ADM Investor Services, Inc.

Weekly Futures Market Summary

July 25, 2022

by the ADMIS Research Team

BONDS:

In retrospect, last week's disappointing US scheduled data justifies the range up breakout in treasuries. In addition to strong demand for a 20-year US bond auction, fears of slowing in the future are surfacing from a list of corporate earnings reports. While possibly an overreaction, some traders are beginning to reduce their expectations for the magnitude of next week's Fed interest rate hike. We also suspect treasuries are being lifted by ongoing declines in commodity prices as that could telegraph a peak in inflation has occurred. While it is possible that last week's impressive rally in treasuries was partially the result a slight tempering of expectations on the magnitude of the coming US rate hike, those views should dissipate quickly as the week progresses.

In other words, soft economic data is becoming more common and increases the risk of Fed overtightening which in turn fostered flight to quality buying of treasuries early last week. It is also likely that buying of US treasuries last week was the result of increased recession fears in Europe from ECB tightening. In fact, press coverage has shifted toward the prospects of a September ECB rate hike! With the most active week of corporate earnings of the earnings cycle this week it is likely that bonds and notes will track inversely with equities into the Wednesday FOMC meeting.

It should be noted that some traders and analysts early last week ratcheted up expectations for only a 50-basis point rate hike this week following an upside breakout in weekly US initial claims last week. In fact, US initial claims are approaching the highest levels of this year and have posted 3rd straight higher highs. The US scheduled report slate early this week is mixed with soft numbers expected from the Chicago Fed national activity index and expectations that Dallas Fed manufacturing business index readings will improve even though they are expected to remain in negative territory.

An added injection of volatility this week is an auction cycle with the treasury offering 2-year notes and 5-year Notes. Bond positioning in the Commitments of Traders for the week ending July 19th showed Non-Commercial & Non-Reportable traders were net short 32,657 contracts after increasing their already short position by 15,813 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 150,842 contracts after net buying 35,289 contracts.

CURRENCIES:

The dollar index forged a very wide trading range last Friday and finished at the lowest level since early July. We suspect soft US scheduled data is ramping up concerns of recession in the US potentially becoming worse than other areas because the US Fed is expected to be the most aggressive. Those

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looking to on a weakening of the dollar should consider the purchase of puts and avoid being long the euro, as the euro is unlikely to gain against the dollar even with a dollar slide. Like other financial markets the dollar is likely to chop in a range bound by 1.0713 and 1.0556 in the first 2 1/2 sessions of the week.

We do think the dollar has paused its recent recovery bounce following a series of disappointing US scheduled data points last week (particularly from jobless claims). It is also possible that repeated concerns of negative dollar impacts on US corporate earnings (this week is the most active of the entire earnings cycle), the dollar could be pressured. Dollar positioning in the Commitments of Traders for the week ending July 19th showed Non-Commercial & Non-Reportable traders were net long 41,511 contracts after increasing their already long position by 602 contracts.

With the currency markets hesitant to maintain or establish fresh positions into the Wednesday US rate hike decision and the dollar seemingly caught in a slightly negative biased trading range, we see support in the euro firming up. However, the euro is undermined following a very disappointing German IFO survey which showed definitive weakness across all categories. Even the European Central Bank president has indicated in a global recession, the euro zone is at much greater risk of slowing than the US. Euro positioning in the Commitments of Traders for the week ending July 19th showed Non-Commercial & Non-Reportable traders net sold 5,237 contracts and are now net short 16,781 contracts.

The Yen has forged a 200-point recovery bounce and the ongoing view is that the BOJ will remain the most accommodative central bank in the foreseeable future. While the Swiss franc may extend its recovery off the mid-July low early this week, we see fresh selling interest developing. Economically the Swiss franc is viewed as a slightly better destination than the euro, but not as attractive as the dollar in the event of a surge of European recession fear.

While the dollar might falter later this week, the Pound could carve out minimal gains at the expense of the euro. However, reports that 20% of UK households are facing negative disposable income conditions, rallies in the Pound are likely to offer advantageous short entry opportunities. With the overnight damage from a 4-day low, a very large trading range and a looming aggressive US rate hike expected, the Canadian dollar should be restricted by significant top of the range resistance early this week.

STOCKS:

After forging another higher high in the highest trade since June 10th, the equity market reversed course late last week despite a significant drop in US interest rates, a very optimistic forward American Express revenue forecast and an upward revision in Schlumberger revenue projections. Obviously, the market was pressured because of fear of sharply falling add revenue on social media platforms and also because of evidence that a surging dollar is hurting company performance.

The tone early this week was mixed with equity sentiment lacking definitive consensus. While the markets are generally favoring positive earnings outcomes, that bullish interpretation is countervailed by talk of rising costs and negative impact from a surging US dollar. It should be noted that this upcoming week is "the busiest" of the earnings cycle but we suspect the market is likely to establish a trading range until Wednesday afternoon. Granted the bull camp has a minimal edge to start the new week.

While fundamentals are generally supportive, the approach of the FOMC meeting on Wednesday should discourage fresh buying. However, the E-Mini S&P net spec and fund short at last week's low was likely at the largest level since early 2012 which suggests short covering was a large part of the surprisingly large recovery off the August lows. The Commitments of Traders report for the week ending July 19th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 251,139 contracts after net selling 27,900 contracts.

With labor concerns at Boeing and ongoing fear of lost foreign sales by large US companies (flowing from earnings reports), we expect the Dow will find solid resistance, but we strongly advise against chasing the

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Dow with buy orders. In fact, if the Dow continues to rally ahead the FOMC meeting, the bull camp will likely need very clear commentary from the US Fed indicating the potential for a temporary "pause" in the rate hike pattern in the September meeting. Dow Jones $5 positioning in the Commitments of Traders for the week ending July 19th showed Non-Commercial & Non-Reportable traders are net short 20,976 contracts after net buying 4,636 contracts.

As in other stock index futures, the Nasdaq futures remains net spec and fund short which has likely fed the recent rally and should continue to feed prices higher. However, with several negative tech sector headlines developments and talk of additional delisting of Chinese tech companies from US markets, the NASDAQ is also likely a sell on rallies. The July 19th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 10,480 contracts to their already long position and are now net long 18,159.

GOLD, SILVER & PLATINUM:

While we see the gold and silver markets tracking in tight ranges into the US FOMC rate decision, the gold market showed little reaction to a very bullish jump in June Hong Kong net exports to mainland China. Hong Kong June net gold exports were 43.5 tonnes versus 14.1 tonnes in May and given that China is the world's largest gold consumer, that number should have sparked some buying. Furthermore, while the gold market managed a higher weekly close, we attach little significance to that reversal into this week's action. Press coverage indicated the rally in gold was the result of a dramatic increase in concerns of recession, but recently gold and silver have not tracked flight to quality developments.

However, the Russian bombing of Ukraine export grain infrastructure in Odessa could rekindle food price inflation which could take over from oil as the primary inflation catalyst, but that might require threats against the southern hemisphere grain crop. At present, the markets are not concerned about a pandemic from the monkey pox, but the world was not initially concerned with the coronavirus. While the dollar forged the lowest price since July 5th at the end of last week, the index bounced aggressively enough to facilitate a downside breakout in gold.

Unfortunately for the bull camp, this week's US FOMC meeting should keep a "sell the rumor" bias in place, perhaps even beyond the Fed's press conference on Wednesday. In fact, we suspect a portion of the trade is still "hopeful" of a 50-basis point rate hike instead of a 75-basis rate hike. Therefore, downside extension through the meeting is likely with October gold likely headed back under $1,700. The negative investment pattern in both gold and silver ETFs was extended to an 18th straight session with gold ETF holdings last week dropping by a startling 875,997 ounces.

Similarly, silver ETF holdings last week declined by 11.2 million ounces. Silver holdings year-to-date have now contracted by nearly 9%. One of the few bullish factors in gold and silver is the rapidly liquidating net spec and fund long positioning. The gold spec and fund long adjusted into the low last Thursday (after posting a decline from the report of $31) is likely at the lowest level since May 2019. With the silver net spec and fund long adjusted into the low last week (after posting a decline of $0.60) probably shifted into a "net spec and fund short".

Gold positioning in the Commitments of Traders for the week ending July 19th showed Managed Money traders went from a net long to a net short position of 9,721 contracts after net selling 12,469 contracts. Non-Commercial & Non-Reportable traders net sold 26,041 contracts and are now net long 110,548 contracts. Silver positioning in the Commitments of Traders for the week ending July 19th showed Managed Money traders net sold 3,547 contracts and are now net short 13,489 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,456 contracts to a net long 6,660 contracts.

We have very little positive to say about palladium and platinum from a fundamental perspective! Both markets continue to see definitive liquidation from ETF holdings (a sign of negative investment sentiment)

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with platinum last week registering an outflow of 18,999 ounces putting the net outflow this year close to 10%. Similarly, palladium ETF holdings also decreased by 1,129 ounces and are now 13% lower year-to-date.
Fundamentally, seeing weak investment demand combined with sagging physical demand from recession prospects should leave a heavy fundamental cloud hanging over the PGM markets. However, the Russian threat against supply remains significant, even without Western officials showing any interest in embargoing exports of PGM's.

Certainly, there have been limitations on Russia from exchanges and from restrictions on dealing with Russian refining companies but so far, the markets have not fretted over noted PGM supply disruption threats. From a technical perspective, both platinum and palladium held net spec and fund short positions in this week's COT reports, which could result in surprisingly large, short-covering rallies. In conclusion, we view platinum and palladium prices as extremely cheap and likely to hold recent lows given the Russian supply threat and the historically oversold condition of the markets. Unfortunately for the bull camp, we do not see a bullish ignition/catalyst for sustained fundamental buying.

The Commitments of Traders report for the week ending July 19th showed Platinum Managed Money traders net bought 1,874 contracts and are now net short 17,163 contracts. Non-Commercial & Non-Reportable traders are net short 824 contracts after net buying 1,758 contracts. The July 19th Commitments of Traders report showed Palladium Managed Money traders added 1,093 contracts to their already short position and are now net short 2,685. Non-Commercial & Non-Reportable traders net sold 1,050 contracts and are now net short 4,302 contracts.

COPPER:

As in several other physical commodity markets, copper has recently recovered and has forged rally without definitive support from classic fundamentals. In retrospect, the massive outflow of copper from the Shanghai copper warehouse last week of 20,982 tonnes is very supportive as Chinese supplies are tightening and that serves to offset the unending lockdown pressure on copper demand. In fact, Shanghai warehouse stocks fell by one third and declined by 29.4% on a week over week basis. To put the tightness at the Shanghai exchange in further perspective, continuing the pace of withdrawal seen Friday for two additional weeks would virtually remove all stocks from the exchange.

As in many physical commodities, the copper market remains net spec and fund short thereby potentially limiting the number of fresh sellers. Copper positioning in the Commitments of Traders for the week ending July 19th showed Managed Money traders were net short 14,448 contracts after decreasing their short position by 3,865 contracts. Non-Commercial & Non-Reportable traders were net short 22,926 contracts after decreasing their short position by 3,287 contracts. Granted, exchange stocks are tight, and the latest round of production news has shown less output but at present demand fears are dominating.

ENERGY COMPLEX:

The focus of the crude oil market remains squarely on the potential for significant energy demand destruction. On the other hand, crude oil could be seeing some minor initial support from a week over week decline in global floating crude storage of 1.65 million barrels. However, ongoing evidence of strong demand for Russian supply should mean that premium from the embargo should continue to be extracted from prices. In fact, with economic data around the world softening, a very strong dollar trend, a looming aggressive US rate hike and signs of a bearish shift in weekly EIA data that leaves the bear camp with significant ammunition. Furthermore, given the potential for the oil markets to exhibit significant washouts (and significant rallies), a swift move to and below the July low of $88.23 could be on the cards directly ahead.

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The crude oil market has likely corrected its massive oversold condition in place into the low on July 14th after a 30-day slide of $20! Therefore, with the mid-July bounce of $13, we see the downtrend resuming. In fact, and as we mentioned, all 4 major EIA inventory readings (crude oil, gasoline, distillates, and diesel) have reversed contractionary trends and that combined with willingness on the part of India, China, and Saudi Arabia to purchase significant amounts of Russian crude provides supply which could soon result in a temporary "void" of demand from those large consumers! Fortunately for the bull camp, the latest COT positioning report shows the crude oil market nearing the lowest levels in 6 years especially with the September contract from the COT report mark off into the low Friday declining by $7.00!

The Commitments of Traders report for the week ending July 19th showed Crude Oil Managed Money traders net bought 12,344 contracts and are now net long 227,633 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,589 contracts to a net long 352,025 contracts. The caveats to pressing the short side of crude oil are current levels are recent US pipeline power disruptions, the highly fluid supply threat in Libya and the potential for India to reduce its purchases from Russia because of the weekend bombing of grain export infrastructure in Odessa, as that is likely to present a major food price challenge for India.

The bearish outlook for gasoline remains definitive and is likely to get additional bearish fundamental news going forward. In fact, gasoline stocks in US have risen for 2 straight weeks with gasoline stocks at the critical "ARA" European hub also showing recent rebuilding. It goes without saying that gasoline demand concerns are justified from both seasonal and cyclical forces and could be dramatically reduced because of deepening global recession fear. Furthermore, traders should realize that the US refinery operating rate jumped to multi-year highs a couple weeks ago and has remained elevated and that should increase the likelihood of further weekly EIA gasoline stock inflows (especially given aggressively contracting seasonal demand).

Certainly, the gasoline market is significantly oversold from the compacted reduction of net spec and fund long positioning, but the recent bounce in gasoline prices of $0.25l9 likely brought the net spec and fund long back up to a level where fresh selling is likely. The July 19th Commitments of Traders report showed Gas (RBOB) Managed Money traders net bought 1,824 contracts and are now net long 48,530 contracts. Non-Commercial & Non-Reportable traders added 6,537 contracts to their already long position and are now net long 45,435. While the diesel market remains the least bearish of the energy markets, it is also fighting pressure from declining cyclical and seasonal demand forces. Furthermore, the ULSD net spec and fund long position is not excessively liquidated. The Commitments of Traders report for the week ending July 19th showed Heating Oil Managed Money traders were net long 13,922 contracts after increasing their already long position by 1,055 contracts. Non-Commercial & Non-Reportable traders were net long 23,696 contracts after increasing their already long position by 949 contracts.

Clearly, the natural gas trade remains very concerned about the potential for sharply reduced or completely shut down flow from the Nord Stream pipeline. Given the Russian bombing of a key Ukrainian grain export facility almost immediately after signing a deal to cooperate on grain exports from Ukraine, increases the potential for Putin to play hardball with Europe. While some cooling demand was reduced over the weekend in US from widespread rain events, the extreme heat is expected to return to the Texas and Gulf Coast areas and that should provide speculative buying. Furthermore, the intense heat in Europe is expected to generally remain in place over the next 7 days.

Even though the net spec and fund short has likely been reduced with the post COT report rally, the market is still net short 87,000 contracts as of last Tuesday, technical stop loss buying looks to join fundamentally based buying. The July 19th Commitments of Traders report showed Natural Gas Managed Money traders reduced their net short position by 15,459 contracts to a net short 52,816 contracts. Non-Commercial & Non-Reportable traders are net short 87,202 contracts after net buying 7,715 contracts. The bias in natural gas is up even if one excludes the on-and-off situation with the

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Russian pipeline. However, the odds Putin will "play with the world" are very high after a weekend Russian bombing of grain export infrastructure in the Ukraine.

BEANS:

The soybean market is probing for a short-term low with an oversold condition. The hook reversal for November soybeans after moving down to the lowest level since January 19 on Friday is a positive technical development. Talk that the weather premium has already been extracted from the market helped to support some short covering as the most critical weather for the growing season for soybeans is in the first few weeks of August. Temperatures in the Midwest are cooler and wetter for this week, but the heat returns to the Western Corn Belt into the first week of August with highs in the mid-90s. For the 8-14 day forecast models, August 1-7, the Dakotas, Nebraska, and western Iowa look to have well above normal temperatures with below normal precipitation for the Western Corn Belt and near normal precipitation Illinois and east.

If the forecast turns hot and dry after this point, the weather might be seen as somewhat threatening. As a result, it will be important to see widespread moisture across the Midwest this week. For Omaha, the first eight days of August show temperature highs of 92, 95, 96, 98, and 99 highs for the 5th, 6th, 7th and 8th of August. Trade houses see a huge Brazil soybean crop for the coming season and expect surging exports. However, this is a long way off and fertilizer prices and availability are in question to expect big yields. Palm oil fell to a one-week low on Friday on worries about surging stocks in Indonesia and anticipation that a potential resumption of crop trade from Ukraine will help lift edible oil supplies. The plan to increase palm oil content in diesel fuel to 35% from 30% is a temporary measure aimed at reducing excess supply of palm oil in Indonesia.

After the situation returns to normal, we can return to B30, according to local officials. Keep in mind that if yield comes in just 1% below the current USDA forecast, ending stocks could drop to 185 million bushels from the current estimate of 230 million and pull the stocks/usage ratio down to 4.1% from the current 5.1%. If yield drops 2% from the current USDA estimate, ending stocks could fall to 140 million bushels and result in a 3.1% stocks/usage. This would be the lowest ending stocks total since 2013/14 and the second lowest stocks/usage ratio on record. Argentina is experiencing a major financial crisis, including very strong inflation. Soybean growers are holding onto their crops as a hedge against inflation, making it difficult for processors to acquire inputs. This may bring a slowdown in that nation's meal and oil exports.

The July 19th Commitments of Traders report showed Soybeans Managed Money traders net sold 7,879 contracts and are now net long 87,832 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 9,105 contracts to a net long 48,017 contracts. For soybean oil, Managed Money traders reduced their net long position by 1,033 contracts to a net long 17,844 contracts. Non-Commercial & Non-Reportable traders were net long 25,933 contracts after decreasing their long position by 2,693 contracts. For meal, Managed Money traders net sold 1,702 contracts and are now net long 66,588 contracts. Non-Commercial & Non-Reportable traders added 588 contracts to their already long position and are now net long 109,778.

CORN:

The technical action is weak and the market pushed down to the lowest level since January 24 on Friday as traders see successful pollination for most of the Midwest. All of the weather premium and all of the war premium has been extracted from the market as traders see that cooler and wetter weather in the forecast for the next week or so. However, it does not look like much grain will be moving out of Ukraine anytime soon, and the August weather, at least the first week or so, does not look favorable for the filling stage for the corn crop. In addition, traders were hopeful that the agreement signed on Friday by Ukraine and Russia and the United Nations would help to start exports of Ukrainian grain from the Black Sea region.

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However, Russia confirmed that its cruise missiles had struck military infrastructure at Ukraine's Odesa port, destroying a military boat a day after the agreement was reached. As a result, there is much less confidence that grain exports will resume anytime soon. The 1-5 day forecast models call for hefty rain totals for Missouri, and two thirds of Illinois, Indiana, and Ohio with southern Illinois and Indiana expecting 2-3 inches of rain. The 6-10 day forecast models call for near normal precipitation for much of the Corn Belt, with below normal expected for the Dakotas and Nebraska. Precipitation is expected to be above normal for the Eastern Corn Belt and normal for the Western Corn Belt with some below normal readings in the Dakotas.

The 8-14 day forecast models show above normal temperatures, especially for the Dakotas, Nebraska and Iowa. Precipitation is expected to be below normal for the Western Corn Belt, and normal for the central and eastern Corn Belt. Weakness in the stock market and in energy prices helped to add to the negative tone Friday. The Commitments of Traders report for the week ending July 19th showed Corn Managed Money traders reduced their net long position by 25,871 contracts to a net long 125,303 contracts. The aggressive long liquidation selling trend is a short-term bearish force. Non-Commercial & Non-Reportable traders reduced their net long position by 29,377 contracts in just one week to a net long 119,320 contracts.

WHEAT:

September wheat closed sharply lower on the session Friday and the market traded as much as 52 1/4 cents lower on the day at one point. The market is oversold technically, and all of the war premium has been taken out of the market. On the last three lows on July 6, July 15, and Friday the RSI index was at 13.8, 26.2 and 28.6 respectively. This is a sign of a loss in downside momentum and suggest a near term low may be close at hand. Canadian officials pegged their 2022/23 wheat crop at 33.72 million tonnes, up from 21.65 million from the drought-induced crop last year, or up 55.7%. A deal was signed Friday to restart grain exports from Ukraine ports which have been paralyzed since the Russian invasion started. Millions of tonnes of grain are stuck in Ukraine and traders believe that exports will slowly resume over the near term. Major damage to the infrastructure, port facilities and rail are all factors which will keep the recovery slow.

However, on Saturday Russia used cruise missiles to destroy a military boat at the Odessa port and destroyed some of the port's military infrastructure. With the strike coming less than 24 hours after the deal was signed, traders are less optimistic about any Ukraine exports very soon. The signed accord involves shipments from three Ukrainian ports: Odessa, Chornomorsk and Pivdennyi. Ukraine also faces challenges from finding enough ships to carry the backlogged grain. The July 19th Commitments of Traders report showed Wheat Managed Money traders net sold 372 contracts and are now net short 6,816 contracts. Non-Commercial & Non-Reportable traders net sold 1,707 contracts and are now net short 12,946 contracts. For KC Wheat, Managed Money traders net sold 4,519 contracts and are now net long 11,868 contracts. Non-Commercial & Non-Reportable traders net sold 5,330 contracts and are now net long 3,868 contracts.

HOGS:

August hogs closed sharply higher on the session last Friday and the buying has pushed the market up to the highest level since April 22. Producers are afraid to move hogs with the high heat, and packers are forced to bid up cash and product prices in order to attract live inventory. Production is already tight this summer and weights are already low so it is difficult to find producers to attract inventory. For the monthly USDA cold storage report, frozen pork stocks at the end of June came in at 540.9 million pounds, up 22.4% from last year but down 0.9% from last month. Stocks normally decline 5.7% for the month so the small drop this year is considered a bearish development. The USDA pork cutout, released after the close Friday, came in at $123.99, up from $121.90 on Thursday and $120.34 the previous week. This was the highest the cutout had been since August 13, 2021.

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The CME Lean Hog Index as of July 20 was 117.04 up from 116.37 the previous session and 113.39 the previous week. The USDA estimated hog slaughter came in at 435,000 head Friday and 41,000 head for Saturday. This brought the total for last week to 2.285 million head, up from 2.255 million the previous week but down from 2.325 million a year ago. Estimated US pork production last week was 486.0 million pounds, up from 481.4 million the previous week and down from 487.8 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,411 contracts of lean hogs for the week ending July 19, increasing their net long to 45,345. Non-commercial & non-reportable traders were net buyers of 5,689, increasing their net long to 33,771.

CATTLE:

The USDA Cattle on Feed report was slightly negative with higher than expected placements. The news is a bit negative for October and December Cattle. The report showed June placements at 97.6% of last year versus trade expectations of 94.7% (range of 89.2% to 99.5%) versus last year at 92.8%. Marketings came in at 102% of last year. The average estimate was 102% with a range of 100.6% to 103%. June of last year was 102.6%. Cattle on Feed supply as of July 1 came in at 100.4% of last year versus the average estimate of 99.8% (range of 98.1% to 100.8%) and versus 98.7% in 2021.

August cattle experienced choppy and two-sided trade early Friday, but the market closed sharply higher on the day. The buying pushed the market up to the highest level since June 9th. The USDA inventory report showed US cattle and calves supply as of July 1st was at 98.8 million head, down 2% from a year ago and about as expected. For the USDA monthly cold storage report, the report showed end of June frozen beef stocks at 516.2 million pounds, up 28.6% from last year but down 1.9% from last month. Stocks normally fall 1.6% for the month so the 1.9% drop is slightly supportive.

The USDA boxed beef cutout was up 45 cents at mid-session Friday but closed 64 cents lower at $267.12. This was down from $268.91 the previous week and was the lowest the cutout had been since July 5. Cash live cattle priced decline last week, about $2 lower in the north and about $1 lower prices in the south. As of Friday afternoon, the 5-day, 5-area weighted average prices was 139.46, down from 140.74 the previous week. Prices in the Kansas and Texas/Oklahoma are running about $5.50 lower than they are in Nebraska and Iowa/Minnesota. The USDA estimated cattle slaughter came in at 119,000 head Friday and 49,000 head for Saturday. This brought the total for last week to 665,000 head, down from 674,000 the previous week but up from 655,000 a year ago.

The estimated average dressed cattle weight last week was 812 pounds, up from 809 the previous week but down from 821 a year ago. The 5-year average weight for that week is 818.2 pounds. Estimated beef production last week was 538.8 million pounds, up from 536.3 million a year ago. Searing heat and a worsening drought in Texas are prompting ranchers to liquidate herds, exacerbating the impacts soaring feed and fuel costs. Cows slaughter seems to be running at a fast pace and this is bearish short-term but bullish for 2023. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,585 contracts of live cattle for the week ending July 19, increasing their net long to 19,665. Non-commercial & non-reportable traders were net buyers of 407, increasing their net long to 36,174.

COCOA:

The cocoa market has received second quarter grindings data showing that demand in two important regions (Europe and Asia) saw modest improvement from last year’s levels. However, the prospect of lukewarm to sluggish demand over the rest of the year may keep cocoa prices on the defensive over the rest of July. September cocoa was unable to hold onto early support as it fell to a 1-week low before finishing Friday’s trading session with a mild loss. For the week, September cocoa finished with a loss of 24 points (down 1.0%) which broke a 2-week winning streak.

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A negative shift in global risk sentiment weighed on cocoa prices late in the day as they may weaken near-term demand prospects, while a lower than expected second quarter North American grindings total added further pressure on the market. Asian second quarter grindings came in at 228,895 tonnes which was a 3.64% year-over-year increase, which provided the cocoa market with an early boost. This was the largest second quarter total as well as the second largest total for any quarter for Asian grindings on record.

Asia has been seen for many years as the “engine” for global cocoa demand growth. With ongoing COVID restrictions in China and a negative year-over-year result for the first quarter, there were concerns that Asia would also post a negative year-over-year result for the second quarter. Starting tomorrow, many West African growing regions will see rainfall on most days through the middle of next week. This should benefit next season’s main crop, but will slow drying and cause transportation delays.

The Commitments of Traders report for the week ending July 19th showed Cocoa Managed Money traders net sold 1,280 contracts and are now net short 28,159 contracts. CIT traders net sold 2,749 contracts and are now net long 23,040 contracts. Non-Commercial No CIT traders were net short 23,170 contracts after decreasing their short position by 799 contracts. Non-Commercial & Non-Reportable traders were net short 16,195 contracts after increasing their already short position by 1,031 contracts.

COFFEE:

Coffee has been unable to sustain any upside momentum since mid-February as high inflation has diminished the outlook for restaurant and retail shop consumption. In spite of volatile price action over the past few weeks, there are signs that the mid-July lows will hold. September coffee came under early pressure and continued to slide further to the downside as it finished Friday’s trading session with a sizable loss. For the week, however, September coffee finished with a gain of 6.90 cents (up 3.5%) which broke a 2-week losing streak.

The Brazilian currency has lost nearly 14% in value since the end of May, and that continues to be a source of pressure on the coffee market as it encourages Brazil’s producers to market near-term supply. A negative shift in global risk sentiment also weighed on coffee prices as that may weaken out of home coffee consumption. Out-of-home consumption has been problematic since the early days of the pandemic, but there was a significant boost in at-home consumption to offset a portion of the loss.

The USDA has forecast global coffee domestic consumption for the 2022/23 marketing year at 167.040 million bags, which would be a new record. ICE exchange Arabica coffee stocks are at their lowest levels since September 1999 and are 53% below where they were at the end of last year. The supply outlook remains bullish, with the world’s two largest producers (Brazil and Colombia) experiencing production difficulties due to La Niña, which is expected to last through the end of the year.

Brazil’s 2022/23 Arabica production may be the lowest “on-year” crop since 2014/15, and Colombia’s 2022 production may fall below 13 million bags. The July 19th Commitments of Traders report showed Coffee Managed Money traders net sold 6,227 contracts and are now net long 18,482 contracts. CIT traders net sold 3,112 contracts and are now net long 36,545 contracts. Non-Commercial No CIT traders net sold 3,419 contracts and are now net long 13,524 contracts. Non-Commercial & Non-Reportable traders net sold 7,840 contracts and are now net long 24,989 contracts.

COTTON:

December cotton closed lower on Friday after spending the session inside Thursday's range. The market closed higher on the week and up sharply from the previous week's 10-month low. A Chinese official has warned of more flash floods and mudslides in Xinjiang (driven by glacial melt) as well as a widespread heatwave threaten their cotton crop. The Texas crop remains under threat by a long-lasting drought that

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has extended into a second year. The US 1-5-day forecast has little or no rain for the west Texas region but plenty of rain for the Delta and Southeast. The longer-term forecasts offer some chance of relief.

The 6-10-day model shows normal to above normal chances of precipitation in west Texas, accompanied by above normal heat. The 8-14-day has below normal chances of rain with above normal temperatures and may be considered a bullish development. Friday's Commitments of Traders showed managed money traders were net sellers of 934 contracts of cotton for the week ending July, reducing their net long to 34,697. Non-commercial, no CIT traders were net sellers of 4,468, reducing their net long to 10,643. Non-commercial & non-reportable traders were net sellers of 3,964, reducing their net long to 39,985.

SUGAR:

Sugar's downdraft last week has erased most of its July recovery move and left the market within striking distance of a new 4 1/2 month low. While a rebound in key outside markets can help, sugar may also need to see bullish supply news to put some brakes on this current selloff. October sugar was unable to find its footing as it slid to a 2 1/2 week low before finishing Friday's trading session with a sizable loss and a fourth negative daily result in a row. For the week, October sugar finished with a loss of 1.36 cents (down 7.0%) which broke a 2-week winning streak and was a negative weekly reversal from last Monday's 6-week high.

The Brazilian currency remains in close proximity to a new 6-month low, and that continues to be a source of pressure on the sugar market as its significant weakness since early June may encourage Brazil's Center-South mills to produce more sugar for the global export marketplace. Crude oil prices are more than $23 a barrel below their June highs while RBOB gasoline has fallen more than 90 cents a gallon over that timeframe, and that started to weigh heavily on sugar prices.

Center-South domestic ethanol sales came in below last year's total during May and June, due in large part to uncertainty over a cap on Brazilian state fuel taxes for gasoline. Indications that India may allow another 1 million tonnes of exports this season also weighed on sugar prices going into the weekend. The India Sugar Mills Association forecast their nation's 2022/23 sugar production at 35.5 million tonnes (versus 36 million this season), but also projected an exportable surplus of 8 million tonnes next season.

The Commitments of Traders report for the week ending July 19th showed Sugar Managed Money traders are net long 92,462 contracts after net buying 23,957 contracts. CIT traders reduced their net long position by 3,996 contracts to a net long 201,168 contracts. Non-Commercial No CIT traders net bought 26,048 contracts which moved them from a net short to a net long position of 24,987 contracts. Non-Commercial & Non-Reportable traders are net long 125,876 contracts after net buying 29,324 contracts.

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