ADM Investor Services, Inc.

Weekly Futures Market Summary

June 6, 2022

by the ADMIS Research Team

BONDS:

The treasury market came under pressure late last week from a slightly better than expected headline payroll result with a gain of 390,000 jobs. However, the unemployment rate was unchanged after expectations calling for a downtick. Therefore, in the end, the fear of additional Fed rate hikes loom and perhaps were intensified last week by a series of federal reserve regional bank president speeches. The treasury charts at the start of this week favored the bear camp as does the fundamental environment with optimism flowing from equities and higher commodity prices. In retrospect, the monthly US jobs figures denoted ongoing recovery in the US economy, with the pace of recovery disappointing to some, while others saw the data as conducive to inflation.

However, the trade is already looking ahead to Chinese trade data, Chinese inflation, and US consumer prices later this week. Limiting US treasuries is an ongoing wave of hawkish foreign central bank dialogue from the Bank of Japan, ECB, Canada, and the BOE. At the start of this week, the North American scheduled report slate is devoid of numbers and therefore the action in equities is likely to be a dominating treasury market influence. Last week the chairman of the Cleveland Fed hinted at inflation leveling out but countervailed that potential supportive impact on treasuries with suggestions that the Fed could "pause after" the September meeting. In other words, the Cleveland Fed President sees a 3rd 50-basis point hike in the next three meetings.

While the trade has not focused on the beginning of the reduction of the US Fed balance sheet, that issue is likely to surface after a modest amount of liquidity has been extracted. In our opinion, the most recent COT positioning reports favor the bear camp with the bond market recently switching a long held net spec and fund short into a net spec and fund long. While seeing the specs become net long seems supportive, prior to the last several weeks the market had been net-short since March 2020 (zero ground for the pandemic). The Commitments of Traders report for the week ending May 31st showed Bonds Non-Commercial & Non-Reportable traders went from a net long to a net short position of 11,778 contracts after net selling 21,035 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders net sold 42,234 contracts and are now net short 356,758 contracts.

CURRENCIES:

The dollar index fell back from this week's highs following a conflicted US nonfarm payroll report. As we indicated late last week, the currency markets are suffering from a lack of leadership which in turn is the result of a lack of distinction between the pace of growth in actively traded currency countries. In the end, the US payrolls were judged to be good enough and were considered "Goldilocks" which will hopefully allow for ongoing growth without escalating fears of 3rd straight 50 basis point rate hike by the Fed in September. We see the most likely action in the dollar early this week as sideways chop within a range bound by 102.29 on the upside and 101.30 on the downside.

Fortifying our opinion of sideways chop is a lack of important scheduled data until later in the week. However, we see the bear camp with a fundamental edge with the dollar failing to rally from slightly positive jobs data, residual hawkish US central bank psychology and initial chatter regarding abatement of red-hot inflation. On the other hand, commodity prices are showing little sign of shifting from bullish to bearish. The May 31st Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 41,330 contracts after increasing their already long position by 461 contracts.

As in the dollar, we see the euro caught in a sideways chop with the path of least resistance favoring the bull camp. Obviously, very hawkish dialogue from the ECB provides lift to the euro and that bullish bias might not be disrupted by scheduled data until Wednesday morning. We see the top of the range at 1.0772 and the bottom of the range seen at 1.0650. The Commitments of Traders report for the week ending May 31st showed Euro Non-Commercial & Non-Reportable traders added 12,065 contracts to their already long position and are now net long 82,032.

The bias in the Yen remains down despite the severe oversold technical condition of the currency. In the bull's defense the market has respected previous spike low zones but expectations for disappointing Japanese labor earnings and household spending on Tuesday leaves the bear camp in fundamental control. At the risk of sounding like a broken record, the Swiss franc also looks to be range bound early this week because of a lack of scheduled data inside and outside of Switzerland. We see the top of the near-term trading range at 1.0442 with the bottom of the consolidation range seen down at 1.0358.

Unless the UK Prime Minister suffers a no confidence vote late Monday, we expect the Pound to respect consolidation low support. However, expectations call for a serious contraction in BRC Like-For-Like retail sales for May With commodities and particularly energy prices showing strength early this week (new contract highs in all petroleum markets) and initial weakness in the US dollar that should result in the Canadian dollar have an upside breakout above resistance.

STOCKS:

The stock market did manage positive trade early in last Friday’s session, but that trade was very limited in quickly yielded a partial capitulation and a return to last week's lows. Obviously, the markets were undermined by notice of job cuts at Tesla, but the markets were also undermined because of warnings from American airlines that fuel costs are likely to overcome upbeat revenue projections. The Tesla founder also suggested he had a "super bad feeling" about the US economy and that probably undermined investor sentiment. Global equity markets at the start of this week were higher with gains above 1.4% and declines in Russia and Australia, 1.6% and 0.5% respectively. With the North American US scheduled report at the start of this week devoid of data and the monthly jobs report in the rearview mirror, this could allow equity markets to extend their early gains.

However, US and global central bankers continue their litany of hawkish threats, and the markets will face a series of key inflation readings later this week. The corporate headline flow since the close Friday favors the bear camp with the layoff announcement from Tesla, a Google order to pay a fine in Australia, and fear of losses in consumer spending from surging energy prices providing initial headwinds. On the other hand, strength in Chinese ADRs and strength in tech and growth stocks early provides a thin news market with a positive track. Another supportive condition is a very small net spec and fund long positioning in the E-mini-S&P. E-Mini S&P positioning in the Commitments of Traders for the week ending May 31st showed Non-Commercial & Non-Reportable traders reduced their net long position by 22,207 contracts to a net long 15,970 contracts.

The Dow continued to hold the most constructive charts with prices early Monday morning near a 4-day upside breakout. Furthermore, the market was relieved to see the May US jobs report as a "Goldilocks" of sorts. It should also be noted that the Dow Jones was being lifted early Monday by interest in growth stocks. In fact, big heavyweight stocks like Apple and Tesla are also providing lift for the entire market. Even the technical condition is supportive in the Dow with the most recent positioning report showing a substantial net spec and fund short near the lowest levels since the financial crisis in 2007! The May 31st Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 3,533 contracts to their already short position and are now net short 29,664. Therefore, the Dow futures have significant potential for massive, short-covering, and fresh bargain-hunting buying.

Not surprisingly, the NASDAQ has the least favorable charts but that negative influence is countervailed by very positive big tech action in Apple and Tesla shares at the start of this week. As in the Dow futures the NASDAQ is net spec and fund short, thereby reducing the potential for aggressive stop loss selling and facilitating the potential for aggressive bargain-hunting buying. Nasdaq Mini positioning in the Commitments of Traders for the week ending May 31st showed Non-Commercial & Non-Reportable traders net sold 16,353 contracts which moved them from a net long to a net short position of 3,433 contracts.

GOLD, SILVER & PLATINUM:

The Dollar continues to be the primary driving force behind the direction of gold and silver prices. Late last week, the dollar showed signs of extending its downward slide from mid-May which in turn produced the highest gold trade since May 9th. With the gold and silver trade maintaining its focus on the dollar through last week's US jobs news, the ebb and flow of economic uncertainty remains secondary. However, over the weekend, the Russians resumed their bombing of the capital city in Ukraine with the battle throughout the east intensifying. Therefore, we do not rule out the potential for periodic flight to quality bounces off the war. On the other hand, interpretation of the recent jobs data by the Cleveland Fed President suggested there is compelling evidence that inflation has peaked based on a "range" data.

Keep in mind that the US Federal Reserve Chairman indicated inflation must show signs of softening on an array of measures and that sets the blueprint for a pause in rate hikes. Unfortunately for the bull camp in gold and silver, after Cleveland Fed President Mester acknowledged the potential for a moderating of inflation, she indicated the Fed may continue the aggressive rate hikes "through September" which means the Fed is still of a mind to hike rates 50-basis points for a 3rd consecutive meeting. A forecast over the weekend from the United Arab Emirates suggested the ongoing threat of a global recession should limit the downside in gold and silver. Over the weekend, the Russian Federation banned personal income tax on the sale of gold which could put more physical gold in motion in Russia.

However, exports of Russian gold are still likely to be restricted significantly. From India, reports of soft wedding demand have produced a widening Asian gold discount as prices attempt to solicit demand. Last week gold ETF holdings declined by 68,908 ounces but remain 7.4% higher on the year. The most recent COT positioning report in gold continued to hold a very modest net spec and fund long which if adjusted into the low last week probably approached the lowest levels in 2 years! The Commitments of Traders report for the week ending May 31st showed Gold Managed Money traders reduced their net long position by 14,825 contracts to a net long 62,668 contracts. Non-Commercial & Non-Reportable traders are net long 209,402 contracts after net selling 15,435 contracts. Therefore, even though August gold sits $54 above the May spike low, the market retains significant speculative buying capacity and should hold slightly lower than normal stop loss selling potential.

The silver market posted a negative reversal after last Friday's multi-week upside breakout, with the market apparently dismayed with the results of the US jobs report. Last week, silver ETF holdings fell by 8.1 million ounces and are now 1% lower on the year. In the most recent positioning report the silver market held the lowest net spec and fund long since June 2019 thereby indicating the market could be mostly "sold-out" on trades to $21.50. Silver positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders net bought 3,738 contracts which moved them from a net short to a net long position of 3,197 contracts. Non-Commercial & Non-Reportable traders were net long 23,832 contracts after increasing their already long position by 2,251 contracts.

While it would seem like palladium fundamentals are relatively stable and the recent positioning report in palladium held close to a record spec and fund short ground (record 4,231 net short contracts) the charts suggest the bias is pointing down. Palladium positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders net bought 146 contracts and are now net short 1,583 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 579 contracts to a net short 3,221 contracts. All in all, the bull camp remains incredulous at the market's lack of war premium with evidence of physical supply flows from Russia unknown and possibly unknowable.

While we will not discount the potential for a setback to $1,900 this week, the bear position seems highly risky given low prices and net short spec and fund positioning. In a unique combination, the platinum market has exploded by $130 from the May low and in the process its net spec and fund long has barely expanded and remains near the lowest level since October 2018! Like palladium, the platinum fundamentals are very scarce especially after African mineworker unions reached labor deals. The May 31st Commitments of Traders report showed Platinum Managed Money traders reduced their net short position by 1,458 contracts to a net short 5,646 contracts. Non-Commercial & Non-Reportable traders are net long 6,874 contracts after net selling 80 contracts.

COPPER:

Not surprisingly, the copper market fell back into the close last Friday after forging a low to high rally of $0.30. However, copper prices should see support from news that Chilean copper production in April declined by 8.9%! While the reopening of Shanghai and a slightly positive Chinese scheduled data point last week justified some upside action, we view the rally last week as overdone. In retrospect, a large portion of the buying last week was likely technical short covering given the copper markets significant net spec and fund short!

Copper positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders net bought 1,272 contracts and are now net short 9,588 contracts. Non-Commercial & Non-Reportable traders net bought 4,201 contracts and are now net short 13,382 contracts. In our opinion, the copper bulls will need consistent optimism flowing from equities, further declines in daily LME copper warehouse stocks and strong Chinese import and export data for May (due out Wednesday night US time) to extend the recent rally. Fortunately for the bull camp the most recent LME copper warehouse stocks reading showed a decline of 4,975 tonnes!

ENERGY COMPLEX:

In retrospect, the crude oil market once again displayed bullish resiliency with a very impressive two low to high recovery of nearly $10.00. Furthermore, the bulls have extended their control early this week with fresh contract highs across-the-board in petroleum markets. Apparently, the markets have discounted news that Saudi Arabia substantially hiked July crude oil prices for Asian buyers to $120 as that could discourage demand for non-Chinese supply. On the other hand, overnight reports indicated Asian buyers were not initially put off by the higher price adjustment. Another fresh positive at the start of this week was an 11% decline in floating crude oil supply over last week. In fact, the Asian-Pacific floating storage declined by 7.1% with North Sea supply down 54%! When one considers the rally in crude oil prices recently was forged in the face of a potential softening of production restraint sentiment in Saudi Arabia and other key OPEC producers, it appears that energy demand expectations are growing faster than regularly scheduled data would suggest.

Nonetheless, the most recent US EIA storage figures showed crude oil holding a 64-million-barrel year-over-year deficit and a 74-million-barrel deficit to the 5-year average stocks level into the beginning of summer! While the US refinery operating rate fell by 0.6% last week, the prior reading registered one of the strongest readings in the past 4 years! Therefore, demand for spot crude in the US is strong and looks to become even stronger. Surprisingly, contract highs following a 30-day rally more than $25.00 has left the net spec and fund long in crude oil near the lowest level since February 2020! Crude Oil positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders are net long 283,203 contracts after net buying 7,185 contracts. Non-Commercial & Non-Reportable traders were net long 434,031 contracts after increasing their already long position by 1,725 contracts. Going forward, if overall market psychology remains upbeat, and the trade doubts the ability of Saudi Arabia to quickly raise production the path of least resistance remains up.

While it seems too easy to predict higher gasoline prices due to rising seasonal demand, that issue is in the driver's seat especially following news that Asian imports of Russian naphtha dropped to a record low last month, which means world supply and not Russian is being consumed! Furthermore, US EIA implied gasoline demand readings have reached 9 million barrels per day but have yet to show further gains at the very beginning of the driving season. Perhaps there is a measure of demand destruction from record pump prices, but normal seasonal demand gains could largely countervail volumes reduced because of prices. It is also possible that better Chinese sentiment from re-opening, relief from a middle-of-the-road US jobs report and inflation related buying will extend the rally in gasoline. In fact, the most recent COT positioning report (before the post report rally) was near the lowest levels since September of last year. Furthermore, US gasoline stocks remain 15 million barrels below year ago levels and 23 million barrels below the 5-year average for this time of the year.

While the US Environmental Protection Agency last Friday issued biofuel blending requirements for 2022 and the prior 2 years, and the mandates were below the levels projected in December, the EPA also denied waivers from the mandates. Gas (RBOB) positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders are net long 59,596 contracts after net buying 3,332 contracts. Non-Commercial & Non-Reportable traders are net long 46,154 contracts after net buying 2,454 contracts. Not surprisingly, the diesel market forged another contract high Monday morning extending the higher high pattern to 9 straight sessions. While the net spec and fund long in diesel is understated and has been rising over the past several weeks, the net spec and fund long remains nearly 50,000 contracts below the 4-year high posted in October 2021. Heating Oil positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders added 2,617 contracts to their already long position and are now net long 17,809. Non-Commercial & Non-Reportable traders are net long 17,872 contracts after net buying 6,298 contracts.

With a surprise gap higher trade early this week forged despite reports that German gas storage increased to 51% full and EU storage reached 49% full supply that news could have been interpreted as bearish. However, with Germany and the euro zone intending to fill supply to capacity before next winter a tremendous amount of buying sits in the offing. Not surprisingly, the European gas flow condition remains highly fluid with the Russian national gas company continuing to ship via Ukraine pipeline over the weekend. Expectations of record cooling demand in Texas combined and the first storm advisory from the National Hurricane Center provides bullish supply and demand forces going forward. However, US temperature forecasts beyond Texas are for below normal cooling degree days thereby clouding the influence from US weather. However, the market is held back by reports of tankers supply moving toward the UK/European continent and from a slightly bearish weekly EIA storage report last week. The weekly US injection was 90 BCF and at the upper end of expectations.

However, EIA working gas storage remains at a 15.1% deficit to the 5-year average which combined with record and growing US export activity presents a very tight forward supply situation. From a technical perspective, the natural gas market remains net spec and fund short despite the fact prices are trading at double the level from the beginning of the war. Natural Gas positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders net sold 14,781 contracts which moved them from a net long to a net short position of 6,011 contracts. Non-Commercial & Non-Reportable traders are net short 59,513 contracts after net buying 3,613 contracts. Even though we see natural gas prices vulnerable to a sharp slide from normal back and forth trade, we see solid value down at $8.118.

BEANS:

November Soybeans experienced a sweeping key reversal on May 31, which suggests at least a short-term peak may be in place. If the weather in the US is normal, the record planted acreage for this season could spark a global production surplus for the coming year. There is a long growing season ahead and there could be many mishaps ahead, but the short-term weather forecast suggests the crop may get off to a good start. November soybeans closed moderately lower on the session Friday with an inside trading day. The market closed lower on the week after posting a contract high and the weekly key reversal is seen as a negative force. With mostly normal weather in the forecast for the next two weeks, the crop looks to get off to a good start. The weekly export sales report showed that for the week ending May 26, net soybean sales came in at 111,557 tonnes for the current marketing year and 284,000 for the next marketing year for a total of 395,557.

Cumulative soybean sales have reached 102.3% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 99.1%. Net meal sales came in at 188,912 tonnes for the current marketing year and 120 for the next marketing year for a total of 189,032. Net oil sales came in at 4,172 tonnes. Cumulative oil sales have reached 86.6% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 83.1%. Sales need to average 5,800 tonnes per week to reach the USDA forecast. The US Environmental Protection Agency is requiring refiners to mix 20.63 billion gallons of renewable fuels into gasoline and diesel this year, a 9.5% increase over last year's target. In a final rule posted online Friday, the agency also said it was retroactively paring the 2020 biofuel-blending quota to 17.13 billion gallons and setting the overall 2021 target at 18.84 billion gallons to reflect actual consumption.

The May 31st Commitments of Traders report showed Soybeans Managed Money traders were net long 164,630 contracts after increasing their already long position by 1,563 contracts for the week. Non-Commercial & Non-Reportable traders were net long 139,425 contracts after decreasing their long position by 582 contracts. For Soyoil, Managed Money traders reduced their net long position by 4,533 contracts to a net long 64,461 contracts. The long liquidation selling trend is a bearish short-term force. For Soymeal, Managed Money traders net sold 1,792 contracts and are now net long 47,362 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 495 contracts to a net long 99,809 contracts.

CORN:

Continued talk of grain shipments moving out of Ukraine soon, plus ideas that the Brazilian second corn crop harvest will be more active over the near term helped to pressure the market last week. However, the news of Russia attacking Ukraine's capital of Kyiv for the first time in more than a month was seen as a supportive force as this leaves the market with "less" chances of seeing Ukrainian grain moving out of the Black Sea ports. In addition, there was news that Ukrainian troops set fire to tonnes of grain in storage facilities of the Mariupol Seaport. A shift in the 6-10 and 8-14 day forecast models to a potential hot and dry weather trend for the southern Plains may have also helped to support. December corn closed lower on the session Friday and experienced the lowest close since April 1. It was an inside trading day and the market closed 40 cents lower on the week.

The US is ordering refiners to boost the use of biofuels such as corn-based ethanol, as the Biden Administration tries to strike a balance between competing political and economic pressures while gasoline prices soar. The US Environmental Protection Agency is requiring refiners to mix 20.63 billion gallons of renewable fuels into gasoline and diesel this year, a 9.5% increase over last year's target. In a final rule posted online Friday, the agency also said it was retroactively paring the 2020 biofuel-blending quota to 17.13 billion gallons and setting the overall 2021 target at 18.84 billion gallons to reflect actual consumption. The EPA said the moves were meant to help put the nation's Renewable Fuel Standard program into a growth mode and propel market demand for alternatives to petroleum-based gasoline and diesel. Biofuel producers, however, cheered the Administration's approach for 2022, saying it recognizes the industry's room for growth.

The short-term weather forecast carries a bearish tilt and this should help the crop get off to a fast start. The weekly export sales report showed that for the week ending May 26, net corn sales came in at 185,760 tonnes for the current marketing year and 48,748 for the next marketing year for a total of 234,508 tonnes. Cumulative sales have reached 93.3% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 92.4%. Sales need to average 307,000 tonnes per week to reach the USDA forecast. The May 31st Commitments of Traders report showed Corn Managed Money traders were net long 268,964 contracts after decreasing their long position by 22,505 contracts in just one week. This is a long liquidation selling trend and a short-term bearish force. Non-Commercial & Non-Reportable traders reduced their net long position by 17,042 contracts to a net long 334,046 contracts. Exporters announced the sale of 101,600 tonnes of US corn sold to unknown destination.

WHEAT:

Continued talk of grain shipments moving out of Ukraine soon helped to drive the market sharply lower last week. However, the news of Russia attacking Ukraine's capital of Kyiv for the first time in more than a month was seen as a supportive force as this leaves the market with "less" chances of seeing Ukrainian grain moving out of the Black Sea ports. In addition, there was news that Ukrainian troops set fire to tonnes of grain in storage facilities of the Mariupol Seaport. A shift in the 6-10 and 8-14 day forecast models to a potential hot and dry weather trend for the southern Plains added to the positive tone.

July wheat closed moderately lower on the session Friday as traders expected good weather for Kansas, and continued ideas that Ukraine may eventually be moving grain onto the world market. The winter wheat weather continues to show heavy amounts of rain across the central and southern Plains. Most of Kansas looks to receive 1 1/2 to 2 inches of rain in the next 5 days. French wheat conditions continue to deteriorate and the crop rated in good or very good condition fell to 67% as of May 30, down from 69% the prior week. Egypt is still in discussions with India to conclude the agreement to import 500,000 tonnes of wheat. The expected agreement may include a swap, importing wheat in exchange of exporting Egyptian products such as fertilizers, goods that India asked for.

The weekly export sales report showed that for the week ending May 26, net wheat sales came in at 712 tonnes for the current marketing year and 363,542 for the next marketing year for a total of 364,254. Cumulative sales have reached 16.0% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 15.3%. The May 31st Commitments of Traders report showed Wheat Managed Money traders are net long 15,024 contracts after net selling 7,230 contracts in just one week. Non-Commercial & Non-Reportable traders are net long 25,232 contracts after net selling 6,020 contracts. For KC Wheat, Managed Money traders were net long 40,650 contracts after decreasing their long position by 3,896 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net long position by 4,216 contracts to a net long 37,386 contracts.

HOGS:

The hog market is probing for a short-term peak with the premium to the cash market and the sluggish action for pork product prices. July hogs closed moderately lower on the session Friday as the early rally failed to attract new buying interest. The market is somewhat overbought after recent solid gains, and a hook reversal Thursday was seen as a negative technical development. Weights remain high but the market remains in a strong seasonal demand period during June. The USDA pork cutout, released after the close Friday, came in at $107.71, down $2.38 from Thursday but up from $106.16 the previous week.

The CME Lean Hog Index as of June 1 was 105.03 up from 104.91 the previous session and up from 103.87 the previous week. The USDA pork cutout, released after the close Friday, came in at $107.71, down $2.38 from Thursday but up from $106.16 the previous week. The USDA estimated hog slaughter came in at 478,000 head Friday and 145,000 head for Saturday. This brought the total for last week to 2.044 million head, down from 2.344 million the previous week but up from 1.987 million a year ago. Estimated US pork production last week was 445.5 million pounds, down from 511.7 the previous week but up from 427.6 million a year ago.

Friday's Commitments of Traders report showed managed money traders were net buyers of 3,610 contracts of lean hogs, increasing their net long to 18,491. Non-commercial & non-reportable traders were net buyers of 910, increasing their net long to 10,877. US pork export sales for the week ending May 26 came in at 31,910 tonnes. This was down from 36,799 the previous week but the second highest since March 31. Cumulative sales for 2022 have reached 830,300 tonnes, down from 1.057 million a year ago and 1.177 million the year before that. The five-year average is 904,500. The largest buyer was Mexico at 12,981 tonnes, followed by China at 8,988. Mexico has the most commitments for 2022 at 327,200 tonnes, followed by Japan at 118,800 and China at 103,500.

CATTLE:

Packer margins are in the black and traders believe the cash market may be close to a short-term low. With packer profit margins already strong, any strength in the beef market could support. August cattle closed lower on the session Friday after a rally to the highest level since May 12th. The USDA estimated cattle slaughter came in at 126,000 head Friday and 96,000 head for Saturday. This brought the total for last week to 603,000 head, down from 644,000 the previous week but up from 544,000 a year ago. The estimated average dressed cattle weight last week was 824 pounds, up from 817 the previous week and 818 a year ago. The 5-year average weight for that week is 805.4 pounds. The jump in weights is a bearish development. Estimated beef production was 529.4 million pounds, up from 514.2 million a year ago. The USDA boxed beef cutout was up 65 cents at mid-session Friday and closed 61 cents higher at $267.26. This was up from $263.97 the previous week. Cash live cattle ended last week lower than the previous week. The 5-day/5-area weighted average prices as of Friday afternoon was 137.53, down from 138.78 the previous week.

Friday's Commitments of Traders report showed managed money traders were net sellers of 4,229 contracts of live cattle for the week ending May 31, reducing their net long to 12,085. Non-commercial & non-reportable traders were net sellers of 5,588, reducing their net long to 27,632. US beef export sales for the week ending May 26 came in at 17,891 tonnes for 2022 delivery and 180 for 2023 for a total of 18,071. This was down from 20,010 the previous week and the lowest since April 21. Cumulative sales for 2022 have reached 631,700 tonnes, up from 617,200 a year ago and the highest on record for this time of year. The largest buyer this week was Japan at 6,199 tonnes, followed by China at 4,772 and South Korea at 2,722. South Korea has the most commitments for 2022 at 176,400 tonnes, followed by Japan at 147,700 and China at 105,900.

COCOA:

The cocoa market has dealt with demand concerns for more than two years, and these concerns became a notable source of pressure the past few months. Even with recent setbacks, the International Cocoa Organization (ICCO) has forecast this season's global grindings at 5.048 million tonnes, which would be a new record high and the fifth increase in the past six seasons. September cocoa continued to see choppy and volatile trading as it finished Friday's trading session with a mild loss. For the week, however, September cocoa finished with a gain of 23 points (up 0.9%) which was a second positive weekly result in a row.

A sharp selloff in US equities and the British Pound were source of carryover pressure on cocoa prices that pushed the market into negative territory by the close. Russia's invasion of Ukraine has had a chilling impact on vacation travel in Europe, and vacationers are traditionally big buyers of chocolate. Recent COVID restrictions in China have dampened Asian demand prospects as first quarter 2022 Asian cocoa grindings came in slightly below their 2021 total. While the Ukraine/Russia conflict continues, several Chinese cities have begun to relax COVID restrictions. Asia has been seen as the engine for global cocoa demand for several years, and that is likely to continue through the rest of 2022.

Global cocoa production has been in a longer-term uptrend with the 2021/22 season expected to have the second highest output on record, according to the ICCO. However, this would mark a 317,000-tonne decline form 2020/21 and be the largest annual production decline since 2006/07. Ghana's production is expected to fall by more than 247,000 tonnes, and Ivory Coast's is expected to decline 48,000 tonnes. The ICCO is forecasting the 2021/22 global stocks/usage ratio at 34.7%, which would be the second lowest since 1984/85.

The Commitments of Traders report for the week ending May 31st showed Cocoa Managed Money traders net bought 2,216 contracts and are now net short 10,027 contracts. CIT traders are net long 34,994 contracts after net buying 1,283 contracts. Non-Commercial No CIT traders net bought 2,905 contracts and are now net short 13,502 contracts. Non-Commercial & Non-Reportable traders are net long 5,799 contracts after net buying 2,297 contracts.

COFFEE:

Coffee's 2-day pullback has taken prices well below last Thursday's 3-month high, but they remain above the 3 major moving averages coming into this week. With the market continuing to receive bullish supply news, coffee should remain well supported on a near-term pullback. September coffee followed through on Thursday's negative daily reversal as it finished Friday's trading session with a sizable loss. For the week, however, September coffee finished with a gain of 2.85 cents (up 1.2%) and a fourth positive weekly result in a row.

Brazil and Colombia continue to have production issues due to the La Nina weather event which provide underlying support to coffee prices. There are light showers in the forecast for Brazil's major Arabica growing regions on Thursday and Friday, but the area should remain mostly dry through late next week. Brazil's 2022/23 Arabica harvest is behind last year's pace and the historic average, and that should provide underlying support to the market.

The negative shift in global risk sentiment weakened coffee's out-of-home consumption outlook, however, and that put pressure on the market late last week. The USDA forecast Colombia's 2022/23 coffee production at 13.0 million bags, which would be their lowest output since the 2013/14 season while they estimated India's 2022/23 coffee production at 5.74 million bags which would be up 3.6% from last season's total. ICE exchange coffee stocks fell by 7,139 bags on Friday and are more than 37,000 bags below their May month-end total in just 3 trading sessions.

Coffee positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders added 6,903 contracts to their already long position and are now net long 33,375. CIT traders are net long 43,459 contracts after net buying 2,202 contracts. Non-Commercial No CIT traders net bought 5,683 contracts and are now net long 23,453 contracts. Non-Commercial & Non-Reportable traders are net long 42,982 contracts after net buying 8,793 contracts.

COTTON:

July and December cotton closed lower last Friday, but they spent the day inside last Thursday's ranges. The market drew support from the weekly Export Sales report but sold off later in the session. The report showed US cotton exports sales for the week ending May 26 at 354,196 bales for the 2021/22 (current) marketing year and 109,063 for 2022/23 for a total of 463,259. This was up from 132,422 the previous week and the highest since February 17. Cumulative sales for 2021/22 have reached 15.253 million bales, down from 15.727 million a year ago and below the 5-year average of 15.403 million. Sales have reached 110% of the USDA's forecast for the marketing year versus a 5-year average of 108%. China was the largest buyer this week at 232,925 bales (current and new crop combined), followed by Vietnam at 87,629. China has the most commitments for 2021/22 at 4.868 million, followed by Turkey at 2.084 million and Vietnam at 1.929 million.

Friday's Commitments of Traders report showed managed money traders were net sellers of 1,378 contracts of cotton for the week ending May 31, reducing their net long to 60,334. Non-commercial, no CIT traders were net sellers of 1,300, reducing their net long to 45,479. Non-commercial & non-reportable traders combined were net sellers of 2,339, reducing their net long to 81,004. CIT traders were net sellers of 270 contracts, reducing their net long to 66,938. The managed money net long is the lowest it has been in almost a year, but it is still in the upper half of the historic range (of net longs). It is not "overbought" in the classical sense, but the selling trend is negative for the near term.

SUGAR:

Since reaching a 6-week high in mid-May, sugar prices have only had 3 positive daily results over the past 12 sessions. The market continues to hold its ground above the May 16th low, however, and should continue to receive carryover support from key outside markets. October sugar saw few signs of upside momentum as it stayed within a fairly tight trading range as it finished Friday’s session with a mild loss. For the week, October sugar finished with a loss of 28 ticks which was a second negative weekly result in a row.

Front-month crude oil and RBOB gasoline prices finished the week by climbing up to new multi-year highs, which provided sugar with carryover support as that should boost ethanol demand prospects. Brazil’s Center-South mills have already seen a nearly 6% shift in their crushing from sugar over to ethanol, and that should continue as long as energy prices remain close to current levels. There are indications that Brazil may see a tax cut on fuels, but Brazilian gasoline prices continue to have a sizable premium to Brazilian ethanol prices which should continue to keep ethanol demand fairly strong.

There are indications that India may be more likely to reach their government’s export limit this season of 10 million tonnes, and that continued to pressure the sugar market going into the weekend. Thailand’s sugar exports this season should see a sharp increase as well and reach their highest levels since the 2018/19 season. Keep in mind that Brazil’s Center-South 2022/23 sugar production could come in below last season’s 32.06 million tonnes, and with a shift towards ethanol production could result in a notable decline in Brazilian sugar exports.

Sugar positioning in the Commitments of Traders for the week ending May 31st showed Managed Money traders net sold 8,901 contracts and are now net long 185,264 contracts. CIT traders net sold 1,507 contracts and are now net long 242,482 contracts. Non-Commercial No CIT traders are net long 82,489 contracts after net selling 6,258 contracts. Non-Commercial & Non-Reportable traders are net long 246,808 contracts after net selling 15,136 contracts.

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