ADM Investor Services, Inc.

Weekly Futures Market Summary

September 19, 2022

by the ADMIS Research Team

BONDS:

While December bonds range down sharply into new contract lows last Friday, the market rejected those lows and recovered aggressively with prices at times trading a full point above the early low. Not surprisingly, the treasury markets saw a slightly weaker than expected Michigan consumer sentiment index reading as supportive even though the reading was above the prior month. In a complicated explanation of the current environment in the treasury trade, Reuters indicated the combination of FedEx warnings of significant slowing ahead the Federal Reserve could become more confident that future rate hikes will reverse inflation.

The Treasury markets made new lows for the move early this week, but were able to find their footing. There is a "risk off" mood seen throughout global markets, with the 2-year/10-year US Treasury yield spread showing an inversion of more than 40 basis points early this week. In spite of this, Bonds and Notes are finding little in the way of safe-haven inflows at the start of this week's trading. Wednesday's FOMC meeting is widely expected to have the latest Fed rate hike, but the magnitude of that rate increase remains in question. Since the Labor Day holiday weekend, US economic numbers have seen mixed results which included lower than expected readings for the Philly Fed survey and industrial production.

However, last week's set of August US CPI and US PPI readings reflect ongoing high inflation levels that are keeping the Fed in a hawkish stance and have strengthened the case for a 75 basis point hike on Wednesday. Last Friday's US data included a private survey of US consumer sentiment with a smaller than expected increase, while the July TIC report showed the first net increase in Chinese Treasury holdings since November. Bonds positioning in the Commitments of Traders for the week ending September 13th showed Non-Commercial & Non-Reportable traders added 5,427 contracts to their already short position and are now net short 74,922. In the T-Notes market, Non-Commercial & Non-Reportable traders are net short 452,935 contracts after net buying 24,191 contracts.

CURRENCIES:

Not surprisingly, the currency markets showed significant two-sided volatility last Friday with an initial dollar rally rejected into midsession. We suspect the retest and failure of the 110.00 level in the dollar index and the test of several key support levels by non-dollar currencies prompted traders to bank profits ahead of the weekend. In the end, economic concerns for the euro zone continue to surface and the trade expects the US Federal Reserve to present a hawkish case both of which should fuel the dollar to contract highs. The Dollar is finding moderate strength early this week, but continues to hold within a tight consolidation zone just below the 20-year high from earlier this month. The "risk off" mood in global markets have driven safe-haven flows towards the Dollar, which remains well supported in front of Wednesday's FOMC meeting.

While the prospects for a 100 basis point hike have diminished since last week, the Fed looks to remain in a decidedly hawkish policy stance that will underpin the Dollar. Housing has been a recent soft spot for the US economy, however, so Monday's NAHB housing price index reading may keep further gains in check. The Dollar will continue to hold the upper hand on most major currencies, however as the prospect of further Fed rate hikes will make it the safe-haven destination of choice. The Commitments of Traders report for the week ending September 13th showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 97 contracts to a net long 38,401 contracts.

The Euro was unable to follow-through on last Friday's outside-day higher close as it found moderate pressure at the start of this week. While the surge in Euro zone inflation has shifted the ECB into a hawkish policy stance, an uncertain energy situation going into winter continues to weigh on the Euro. In spite of sluggish risk appetites in Europe and around the globe, however, the Euro continues to hold its ground well above the early September lows. The Euro may have to wait on the FOMC meeting results before it can sustain upside momentum. Euro positioning in the Commitments of Traders for the week ending September 13th showed Non-Commercial & Non-Reportable traders went from a net short to a net long position of 11,259 contracts after net buying 32,796 contracts.

The Yen extended its tight coiling price action into this week's trading as it remains inside of last Tuesday's wide-sweeping price range. Although Japanese officials have talked up the threat of intervention, their lack of action weighed on the Yen early this week and has kept safe-haven flows heading towards the Dollar. The Yen may have to wait on the BOJ meeting results on Thursday before it has a chance to break of its tight consolidation zone. The Swiss franc reached a new 1 1/2 week low early this week, but rebounded well above those price levels. While the SNB remains far from a hawkish shift in monetary policy, they have toned down their rhetoric on their "overvalued" currency, and that should give the Swiss franc the upper hand over the Euro and Yen.

The Pound remained on the defensive early this week and is back to within striking distance of a new 37-year low. Last Friday's sluggish UK retail sales results may give the BOE some pause for thought with the size of their rate hike at Thursday's MPC meeting, which combined with slumping global risk sentiment has weighed heavily on the Pound which needs to see stronger UK economic data to put some brakes on its selloff. The Canadian dollar was unable to find its footing as it reached a new 22-month low early this week. Sluggish global risk sentiment and weak energy prices are weighing on the Canadian dollar as it needs a "risk on" mood in order to turn back to the upside.

STOCKS:

Obviously, very disappointing news/economic forecasts from FedEx was the primary force driving prices down late last week. In fact, the weakness in FedEx shares was mirrored by weakness in other transportation orientated companies. Other sectors negatively impacted by the FedEx debacle were global cargo companies and the travel and entertainment sectors. However, traders should keep in mind that the net spec and fund short in the S&P is likely reaching the largest short (most bearish sentiment) since the financial crisis in 2008. Global markets have a moderately negative tone at the start of this week's trading.

There was a sizable pullback in major cryptocurrencies that has weighed on global risk sentiment. In addition, the latest reading for Chinese foreign direct investment came in lower than trade forecasts. Most major global stocks indices and US equity index futures were posting moderate losses coming into this morning's action. The North American session will start out with an August reading for the Canadian industrial product price index (IPPI) which is expected to have a modest downtick from July's -2.1% reading. The September US NAHB housing market index is forecast to have a minimal downtick from August's 49 reading. Earnings announcements will include AutoZone before the Wall Street opening.

Traders remain fearful that the Fed will go too far and drive the global economy into recession. Energy markets are down again and this may help ease inflationary concerns if the short term downtrend continues. Looking forward to this week's FOMC meeting, traders should remember the length and intensity of the constant "selling of the rumor" of rising rates as prices could bounce significantly from "buying of the fact" Wednesday. Worsening tensions between Taiwan and China, and Russia/Ukraine situations remain a potential bearish influence. The September 13th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 341,194 contracts after increasing their already short position by 64,077 contracts.

Traders also remain concerned with the China economy as well, with a mortgage boycott in some areas where construction has idled some key housing projects. President Biden's comments on Taiwan have led to increased tensions between the US and China, and this has added to the negative tone. The Commitments of Traders report for the week ending September 13th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 3,128 contracts and are now net short 13,492 contracts. The September 13th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 15,459 contracts after increasing their already short position by 12,527 contracts.

GOLD, SILVER & PLATINUM:

Gold was weaker at the start of this week, and the market seemed to be willing to press Friday's lows coming into this week's action. With the path of least resistance in interest rates and the dollar pointing upward, the path of least resistance in gold and silver remains down. The fear of a jumbo (75-basis point) US interest rate hike on Wednesday has been factored consistently since the previous FOMC meeting, and we suspect the trade is pricing in expectations of the Fed opening the door to the next rate hike. Last Friday's COT report showed a minimal decline in the fund net long position, but since the report was measured, gold has declined $50, which suggest net short may have grown to its largest since mid-2019.

On the other hand, even with a moderately oversold technical position, the bull camp lacks a credible argument for the market putting in a low. The Commitments of Traders reports showed managed money traders were net sellers of 11,349 contracts of gold for the week ending September 13, which moved them from a net long position to a net short of 10,132. Non-commercial & non-reportable traders were net sellers of 3,341, reducing their net long to 109,546. About the strongest argument for the bull camp is the oversold status, but it is also possible that gold could forge a temporary relief rally after the Fed decision has been released. If in its statement the Fed acknowledges some success against inflation, that could extend the "buy the rumor" recovery further than would be expected from a market without strong fundamental support.

The silver market on the other hand has recently posted a spec and fund net short position and has shown periodic divergence with gold. With silver falling 50 cents since the COT data was collected, it likely enters the week with a spec and fund short net short. However, fear of recession, negative spillover from gold price action, and a higher dollar leave the bears with significant ammunition. The COT report showed managed money traders were net sellers of 17,173 contracts on the week, increasing their net short to 7,459. Non-commercial & non-reportable traders were net buyers of 8,360, which moved them from a net short to a net long of 4,051 contracts.

With a range down failure at the end of last week, the palladium market appears to be drifting back toward consolidation low support, which begins at $2,050 and becomes very critical at $2,000. Like gold and silver, palladium lacks classic bullish fundamentals, with global slowing/recession fears likely to hang around the headlines through the interest rate decision on Wednesday. Unless the Fed makes a confidence-building statement on the US economy or gives hope of slowing the jumbo rate hikes, periodic failures below $2,000 are likely in the week ahead. On the other hand, Friday's Commitments of Traders report showed palladium had a minimal spec and fund net short, and aggressive selling ahead could put the market back near record net short territory.

The COT report for palladium showed managed money traders were net buyers of 477 contracts for the week ending September 13, which moved them from a net short position to a net long of 73. Non-commercial & non-reportable traders were net buyers of 674, which reduced their net short position to 1,455. The platinum market continues to suffer much larger liquidation of ETF holdings than palladium, with investors likely exiting because of the rate hike expectations. Softening global demand and the lack of a discernible blockage of Russian supply leaves platinum in a neutral to negative posture. The COT report showed managed money traders were net buyers of 9,349 contracts, reducing their net short to 10,947. Non-commercial & non-reportable traders went from a net short to a net long position of 1,505 contracts after buying 6,105.

COPPER:

The copper market was lower at the start of this week and in a precarious position, especially with critical economic news scheduled on Wednesday. While it is folly to predict Covid patterns in China, that nation has moved very quickly to minimal case count readings, and that could serve to keep further restrictions at bay. Last week's news suggested a slight moderation of restrictions was allowed in a single city. The trade has generally been expecting yet another stimulus program, too. With the Friday's Commitments of Traders report showing a moderate spec and fund net short and copper having declined $0.13 since the data was collected, weak-handed longs should have been pushed to the sidelines.

However, threats against supply are well-known, and news of the canceling of capital spending for expansion of mining output in Chile should help the market respect psychological support at $3.40. The COT report showed managed money traders were net buyers of 6,879 contracts of copper for the week ending September 13, reducing their net short to 4,362. Non-commercial & non-reportable traders were net buyers of 7,639, reducing their net short to 18,405.

ENERGY COMPLEX:

Crude oil has started the week with move to a new 1 1/2 week low. There are reports that the OPEC Plus nations missed their August production target by more than 3.5 million barrels per day, but that has provided little support. We see the near-term bias pointing down, with the macro condition keeping demand fears front and center. While the actual daily world oil supply balance is nearly impossible to estimate (due to the typical delay in measuring global demand), a report last week predicting a 1.8 million barrel per day surplus should keep the bull camp on the back foot to start the week. There are signs of more consistent flow from Libya, and it is possibly that China has achieved an acceptable strategic supply level. Predictions China will see its 2022 energy demand fall below 2021 gives the bear camp significant confidence. The trade attributed last week's price slide to the avoidance of a US rail strike, and the direction this week is likely to shift back to demand and economic psychology from global equity market action.

Even though the Department of Energy indicated there would not be a "price trigger" to begin repurchasing strategic supply, the market could target the $80.00 level anyway. Last week's EIA report showed a US crude oil climbing above year-ago levels for the second straight week, at 12.1 million barrels above last year. It should also be noted that a northern hemisphere shoulder-season dip in demand looms. While the spec and fund net long position in crude oil has consistently declined this year, we would not label the market as "mostly liquidated" until it falls below 250,000 contracts. Friday's Commitments of Traders report showed managed money traders were net buyers of 10,392 contracts of crude oil for the week ending September 13, increasing their net long to 184,799. Non-commercial & non-reportable traders were net buyers of 2,767, increasing their net long to 299,571.

Both product markets found early pressure this week and we give the edge to the bear camp in RBOB, primarily because of widespread knowledge of a significant jump in Chinese gasoline/fuel exports last month. A recent request for additional crude oil import quotas indicates refineries there are likely to export even more gasoline ahead. Some reports last week suggested the crude import and gasoline export requests were part of an effort by the government to support their economy. Since it appears that expectations for surging Chinese domestic gasoline demand are dashed by the activity restrictions across several China cities and given the prospect of more subsidized refinery output and strong exports, a return to last week's lows in gasoline is likely. Unfortunately for the bull camp, the spec and fund net long shows a market vulnerable to significant liquidation.

The COT report showed managed money traders were net sellers of 5,104 contracts of RBOB for the week ending September 13, reducing their net long to 50,259. Non-commercial & non-reportable traders were net sellers of 4,693, reducing their net long to 45,452. In our opinion, the market may not be considered "mostly liquidated" until the net long falls below 40,000. In ULSD, the short-term technical condition is extremely oversold after last week's $0.56 slide, but with trade remaining within a seasonal inventory rebuilding period, October ULSD is likely to test and fail at the early August low. ULSD remains vulnerable to stop loss selling until the spec and fund net long falls below 20,000 contracts. The COT report showed managed money traders were net sellers of 3,472 contracts of ULSD, reducing their net long to 18,833. Non-commercial & non-reportable traders were net sellers of 4,617, reducing their net long to 31,576.

With a very damaging downside failure at the end of last week, a bearish track in the latest hurricane threat, and periodic evidence of building European strategic supply, the bull camp will need additional supply threats from Putin to avoid further declines. There is another tropical depression attempting to organize off the African coast, but without a "pop-up storm" the bear camp should remain confident. The most likely bullish fundamental trigger is the potential for Russia to cut off other supply flows to discourage implementing a price cap. In a recent report, the Russian national gas company (Gazprom) indicated continued gas flow to Europe through Ukraine at 42.4 mcm. Friday's US rig operating count showed a decline of 4 natural gas rigs last week, leaving those in action at 162.

However, the bear camp may be cautious pressing the short side after last week's key chart failure, as the spec and fund net short remained significant last week and was likely expanded with the failures on Thursday and Friday. The COT report showed managed money traders were net sellers of 6,746 contracts of natural gas for the week ending September 13, increasing their net short to 78,582. Non-commercial & non-reportable traders were net sellers of 5,049, increasing their net short to 111,075. A temporary pause in hurricane fears, significant chart damage last Friday, and generally bearish economic sentiment set a near term downside target in October gas at $7.490. However, the Russian situation remains highly volatile, and moderate declines in prices should bring out aggressive bargain-hunting, especially from those building winter reserves!

BEANS:

November soybeans traded more than 17 cents higher at the start of this week, but a bearish tilt to the economic outlook and demand concerns helped to pressure. The market closed lower for the fourth session in a row last Friday but managed to bounce off of key support which was a 50% correction of the June 9 to July 22 break. Bearish outside market forces plus a sharp break in the meal market helped to pressure. In addition, the weather forecast looks favorable for a good start to the US harvest. Argentine farmers sold 8.4 million tonnes of soybeans through Sept. 15 after the government temporarily devalued the peso for them on Sept. 5th. This could boost shipments of soyoil and meal from Argentina.

The USDA report was extremely bullish for soybeans, but there was no follow-through move to the upside on the day after the report. Instead, it closed lower for four days in a row. The market recovered a bit on Friday, but to expect upside follow-through, it will likely need to see evidence that the current 50.5 bushel/acre yield estimate is high. A reduction in yield could make ending stocks extremely tight. Rains forecast for the major soybean-producing regions in Brazil for the second half of September has contributed to a more optimistic view for the planting season. Demand factors look negative for the near term, with Chinese demand in question due to rumors that the US may slap trade sanctions on them due to the Taiwan situation.

While US ending stocks are tight, world ending stocks are near the second highest on record. World soybean production is expected at a record high as well. China's ending stocks are high. Their stocks/usage ratio is expected to reach 27% this year, which is down slightly from the past two years but is the third highest in at least 20. World soybean production is expected to increase by 36.5 million tonnes in 2022/23, the biggest increase since 2014/15 and the third biggest on record. World vegetable oil ending stocks are expected at a record high above 30 million tonnes. Palm oil normally trades at a $50-$250 per tonne discount to soybean oil. Currently, it is trading at a $600 discount. This could limit soybean oil demand going forward.

The September 13th Commitments of Traders report showed Soybeans Managed Money traders net bought 12,498 contracts and are now net long 112,127 contracts. Non-Commercial & Non-Reportable traders are net long 63,242 contracts after net buying 13,159 contracts. For Soyoil, Managed Money traders net bought 11,288 contracts and are now net long 55,270 contracts. Non-Commercial & Non-Reportable traders are net long 62,943 contracts after net buying 10,813 contracts. For Soymeal, Managed Money traders net bought 6,093 contracts and are now net long 87,714 contracts.

CORN:

The USDA supply/demand report came in close to expectations and did not show as tight a situation as would have been expected from a lower production number because exports and feed use projections were lowered as well. Corn usage for ethanol was lowered too, as ethanol profit margins never increased with the price of gasoline. With harvesting in the US upon farmers, warm weather has become beneficial for those hoping to soon get out into their fields. Traders are concerned with the demand side of the equation going forward, with the threat of a global recession, lower livestock numbers in Europe, and fears that the US may issue trade sanctions against China due to the Taiwan situation. Unless traders start to sense that actual US yields are coming in well below expectations, we may find that December Corn has put in a short-term top with the USDA report. December corn closed lower for the fourth session in a row on Friday but nearly 10 cents off of the lows of the day. Traders remain concerned with the sluggish tone for demand factors.

Brazil and Argentina corn are priced cheaper than US and this has helped to keep US exports low. In addition, the weather outlook for the next two weeks suggests good weather for a good start to the corn harvest. More talk of lower feed usage for the US and a smaller livestock herd out of Europe helped to keep the demand tone week. Looking at the US corn balance sheet for 2022/23, if we adjust yield down 1.5% from the current USDA estimate and leave all the other numbers unchanged, ending stocks could drop to 1 billion bushels and result in a stock/usage ratio of 7%, which would be the lowest since 1995/96. If yield increases 1.5% from the USDA forecast, ending stocks could jump to 1.416 billion bushels and result in a stocks/usage ratio of 9.9%, up from the current 8.5% but still the second lowest since 2013/14.

December Corn is currently priced at its highest level for this time of year since 2012 and close to where it was at this point in 2011. The world corn stocks/usage ratio for 2022/23 is expected to come in at 25.8%, much higher than 16.5% in 2012/13 and 13.7% 2011/12. This suggests that the market is currently overpriced. The Commitments of Traders report for the week ending September 13th showed Corn Managed Money traders added 14,164 contracts to their already long position and are now net long 240,643. Non-Commercial & Non-Reportable traders were net long 225,678 contracts after increasing their already long position by 2,307 contracts.

WHEAT:

A strong US dollar and weakness in the stock market plus talk of continued weak demand for US wheat helped to pressure. A record Russia crop is seen as a negative. December wheat closed moderately higher on the session last Friday as the early selloff to a five session low failed to attract new selling interest. Fears that Russia may disrupt Ukraine exports from the Black Sea region due to escalating war maneuvers helped to support the bounce. With the US dollar near a 20 year high, traders remain concerned with the slow pace of US exports.

Big crops from Russia, Canada and Australia have added to the negative tone, but traders are concerned with the deteriorating crop conditions in Argentina. US weekly export sales came in below market expectations. The US Department of Agriculture's export report released Thursday showed weekly wheat sales of about 217,000 tonnes, far below the average trade estimates. The Argentine crop is worsening, with 46% of plants now growing in poor-to-dry moisture conditions, up from 35% last week, according to the Buenos Aires Grain Exchange.

Coceral cut their EU wheat crop production estimate by 2.5 million tonnes to 140.5 million tonnes. They noted deterioration for Spain and Hungary due to extreme heat and drought. The Commitments of Traders report for the week ending September 13th showed Managed Money traders net bought 1,045 contracts and are now net short 20,386 contracts. Non-Commercial & Non-Reportable traders were net short 14,423 contracts after increasing their already short position by 1,652 contracts. For KC wheat, Managed Money traders were net long 16,992 contracts after increasing their already long position by 5,905 contracts. Non-Commercial & Non-Reportable traders are net long 14,280 contracts after net buying 6,165 contracts for the week.

HOGS:

With a positive tilt to the pork product market over the past week and a lower trend for the cash market, a jump in packer profit margins is seen as a positive force. December hogs experienced volatile and two-sided trade on Friday, but they ended strong and had their highest close since August 17. It has been difficult to find aggressive sellers with the market correcting a wider than normal basis. The USDA pork cutout, released after the close Friday, came in at $105.07, up $1.05 from Thursday and up from $101.90 the previous week. This was the highest the cutout had been since August 22. China imported 140,000 tonnes of pork in August, a 50% decline from a year ago. Year to date imports have reached 1.07 million tonnes, down a whopping 63.6% from last year.

The CME Lean Hog Index as of September 14 was 97.77, up from 97.58 the previous session but down from 100.26 the previous week. The USDA estimated hog slaughter came in at 473,000 head Friday and 75,000 head for Saturday. This brought the total for last week to 2.465 million head, up from 2.243 million the previous week but down 3.1% from a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,999 contracts of lean hogs for the week ending September 13, increasing their net long to 51,497.

CATTLE:

December cattle closed lower last Friday after a quiet, inside trading day. The sharp break in beef prices last week, to their lowest level since April 2021, has traders holding a bearish attitude toward cash markets this week. The USDA estimated cattle slaughter came in at 118,000 head Friday and 45,000 for Saturday. This brought the total for last week to 667,000, up from 604,000 the previous week (a holiday week) and up 2.6% from a year ago. The estimated average dressed cattle weight last week was 823 pounds, up from 821 the previous week but down from 829 a year ago. The 5-year average weight for that week is 830 pounds. Estimated beef production last week was 546.5 million pounds, up 1.7% from a year ago.

The USDA boxed beef cutout was up 68 cents at mid-session Friday and closed 6 cents higher at $252.40. This was down from $257.26 the previous week. Cash live cattle traded in moderate volume on Friday mostly steady with earlier in the week. The 5-day, 5-area weighted average price as of Friday afternoon was $142.67 versus $142.30 a week prior. China imported 270,000 tonnes of beef in August, up 41.5% from a year ago. Year to date imports have reached 1.69 million tonnes, up 11.8% from last year. Friday's Commitments of Traders showed managed money traders were net buyers of 7,501 contracts of live cattle for the week ending September 13, increasing their net long to 69,387. CIT traders added 1,576 contracts to their long position, bringing it to 102,226.

COCOA:

The cocoa market continues to face concern over near-term demand prospects due to high inflation and sluggish risk sentiment around the globe. Cocoa prices continue to hold their ground above their 2-year low from mid-July, however, and continue to find support from West African supply developments. December cocoa finished the week with choppy action as it was unable to sustain upside momentum and finished Friday’s trading session with a moderate loss. For the week, however, December cocoa finished unchanged which barely missed a positive weekly reversal from Wednesday’s 2-month low.

Sharp selloffs in European and US equity markets as well as the British Pound put carryover pressure on the cocoa market, while a shift towards wetter weather over West African growing areas also put pressure on cocoa prices going into the weekend. There are two weeks left to go in the 2021/22 season, with global cocoa production on-track to decline by over 300,000 tonnes from 2020/21 which would be the largest single-season decline since the 2006/07 season. A large part of that decline will occur in Ghana where their output is likely to fall below 700,000 tonnes compared to over 1.04 million tonnes during the 2020/21 season.

With many West African cutting back on their fertilizer use due to high costs, the region’s production is unlikely to see a sharp increase during the 2022/23 season. High inflation has diminished the demand prospects for many discretionary items such as chocolate. In spite of that pressure, 2021/22 global cocoa grindings are projected to reach a second record high total in a row above 5 million tonnes.

The September 13th Commitments of Traders report showed Cocoa Managed Money traders are net short 36,444 contracts after net selling 12,626 contracts. CIT traders were net long 22,952 contracts after decreasing their long position by 912 contracts. Non-Commercial No CIT traders added 8,482 contracts to their already short position and are now net short 26,670. Non-Commercial & Non-Reportable traders net sold 9,631 contracts and are now net short 20,339 contracts.

COFFEE:

Coffee prices have been pressured by demand concerns which have fueled a sizable loss of value since late August. The coffee market continues to have a bullish supply outlook, however, and that can help prices find a short-term low this week. December coffee came under significant early pressure to reach a new 3 1/2 week low, and in spite of a sizable rebound late in the day finished Friday's trading session with a moderate loss. For the week, December coffee finished with a loss of 13.40 cents (down 5.9%) which was a third negative weekly result in a row.

The Brazilian currency rallied to a 6-week high which provided late support, but could not lift the market back into positive territory. US green coffee stocks rose by 226,801 bags during August and finished the month at 6.450 million bags. This was the sixth month in a row that US green coffee stocks showed a monthly increase as they have risen to their highest level since October 2020.

In contrast, ICE exchange coffee stocks (most of which continue to be held at warehouses located in Belgium and Germany) fell by 31,318 bags on Friday, are more than 140,000 below their August month-end total and are on-track for a fifth monthly decline in a row. Rain in the forecast this week for Brazil's major Arabica growing regions should benefit coffee trees and could trigger flowering in coffee trees late this month and into early October. The region has seen drier than normal conditions since mid-2020, and that is likely to be extended by the current La Nina weather event which is not expected to lose strength until early 2023.

Coffee positioning in the Commitments of Traders for the week ending September 13th showed Managed Money traders reduced their net long position by 5,902 contracts to a net long 36,283 contracts. CIT traders were net long 44,483 contracts after decreasing their long position by 812 contracts. Non-Commercial No CIT traders net sold 4,806 contracts and are now net long 23,946 contracts. Non-Commercial & Non-Reportable traders are net long 43,191 contracts after net selling 5,524 contracts.

COTTON:

December cotton sold off sharply on Friday and traded to the lowest level since August 10. The trade continues to worry about a global recession with expectations that the US Fed will hike rates 75 basis points or more in this week's FOMC meeting, other central bankers raising rates as well to combat inflation, and ongoing concerns about the Chinese economy due to their Covid lockdowns. The dollar was sharply higher early Friday and was threatening to take out the previous week's 20-year high, but it did close slightly lower on the day. The strong dollar can hurt US export prospects.

The stock market was weaker late last week which hurts demand prospects, and the stock market was down again at the start of this week. Friday's Commitments of Traders showed managed money traders were net sellers of 1,976 contracts of cotton for the week ending September 13, reducing their net long to 48,133 (long liquidation). Non-commercial, no CIT traders were net sellers of 2,813, reducing their net long to 16,572. The weather for most producing areas is dry and warm which might be considered bearish at this time of year.

SUGAR:

Sugar prices have received bullish supply developments from Brazil, the EU and China, but they have not been enough to offset sizable production levels from India and Thailand. Unless the market sees more indications of improving ethanol demand, sugar is likely to remain on the defensive early this week. March sugar could not hold onto mild early strength as it dropped down to a 6 1/2 week low before finishing Friday's trading session with a sizable loss. For the week, March sugar finished with a loss of 27 ticks (down 1.5%) which was a third negative weekly result in a row.

Rainfall in the forecast for Brazil's Center-South growing regions may lead to further delays in harvesting and crushing, but should benefit this season's late-harvested cane crop which in turn pressured sugar prices going into the weekend. A 6-week high in the Brazilian currency and moderate rebounds in crude oil and RBOB gasoline provided carryover support to the sugar market, but both markets will need to see much larger price increases for mills to shift some of their crushing from sugar production over to ethanol production.

A cut in Brazil's state fuel taxes reduced ethanol's advantage to their domestic gasoline prices, while the latest Unica supply report showed sugar's share of Center-South crushing during the second half of August was 2% above the comparable period last year. China's sugar exports came in at 680,000 tonnes, which was more than 35% above last year's levels which may reflect the impact of dry conditions in their upcoming 2022/23 cane crop. However, China's January/August sugar import total of 2.73 million tonnes is more than 8% behind last year's pace.

Sugar positioning in the Commitments of Traders for the week ending September 13th showed Managed Money traders are net long 30,540 contracts after net buying 13,128 contracts. CIT traders net sold 2,926 contracts and are now net long 179,558 contracts. Non-Commercial No CIT traders net bought 12,641 contracts and are now net short 17,532 contracts. Non-Commercial & Non-Reportable traders added 18,547 contracts to their already long position and are now net long 54,134.

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