2-week losing streak.

A sizable pullback in the Brazilian currency weighed on coffee prices as that lead to Brazil's farmers becoming more aggressive with marketing their remaining near-term coffee supplies. There is daily rainfall in the forecast for Brazil's major Arabica growing regions through early next week, and that also weighed on coffee prices going into the weekend. However, Colombia's national coffee federation said that their January production came in at 868,000 bags, which was 20% below last year's total and their lowest output total since April.

This follows Colombia's 2021 full-year production total of 12.6 million bags which was 9% below their 2020 total and was a second annual decline in a row. Colombia continues to see inclement weather due to the La Nina weather event which is forecast to last through March. In addition, the continued drawdown of warehouse stocks in Europe and North America helped coffee to regain some strength late in the day. ICE exchange coffee stocks fell by 23,814 bags on Friday to reach their lowest levels since October 2020, and are less than 11,000 bags away from a new 22-year low.

While ICE exchange stocks in Antwerp have fallen below 1 million bags, those at 3 warehouse locations (New Orleans, Miami and Barcelona) are completely empty. The Commitments of Traders report for the week ending February 1st showed Coffee Managed Money traders reduced their net long position by 1,550 contracts to a net long 52,097 contracts. CIT traders are net long 43,213 contracts after net selling 2,949 contracts. Non-Commercial No CIT traders reduced their net long position by 398 contracts to a net long 46,624 contracts. Non-Commercial & Non-Reportable traders net sold 265 contracts and are now net long 68,191 contracts.

COTTON:
The cotton market looks vulnerable to a significant break if uptrend channel support gives way for the March contract. The market closed lower on Friday after failing an attempt to take out Tuesday's contract high. The dollar was higher but so was crude oil, so outside market forces were mixed. A British cotton merchant pointed out that there were still plenty of price fixations to be done for March that could put more upside pressure on the market. For the February USDA supply/demand report, traders see US ending stocks at 3.29 million bales, 3.00-3.70 million range, as compared with 3.2 million bales last month.

World ending stocks are expected at 84.95 million bales, 84.00-85.75 million range, as compared with 85.01 million bales in the last update.
Friday's Commitments of Traders report showed managed money traders were net buyers of 4,466 contract of cotton for the week ending February 1, increasing their net long to 80,862. Non-commercial, no CIT traders were net buyers of 3,692, increasing their net long to 78,767. Non-commercial & non-reportable traders combined were net buyers of 5,333, increasing their net long to 115,855. Spec positions are leaning into overbought territory.

SUGAR:
Sugar prices have had trouble sustaining upside momentum since reaching a multi-year high last November as they have seen one 3-session winning streak since the start of 2022. Ethanol demand in Brazil should see a significant uptick over the next few weeks, however, and that can help to lift sugar prices well clear of their recent lows. After finding early pressure, May sugar was able to follow-through on Thursday's hook reversal as it finished Friday's trading session with a mild gain. For the week, however, May sugar finished with a loss of 7 ticks (down 0.4%) which was a second negative weekly result in a row.

The Brazilian currency lost more than 0.5% in value on Friday, which was a source of carryover pressure on the sugar market as extended currency weakness could encourage Brazil's Center-South mills to produce more sugar for the global export market. This season's India sugar production is running ahead of last season while Thailand's production is well ahead of the previous 2 seasons, and that has weighed on sugar prices over the past few weeks.

Both crude oil and RBOB gasoline reached new multi-year high prices on Friday, however, and that helped sugar to climb up into positive territory late in the day. Energy prices are far above levels seen during the 2018/19 and 2019/20 seasons when Center-South mills used less than 36% of their crushing for sugar production, and that compares to the 45% seen during the 2021/22 season so far. Although Center-South domestic ethanol sales have come in below the previous year's total for 5 months in a row, high energy prices should shore up ethanol demand in Brazil and India.

The Commitments of Traders report for the week ending February 1st showed Sugar Managed Money traders reduced their net long position by 23,285 contracts to a net long 71,014 contracts. CIT traders were net long 169,783 contracts after decreasing their long position by 6,333 contracts. Non-Commercial No CIT traders net sold 23,053 contracts and are now net long 37,195 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 27,067 contracts to a net long 117,037 contracts.

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