ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

We suspect that weakness in treasury bond and note prices late last week in the wake of anxiety from weakness in US equities was the result of a jump in PCE for March and stronger than expected US personal income and spending data. In fact, later in the session, treasuries remained lower despite very disappointing Chicago purchasing managers and Michigan consumer sentiment readings! Even though overall anxiety flowing from US equity market action is initially low early this week, the fear of ongoing sharp losses in equity prices provides cushion for bond and note prices. Obviously, the US Federal Reserve rate decision on Wednesday is hanging over the markets and is likely providing the bear camp in Treasuries with confidence. The bear camp is also likely emboldened by a flurry of headlines touting the largest month over month rise in 10-year yields since 2009 last month.

However, portions of the market and many economists are beginning to express concern over the US economy's ability to absorb aggressive rate hikes without tipping into recession. In fact, from a classic perspective the numerical measures of recession are very likely to cause recession especially given recent disappointing US GDP readings. It goes without saying that the prospect of additional slowing from (current and upcoming) sanctions against Russia will discourage some sellers. Yet other potential cushioning forces for bonds and notes is seen from a $3 plus decline in crude oil prices and broad-based physical commodity market weakness early this week. On the other hand, euro zone consumer confidence, economic sentiment, industrial confidence, and services sentiment all declined, and Monday's US PMI and ISM readings are likely to show several softer than expected readings.

In the end, the looming Fed meeting has the market's attention, but declines should be narrow and hard-fought because of the overriding threat of a downside extension in US equities and from today's potential for soft US scheduled data. In a short-term negative technical development, the latest positioning report showed the net short in bonds shifting into a net long thereby increasing the chances of stop loss selling into the Fed meeting. The April 26th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net bought 11,852 contracts which moved them from a net short to a net long position of 6,000 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 273,974 contracts and are now net short 255,452 contracts.

CURRENCIES:

While the currency markets showed countertrend action at the end of last week, we suspect the dollar will regain its footing and run to new contract highs in the coming sessions. Uncertainty from the stock market from intensifying war efforts, from the hot US inflation data and from the idea the US will go-ahead and hike rates they continue to believe the US economy will stand up better than other competitive economies. With a bounce in the dollar at the start of this week, the bear's resolve is encountering early adversity.

However, the trend is up with the markets continuing to see higher US rates and definitive global anxiety from the war, fears of global recession, expanding (not contracting as expected) Chinese lockdowns and very minimal bullish fundamental news flowing from many non-US G7 countries. Therefore, we are expecting contract highs ahead. The Commitments of Traders report for the week ending April 26th showed Dollar Non-Commercial & Non-Reportable traders were net long 36,573 contracts after increasing their already long position by 686 contracts.

While there were some favorable PMI and ISM readings from the wave of European monthly readings, the positive readings were very few and the negatives were numerous. Furthermore, economic drag from the war is ongoing and may expand along with fresh sanctions. The Commitments of Traders report for the week ending April 26th showed Euro Non-Commercial & Non-Reportable traders net sold 6,095 contracts and are now net long 38,656 contracts.

The Yen sits in the same boat as many non-dollar currencies with economists, investors, and central bankers fearing further Japanese slowing from spillover slowing in China. With the markets discounting the potential for Bank of Japan intervention and the BOJ likely hand cuffed from raising rates, the bear camp has a free hand to push the Yen to fresh contract lows.

Unfortunately for would be buyers of the Swiss franc, a consumer climate reading from Switzerland for the 2nd quarter was extremely disappointing and thereby contributing to deteriorating economic views toward the Swiss and European economies. While not as significant, the Swiss franc is likely to see further selling because of the war, with surprisingly small amounts of classic flight to quality buying seen periodically. Like other non-dollar currencies, we expect further contract lows in the Swiss.

With the Pound retaining last Friday's technical short covering bounce and the fundamental condition remaining patently bearish, positive news flow from the UK and hawkish dialogue from the BOE is likely to be discounted. The lack of a recovery from the large washout last Friday and proximity to 30-day lows early this week leave the bear camp with a technical edge. The trade has relatively better expectations for the Canadian economy than most other non-dollar economies. Nonetheless, the path of least resistance is down for the Canadian dollar.

STOCKS:

Not surprisingly, the US equity market continued to suffer selling from the disappointment flowing from the big tech sector. Obviously, investors are also unnerved by the looming US interest rate hike which many investors fear will be interest of the current economy. In fact, current buzz has the US consumer sector softening considerably and continue to embrace that view despite much stronger than expected personal income and personal spending results for March. Global equity markets at the start of this week were lower with the exceptions the markets in Shanghai and Hong Kong. While US markets showed modest positive action early this week, the overall environment leaves the preponderance of forces in the bear’s camp. In addition to rising US and Chinese infection numbers, Boeing lost orders to Airbus, evidence of ongoing weak Chinese data continues to flow, headwinds are expected to continue from sharp declines in global consumer spendable income (due to inflation) and the lack of positive takeaway from earnings leaves the bear camp very confident.

While prices are attempting to track positive in the early going, fundamental issues populating the headlines definitively favor the bear camp. In fact, it is a difficult proposition to even argue bullish fundamental themes in the current market environment. Furthermore, recent good earnings results have not taken precedence over disappointing earnings reports. Certainly, further downside action this week is likely to "over factor" fear of global slowing and fear of rising rates. Even technical signals remain in favor of the bear camp, with the S&P potentially poised to forge a big range down washout this week. The April 26th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 65,478 contracts and are now net long 137,878 contracts.

While the Dow futures did not fall below the Friday spike low, prices are butting up against a measure of overhead consolidation resistance, fear of rising rates is likely to dominate market sentiment over the coming 3 days, and favorable earnings are having little impact on the markets. Fortunately for the bull camp in Dow futures, the latest positioning report in the Dow shows a net spec and fund short moving toward record levels! The Commitments of Traders report for the week ending April 26th showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 21,941 contracts after net selling 5,713 contracts. While the travails of the tech sector might moderate occasionally, that issue is likely to continue to hang over the NASDAQ. Even the charts favor the bear camp with the trade testing contract lows and managing only a minimal bounce from those lows. The April 26th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders went from a net short to a net long position of 10,692 contracts after net buying 14,359 contracts.

GOLD, SILVER & PLATINUM:

Apparently, the significant setback in the dollar at the end of last week, combined with the full take-away of the World Gold Council first quarter outlook, spurred the significant recovery rally off last Thursday's low on Friday. However, June gold surrendered $25 from the Friday high and has been pummeled early this week which has produced clearly negative charts. The gold and silver trade is also undermined because of expanding economic concerns toward China, as lockdowns in China and "other cities" and are hammering economic activity.

Clearly, sentiment in the gold and silver trade is starting to shift to the FOMC meeting with rate hike fears rekindling. Adding into the negative outside market influence is a sharp recovery in the dollar and higher rates thrown off by treasury futures. Not surprisingly, gold ETF holdings were reduced for 3rd straight session on Friday, with gold holdings last week in total reduced by 383,684 ounces. Furthermore, silver ETFs reduced their holdings last week by a significant 4.1 million ounces.

However, underpinning prices going forward is the World Gold Council global demand surge of 34% in the 1st quarter on a year-over-year basis. Apparently, consumption was inspired by the Ukraine war and strong demand for ETFs. In fact, the ETF inflows lifted gold demand in the first quarter by 1,234 tonnes, which is the highest quarterly reading since the 4th quarter of 2018. Furthermore, the WGC indicated the first quarter demand was above the five-year average! Adding further into the demand function, global central banks added 84 tons to official gold reserves, but that amount was down 29% compared to year ago levels, but double the purchases seen in the 4th quarter.

While the uncertainty from the war is likely to continue to inspire demand softer jewelry demand, the first quarter demand highlights the negative demand impact from surging consumer prices (less disposable income) and declining consumer sentiment. In a surprise development, Indian dealers reported an increase in demand ahead of a festival and as a result reduced discounts in place over the prior weeks. Furthermore, according to a private consultancy gold jewelry demand in India is likely to recover in the 2nd quarter after seeing the 2nd most auspicious gold buying day in the Hindu calendar on Tuesday.

Fortunately for the bull camp, the latest positioning report showed a very significant liquidation of 34,000 contracts and then the market declined by $36 into last week's lows. Therefore, the net spec and fund long is reduced, and the threat of aggressive stop loss selling is also reduced. The Commitments of Traders report for the week ending April 26th showed Gold Managed Money traders net sold 25,524 contracts and are now net long 99,443 contracts. Non-Commercial & Non-Reportable traders are net long 267,827 contracts after net selling 34,344 contracts.

With a very disastrous range down extension at the end of last week the July silver contract is unlikely to see bargain-hunting buying step up. In retrospect, the Silver Institute report released over the past 2 weeks had little capacity to support prices. On the other hand, the most recent positioning report showed a significant long liquidation and with prices into the low early this week sitting $0.50 below the level where the positioning report was measured, the net spec and fund long in the report is significantly overstated. Silver positioning in the Commitments of Traders for the week ending April 26th showed Managed Money traders net sold 14,748 contracts and are now net long 26,534 contracts. Non-Commercial & Non-Reportable traders net sold 15,936 contracts and are now net long 48,500 contracts.

Despite the significant washout in US equities last Friday, reversal down action in gold and significant downside action in silver, palladium continues to hold in a short-term uptrend channel. While the gains since the last positioning report likely narrowed the net spec and fund short, the palladium market obviously retains bullish classical supply and demand fundamentals. The April 26th Commitments of Traders report showed Palladium Managed Money traders are net short 583 contracts after net selling 21 contracts. Non-Commercial & Non-Reportable traders are net short 2,116 contracts after net selling 563 contracts. Unfortunately for the bull camp last week palladium ETF holdings declined by 6,910 ounces and platinum ETF holdings declined by 8617 ounces.

In a very surprising development, the platinum market came alive last Friday and seemingly tracked with palladium. Fortunately for the bull camp, the latest positioning report in platinum remains minimally net long after a significant liquidation of the long last week after the report. The Commitments of Traders report for the week ending April 26th showed Platinum Managed Money traders net sold 13,322 contracts which moved them from a net long to a net short position of 12,638 contracts. Non-Commercial & Non-Reportable traders are net long 3,883 contracts after net selling 10,508 contracts.

COPPER:

Clearly, the copper market has come unhinged because of the expansion (not contraction) in Chinese lockdown conditions. In fact, several analysts predict both copper and iron ore prices have further downside to factor in increased and ongoing Chinese economic headwinds. Apparently, the Chinese economy was already slowing from initial lockdown efforts with PMI readings dropping from 48.4 in March to 41.9 in April. Even smaller manufacturing companies were hit with the Caixin manufacturing PMI reading falling much more than expected.

Going forward, the trade has no official guidance on when portions of Shanghai might be reopened. With a downside breakout at the end of last week seemingly correlated with the massive washout in US equities, the focus of the copper trade will remain on equities but likely continue to factor softening global demand. Therefore, copper demand fears have broadened beyond China. Fortunately for the bull camp, the persistent inflows to LME and COMEX warehouse stocks have been more than offset by sharp declines in Shanghai copper warehouse stocks.

On the other hand, those shorting the market for technical failure reasons should be watchful of action from the Chinese all-out infrastructure stimulus program. In another supportive development from the weekend, protesters at the Chinese owned Peruvian mine returned to the beleaguered copper operation. In a supportive development, the latest positioning report showed a massive 25,000 contracts long liquidation bringing the net long down to nearly sold-out levels.

In fact, since the report was measured copper prices fell by $0.20 thereby suggesting the net long this week is overstated. The April 26th Commitments of Traders report showed Copper Managed Money traders net sold 23,256 contracts and are now net long 2,137 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 25,363 contracts to a net long 4,348 contracts.

ENERGY COMPLEX:

With a significant downside extension early this week in crude oil taking place in the face of fresh chatter of the potential for an EU ban of Russian oil, the bear camp has clearly gained the upper hand. Unfortunately for the bull camp, current expectations have an EU ban "by the end of the year" and that timing is disappointing to the bull camp. Not surprisingly, a major argument for the bear camp is the prospect of further Chinese lockdowns as China continues to manage its Covid flare very aggressively. However, it should be noted that press reports suggest the number of daily infections measured in key cities only number in the low hundreds and not in thousands.

From a technical perspective, the longest month over month pattern of gains in crude oil in April since early 2018 indicates a significant number of bullish conditions have been factored. Longer-term supply-side news favors the bear camp, with the weekly Baker Hughes oil rig drilling count last week rising and extending a record weekly increase run to 21 months in a row. With the extent of the increase in rig operating activity we expect incremental US production gains moving forward. Fortunately for the bull camp, reports at the end of last week confirm the US has become a large net exporter of petroleum as US supply replaces Russian supply and in turn partially fills the void for Europe.

Furthermore, global floating storage of oil declined by 4.5% last week. We expect crude oil to take some direction from global equities, which have punctured global sentiment which in turn increases suspicion toward oil consumption. From a technical perspective, the crude oil market from the low last week in to the high rallied $13.00, thereby rendering the latest net spec and fund long position as understated. Unfortunately for the bull camp, the net spec and fund long was already problematic as less buying power might be sitting on the sidelines and the risk of stop loss selling waves increases. The Commitments of Traders report for the week ending April 26th showed Crude Oil Managed Money traders are net long 252,329 contracts after net buying 12,005 contracts. Non-Commercial & Non-Reportable traders added 5,640 contracts to their already long position and are now net long 419,918.

While the gasoline market fell back from its highs on Friday like crude oil, the reversal was less severe than in crude oil. However, the action from last Friday is resulting in catch up selling early this week. In our opinion, the fundamentals in gasoline are stronger than crude oil with the US refinery operating rate relatively low for a tight supply environment. However, northern hemisphere seasonal demand should post only incremental gains over the next two weeks. In a negative demand development, the allowance of high ethanol content use gasoline mixes has been officially sanctioned for the US this summer and that could temper tightness in gasoline stocks.

From a supply perspective, the gasoline inventories in the US remain at a 4.2-million-barrel deficit and are significantly below the 5-year average for this time of the year! In conclusion, supply is very supportive, demand is somewhat suspect, and the ebb and flow of economic sentiment (likely decided by equity market action) looks to be negative. At least in the near term, external bearish macroeconomic conditions are likely to overcome residual tightening in supply. Fortunately for the bull camp, the net spec and fund long in gasoline remains relatively benign allowing for additional speculative buying of breaks. The April 26th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 57,408 contracts after net selling 2,354 contracts. Non-Commercial & Non-Reportable traders were net long 48,225 contracts after decreasing their long position by 2,680 contracts.

Certainly, the sharp range up reversal action in the diesel market last Friday is a negative technical development from an overbought perspective. Furthermore, despite this week's positioning report understating the magnitude of the net long (because of gains after the report was measured), the net spec and fund long remains very "low" especially considering the extremely tight global supply and the ongoing expectation for diesel demand to outstrip supply. The April 26th Commitments of Traders report showed Heating Oil Managed Money traders were net long 12,773 contracts after increasing their already long position by 1,271 contracts. Non-Commercial & Non-Reportable traders added 4,202 contracts to their already long position and are now net long 15,338.

While the natural gas contract extended the downside trend last Friday, prices recovered/rejected that washout possibly in a short covering pre-weekend trade. Furthermore, tight inventory fears have surfaced again early this week, colder than usual weather for the US Northwest and Northeast next week has been noted and with the latest positioning report still showing a net spec and fund short, the bounce is justified by several factors. Unfortunately for the bull camp, supportive US weather is countervailed by mild and therefore negative European temperatures. As of the most recent and suspect reports, Russian gas continued to flow westward but has not been consistent for the last three weeks. With the total Baker Hughes weekly rig operating count (oil and gas) increasing by 3 rigs to 698 the rig count is the highest since March 2020.

Gas rigs drilling were unchanged which is slightly supportive of prices.
In a minimally bullish development last weekly, the weekly EIA storage report saw an expansion of the deficit to 5-year average storage levels from 16.8% to 17%. Natural Gas positioning in the Commitments of Traders for the week ending April 26th showed Managed Money traders net bought 3,805 contracts and are now net long 25,424 contracts. Non-Commercial & Non-Reportable traders net bought 9,844 contracts and are now net short 70,925 contracts. While we give the edge to the bull camp because of tightening US supply and the strong likelihood of more restrictions of Russian gas flow (especially if Russia holds shipments) and that should underpin June natural gas prices above the $7.00 level.

BEANS:

July soybeans closed unchanged on the session Friday after choppy and 2-sided trade. The early buying pushed the market up to the highest level since April 22. The 1-5 day forecast models show no rain for the Dakotas or Minnesota but still have good amounts for the heart of the Midwest. However with some dryness, and a warmer 6-10 day forecast and a sharp rally in the dollar and weakness in crude oil, the market looks set for some increase selling early this week. July soybean oil hit an all-time record high of 87.65 and the market closed sharply lower on the day. This represents a key reversal from an extreme overbought condition. RSI is at 89.5 and stochastic readings are near 91.5.

With the extremely high price due to Indonesia's band on vegetable oil exports, the market may already have seen some demand destruction. However, it may take a temporary shift away from using vegetable oil for biodiesel to ease the tightness. The food for fuel debate is likely to come to a head soon. On the other hand, July meal closed higher with an inside trading day. The market is still under the positive technical influence of the April 27 hook reversal. Strength in the corn market and weakness in the US dollar plus a firm tone to energy markets helped to support. China plans to sell another 500,000 tons of imported soybeans from state reserves on May 6th.

The April 26th Commitments of Traders report showed Soybeans Managed Money traders reduced their net long position by 6,246 contracts to a net long 173,477 contracts. Non-Commercial & Non-Reportable traders were net long 157,849 contracts after decreasing their long position by 10,739 contracts. The long liquidation selling trend is a short-term bearish force. For Soyoil, Managed Money traders are net long 97,683 contracts after net buying 1,595 contracts. For meal, Managed Money traders net sold 8,251 contracts and are now net long 91,291 contracts. Non-Commercial & Non-Reportable traders net sold 15,516 contracts and are now net long 135,675 contracts. The selling trend is a bearish development.

CORN:

July corn closed unchanged on the session last Friday after an early rally to new contract highs for a third session in a row failed to find follow-through support. The market has already traded as high as 824 1/2 as compared with the all-time record high for July corn at 826. While a bit overbought technically, traders are nervous with poor weather conditions for the end of the Brazil second crop corn growing season, and also worried with the hefty rain totals seen in recent days. However, the 5-day forecast shows a lack of rain for the Dakotas and Minnesota. December corn also posted a new contract high and closed slightly lower and the key reversal is a warning of a short-term peak.

The U.S. Environmental Protection Agency on Friday issued an emergency waiver that will allow wider sales of E15 this summer. The waiver temporarily exempts E15 gasoline restrictions that effectively block sales of the fuel blend from June 1 to Sept. 15 throughout much of the country. Traders believe the move could allow roughly 2,300 stations offering it to get a 5% to 10% discount. China buying US corn has been a factor to support the market recently. In the weekly export sales report, China was a noted buyer of 1.341 million tonnes of the total.

In addition, Private exporters reported the sale of 1.088 million tonnes of corn to China on Thursday and this helped provide support. The Commitments of Traders report for the week ending April 26th showed Corn Managed Money traders reduced their net long position by 18,455 contracts to a net long 360,655 contracts. The long liquidation selling trend from an extreme overbought condition is a bearish technical development as well. Non-Commercial No CIT traders net sold 13,735 contracts and are now net long 272,242 contracts.

WHEAT:

July wheat closed sharply lower on the session last Friday as the major shift in the weather pattern helped to spark aggressive long liquidation selling. The forecast for much needed rain in the days ahead for the central and southern Plains is seen as a very bearish short-term force. Talk of the overbought condition of the market helped to spark some selling as well. July Kansas City wheat also closed sharply lower on the session after closing lower for the previous two sessions. The selling pushed the market down to the lowest level since April 8. July Minneapolis wheat also traded sharply lower on the day and experienced follow-through selling from Thursday's key reversal.

Inflation, and food security issues could emerge at any time which is seen as a longer-term positive force, but the short term rain event is a negative for Kansas City wheat and there is at least five days of dryness in the forecast for the Dakotas. In addition, some traders see a drier pattern for later next week. Turkey bought near 270,000 tonnes of milling wheat at their tender Friday but it appears the transactions were cancelled over the weekend. Heavy rains are headed for Kansas over the near-term and other key producers of hard red winter wheat should also see good rains and this could be the first step for busting the drought in the region.

The Commitments of Traders report for the week ending April 26th showed Wheat Managed Money traders reduced their net long position by 290 contracts to a net long 14,180 contracts. Non-Commercial & Non-Reportable traders were net long 22,308 contracts after decreasing their long position by 3,087 contracts. For KC wheat, managed money traders net sold 4,434 contracts for the week and are now net long 45,407 contracts. The long liquidation selling trend is a short-term bearish force.

HOGS:

June hogs closed sharply lower on the session last Friday, and the selling drove the market down to the lowest level since February 1st with the move under Thursday's low attracted additional selling pressure. Traders continue to see plenty of short-term supply with weights remaining stubbornly high even with the high price for corn. While technically oversold, June hogs have pulled back to near a normal cash basis level. The USDA pork cutout released after the close Friday came in at $103.21, up 80 cents from Thursday but down from $109.44 the previous week. The CME Lean Hog Index as of April 27th was 101.81, down from 102.34 from the previous session but up from 101.25 the previous week.

The USDA estimated hog slaughter came in at 460,000 head Friday and 40,000 head for Saturday. This brought the total for last week to 2.403 million head, up from 2.374 million the previous week but down from 2.442 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 12,421 contracts of lean hogs for the week ending April 26, reducing their net long to 44,086. This is a significant long liquidation selling trend and is seen as a short-term bearish force. Non-commercial & non-reportable traders were net sellers of 14,581, reducing their net long to 41,609. Technical indicators are oversold, with an RSI at 26 and slow stochastics at 15 and 22. Traders believe that $8.00 corn will eventually drive weights well under the 5-year average soon.

CATTLE:

June cattle pushed sharply lower on the session and experienced the lowest close since March 10th last Friday. Weakness in the stock market, fears of declining spendable income from consumers and ideas that short-term production will remain high helped to pressure. In addition, traders see continued liquidation of cows which will keep non-Fed cattle slaughter high as well. The estimated average dressed cattle weight last week was 833 pounds, unchanged from the previous week and up from 824 a year ago. The 5-year average weight for that week is 804 pounds. Weights normally push lower at this time of the year but have stayed persistently high for much of the second half of March into May. Given the extremely high price of corn, traders would expect weights to come in below normal not 29 pounds above the five-year average. This is a bearish factor and suggest producers are not current with marketing's. Estimated beef production last week was 545.0 million pounds, up from 536.5 million a year ago.

The USDA boxed beef cutout was down $1.11 at mid-session Friday and closed $1.82 lower at $260.78. This was down from $267.91 the previous week and was the lowest the cutout had been since March 22. Cash live cattle trade last week was close to the previous week. There was a significant difference between the northern and southern regions. Colorado, Iowa/Minnesota, and Nebraska are averaging 145-146, while Kansas and Texas/Oklahoma are averaging around 140. The USDA estimated cattle slaughter came in at 118,000 head Friday and 40,000 head for Saturday. This brought the total for last week to 656,000 head, down from 665,000 the previous week but up from 653,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 8,477 contracts of live cattle for the week ending April 26, increasing their net long to 55,284. Non-commercial & non-reportable traders were net buyers of 8,310, increasing their net long to 67,036.

COCOA:

Cocoa prices had a lukewarm finish to last week’s trading, but will start this week’s action nearly 90 points above last Tuesday’s 3 1/2 month low. While near-term demand will continue to be a source of concern, cocoa can extend its recovery move back above all 3 of its major moving averages early this week. July cocoa rallied up to a 1-week high, but lost strength late in the day to finish Friday’s trading session near unchanged levels. For the week, however, July cocoa finished with a gain of 13 points (up 0.5%) which broke a 2-week losing streak and was a positive weekly reversal.

A rebound in the Eurocurrency and British Pound provided cocoa with carryover support. However, a sharp selloff in US equities weighed on the cocoa market as that gave extra fuel to near-term demand concerns. While Asia saw a year-over-year decline with their first quarter grindings, it was their second highest total for a first quarter on record and their eighth highest total for any quarter on record. European first quarter grindings saw a 4.4% year-over-year gain, which resulted in their highest total for a first quarter on record and their third highest total for any quarter on record. Some estimates have Ghana’s

2021/22 output falling below 750,000 tonnes which compares to 1.05 million last season while Ivory Coast production could decline by 50,000 tonnes from last season.

As a result, this season's global cocoa production total could come in below the global grindings total for the first time since the 2015/16 season. The Commitments of Traders report for the week ending April 26th showed Cocoa Managed Money traders reduced their net long position by 16,493 contracts to a net long 11,318 contracts. CIT traders reduced their net long position by 2,836 contracts to a net long 33,577 contracts. Non-Commercial No CIT traders net sold 11,093 contracts which moved them from a net long to a net short position of 873 contracts. Non-Commercial & Non-Reportable traders net sold 15,930 contracts and are now net long 23,334 contracts.

COFFEE:

Coffee prices have been unable to sustain a recovery move since early February as they continue to be pressured by near-term demand concerns. With South American production issues likely to continue through much of this year, however, coffee may be able to extend a recovery move early this week. July coffee was able to follow-through on Thursday's positive daily reversal as it maintained upside momentum to finish Friday's trading session with a sizable gain. For the week, however, July coffee finished with a loss of 5.05 cents (down 2.2%) which was a second negative weekly result over the past 3 weeks.

A rebound in the Brazilian currency after it lost 6% in value over the previous week was a source of carryover support to the coffee market. Indications that La Nina could last through the end of this year provided a boost to coffee prices as that could extend production issues for Brazil and Colombia. In their latest update, the US Climate Prediction Center (CPC) gave the current La Nina a 59% chance of continuing through the June-August timeframe and a 50% to 55% chance of continuing through the fall. La Nina normally brings lower than normal precipitation to Brazil's Center-South Arabica-growing regions, and also brings heavier than normal rainfall to Colombia's growing regions.

ICE exchange coffee stocks fell by 6,072 bags on Friday for a second daily decline in a row, but finished April at 1.119 million bags. This was a second monthly increase in a row for ICE exchange coffee stocks which have risen nearly 150,000 bags from their 22-year low in late February. Coffee positioning in the Commitments of Traders for the week ending April 26th showed Managed Money traders were net long 28,219 contracts after decreasing their long position by 1,387 contracts. CIT traders net sold 749 contracts and are now net long 39,883 contracts. Non-Commercial No CIT traders net bought 346 contracts and are now net long 22,440 contracts. Non-Commercial & Non-Reportable traders net sold 220 contracts and are now net long 40,176 contracts.

COTTON:

July cotton closed lower on Friday after trading to a new contract high for the second straight day and the key reversal is seen as sign of a possible short-term top. The market had gotten short term overbought after the sharp rally last week, so it was not surprising to see a pullback. Prior to the selloff on Friday, the nearby contract reached its highest level since July 2011. The bulls had been encouraged by a strong export sales report on Thursday and ongoing concerns over the US crop. The US Drought Monitor on Thursday reiterated the dire conditions in west Texas and showed them worsening from the previous week.

The 1-5-day forecast calls for rains of up to 1.5 inches in the region, which is an improvement from recent trends. However, the rains shifted a little bit East which is a positive. The 6-10 forecast has normal to below normal chances of rain, and the 8-14 day has normal to above normal. Friday's Commitments of Traders showed managed money traders were net sellers of 4,239 contracts of cotton for the week ending April 26, reducing their net long to 69,273 contracts. Non-commercial & non-reportable traders were net sellers of 4,762, reducing their net long to 93,450. The long liquidation selling trend is a short-term bearish force.

SUGAR:

While sugar missed out on a positive weekly reversal, the market lifted clear of last Wednesday's 6-week low. If key outside markets can remain strong, sugar can extend its recovery move early this week. July sugar found early strength, but turned to the downside late as it finished Friday's trading with a moderate loss. For the week, July sugar finished with a loss of 6 ticks (down 0.3%) and a third negative weekly result in a row.

A rebound in crude oil prices and the Brazilian currency were both sources of carryover support, as that combination should help to improve near-term Brazilian ethanol demand. In addition to a slow start to 2022/23 Center-South harvesting and crushing, the latest Unica supply report showed mills increasing ethanol's share of crushing from last year's levels. In addition, Center-South domestic ethanol sales are on-track for a second month in a row with a year-over-year increase, which also reflect ethanol demand improvement.

There is a more than 50% chance that the current La Nina will continue through the end of 2022, and that could extend drier than normal conditions for the Center-South cane crop. Indications that India will have record high production and exports this season pressured the sugar market. The analytic firm Green Pool adjusted their forecast for the 2021/22 season from a deficit of 2.031 million tonnes to a surplus of 2.285 million tonnes, while they adjusted their 2022/23 forecast from a deficit of 742,000 tonnes to a surplus of 1.41 million tonnes.

There were reports that the expiring ICE May sugar contract had a delivery of just 3,573 lots, which compares to 11,350 for the May 2021 contract and 44,449 for the May 2020 contract. Sugar positioning in the Commitments of Traders for the week ending April 26th showed Managed Money traders are net long 205,047 contracts after net selling 31,180 contracts. CIT traders are net long 254,148 contracts after net selling 2,935 contracts. Non-Commercial No CIT traders reduced their net long position by 18,332 contracts to a net long 100,783 contracts. Non-Commercial & Non-Reportable traders net sold 38,694 contracts and are now net long 272,203 contracts.

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