ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

While June bonds tested 3-week highs in the face of an active US scheduled report slate last last week, there did not appear to be a definitive fundamental track. However, from the post PCE report price action, the trade interpreted the important inflation reading to show softening even though the overall level of the indexed remained at historically high levels. While Bank of America predicted the US Fed may "pause" in September, that supportive news was offset by a stronger-than-expected US personal spending result.

Despite concerns of recession and weaker equities, treasury prices are under noted pressure to start the holiday shortened week. Apparently, the trade is more concerned with inflation than slowing. However, today's pair of US home price readings are expected to tick downward which should provide very minimal support. On the other hand, crude oil prices approached $120 per barrel and therefore the trade fears hot inflation is set to extend into the summer. Undermining sentiment early today are comments from the Fed's Waller where he said, "the US Federal Reserve should be ready to raise interest rates by 50 basis points at every meeting from now on until inflation is decisively curbed".

It should also be noted that several other foreign central bankers were voicing concerns of inflation thereby creating a negative environment for all sovereign bonds. On the other hand, bonds should find support from a likely downtick in Chicago purchasing managers and US consumer confidence later this morning. The May 24th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net long 9,257 contracts after net selling 1,812 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 314,524 contracts after decreasing their short position by 9,318 contracts.

CURRENCIES:

Even though the dollar aggressively rejected the spike down move late last week, the trend looks to remain down. In addition to some views that last Friday's US PCE reading was less inflationary, the trade also saw positive non-US data in the form of strong Spanish retail sales and an increase in EU private loans. The recovery in the dollar might have been partially the result of another strong risk on rally in US equities.

With the dollar rejecting last week's spike down extension in the face of lower US stocks and bonds, the dollar might have a short covering window early this week. However, soft US scheduled data later this morning should limit buying in the dollar to simple short covering. Dollar positioning in the Commitments of Traders for the week ending May 24th showed Non-Commercial & Non-Reportable traders added 1,360 contracts to their already long position and are now net long 40,869.

The euro is well back from its initial highs and is undermined because of strength in the dollar and disappointing euro zone price index readings over the past 36 hours. However, there were some bright spots for the euro zone with German pricing coming in hot and German unemployment falling minimally. However, the euro is undermined from concern that Europe is quickly entering an economic conundrum where sharp rate hikes are expected on the back of an anemic economy. The May 24th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 69,967 contracts after net buying 23,804 contracts.

Apparently the uniform uptrend in the Yen has been reversed with a large range down move in the currency early this week. Fortunately for the bull camp in the Yen, Japanese consumer confidence and construction orders were positive thereby offsetting a disappointing Japanese housing starts result. However, we see the bull camp potentially saved by the lack of a definitive leadership currency. With the Swiss franc extremely overbought from a May recovery bounce of nearly 500 points, combined with a very soft KOF leading indicator report and a sharp decline in Swiss exports for May, fundamental and technical factors are in favor of a steep corrective slide.

While the Pound is exhibiting reversal action as other nondollar currencies early this week, the market could find credible support. However, we see UK data as negative to the Pound with consumer credit jumping, money supply growth softer than expected and mortgage approvals coming in much softer than expected. Clearly, the Canadian dollar has joined the dollar as the leadership currency to start the holiday shortened week. However, the Canadian will be presented with a GDP reading for March which is expected to show half the growth seen in the prior report.

STOCKS:

All things considered, last week's action in equity markets served to temper investor and economic anxiety from the sharp spike down move last week. The bull camp was assisted by lower treasury yields, chatter that the PCE showed some moderation of inflation and positive earnings results from Dell. In another positive, the VIX index showed its 3rd straight day of declines. Holding back prices were disappointing news from Gap and American Eagle. Global equity markets at the start of this week were mixed with gains moderate and declines minimal. While US equities saw initial strength and, in the process reached the highest level since May 5th, the markets have slumped and therefore a bout of concentrated selling is likely. In our opinion, the fundamental condition for stocks is still negative with residual inflation fears combining with escalating recession anxiety.

As indicated already, the S&P surged higher overnight only to relinquish those gains and as of this writing the market is trading 70-points below its overnight high. With fresh hawkish dialogue from the Fed overnight, energy prices reigniting concerns of sharp declines in consumer disposable income this summer, we see the market significantly overvalued. Fortunately for the bull camp, the net spec and fund long in the S&P was modest before the recent sharp recovery unfolded. E-Mini S&P positioning in the Commitments of Traders for the week ending May 24th showed Non-Commercial & Non-Reportable traders net sold 8,485 contracts and are now net long 38,177 contracts. Pushed into the market we are a buyer of bear put spreads.

Like the S&P, Dow futures also spiked higher and reversed aggressively from that high. As in the S&P, we see the Dow vulnerable to significant corrective action this week with initial targeting seen down at 32,500. The May 24th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 522 contracts and are now net short 26,131 contracts. Reports of rising US retail inventories, residual fear toward FANG stocks and crude oil at times overnight up more than $4 per barrel, we see the NASDAQ setting back to support. The May 24th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 512 contracts to their already long position and are now net long 12,920.

GOLD, SILVER & PLATINUM:

With US recession fears flaring, the opening of Shanghai has been lost in the precious metal shuffle. However, with the dollar index regaining its footing after an extremely poor close last week, gold and silver do not have fresh bullish fundamental support to start the holiday shortened week. While it is unclear if the Biden/Powell meeting today will yield any fresh news, dialogue from that meeting the outcome is more likely to be bearish toward gold and silver than supportive. In an indirect impact, Chinese factory activity contracted less than expected but that news was probably baked into the cake already. In looking ahead to US scheduled data, two separate US house price measures will be seen with both expected to contract.

Therefore, the trade is likely to be impacted by action in the US equity markets, as gold waffles between economic uncertainty and economic slowing. While June gold is trading above the level where the last COT positioning report was measured, the net spec and fund long is likely near the lowest levels since last September and therefore stop loss selling should be limited on breaks. The Commitments of Traders report for the week ending May 24th showed Gold Managed Money traders were net long 77,493 contracts after increasing their already long position by 22,924 contracts. Non-Commercial & Non-Reportable traders are net long 224,837 contracts after net buying 14,012 contracts.

Silver has also pivoted downward from last week's strong finish and adjusted for the declines since the last positioning report, silver is likely near the lowest levels since June 2019! Silver positioning in the Commitments of Traders for the week ending May 24th showed Managed Money traders went from a net long to a net short position of 541 contracts after net selling 1,211 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,564 contracts to a net long 21,581 contracts.

With a 3rd straight higher high and the highest price since May 18th, the palladium market started the holiday shortened week on a positive footing. Unfortunately for the bull camp, the rally in palladium is not substantiated by bullish fundamentals. On the other hand, the net spec and fund short in palladium remains near record levels and could be a source of stop loss buying if the next key pivot point up at $2,072 is regained. Perhaps, palladium and platinum are benefiting from combination of strength in oil and the reopening of Shanghai.

The May 24th Commitments of Traders report showed Platinum Managed Money traders added 787 contracts to their already short position and are now net short 7,104. Non-Commercial & Non-Reportable traders reduced their net long position by 18 contracts to a net long 6,954 contracts. Like palladium, the platinum market is tracking higher with a 4-day high but is not underpinned by visible bullish fundamental developments. The Commitments of Traders report for the week ending May 24th showed Palladium Managed Money traders are net short 1,729 contracts after net selling 234 contracts. Non-Commercial & Non-Reportable traders were net short 3,800 contracts after increasing their already short position by 183 contracts.

COPPER:

While July copper failed to hold an upside breakout at the start of this week, prices are at the highest level since May 5th and that is likely the result of the reopening of Shanghai. Obviously, reopening of Shanghai and reports of low infection counts from Beijing improve the copper demand outlook to start the new week. In fact, Chinese import copper premiums increased while Chinese refined copper exports reached the highest level since April 2017.

Fortunately for the bull camp, the pattern of declining daily LME copper warehouse stocks has been extended with a 5,450-ton decline. Adjusted into last week's low we suspect the net spec and fund short in copper reached the highest level since April 2020. The May 24th Commitments of Traders report showed Copper Managed Money traders are net short 10,860 contracts after net buying 6,338 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 3,936 contracts to a net short 17,583 contracts.

ENERGY COMPLEX:

While the EU embargo against Russian oil has been widely anticipated since the initial days of the invasion, a formal agreement has ignited prices to fresh contract highs early this week. Crude future spreads have also turned bullish, the trade is anticipating a record summer driving season and suggestions from the head of the IEA to German officials that the current energy crisis is "much bigger" than the oil shortage of the 1970s certainly provides a combination of fresh speculative buying and longer-term hedge buying. While the world has not embraced the opening of Shanghai as a significant economic event that news is likely adding to speculative buying early this week. In the end, ongoing reports of robust demand and rising US refinery operating activity should keep the drawdown on US crude oil inventories in place.

However, the actual EU agreement is mostly focused on seaborne supply, with pipelines and gas generally exempted. It should also be noted that Western interests have banned three more Russian banks from the Swift international payments system which will hinder Russian exports to countries that have yet to turn away from Russian supply. Therefore, the Russians have become even more reliant on China and India, to provide life to their economic isolation. In an ongoing and very surprising condition, the net spec and fund long in crude oil remains very low relative to the last two years, even though the figures this week are dramatically understated by the sharp post report rally. The May 24th Commitments of Traders report showed Crude Oil Managed Money traders reduced their net long position by 8,812 contracts to a net long 276,018 contracts. Non-Commercial & Non-Reportable traders are net long 432,306 contracts after net buying 8,775 contracts.

The scary thing for global fuel users is the fact that the net spec and fund long in gasoline is near the lowest levels since September 2021, as that suggests buying fuel remains substantial. Gas (RBOB) positioning in the Commitments of Traders for the week ending May 24th showed Managed Money traders are net long 56,264 contracts after net selling 4,293 contracts. Non-Commercial & Non-Reportable traders were net long 43,700 contracts after decreasing their long position by 3,050 contracts. Even though the world fears slowing and potentially recession, as central bankers step up to squelch inflation, near-term buying is likely to extend from classic seasonal demand expansion. In fact, in the event more countries step up with subsidies and or reduced fuel taxes, that could allow for even higher retail prices and relatively stable demand.

After seriously lagging the entire energy complex in the first 19 days of May, the diesel market has caught on fire at the start of this week with a low to high upside extension of $0.23! While this week's COT positioning report clearly understates the net spec and fund long the net spec and fund long remains near some of the loss level since November 2020. Therefore, the diesel market retains significant speculative buying capacity. The Commitments of Traders report for the week ending May 24th showed Heating Oil Managed Money traders are net long 15,192 contracts after net selling 2,391 contracts. Non-Commercial & Non-Reportable traders were net long 11,574 contracts after decreasing their long position by 5,070 contracts.

The natural gas market is not participating in the sharp upside extension in the petroleum complex and that is likely the result of a lack of EU restrictions on natural gas and pipelines from Russia. Apparently, Russia has begun to halt gas supply flow to unfriendly countries like the Netherlands. However, the EU has specifically indicated it will not ban Russian gas and that is probably undermining prices early this week! Nonetheless, traders expect ongoing strategic reserve building by sovereign entities, as the upswing in the northern hemisphere cooling season gets underway.

Furthermore, Asia demand also looks to be focused on strategic supply filling, with the EU considering opening a large storage facility. While the net spec and fund short in natural gas has been moderating over the last several weeks, the market at the start of this week was trading below the level where the last report was measured which means moderate selling should run its course quickly. The May 24th Commitments of Traders report showed Natural Gas Managed Money traders are net long 8,770 contracts after net buying 675 contracts. Non-Commercial & Non-Reportable traders are net short 63,126 contracts after net buying 466 contracts.

BEANS:

With wheat and corn markets growing more concerned of increasing shipments out of Ukraine, and with Malaysia palm down 1.8% on Monday as Indonesia has received its first request for palm oil export permits following the lifting of a ban a week ago, the market is started off this week on a negative tilt. The Brazil harvest is mostly complete and absorbing the big supply may be seen as a negative factor. For the US April soybean crush, traders are looking for crush near 180.5 million bushels for the month which would be down from 192.9 million bushels in March but up from 169.8 million bushels last year. Estimates range from 178.5 million to 182 million bushels. Soybean oil stocks are expected to decline to 2.316 billion pounds compared with 2.434 billion at the end of March and 2.178 billion last year. Estimates range from 2.280 billion to 2.360 billion pounds.

There are still some concerns with too much rain in Minnesota and North Dakota and traders will continue to monitor the situation. November soybeans experience choppy and two-sided trade, as the market consolidated last week's strong gains on Friday. There are still some planting concerns for the northern and western Corn Belt which might limit planting progress. A selloff in the palm oil market Thursday night helped to pressure soybean oil on Friday which kept soybean trade choppy. December meal pushed higher on the session Friday and traded up to the highest level since May 2.

The Commitments of Traders report for the week ending May 24th showed Soybeans Managed Money traders are net long 163,067 contracts after net buying 15,732 contracts for the week. Non-Commercial & Non-Reportable traders net bought 8,260 contracts and are now net long 140,007 contracts. For Soyoil, Managed Money traders were net long 68,994 contracts after decreasing their long position by 17,243 contracts in just one week. For Soymeal, Managed Money traders net bought 13,231 contracts and are now net long 49,154 contracts.

CORN:

Once again, there is hope that shipments of Ukrainian grain and fertilizer could begin moving soon with negotiations with Russia, the United Nations and with Turkey. Putin is also indicating that if sanctions were lifted, they could increase the amount of grain exported significantly. December corn closed sharply higher on the session Friday as traders see continued planting issues for North Dakota and Minnesota, and traders are also very skeptical over the idea that there will be much grain flowing from Ukraine imports anytime soon.

The corn market managed to hold shallow support last week and even held above the May 9 lows, which is a positive technical development. There is still significant parts of North Dakota and Minnesota which should receive light rain short-term but there were plenty of areas which got hit with 1-2 inches over the weekend. This could cause significant delays in planting in isolated areas. As of May 22, North Dakota producers had planted only 20% of their corn crop, far below their previous record low of 44% for this date in 2020. A year ago, they had planted 81% of their crop.

As of Wednesday, producers in North Dakota needed to have their corn fully planted to be eligible for crop insurance. They can plant after that date with reduced insurance guarantees, or they can file a prevented-planting claim. Prior to the delays, North Dakota had been expected to plant 3.6 million acres of corn this year. Minnesota had 60% of their crop planted as of May 22 versus 98% a year ago. North Dakota and Minnesota combined account for 11% of US plantings.

The 6-10 day shows below normal temperatures and normal precipitation over the region, and the 8-14-day models show above normal precipitation for North Dakota and below normal temperatures for both. The Commitments of Traders report for the week ending May 24th showed Corn Managed Money traders net sold 48,242 contracts and are now net long 291,469 contracts. This is an aggressive long liquidation selling trend. Non-Commercial & Non-Reportable traders net sold 52,785 contracts and are now net long 351,088 contracts.

WHEAT:

Once again, significant uncertainty in the politics of the Ukrainian war could keep trade volatile. On Monday, Putin indicated that Russia was ready to facilitate the unhindered export of grain from Ukrainian ports in coordination with Turkey. The United Nations is trying to broker a deal to unlock Ukraine's grain exports and Putin also indicated a readiness of the Russian side to facilitate shipments in coordination with Turkish partners, but also added that if sanctions were lifted, then Russia could export significant volumes of fertilizer and agricultural products.

On top of the Russian news, better weather for France helped to drive European milling wheat futures down 2% on Monday. After absorbing plenty of bearish news last week, traders are nervous that the market fell too far, too fast and the market bounced to reach a three session peak on Friday. Too much rain in the short-term forecast for North Dakota and Minnesota, plus plenty of skepticism that Ukraine will not be able to see much in the way of export activity over the near term helped to support the bounce.

In the five day forecast models, it is drying out in North Dakota and parts of Minnesota, but the area received plenty of rain over the weekend. There is also decent rain totals for southern and eastern Kansas and much of Oklahoma with some areas receiving up to 3 inches of rain. The 6-10 day forecast models show cooler than normal temperatures and slightly above normal precipitation for much of the plains. Spring wheat plantings are behind in these two states.

In North Dakota, only 27% the crop had been planted as of May 22 versus 93% a year ago. The previous record low for this date was 33%, set in 1995. North Dakota is the largest spring wheat producer, with 5.2 million acres originally expected to be planted this year, 46% of the total US. Minnesota was only 11% planted as of the May 22 versus the previous record low of 39% set in 1996. Minnesota is the highest-yielding state in the nation, and it was expected to plant 1.26 million acres this year.

Wheat positioning in the Commitments of Traders for the week ending May 24th showed Managed Money traders net sold 4,332 contracts and are now net long 22,254 contracts. Non-Commercial & Non-Reportable traders added 2,713 contracts to their already long position and are now net long 31,252. For KC Wheat, Managed Money traders reduced their net long position by 2,244 contracts to a net long 44,546 contracts. Non-Commercial & Non-Reportable traders net sold 2,086 contracts and are now net long 41,602 contracts. The Ukrainian Grain Association sees the winter grain crop falling to 28.5 million tons with the winter wheat crop down to 20.1 million tons. Last year was 31.4 million tons. Ukraine's Grain exports for May fell 62% from last year.

HOGS:

June hogs tested last Thursday's high early in last Friday's session but failed to take it out, and the market closed moderately lower on the session. The market has moved nearly half way back of the March 31 to May 12 break, and there is talk of a short-term overbought condition. In addition, June hogs are trading at a higher than normal premium to the cash market which may limit the short term buying activity. It will take further strong gains in pork cutout values in order to expect the cash market to remain in a short-term uptrend. The CME Lean Hog Index as of May 25 was 104.40, up from 103.87 the previous session and up from 100.37 the previous week. The USDA pork cutout, released after the close Friday, came in at $104.69, down $1.47 from Thursday and down from $105.16 the previous week.

The USDA estimated hog slaughter came in at 456,000 head Friday and 11,000 head for Saturday. This brought the total for last week to 2.351 million head, down from 2.414 million the previous week and down from 2.378 million a year ago. Estimated US pork production last week was 513.2 million pounds, down from 527.6 the previous week but up from 508.7 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,318 contracts of lean hogs for the week ending May 24, increasing their net long to 14,881. Non-commercial & non-reportable traders were net sellers of 144, reducing their net long to 9,967. The fund buying trends could be supportive over the near term. Also, the net positions are close to neutral, so there is not much long liquidation threat.

CATTLE:

With the large discount and a three day weekend, traders seemed reluctant to sell the market and technically, the market is in an oversold condition. Futures remain discount to the cash market, but the cash market has drifted lower in recent weeks. Cash live cattle were $1-2 lower last week with the 5-day, 5-area weighted average price as of Thursday afternoon was $138.48, down from $140.45 a week ago. The USDA boxed beef cutout was up 96 cents at mid-session Friday and closed $1.45 higher at $265.42. This was up from $262.17 the previous week and was the highest the cutout had been since April 25.

The estimated average dressed cattle weight last week was 824 pounds, down from 828 the previous week but up from 818 a year ago. The 5-year average weight for that week is 805.4 pounds. The USDA estimated cattle slaughter came in at 120,000 head Friday and 25,000 head for Saturday. This brought the total for last week to 644,000 head, down from 680,000 the previous week but up from 630,000 a year ago. Estimated beef production last week was 529.4 million pounds, up from 514.2 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 9,314 contracts of live cattle, reducing their net long to 16,314. Non-commercial, no CIT traders were net sellers of 10,901, increasing their net short to 12,915.

COCOA:

While cocoa prices remain on-track for their third monthly decline over the past 4 months, they have lifted clear of last Wednesday's 5 1/2 month low. Near-term demand prospects may remain a concern for the market, but cocoa is showing early signs that a longer-term low may be in. September cocoa off early pressure and rallied to a 1-week high, but lost strength late in the day as it finished Friday's trading session at unchanged levels. For the week, however, September cocoa finished with a gain of 39 points (up 1.6%) which was the first positive weekly result since early April as well as a positive weekly reversal.

Stronger European and US equity markets provided cocoa with carryover support going into the holiday weekend. The Eurocurrency and British Pound extended their recovery moves as well, and that was an additional source of strength for cocoa prices. Concern with lower consumer discretionary spending levels around the globe continue to pressure cocoa, while Russia's invasion of Ukraine and China's ongoing COVID restrictions have also weighed on cocoa's demand outlook.

Reports that Nigeria's April cocoa exports were more than 60% below last year's total provided more evidence of lower West African production this season, with Ghana likely to have their full season production total come in more than 200,000 tonnes below last season's total. As a result, global 2021/22 cocoa production is likely to see its largest year-over-year decline since the 2006/07 season while at the same time, global 2021/22 grindings could see a record high total close to 5 million tonnes.

The Commitments of Traders report for the week ending May 24th showed Cocoa Managed Money traders went from a net long to a net short position of 12,243 contracts after net selling 13,473 contracts. CIT traders net bought 1,164 contracts and are now net long 33,711 contracts. Non-Commercial No CIT traders added 11,751 contracts to their already short position and are now net short 16,407. Non-Commercial & Non-Reportable traders were net long 3,502 contracts after decreasing their long position by 11,329 contracts.

COFFEE:

Coffee prices are finishing a month of choppy action by reaching their highest prices levels in May last Friday, which was also their first close above all 3 major moving averages since early April. If global risk sentiment continues to mend, coffee should finish the month on an upbeat note. September coffee extended its recovery move to a new 6-week high before finishing Friday's trading session with a sizable gain and a third positive daily result in a row. For the week, September coffee finished with a gain of 13.70 cents (up 6.3%) which was a third positive weekly result in a row as well as an outside-week higher close.

Production issues in Brazil and Colombia continue to provide underlying support to the coffee market, as those 2 nations combined account for more than half of global Arabica production. Forecasts for daily low temperatures in Brazil's south Minas Gerais growing region are well above the levels seen earlier this month when there was a threat of frost to coffee trees. The forecast also calls for mostly dry weather through late next week, however, and that extends the drier than normal conditions brought to the region by the La Nina weather event.

La Nina bring heavier than normal rainfall to Colombia's coffee growing areas which negatively impacts their coffee output, with current estimates having this year production coming in below 13 million bags. ICE exchange coffee stocks fell by 3,158 bags on Friday, have decline in eleven of the past 12 sessions and are on-track for their first monthly decline since February, which has helped to soothe near-term European demand concerns.

Coffee positioning in the Commitments of Traders for the week ending May 17th showed Managed Money traders net bought 9,755 contracts and are now net long 29,054 contracts. CIT traders added 2,015 contracts to their already long position and are now net long 40,500. Non-Commercial No CIT traders are net long 21,305 contracts after net buying 7,933 contracts. Non-Commercial & Non-Reportable traders were net long 38,172 contracts after increasing their already long position by 10,836 contracts.

COTTON:

July cotton closed lower last Friday after trading to its lowest level since April 27. The market closed 119 points lower on the week. December cotton also closed lower. The dollar closed weaker and the stock market and crude oil higher. This should have been supportive to cotton, but the moves were apparently not dramatic enough to spark much reaction.
The 1-5-day forecast calls for heavy rainfall across Oklahoma and in the Texas Panhandle with lighter amounts in west Texas. This is not enough to relieve drought, but there seems to be a pattern of increased rainfall relative to earlier in the season. The 6-10 and 8-14-day forecast call for below normal

rainfall in west Texas with above normal temperatures. Rain chances increase as you move north, with the Panhandle being normal and Oklahoma above normal.

The weekly Crop Progress report will be released today after the US market close. Last week's report showed the crop was on time, with 54% planted versus a 10-year average of 52%. Friday's Commitments of Traders report showed managed money traders were net sellers of 5,974 contracts of cotton for the week ending May 24, reducing their net long to 61,712. This is a long liquidation selling trend. Non-commercial, no CIT traders were net sellers of 4,893, reducing their net long to 46,779 contracts. The selling trend is short term negative, and the fund net longs are large enough that heavy long liquidation is still a threat if support levels are taken out.

SUGAR:

Sugar prices have been unable to extend their mid-May rally for several weeks, but they remain above their 3 major moving averages and on-track for a sizable monthly gain. With positive global risk sentiment and stronger key outside markets providing support, sugar can extend its recovery move early this week. October sugar was able to bounce back from early pressure to finish Friday’s trading session with a mild gain. For the week, however, October sugar finished with a loss of 32 ticks (up 1.6%) which was a first negative weekly result over the past 4 weeks.

The prospect of record high production and exports in India this season weighed on the sugar market this week. India’s government set a limit of 10 million tonnes for their nation’s sugar exports this season, but that would be far above last season’s record high total of 7.2 million tonnes. India’s monsoon arrived onto their mainland Sunday (3 days earlier than normal) and is forecast to have evenly spread rainfall this year, both of which should benefit their upcoming 2022/23 cane crop.

A rally in energy prices and a 5-week high in the Brazilian currency provided sugar with carryover support that lifted prices into positive territory by the close on Friday. Crude oil and RBOB gasoline have extended their rallies and reached new highs for the move on Monday, and that can provide the sugar market with an additional boost early in today’s action. The USDA forecast 2022/23 global sugar production at 182.891 million tonnes which would be a 5-season high, and also projected 2022/23 global sugar consumption at 178.843 million tonnes which would be the second all-time high global consumption total in a row.

Sugar positioning in the Commitments of Traders for the week ending May 24th showed Managed Money traders added 12,315 contracts to their already long position and are now net long 194,165. CIT traders are net long 243,989 contracts after net buying 1,525 contracts. Non-Commercial No CIT traders added 7,713 contracts to their already long position and are now net long 88,747. Non-Commercial & Non-Reportable traders were net long 261,944 contracts after increasing their already long position by 8,437 contracts.

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