ADM Investor Services, Inc.

Weekly Futures Market Summary

August 15, 2022

by the ADMIS Research Team

BONDS:

While the Treasury bond market forged a lower low and the lowest trade since July 21st, the market was able to reject that washout in regain the psychologically important 140-00 level. Certainly, the market was undermined early by the positive start in the US equity markets but should have seen pressure following hawkish dialogue from the Richmond Federal Reserve Bank President suggesting he wanted rates to rise further to make sure inflation was snuffed out. However, seeing 3 separate inflation readings confirm softening inflation views from earlier in the week probably serve to lift treasuries off their lows.

The Treasury markets have been able to follow-through on last Friday's reversal with moderate gains coming into this week's action. A set of key Chinese data points included lower than expected industrial production and a surprise downtick in retail sales, which may not bode well for their strength of their economy and will send a chill into global risk appetites. There were lower than forecast readings for German wholesale prices and Swiss PPI that show inflation levels in Europe are receding, and that follows Friday's readings for the US import price index and US export price index which came in well below estimates.

Fed officials have continued their hawkish rhetoric, with Richmond Fed President Barkin on Friday saying that he wanted rates to rise further to make sure inflation was "snuffed out". The Commitments of Traders report for the week ending August 9th showed Bonds Non-Commercial & Non-Reportable traders are net short 35,197 contracts after net buying 14,501 contracts. For T-Notes Non-Commercial & Non-Reportable traders net bought 13,934 contracts and are now net short 293,953 contracts.

CURRENCIES:

Despite evidence of softening inflation from US import and export price readings, signs of softer pricing in a Michigan sentiment report and definitive damage on the charts from earlier in the week, the dollar hooked up sharply and regained 50% of its loss on the week. Obviously, the British pound was undermined by its disappointing GDP and industrial readings released overnight and it is also likely that the Pound continues to be held to task for its status as a "recovery currency".
The Dollar has followed through on last Friday's rebound with sizable gains at the start of this week's action. A disappointing set of Chinese economic numbers has diminished global risk sentiment, and that in turn has sent a wave of safe-haven inflows towards the Dollar this morning.

While they may pull back on the size of their upcoming rate hikes, Fed officials have continued with hawkish rhetoric that may provide underlying support to the Dollar early this week. Today's US data includes the latest readings for the Empire State survey and the NAHB housing price index, both of which may put some brakes on the Dollar's rally if they fall short of market expectations. The Dollar is likely to hold the upper hand on most major currencies due to significant safe-haven support. Dollar positioning in the Commitments of Traders for the week ending August 9th showed Non-Commercial & Non-Reportable traders net sold 50 contracts and are now net long 42,093 contracts.

The Euro remained on the defensive as it has posted sizable losses early this week. A negative monthly reading for the German wholesale price index reflects a pullback in Euro zone inflation levels that could put some brakes on potential ECB rate hikes later this year. With the region also having significant issues with building up their natural gas supply heading into the winter, the Euro may have trouble regaining upside momentum unless a "risk on" mood redevelops in global markets. The Euro is likely to drift down towards the lower level of its July/August consolidation zone. The August 9th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders net bought 2,575 contracts and are now net short 13,635 contracts.

The Yen is finding modest early support at the start of this week, but it remains in a fairly tight range well below last week's high and the early August high. While the Yen received fresh support from safe-haven inflows, that has been offset by lower than expected Japanese GDP and a negative Japanese industrial production result. The Yen should have limited upside and remain a second choice to the Dollar as a safe-haven destination. The Swiss franc started out this week under moderate pressure, although it remains in close proximity to last Thursday's 4-month high. The latest Swiss producer and import price reading came in well below trade forecasts, and that could give the SNB more incentive on holding back with hawkish policy moves. The Swiss franc will have trouble regaining upside momentum unless there are disappointing US data results.

The Pound was on-track for a third negative daily result in a row as it reached a 1-week low early in today's action. While last Friday's readings for UK GDP and UK industrial production came in above estimates, they were not enough to underpin the Pound in front of Tuesday's UK jobs data and Wednesday's increasingly critical UK CPI and PPI reading. Recent political turbulence and energy anxiety will put further pressure on the Pound this week as the Pound may be heading well below the 1.2000 level if UK data does not improve. The Canadian dollar came under severe pressure and has reached a 1-week low as the plunge in energy prices was a major source of pressure. While Monday's Canadian manufacturing sales reading may provide some support, the market may be waiting on Tuesday's Canadian CPI result before it can find its footing.

STOCKS:

In retrospect, the equity markets certainly squeezed every ounce of benefit from this week's softer inflation readings. While there might be some consternation about the loss of 5 Chinese state-owned companies' listings on the NYSE, we suspect a large portion of those investors will exit those shares and seek similar investments in companies at the NYSE. The markets were also lifted today by high-tech and growth-related shares and from higher deliveries/revenues from upstart Rivian. The markets were also lifted by news that the S&P Index had recovered 50% of its 2022 washout which some say is a signal of the end of a bear market and the beginning of a bull market.

After finishing last week on an upbeat note, global markets have taken a negative shift in tone coming into this week's action. A key set of Chinese data include a lower than expected reading for industrial production and a surprise downtick in retail sales. In addition, the People's Bank of China cut benchmark Chinese rates by 10 basis points. German wholesale prices and the Swiss PPI came in lower than trade forecasts. While the Japanese Nikkei and major European stock indices found mild strength to start out this week, US equity index futures have come under early pressure.

While the S&P has gained back more than 50% of the 2022 break, it may be difficult to rationalize a further advance, and the news flow so far this week looks quite negative. The China economic news is poor, and they are cutting rates hoping to spark a recovery. This will be difficult as Chinese developers are slashing property investment and some parts of China are seeing cuts in power supply to industries due to the power crunch.

Europe has its own set of problems with the Rhine River unable to handle full barges, and the situation could worsen with the drought situation. This could slow their economy, and if the energy crunch continues, the European economy could suffer significantly. US consumers are fighting inflation and could pull back from purchasing, and the new spending bill does not seem to offer much relief. The August 9th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 290,508 contracts after net selling 26,847 contracts.

Technical readings for the Dow are showing an extreme overbought condition for most of the month of August. The market looks vulnerable to a correction. The September E-mini NASDAQ is also in an overbought mode, and looks vulnerable to at least a correction. The Commitments of Traders report for the week ending August 9th showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net short position by 5,763 contracts to a net short 17,168 contracts. The August 9th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders went from a net long to a net short position of 2,561 contracts after net selling 8,612 contracts.

GOLD, SILVER & PLATINUM:

Gold set back at the start of this week after a brief fling with the upside on Friday. While Friday's move higher in the face of a stronger dollar was impressive, it could not maintain in the face of another move higher in the dollar early this week. The disappointing economic data out of China and China's central bank cut unexpectedly cutting its key interest rate shows a weaker than expected economy, which lowers demand expectations for gold. Chinese industrial production rose 3.8% from year ago in July, well short of the 4.5% expected. The July Fed meeting minutes release this could provide a hint to whether the Fed will increase 50 or 75 basis points in September. After last week's inflation data suggesting it had peaked, there was some talk the hike would only be 50 basis points.

Richmond Fed President Barkin said Friday that the central bank needs to keep increasing rates until the inflation rate falls back to 2%. Gold ETF holdings fell 85,891 ounces (-0.1%) to 100.740 million in the most recent session, while silver holdings increased by 127,956 to 798.52 million, a gain of less than 0.1%. Friday's Commitments of Traders report showed managed money traders were net buyers of 24,898 contracts of gold for the week ending August 9, increasing their net long to 52,797. Non-commercial and non-reportable traders were net buyers of 20,612, increasing their net long to 160,677. In silver, managed money traders were net buyers of 2,167, reducing their net short to 6,229. Non-commercial & non-reportable traders were net buyers of 4,853, increasing their net long to 14,262. All these positions could be defined as "flat" relative to their historic levels.

September palladium was dealt another setback early this week after the weak Chinese data raised concerns about auto sales and chip production. The weaker close on Friday following the upside breakout last week was also a disappointment, but the setback so far has been mild relative to the gains the market has made since mid-July. September palladium has gotten a bit overbought near term and it could see a correction back to $2,100 without doing much damage to the charts. October platinum has also gotten overbought following its steady uptrend off the July lows, and it too was sharply lower at the start of this week.

Friday's Commitments of Traders report showed managed money traders were net buyers of 827 contracts of palladium for the week ending August 9, reducing their net short to 625. Non-commercial & non-reportable traders were net buyers of 703, reducing their net short to 2,039. Managed money traders were net buyers of 5,865 contracts of platinum, reducing their net short to 6,255. Non-commercial & non-reportable traders were net buyers of 2,526, increasing their net long to 4,288. Both contracts are coming off a mildly oversold condition basis the COT reports. Platinum ETF holdings fell 937 ounces last session to 3,189,312, and palladium holding fell by 93 ounces to 459,199. These were modest changes, but they are down 11% and 15% for the year.

COPPER:

Copper has likely seen the most consistent uptrend of the commodity market sector since mid-July, but a loss of upside momentum on Friday led to considerable downside follow-through early this week. The July Chinese industrial production reading was lower than expected, and July Chinese retail sales had a surprise downtick, both of which may show evidence of a slowing Chinese economy that weighs on copper demand. September copper finished Friday trading with a heavy loss and a negative daily reversal, but it still finished the week with a gain of 11.65 cents (+3.3%) for the third positive week in the past four.

The copper market was pressured by a large, 20.3% increase in weekly Shanghai copper warehouse stocks, which have now jumped back above 38,000 tonnes. The July reading for Chinese new loans came in lower than trade forecasts, which also does not bode well for Chinese near-term demand prospects. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,611 contracts of copper for the week ending August 9, increasing their net short to 19,326. Non-commercial & non-reportable traders were net buyers of 574, reducing their net short to 25,933. These are moderately net short relative to historic ranges.

ENERGY COMPLEX:

Crude oil and its products were under pressure early this week, with front-month crude oil back to within striking distance of making new five-month lows. A poor set of Chinese data ramped up concerns that their economy may be slowing again, and that has put demand destruction back into the headlines. On Friday, the crude oil market seemed to reevaluate the optimistic on demand expectations that came in the wake of the softer inflation readings last week. Those reading are unlikely to markedly change the Fed's decision at next month's FOMC meeting, which could leave recession worries in place. September crude finished Friday with a heavy loss, but the market finished the week with a $3.08 gain (up 3.5%) for the third positive weekly in the past four. There were positive comments from Iran on the EU's updated proposal for a nuclear deal, and that increases the chances that all sides (including the US) can come to an agreement soon.

If sanctions are lifted, Iranian crude oil exports could increase by more than 1 million barrels per day. News that a European bank decided to process a payment from Russia through Ukraine for an oil refiner should allow additional supply to flow as well. The repair of an oil pipeline in and an offshore oil platform leak in the Gulf of Mexico could also increase supply. Friday's Baker Hughes US oil rig count showed an increase of 3 rigs last week, bringing the total to 601 rigs. This was still short of the July 29th number, but it was second highest since March 2020. Friday's Commitments of Traders report showed managed money traders were net sellers of 25,653 contracts of crude oil for the week ending August 9, reducing their net long to 166,782. Non-commercial & non-reportable traders were net sellers of 31,102, reducing their net long to 303,536.

Like crude oil, both product markets have fallen back on the defensive on concerns about demand. US gasoline stocks saw a significant decline in last week's EIA report, but average US pump prices for regular unleaded are more than $1.10 per gallon below their June high, and they are back below $4.00. Implied gasoline demand jumped back above the 9 million bpd level, but it is still below where it was last summer. In contrast, ULSD continues to find support from tight distillate supplies in Europe, due largely to a reduction in imports from Russia.

There has also been a sharp decline in water levels on the Rhine River, which is a major conduit for petroleum products into Germany. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,051 contracts of RBOB (gasoline) for the week ending August 9, reducing their net long to 52,648. Non-commercial & non-reportable traders were net sellers of 7,089, reducing their net long to 50,211. In ULSD, managed money traders were net buyers of 2,133 contracts, increasing their net long to 28,151. Non-commercial & non-reportable traders combined were net buyers of 957, increasing their net long to 36,285.

Natural gas prices are taking a breather after a sharp three-day rally last week. The market finished Friday with an inside-day session and a moderate loss, but it posted a positive weekly reversal from last Monday's three-week low. Strong demand for LNG imports in Europe and Asia helped provide support, but US dry gas production reached a record high last Monday and US LNG exports continue to be restricted by the Freeport shutdown. The latest 6-10 and 8-14-day forecasts have above normal temperatures in the Pacific Northwest and New England but below normal temperatures over the south central and southeastern US. This is expected to lower US power plant demand significantly this week.

The Baker Hughes report showed US gas rigs down 1 last week to 160. This is the second highest reading since September 2019. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,228 contracts of natural gas for the week ending August 9, increasing their net short to 65,753. Non-commercial & non-reportable traders were net buyers of 923, reducing their net short to 86,950 contracts. These net short positions remain large enough to fuel additional short covering on rallies. Given the weather outlook and LNG exports already near their limit, prices still look overvalued, and we could see a significant pullback.

BEANS:

The USDA report news was bearish, and November soybeans sold off in the immediate aftermath of the report, but managed to bounce off the lows and traded through Thursday's high and close higher on the day to form an outside day higher. However, a 6% drop in palm oil and a cooler and wetter forecast on top of the bearish USDA news sparked aggressive selling early this week. The report showed US soybean ending stocks for 2022/23 came at 245 million bushels versus an average expectation of 225 million and 230 million in July.

The USDA lowered planted acreage by 300,000 acres but also raised average yield to 51.9 bushels per acre from 51.5 last month. They also raised exports by 20 million bushels to help offset the increased production to a new record high. Traders were expecting a cut in soybean production but the USDA raised production and yield to a record high. World soybean ending stocks for 2022/23 came in at 101.41 million tonnes versus an average expectation of 99.50 million and 99.61 million in June. The report news was bearish, especially the jump in yield as acreage was adjusted lower. Traders also see the cooler and wetter weather expected this week as a bearish factor.

The 1-5 day forecast models show rains of 1 to 2 inches for Western and southern Iowa which has been a dry area, and some decent rain for southern South Dakota and northern Nebraska. Hefty rain totals should also hit Missouri which has been dry. For the NOPA report, July soybean crush is expected to come in near 170.9 million bushels, 168.5-172.9 range, as compared with the June crush at 164.7 million bushels. Soybean oil stocks are expected near 1.729 billion pounds, 1.670-1.807 range, as compared with 1.767 billion in June.

The August 9th Commitments of Traders report showed Soybeans Managed Money traders net bought 2,038 contracts and are now net long 101,509 contracts. Non-Commercial & Non-Reportable traders added 3,032 contracts to their already long position and are now net long 62,150. For Soyoil, Managed Money traders are net long 22,210 contracts after net buying 69 contracts. Non-Commercial & Non-Reportable traders net bought 4,857 contracts and are now net long 31,217 contracts. For meal, Managed Money traders are net long 84,382 contracts after net buying 4,364 contracts for the week. CIT traders net bought 3,270 contracts and are now net long 118,934 contracts.

CORN:

Corn followed soybeans lower and sold off in the immediate aftermath of the USDA report, but it quickly recovered as the report carried a bullish tilt for corn. The close above 639 3/4 for December corn Friday was a bullish development but there was no follow-through early this week. US corn ending stocks for 2022/23 came in at 1.388 billion bushels versus an average trade expectation of 1.407 billion and 1.470 billion in the July report. The USDA lowered yield to 175.4 bushels per acre from 177 previously. Exports were revised lower, and so was feed usage, but the lower yield helped tighten the ending stocks forecast. The December contract reached to its highest level since July 11.

World ending stocks for 2022/23 came in at 306.68 million tonnes versus an average expectation of 309.90 million and 312.9 million in July. Brazil's 2021/22 production was left unchanged at 116 million tonnes and Argentina production was also left unchanged at 53 million tonnes. The USDA made no changes to the China set up with production expected at 271 million tonnes and usage at 295 million tonnes. The European Union production was revised down by 8 million tonnes and imports were revised up by 3 million tonnes to 19 million tonnes.

With intense weather since August 1, traders will see the need for an additional reduction in production for the next USDA report which could tighten stocks further. The USDA also raised Ukraine corn production up by 5 million tonnes to 30 million tonnes as compared with 42.13 million last year. The Commitments of Traders report for the week ending August 9th showed Corn Managed Money traders net bought 12,141 contracts and are now net long 142,062 contracts. Non-Commercial & Non-Reportable traders are net long 130,575 contracts after net buying 19,083 contracts for the week and the buying trend is supportive.

WHEAT:

A collapse in energy prices plus weakness in the other grains and a surge higher in the US dollar are seen as bearish forces. September wheat closed lower on the session Friday but well up from the lows and the other wheats closed just slightly lower on the day after selling off sharply in the wake of the USDA report. Production came in lower than expected, and ending stocks came in near the low end of trade expectations. The report showed US 2022/23 all wheat production at 1.783 billion bushels, which was below an average expectation of 1.796 billion but up from the July estimate of 1.781 billion. Ending stocks came in at 610 million bushels versus 650 million expected and 639 million in June.
This would be the lowest ending stocks since the 2013/14 season.

World ending stocks came in at 267.34 million tonnes versus an average expectation of 268.3 million (range 265.0-273.0 million) and 267.5 million in July. The USDA news carried a bullish tilt, but traders see the increased movement of grain out of Ukraine and a big crop out of Russia as an offset. Russia production was pegged at 88 million tonnes as compared with 81.5 million as the July estimate. In addition, China production was pegged at 138 million tonnes from 135 million in July. Ukraine production was left unchanged at 19.5 million tonnes from 33.01 million last year.

The Commitments of Traders report for the week ending August 9th showed Wheat Managed Money traders were net short 20,348 contracts after increasing their already short position by 5,378 contracts. Non-Commercial No CIT traders net sold 3,432 contracts and are now net short 57,907 contracts. This leaves the market vulnerable to short covering if resistance levels are violated. For KC Wheat, Managed Money traders are net long 8,023 contracts after net selling 1,969 contracts for the week. Non-Commercial & Non-Reportable traders were net long 1,463 contracts after decreasing their long position by 1,281 contracts.

HOGS:

October hogs gapped lower Friday morning on apparent profit taking.
Technical indicators are showing an extremely overbought condition, and the market sees choppy trade in pork product prices as a sign of potential weakness. However, the futures are still trading at a wider than normal discount to the cash market, and weights are at their lowest level since 2017. The USDA pork cutout, released after the close Friday, came in at $120.41, down $1.41 from Thursday and down from $124.03 the previous week. This was the lowest the cutout had been since July 18. The CME Lean Hog Index was 121.86 on August 10, down from 122.09 the previous session but up from 121.61 a week prior.

The USDA estimated hog slaughter came in at 440,000 head Friday and 29,000 head for Saturday. This brought the total for last week to 2.338 million head, up from 2.332 million the previous week but down from 2.408 million a year ago. Estimated US pork production last week was 494.1 million pounds, down from 494.2 million the previous week and 503.1 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 8,403 contracts for the week ending August 9, increasing their net long to 65,153. Non-commercial & non-reportable traders were net buyers of 13,133, increasing their net long to 59,082.

The outlook for fourth quarter pork production to be lower than last year and for it to show a smaller increase from the third quarter to the fourth suggests that the futures discount to the cash market should be smaller than normal. However, October Hogs closed at a 21.02 discount versus a five-year average of 11.29. If October Hogs were trading at the five-year average discount, they would be trading at 110.80, not 100.02. With the lowest average weights for Iowa/Minnesota since 2017, producers are very current with marketings. Traders are also uncertain whether slaughter levels will pick up in the normal, seasonal fashion.

CATTLE:

Talk of an overbought technical condition and sloppy trade in beef prices recently may have been what sparked selling in live cattle late last week. Cash live cattle trade was light on Friday, but the five-day, five-area weighted average price as of Friday afternoon was
$143.96, up from $140.35 the previous week. The USDA boxed beef cutout was up 22 cents at mid-session Friday and closed 27 cents higher at $263.37, but this was down from $264.62 the previous week. There is plenty of moisture in the 6-10 and 8-14-day forecasts for the central and southern Plains, which could ease cow and non-fed cattle slaughter.

The USDA estimated slaughter came in at 118,000 head Friday and 33,000 head for Saturday. This brought the total for last week to 647,000 head, down from 651,000 the previous week but up from 636,000 a year ago. The estimated average dressed cattle weight last week was 812 pounds, down from 813 the previous week and 820 a year ago. The 5-year average weight for that week is 821.8 pounds. Estimated beef production last week was 524.5 million pounds, up from 520.3 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 11,068 contracts of live cattle for the week ending August 9, increasing their net long to 49,072. Non-commercial, no CIT traders were net buyers of 11,229, increasing their net long to 28,147.

The live market remains in a steady uptrend, and if there is a shift in the cattle cycle from the current liquidation phase to an expansionary one, the market will have significant upside potential. Keep in mind that third quarter beef production is expected to be up 2.5% from the same period last year. This could be even higher if the active cow and non-fed cattle slaughter were to continue. Fourth quarter beef production is expected to be down 5.1% from last year, first quarter 2023 production is expected to be down 6.8% from 2022, and second quarter production is expected to be down 8.0%.

COCOA:

Since the start of the second quarter, cocoa prices have been pressured by concerns about global demand. However, second quarter grindings for Europe and Asia showed year-over-year gains and the largest second quarter readings on record while Ivory Coast (the world's top cocoa processing nation) is projected to have record grindings this year. December cocoa came under early pressure and fell back below the 50-day moving average as it finished Friday's trading session with a sizable loss that broke a 4-day winning streak. For the week, however, December cocoa finished with a gain of 53 points (up 2.3%) which was a second positive weekly result over the past 3 weeks.

Sharp selloffs in the Eurocurrency and British Pound put carryover pressure on the cocoa market. In addition, wet weather in the forecast for many West African growing areas also weighed on cocoa prices. With the highest inflation reading in decades, many consumers have been faced with cutting back on discretionary items such as chocolate. While there has been an increase in vacation travel this year, disruptions and delays have led to many consumers holding off on extended trips, and that has also diminished the outlook for chocolate purchases.

Despite these obstacles, the International Cocoa Organization (ICCO) has projected 2021/22 global cocoa grindings at a record 5.048 million tonnes. This would be a fifth season in the past six in which grindings have increased, the exception being 2019/20 when COVID impacted the global economy. The ICCO has also projected the global stock/usage ratio at 34.7%, which would be a six-season low and the second lowest since 1984/85.

Cocoa positioning in the Commitments of Traders for the week ending August 9th showed Managed Money traders are net short 31,522 contracts after net selling 138 contracts. CIT traders are net long 22,189 contracts after net selling 1,153 contracts. Non-Commercial No CIT traders were net short 23,734 contracts after decreasing their short position by 1,518 contracts. Non-Commercial & Non-Reportable traders were net short 15,330 contracts after decreasing their short position by 1,997 contracts.

COFFEE:

Coffee prices have been able to break out of their coiling price pattern and now have closed above their 50-day and 100-day moving averages for a second session in a row. While demand concerns have not been fully soothed, coffee's bullish supply factor can help the market to extend this recovery move. December coffee shook off early pressure and rallied to a 6 week high before finishing Friday's trading session with a moderate gain and a fifth positive daily result in a row. For the week, December coffee finished with a gain of 16.00 cents (up 7.8%) which was a third positive weekly result over the past 4 weeks.

Tightening near-term supply in Europe and North America continues to provide coffee with underlying support. ICE exchange coffee stocks were unchanged on Friday but at just under 572,000 bags, they are at their lowest levels in over 23 years. In addition, a more than 1.5% gain in the Brazilian currency provided coffee with carryover support as that eases pressure on Brazil's farmers to market their near-term supply to foreign customers.

While the Costa Rican Coffee Institute expected their nation's upcoming 2022/23 production to increase 11%, they may dial back their forecast due to heavy rainfall over recent weeks. Safras and Mercado said that Brazil's 2022/23 crop was 45% sold as of last Tuesday, which compares to 53% last year and 43% for the longer-term average. Brazil's national statistics office raised their 2022/23 coffee production estimate by 0.8% to 53.2 million bags, which would be an 8.6% increase over their 2021/22 production.

The August 9th Commitments of Traders report showed Coffee Managed Money traders are net long 21,272 contracts after net buying 2,955 contracts. CIT traders were net long 38,949 contracts after increasing their already long position by 1,565 contracts. Non-Commercial No CIT traders added 2,518 contracts to their already long position and are now net long 16,057. Non-Commercial & Non-Reportable traders were net long 28,758 contracts after increasing their already long position by 3,353 contracts.

COTTON:

The USDA supply/demand report on Friday was bullish, and the release of the report immediately sent December cotton up the daily limit, where it stayed the rest of the day. The market gapped higher this morning and is trading up the 5 cent limit early. The report showed US 2022/23 cotton production at 12.57 million bales versus an average trade expectation of 14.75 million and a range of expectations from 14.00 to 15.75 million. This was down from the July estimate of 15.50 million and well below the bottom end of the expected range. US ending stocks came in at 1.80 million bales versus 2.17 million expected (range 1.90-2.50 million) and down from 2.40 million in July. This brings the stocks/usage ratio down to 12.6%, down from 20.3% in 2021/22 and the lowest on record going back to 1960/61.

Also in the report, world ending stocks came in at 82.77 million bales versus 83.68 million expected (range 83.0-84.3 million) and 84.26 million in the July report. The weather forecast has a cooler and wetter trend for Texas, but most traders (and the USDA) appear to believe any improvement in the weather will be too late for the dryland crops. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,239 contracts of cotton for the week ending August 9, increasing their net long to 33,068. Non-commercial & non-reportable traders combined were net buyers of 1,029 contracts, increasing their net long to 37,670.

SUGAR:

Sugar's longer-term trend has seen a positive turnaround with the market starting out August with 9 positive daily results over the first 10 sessions of the month. Key outside markets remain volatile, however, so the sugar market may be vulnerable to a near-term pullback this week. October sugar was able to bounce back from mild early pressure as it reached a new 3-week high before finishing Friday's trading session with a moderate gain, a sixth positive daily result in a row and the first close above its 50-day moving average since mid-July. For the week, October sugar finished with a gain of 66 ticks (up 3.7%) which was a second positive weekly result in a row.

Estimates for 2022/23 EU sugar production have been dialed back due to very hot weather over major beet growing regions, and that has underpinned sugar prices during August. In addition, a sizable rebound in the Brazilian currency provided the sugar market with carryover support as that may ease pressure on Brazil's Center-South mills to produce sugar for the global export market. Brazil's sugar production this season remains well behind last season's pace, and that continue to provide near-term support to the sugar market.

Crude oil and RBOB gasoline finished last week on a downbeat note with sizable losses on Friday, however, and that could weaken near-term ethanol demand prospects for both Brazil and India. The USDA's latest WASDE report showed US 2022/23 sugar stocks usage at 14.3, which is a sharp increase from July's estimate of 12.6 and is now in-line with 2021/22's 14.3 reading. Most of this increase was due to a sizable jump in US 2022/23 beet sugar production which was raised from 4.934 million tons up to 5.138 million tons.

The August 9th Commitments of Traders report showed Sugar Managed Money traders are net short 22,066 contracts after net buying 162 contracts. CIT traders net sold 1,852 contracts and are now net long 184,030 contracts. Non-Commercial No CIT traders net sold 4,121 contracts and are now net short 71,509 contracts. Non-Commercial & Non-Reportable traders were net short 3,499 contracts after increasing their already short position by 1,470 contracts.

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