ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

With the US adding nearly 3 million jobs since the beginning of October and the last 2 months posting significantly stronger than expected readings (despite omicron) and treasury bonds at times following the jobs report up 3 points, it is clear flight to quality forces are trumping classic economic fundamentals. We also note that treasuries rallied aggressively in the face of inflationary signals from the energy markets. While treasury bonds forged an upside breakout at the start of this week, prices have fallen back from that high as if waiting for additional news from the Ukraine. Certainly, a significant risk off vibe flowing from equities provides treasuries with initial flight to quality lift.

However, limiting speculative buying is concern about the upcoming FOMC rate decision on March 16th. Adding to the flight to quality environment are Russian warnings that sovereign bond payments will depend on sanctions and a Moody's downgrade of Russian debt. Therefore, the sanctions are negatively impacting Russian citizens and the standing of the Russian government in their eyes. Putin may take the Ukraine but could lose all in the event of a coup. However, Russian citizens are being kept mostly in the dark regarding the Ukraine and therefore the backlash against Putin domestically will be modest for now.

While the most recent positioning report showed Bonds to be holding a net spec and fund short, the market since the report mark off date has rallied 1 1/2 points and therefore net short holdings should be nearing zero. The Commitments of Traders report for the week ending March 1st showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 16,934 contracts to a net short 19,037 contracts. For T-Notes Non-Commercial & Non-Reportable traders reduced their net short position by 5,159 contracts to a net short 519,924 contracts. At this point, regularly scheduled data from outside Russia is likely to be of very little impact on treasury prices, but the potential for bull news is much higher than the potential for bearish news.

CURRENCIES:

From a classic fundamental perspective, the dollar index should have strengthened off the better-than-expected US nonfarm payroll report, especially with flight to quality buyers off the Ukraine carnage adding to the buying. Not surprisingly, the euro remains the most vulnerable currency with the war strapped onto the back of the European economy. With the war in Ukraine expected to continue with wave after wave of reports of carnage of civilians and widespread destruction of infrastructure the dollar should be considered in an entrenched flight to quality rally.

While the US Federal Reserve Chairman recently tamped down a 50-basis point rate hike in next week's meeting, the payrolls last week were very strong and exploding inflationary pressures from commodities might result in a surprise 50 basis point hike. However, the dollar index is becoming significantly overbought with the latest net spec and fund long position near 40,000 contracts and the market since the report gaining another 200 points. The March 1st Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 1,950 contracts and are now net long 39,376 contracts.

The euro broke to the downside and appears on a direct path to return to the 2020 lows. Economic data for the euro zone was split with German factory orders and retail sales readings positive and a European investor confidence reading falling dramatically from the prior month. Obviously, Europe is facing spillover economic headwinds from the Ukraine situation and is further hindered by surging LNG prices. The Commitments of Traders report for the week ending March 1st showed Euro Non-Commercial & Non-Reportable traders added 172 contracts to their already long position and are now net long 97,991.

On one hand, the Yen appears to be caught in a multiweek sideways consolidation, but the currency has disappointed would-be buyers with the currency "missing out" on a major global flight to quality condition. Another undermine of the Yen is noted from trade rumblings of a downgrade of the Japanese economy by the Bank of Japan next week. While the Swiss franc remains within a 4-week sideways consolidation range, the currency has been pummeled and appears headed directly to consolidation low support. With the Swiss franc joining other countries with sanctions, the Swiss economy seeing headwinds from the turmoil, the currency was not supported by a downtick in the Swiss February unemployment rate to 2.2%.

With a new contract low in the Pound, the currency failed to benefit from a stronger than expected Halifax house price reading for February perhaps because the month over month gain in home prices was disappointing. Nonetheless, the Pound is a recovery currency (which needs global growth to strengthen) and looking forward there is massive uncertainty building against global growth! The Canadian dollar remains "caught in the middle" with surging oil and commodity prices and some spillover lift from the dollar providing support The Canadian might be drafting lift from hawkish Bank of Canada dialogue and from a very strong Canadian economic activity PMI reading last Friday.

STOCKS:

Obviously, hyper volatility remains in the equity markets with the situation in the Ukraine offering massive uncertainty and the potential for many very disconcerting outcomes. In fact, we suspect mass casualties and general carnage in the Ukrainian capital will greet equities early this week. It should be noted that a growing list of companies have shut down operations While others have refused to sell goods and services to the Russians and that will likely result in a loss of international sales.

Global equity markets early this week were all lower with the largest declines in the French market which had a decline of 4.1%. With a wave of companies announcing they have severed ties and halted sales to Russia, ongoing concern of Ukrainian inspired global economic headwinds, surging inflation and the prospect of higher interest rates gives the bear camp a full quiver today. Furthermore, there are several reports surfacing about sharply raising prices of food, industrial materials, retail fuel, and all-time highs in some precious metal markets and that is also undermining investor sentiment.

As would be expected the S&P broke out to the downside and forged a 6 day low early as the fear of severe war headwinds has scared away bargain-hunting buying. Fortunately for the bull camp, oil, industrial metal, and precious metal company shares are strengthening. Unfortunately for the bull camp the S&P has seen a consistent climb in the net spec and fund long positioning, with the index adjusted into last week's high likely at the longest level since the end of 2019! The Commitments of Traders report for the week ending March 1st showed E-Mini S&P Non-Commercial & Non-Reportable traders are net long 170,532 contracts after net selling 80,506 contracts.

Not surprisingly, the Dow Jones futures have also forged a fresh 6 day low and appear headed for further losses early this week. Some traders are pointing to a Berkshire Hathaway purchase of Occidental Petroleum as a possible sign of a nearing low, while others expect consistent declines as the Ukraine war enters the carnage stage with the Russian army attempting to take the capitol city. Fortunately for the bull camp the most recent COT positioning report showed the Dow futures already net short 15,185 contracts and that could slow the decline. Dow Jones $5 positioning in the Commitments of Traders for the week ending March 1st showed Non-Commercial & Non-Reportable traders are net short 15,185 contracts after net selling 4,706 contracts.

Despite positive psychological news from a GameStop investment in Bed Bath and Beyond, the NASDAQ was definitively undermined as a series of tech-based companies announced the end of sales and services to Russia. Like the Dow futures the NASDAQ futures remain net spec and fund short 10,798 contracts and are 500 points below the level where the last report was measured and therefore the net short has likely grown significantly! Nasdaq Mini positioning in the Commitments of Traders for the week ending March 1st showed Non-Commercial & Non-Reportable traders went from a net long to a net short position of 10,798 contracts after net selling 16,945 contracts.

GOLD, SILVER & PLATINUM:

With gap up new high in April gold, strength in physical commodities, ongoing fighting in Ukraine and a 5th straight day of gold ETF inflows (last week gold ETF holdings increased by 1.3 million ounces) and finally many traders expecting only a 25-basis point rate hike from the US, the bull camp has solid control. In fact, gold ETF holdings are now 3.8% higher on the year and we suspect surging prices will bring on even more consistent inflows into gold ETF holdings. Like the energy complex, the bull camp retains control and should continue to retain control with the Ukrainian situation remaining at a boil. Another bullish demand item released came from China where their gold reserves were reported to have increased by 6.4% on a month over month basis which in turn brings the year-over-year gain to 9.6%.

To start the week, the gold market appears to be capable of rallying in the face of a surging US dollar, calls for a 50-basis point rate hike in the US later this month and from the threat of Russian gold sales on the world market. However, for Russia to sell significant quantities of gold will be very problematic as buyers and clearinghouses are unlikely to accept the supply. On the other hand, Russia did offer significant discounts to global oil buyers and some likely took advantage of the opportunity. Therefore, Russia will have to offer steep discounts to overcome those looking to contribute to the economic isolation of the country. Also like the petroleum complex, the gold market retains significant speculative buying fuel with the net long adjusted for the gains after the report was measured well under the high of the past year.

The March 1st Commitments of Traders report showed Gold Managed Money traders were net long 168,103 contracts after increasing their already long position by 7,121 contracts. Non-Commercial & Non-Reportable traders were net long 317,919 contracts after increasing their already long position by 10,679 contracts. With May silver breaking out to the highest levels since August of last year, the silver market appears to be tightening its correlation with gold and palladium. Furthermore, the net spec and fund long has remained small relative to recent history. The Commitments of Traders report for the week ending March 1st showed Silver Managed Money traders added 16,633 contracts to their already long position and are now net long 42,723. Non-Commercial & Non-Reportable traders were net long 59,605 contracts after increasing their already long position by 13,624 contracts.

The palladium market retains the "most bullish" fundamental setup of the precious metal markets, with lost Russian supply nearly impossible to quantify its impact on prices. In fact, palladium ETFs last Friday added 7,163 ounces, they increased their holdings on the week by 33,773 ounces and the holdings are now 5.6% higher year-to-date. According to UBS, the airspace closure has disrupted the flow of physical palladium with Russia accounting for 40% of all global mined palladium supply and that is certainly justification for new all-time highs. Certainly, the market is short-term overbought, but is not overbought from intermediate and longer-term perspectives. In fact, the palladium market retained a net spec and fund short of only 696 contracts, prior to the rally of $450 after the COT report. The Commitments of Traders report for the week ending March 1st showed Palladium Managed Money traders went from a net short to a net long position of 253 contracts after net buying 266 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 696 contracts to a net short 418 contracts.

The rally in palladium prices has become so significant that the platinum market is now being "pulled up" by palladium. While the substitution of platinum for palladium has been anticipated for the last 2 years, we suspect speculative futures buying will have a greater near-term impact than increased substitution demand. Furthermore, the net spec and fund long in platinum also remain small relative to recent history. Platinum positioning in the Commitments of Traders for the week ending March 1st showed Managed Money traders were net long 15,163 contracts after decreasing their long position by 434 contracts. Non-Commercial & Non-Reportable traders were net long 26,984 contracts after increasing their already long position by 622 contracts.

COPPER:
While we are still suspect with the copper market's fundamental justification for the ongoing upside explosion, there are supply concerns and the most significant inflationary environment in 50 years.

Certainly, reduced Chilean and Russian supply creates a powerful classic bull condition on its own, but the inflation kicker is apparently very powerful on its own. The copper market was unconcerned about another weekly Shanghai copper stocks build last week, and the market also has not had a significant focus on China which posted softer than expected trade data.

As in many other commodities, the copper market retains significant speculative buying capacity compared to recent history despite the post report rally of $0.36. The March 1st Commitments of Traders report showed Copper Managed Money traders are net long 30,989 contracts after net selling 2,422 contracts. Non-Commercial & Non-Reportable traders net sold 5,231 contracts and are now net long only 29,717 contracts. The record spec and fund long in copper was 87,302 contracts.

ENERGY COMPLEX:
Crude oil prices bolted higher and surged above $130 per barrel in the April contract, with part of the sharp range up extension seen from House of Representatives leadership indicating they were considering oil sanctions. A minimal addition to the bull case was seen from a 2.3% decline in global floating crude oil supply. On the other hand, a sign of bullish froth was seen from a bulge in low-cost call option strategies centered around $200 per barrel. While not a widespread belief in the market, an economist has suggested the global economy can "get by just fine" with $129 oil, but the question becomes what the Fed will think of $129 oil. Surprisingly, the nonreportable, managed money, and noncommercial (speculative categories) do not show excessively high long positions compared to recent action.

Keep in mind that the April crude oil contract from the COT report mark off rallied another $16 per barrel, thereby rendering this week's speculative long position significantly understated. The Commitments of Traders report for the week ending March 1st showed Crude Oil Managed Money traders added 8,430 contracts to their already long position and are now net long 280,790. Non-Commercial & Non-Reportable traders are net long 475,305 contracts after net buying 25,063 contracts. While the situation in the Ukraine is likely to worsen significantly and control prices for now, more countries (Japan is considering ratcheting up sanctions) will begin to embargo Russian oil and that should continue to ratchet up the threat against lost supply. Late last week, there were even reports of some Russian cargoes near their destination being rejected and sent home.

On the other hand, supply lost last week from Libya appears to be returning to the market with operations at as many as 4 ports seeing restarts! Certainly, the oil market could be overpricing the ultimate loss of Russian crude and products, but the trade will not embrace that overdone status until Russia takes control of all of Ukraine or there is an official coordinated embargo levied on Russian energies. Fortunately for the bull camp, US storage (Cushing and SPR) continue to fall supporting oil prices from a US domestic perspective. With Brent crude oil prices maintaining a premium to the US, the fear of tight supply in Europe remains larger than in the US.

In fact, it is possible that a top in prices could be seen when WTI surpasses Brent crude oil pricing as that could signal the world is directly tapping into WTI. The most recent Baker Hughes oil rig count showed a line of 3 to a net count of 519 operating, which is the first downtick in 6 weeks. Furthermore, Canadian oil drilling rigs were down four. According to the Wall Street Journal, oil buyers are focusing their attention on near to delivery supply under the view that surging prices will hurt demand in longer dated contracts. Going forward, massive volatility will remain a fixture in the market with the bull camp retaining an edge and the Russian situation steering prices and resulting in out of nowhere significant impacts on prices.

Like the crude oil market, the gasoline market gapped higher and forged a fresh contract high. For now, the RBOB market does not appear to be held back yet by talk of demand destruction from ultrahigh retail prices. In fact, in certain portions of the US, retail gasoline prices are likely to hit record highs when adjusted for this week's rally. However, Europe's largest refinery said it will continue to buy Russian crude and will donate profits to a fund for the Ukrainian people. Therefore, a key supply source for European fuel will continue to operate until sanctions include oil. However, Europe and particularly Germany will suffer significant increased costs and severe shortages if they shut off Russian feedstocks before temperatures warm up. Like the crude oil market, the net spec and fund long positions in gasoline have not reached excessively long levels yet, and even though the COT positioning is dramatically understated by a post report rally of $0.43 we assume the market retains significant speculative buying capacity.

The March 1st Commitments of Traders report showed Gas (RBOB) Managed Money traders net sold 6,773 contracts and are now net long 74,217 contracts. Non-Commercial & Non-Reportable traders net sold 2,611 contracts and are now net long 72,968 contracts. As in the RBOB contract, the diesel market retains speculative buying capacity with the net spec and fund long still 40,000 contracts below 2-year highs and only one fourth of the record spec long! Heating Oil positioning in the Commitments of Traders for the week ending March 1st showed Managed Money traders net bought 1,246 contracts and are now net long 23,693 contracts. Non-Commercial & Non-Reportable traders were net long 27,922 contracts after decreasing their long position by 309 contracts.

Even though the natural gas market has seriously lagged the petroleum complex, the bull case is equally if not more powerful. However, key consumers of Russian gas have been unable to aggressively shut off purchases as alternative supply is not at critical mass yet. On the other hand, Europe remains in the critical heating season and embargoing Russian gas completely would put already record European and Asian cash prices through the roof. While the US is spooling up its natural gas exports shipping supply is nearly impossible to meet pipeline flow levels in the near-term. Certainly, natural gas is drafting support from colder European and US weather and like petroleum the uncertainty from the Ukraine situation keeps overriding demand concerns.

While last week's headline storage extraction was smaller than expected the deficit versus the 5-year average has reached levels that prompted the trade last fall to bid up prices for fear of winter shortages. In other words, natural gas is finally beginning to register its bullish fundamentals. Even technical measures favor the bull camp with the most recent positioning report showing natural gas to be maintaining a large net spec and fund short. The March 1st Commitments of Traders report showed Natural Gas Managed Money traders added 2,195 contracts to their already short position and are now net short 2,396. Non-Commercial & Non-Reportable traders net bought 6,155 contracts and are now net short 89,604 contracts.

BEANS:
It will likely take government actions or a cease-fire that sticks in order to expect a near term top is in place. May soybeans closed moderately lower on the session last Friday after choppy and two-sided trade. The market managed to close about 75 cents higher on the week. Soybean oil experienced follow-through selling from Thursday's key reversal which helps confirm a short-term peak. World food prices hit a record high in February led by the surge in vegetable oils and dairy products to post a 20.7% increase from one year ago, according to the United Nations Food and agriculture organization. Exporters announced the sale of 106,000 tonnes of US soybeans to China. There was also 125,000 tonnes of US soybeans to unknown destination, and 108,860 tonnes of US soybeans sold to Mexico.

With palm oil closing down 7.8% on the day, traders are trying to determine if this was just a technical correction, or if it may signify that the current price rally is unsustainable. A week ago, the market sensed that the inability to export sunoil and wheat and corn was a serious issue and would tighten the short-term supply on the world market significantly. Now, traders are more concerned that with Ukraine ravaged with war that new crop plantings and production could be disrupted. Availability of pesticides and seeds and fuel for agriculture are all big concerns. Ukraine usually starts spring planting in late February or March. For now, it appears that lower yields are likely but if crops are not planted, and producers miss the window of opportunity. Losses will be significant.

Exports from the Black Sea are unlikely to resume before there is a cease-fire. The market is already dealing with tightening soybean oil exports from South America and continued tightness of rapeseed oil. Argentina exports of soybean oil for January and February reached just 450,000 tonnes, down 700,000 from a year ago. The US might have more exportable surplus if there were temporary or emergency reductions in biofuel targets. Given the near record high prices for vegetable oils, it would seem likely that the US and the European Union would reduce biodiesel consumption. Indonesia has export controls in place which is just added to the short term tightness.

Soybeans positioning in the Commitments of Traders for the week ending March 1st showed Managed Money traders were net long 175,721 contracts after decreasing their long position by 4,613 contracts for the week. Non-Commercial & Non-Reportable traders are net long 171,424 contracts after net selling 11,592 contracts for the week. For Soyoil, Managed Money traders are net long 81,431 contracts after net buying 2,231 contracts for the week. For Soymeal, Managed Money traders were net long 94,829 contracts after increasing their already long position by 4,412 contracts for the week.

For the March USDA supply/demand report, traders see ending stocks at 278 million bushels, 182-325 million range, as compared with 325 million bushels last month. World ending stocks are expected near 89.46 million tonnes, 85.5-93.4 million range, as compared with 92.83 million tonnes in February. Traders expect Brazil production near 129.01 million tonnes, 121.2-134 million range, as compared with 134 million tonnes in February. Argentina production is expected near 43.39 million tonnes, 40-45 million range, as compared with 45 million tonnes in February.

CORN:
There is still no sign of a near-term top, but the historical high price for all grains leaves the corn market vulnerable to government actions which might shift the longer-term supply set-up. May corn managed

to close higher on the session Friday but 28 1/2 cents off of the contract high of 782 3/4. This was the fourth day in a row of contract highs and the market managed to trade as much as $1.27 higher for the week. The Rosario Grains Exchange sees Argentine corn production down to 48 million tonnes, which is down from 54 million from the USDA in the February update. Continued uncertainty on available supply from the Black Sea region, plus continued positive demand news in spite of the high price helped to support.

December corn managed to trade to a new contract high and a new contract high close. For the March USDA supply/demand report, traders see corn ending stocks near 1.479 billion bushels, 1.390-1.540 range, as compared with 1.540 billion bushels in February. World ending stocks are expected near 301.07 million tonnes, 298-305.5 range, as compared with 302.22 million tonnes in February. Traders expect corn production from Brazil near 112.98 million tonnes, 110-116.1 million range, as compared with the 114 million tonnes in February. Argentina production is expected near 52.09 million tonnes, 49-54 million range, as compared with 54 million tonnes in February.

Many governments around the world are beginning to take steps to protect food supplies. Argentina and Turkey this past week increased their control over local products, Bulgaria is looking to build its grain reserves while Moldova temporarily banned exports of wheat, corn and sugar from this month. The war in Ukraine has brought crop shipments from much of the Black Sea region to a halt. Argentina is creating a mechanism to guarantee wheat supplies for local millers. Top flour exporter Turkey boosted the agriculture ministry's authority over exports of an array of goods. The March 1st Commitments of Traders report showed Managed Money traders are net long 349,222 contracts after net selling 5,214 contracts for the week. Non-Commercial & Non-Reportable traders added 10,276 contracts to their already long position and are now net long 415,524.

WHEAT:

When it rains, it pours. On top of the Black Sea issues, the hard red winter crop in the southern US Plains is suffering from drought conditions, and China officials are indicating China's winter wheat crop could be the worst in history, according to the agriculture minister. Rare, heavy rainfall last year delayed the planting of about one third of the normal wheat acreage. China is the world's biggest consumer of wheat. China sold 526,254 tonnes of wheat or 100% of its total offer in an auction of state reserves yesterday. March wheat managed to close sharply higher on Friday with a very wide range of $12.01 1/2 to $13.48. This left the market with a gain of $5.05 for the week or up 60% last week. May wheat traded at the 75 cent limit up price of $12.09 and that was the only priced traded on the day. European milling wheat futures climbed as much as 11% and closed 1.5% higher, which was up 28% for the week.

Russia and Ukraine account for 29% of global wheat exports, and a lack of progress toward a resolution helped to drive the market higher. Fears of a prolonged war effort have helped drive panic buying with prices near all-time highs. Ukraine accounts for 20-29 million tonnes of exports per year which is 10 to 15% of world exports. For the USDA supply/demand report, traders see ending stocks near 628 million bushels, 569-658 million range, as compared with 648 million in February. World ending stocks are expected near 277.59 million tonnes, 274.5-280 million range, as compared with 278.2 million tonnes in February. Food protectionism is spreading as Hungary bans grain exports and Argentina, Turkey, Moldova and others take more control of exports. India is expected to see record exports of near 7 million tonnes. Egypt is considering importing wheat from the EU. Algeria is tendering for 50,000 tonnes of wheat but they normally buy more than the tendered about.

Acres of spring wheat in Canada could rise 2% to 3% in 2022 as surging prices might encourage producers to shift acres from oats, pulses and durum. The March 1st Commitments of Traders report showed Wheat Managed Money traders reduced their net short position by 11,017 contracts to a net short of just 7,036 contracts. A shocker that managed money traders are still net short with the market near all-time highs. Non-Commercial No CIT traders net bought 9,029 contracts and are now net short 31,298 contracts. For KC Wheat, Managed Money traders were net long 45,481 contracts after increasing their already long position by 4,701 contracts. Non-Commercial & Non-Reportable traders are net long 43,893 contracts after net buying 4,668 contracts.

HOGS:

April hogs closed sharply lower on the session last Friday and the selling pushed the market down to the lowest level since February 7. The USDA confirmed the presence of highly pathogenic avian flu in a flock of commercial broiler chickens in Missouri. This adds to cases on commercial farms in Indiana, Kentucky and Delaware. This has triggered significant export restrictions for US poultry products which will add to the short-term supply which US consumers will need to absorb. As a result, it may be difficult for pork values to hold up as high as they have recently.

The USDA pork cutout, released after the close Friday, came in at $102.44, down $2.11 from Thursday and down from $111.38 the previous week. This was the lowest the cutout had been since February 10. The USDA estimated hog slaughter came in at 478,000 head Friday and 59,000 head for Saturday. This brought the total for last week to 2.427 million head, down from 2.496 million the previous week and 2.557 million a year ago. Estimated US pork production last week was 529.8 million pounds, down from 545.8 the previous week and down from 555.4 a year ago.

The CME Lean Hog Index as of March 2 was 99.70, down from 99.84 the previous session but up from 98.04 the previous week. Friday's Commitments of Traders showed managed money traders were net sellers of 2,455 contracts of lean hogs for the week ending March 1, reducing their net long to 74,506. Non-commercial & non-reportable traders were net sellers of 3,539, reducing their net long to 69,353. The long liquidation selling trend is a bearish short-term force.

On top of the slowdown in meat exports from the US due to bird flu, China meat imports in the first two months of the year were down 33% from the Jan/February period last year. China is buying 38,000 tonnes of frozen pork for state reserves on March 10. China's national average spot pig price as of March 07 was down 1.7% from the previous day. For the month prices are down 2.4% and down 23.5% year to date and down 57.8% versus a year ago.

CATTLE:

April cattle closed sharply lower on the session last Friday but near the middle of the range. The market is technically oversold, and the selling pushed the market down to the lowest level since September 13.

This also pushed the market down to a significant discount to the cash market which may have brought in some bargain hunters. Cash live cattle traded lower on Friday in moderate to light volume. There were 1,923 head reported across the five regions with a weighted average price of 138.95. This was down from averages of 141.61 on Thursday and 140.45 on Wednesday.

The five-day weighted average as of Friday afternoon was 140.60, down from 143.18 the previous week. The USDA boxed beef cutout was down 38 cents at mid-session Friday and closed 2 cents lower at $254.33. This was down from $258.27 the previous week and was the lowest the cutout had been since April 2, 2021. The USDA confirmed the presence of highly pathogenic avian flu in a flock of commercial broiler chickens in Missouri. This adds to cases on commercial farms in Indiana, Kentucky and Delaware.

This has triggered significant export restrictions for US poultry products which will add to the short-term meat supply which US consumers will need to absorb. The USDA estimated cattle slaughter came in at 123,000 head Friday and 42,000 head for Saturday. This brought the total for last week to 658,000 head, up from 647,000 the previous week but down from 666,000 a year ago. The estimated average dressed cattle weight last week was 843 pounds, down from 844 the previous week and up from 830 a year ago.

The 5-year average weight for that week is 822.6 pounds. Estimated beef production last week was 553.1 million pounds, up from 551.4 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 25,281 contracts of live cattle for the week ending March 1, reducing their net long to 60,152. This is an aggressive long liquidation selling trend. Non-commercial & non-reportable traders were net sellers of 21,062, reducing their net long to 63,464.

COCOA:

While global risk sentiment remains volatile, one consistent impact of Russia’s invasion of Ukraine has diminished near-term demand prospects for cocoa. Although the market has risen nearly 150 points (up 6.0%) from last Tuesday’s low, the cocoa market has strong long-term demand prospects and a bullish supply outlook which leaves prices still looking cheap at current levels. May cocoa was able to maintain upside momentum in spite of a new 21-month low in the Eurocurrency as it reached a 1-week high before finishing Friday’s trading session with a sizable gain and a third positive daily result in a row. For the week, May cocoa finished with a gain of 6 points (up 0.2%) which broke a 2-week losing streak and was a positive weekly reversal from last Tuesday’s 2-month low.

Indications that West African production will come in well below last season’s total has lifted cocoa prices last week. Ghana’s 2021/22 production is expected to decline more than 225,000 tonnes from last season, and Ivory Coast’s output is expected to see a significant drop as well. Although 2021/22 global cocoa grindings forecasts could be dialed back due to the ongoing Russian invasion of Ukraine, they are still expected to come in above 5 million tonnes, which would be a record high. As a result, the 2021/22 season could show the biggest production deficit since the 2015/16 season while the 2021/22 stocks/usage ratio could fall to its lowest level since the 1984/85 season.

Updated forecasts call for several days of rain over many West African growing regions through the middle of next week. Daily rainfall totals are expected to remain fairly low, however, while high temperatures may reach 100 degrees Fahrenheit in some areas. The Commitments of Traders report for the week ending March 1st showed Cocoa Managed Money traders are net long 14,962 contracts after net selling 18,894 contracts. CIT traders are net long 35,520 contracts after net selling 255 contracts. Non-Commercial No CIT traders net sold 17,783 contracts which moved them from a net long to a net short position of 4,259 contracts. Non-Commercial & Non-Reportable traders are net long 26,691 contracts after net selling 15,118 contracts.

COFFEE:
Europe accounts for roughly a third of global domestic coffee consumption, so the ongoing Russian invasion will continue to cast a shadow over restaurant and retail shop demand in the region. However, a 40.00 cent decline from a mid-February high to Friday's low (down 15.4%) has left the coffee market in a stronger position to maintain upside momentum this week. May coffee found early pressure and reached a new 3 1/2 month low, but were able to regain strength late in the day to finish Friday's trading session with a mild gain and a positive daily reversal. For the week, however, May coffee finished with a loss of 14.40 cents (down 6.0%) and a third negative weekly result in a row.

A more than 1% pullback in the Brazilian currency put coffee prices under early carryover pressure. The current La Nina weather event is expected to continue into the second quarter of 2022, which should have a negative impact on upcoming coffee production in Brazil (which should see drier than normal conditions) and Colombia (who is expected to see heavier than normal rainfall). In fact, Colombia's coffee production during February came in at 928,000 bags, which was 16% below last February and the fifth month in a row that it was more than 13% below the previous year's total. Both nations account for more than 54% of global Arabica coffee output, so their production issues will not be offset by other major Arabica-producing nations.

Near-term supplies in major consuming nations remain at low levels, with ICE exchange stocks declining 52% since the end of September after falling by 750 bags on Friday. There has been some easing in the global shipping container shortage, but warehouse supply should remain low well into the third quarter. Coffee positioning in the Commitments of Traders for the week ending March 1st showed Managed Money traders are net long 50,826 contracts after net selling 6,923 contracts. CIT traders net sold 1,224 contracts and are now net long 44,001 contracts. Non-Commercial No CIT traders are net long 43,746 contracts after net selling 6,646 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 7,771 contracts to a net long 66,170 contracts.

COTTON:
Fears that the Russia/Ukraine war will drag out and help reduce global demand for cotton seems to be the key bearish factor short-term. The market priced in very strong demand, and with a surge in planted area in the US this year, it will take continued very strong demand to expect US exports to increase for the coming year. May cotton sold off sharply on Friday, trading to its lowest level since February 25 and closing at its lowest level since January 14. The market is close to taking out its February 25 low, which would confirm that a short-term downtrend is occurring.

Global stock markets were lower on Friday on concerns over Russia's war against Ukraine, and this includes concerns about cotton demand. For Wednesday's USDA supply/demand report, the average trade expectation for US 2021/22 export is 14.89 million bales (range 14.60-15.50 million), up from 14.75 million in the February update. Ending stocks are expected to come in around 3.37 million bales (range 3.10-3.65 million), down from 3.50 million in February. World ending stocks are expected to come in around 84.31 million bales (range 83.95-84.50 million), unchanged from February.

Friday's Commitments of Traders report showed managed money traders were net sellers of 168 contracts of cotton for the week ending March 1, reducing their net long 74,489. Non-commercial & non-reportable traders combined were net buyers of 502, increasing their net long to 105,158. The managed money net long is hovering in the upper part of the historical range and could be considered in overbought territory, which means long liquidation pressures would emerge if support levels are taken out. The record net long is 108,778.

SUGAR:

Sugar's abrupt turnaround last week was fueled in large part by strength in key outside markets that has overshadowed an improving global demand outlook. While there is likely to be volatile price action this week, sugar should remain fairly well supported on any near-term pullbacks. May sugar maintained strong upside momentum as it reached a new 3-month high before finishing Friday's trading session with a sizable gain and a fifth positive daily result in a row. For the week, May sugar finished with a gain of 1.75 cents (up 9.9%) which broke a 2-week losing streak. Energy prices rallied sharply and are close to their highest levels since 2008, which provided carryover support to the sugar market.

While Brazil's Center-South domestic ethanol sales have come in below the previous year's total since August, last week's massive updraft in crude oil and RBOB gasoline prices lead to significant improvement in Brazilian ethanol demand. Datagro forecast Brazil's upcoming 2022/23 Center-South cane crush at 562 million tonnes (versus 525 million this season), but also warned that their estimate may be downwardly revised due to irregular rainfall in cane-growing regions. India's mills have been ramping up their ethanol production capability to meet a government's 20% gasoline blending target by 2025, and sharply higher energy prices should give their efforts an additional boost.

The India Sugar Mills Association (ISMA) raised their forecast for their nation's 2021/22 sugar production by 6% up to 33.5 million tonnes. ISMA also forecast India's 2021/22 sugar exports at a record high 7.5 million tonnes, which may reflect improvement in global sugar demand. The Commitments of Traders report for the week ending March 1st showed Sugar Managed Money traders were net long 59,487 contracts after increasing their already long position by 5,705 contracts. CIT traders are net long 196,059 contracts after net buying 2,529 contracts. Non-Commercial No CIT traders net bought 5,869 contracts and are now net long 35,594 contracts. Non-Commercial & Non-Reportable traders were net long 109,044 contracts after increasing their already long position by 10,103 contracts.

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