ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

With another sharp range down contract low in December bonds late last week, yields have returned to the highest levels since 2007! Sentiment remains so negative that a Friday story predicting the Fed might be less aggressive with their December rate hike failed to shift sentiment away from the downside. In fact, prices saw only temporary lift from a Fed member comment that the Fed does need to be aware of the potential to "overdo it". While a slight dovish pivot in extremely hawkish US Federal Reserve dialogue/sentiment ignited optimism in equities and physical commodities last week, those hopes did not provide support or lift to US treasuries.

Furthermore, US treasuries have seen little flight to quality buying interest from deteriorating economic evidence from the euro zone and the UK. Perhaps the massive jump in German producer price index readings on a year-over-year basis last week resulted in inflation fears remaining entrenched in the treasury trade. In general, PMI readings from around the world pointed to softening of the global economy with Monday's US PMI data also expected to come in a little soft. However, bond and note prices have not benefited from signs of slowing scheduled data and instead have been seemingly entrenched in a mission to reach levels targeted by the US Fed funds rate dot plot. Obviously, the October high to low slide of 11-points in bonds leaves the market short-term oversold.

Again, the markets have largely discounted short-term technical oversold signals in favor of the historical adjustment or normalization theme in the interest rate markets. Therefore, it is possible that a portion of the treasury trade expects inflation to persist through monetary tightening because they see inflation tied to tightness in physical commodities, consumer products, microchips, and vehicles. On the other hand, the tone of certain Fed members last week became less hawkish with some members considering the downside of over tightening. The October 18th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 75,952 contracts after net buying 4,377 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net sold 28,479 contracts and are now net short 445,302 contracts.

CURRENCIES:

The dollar index forged an extremely violent trade to end last week’s trading with a 230-point range and a poor close. Apparently, financial markets were roiled by a Fed watcher opinion that the Fed could in the year with a smaller than previously feared December hike. In our opinion, the US economy continues to have more capacity to stand up to higher rates than most other G7 economies, and therefore the dollar

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uptrend should resume next week. With the dollar breaking out to the downside to the lowest level since October 6th, hope for a slightly less hawkish US Fed remains in the marketplace at the start of this week.

However, the dollar should continue to see support from a vulnerable Yen and slightly less support from UK uncertainty with the most likely PM candidate apparently acceptable to UK financial instruments early this week. Adding into the vulnerability of the dollar are expectations of soft US scheduled data from a Fed national activity index and expectations of softer S&P PMI data for October. Dollar positioning in the Commitments of Traders for the week ending October 18th showed Non-Commercial & Non-Reportable traders added 162 contracts to their already long position and are now net long 37,031.

Unlike the dollar, the euro early this week failed to take out a downtrend channel resistance line on the upside with that level becoming a key pivot point. In general, S&P PMI readings from France, Germany, and the euro zone were disappointing, leaving the euro with little fundamental evidence of a solid bottom. The Commitments of Traders report for the week ending October 18th showed Euro Non-Commercial & Non-Reportable traders are net long 71,410 contracts after net buying 13,314 contracts.

With residual support from the BOJ intervention threat and favorable Japanese Jibun bank manufacturing and services PMI readings for early October, aggressive selling interest toward the Yen on the current bounce should be slightly moderated. Nonetheless, fundamental, and technical signals continue to favor the bear camp from a trend perspective. Like other nondollar currencies, the Swiss franc managed a very significant bounce off last week's major spike down action. In fact, the Swiss posted a 2-day low to high bounce of 100 points and temporarily regained a downtrend channel resistance line.

As indicated already, the Pound saw a relief rally from the likelihood the UK leadership void will be filled at the start of this week. However, the new Prime Minister will be facing a very vulnerable economy and a tenuous government financial condition. Soft GBP global composite, manufacturing, and services PMI readings for early October should thicken resistance in the Pound.

Even the Canadian dollar managed an upside extension of last week's late bounce, with the bounce probably largely a knee-jerk windfall from the breakdown in the dollar. However, Canadian August retail sales were positive last week, but a developing big tech battle between Facebook and the Canadian government over a government effort to mandate the payment of news publishers on Facebook/social media is a deterrent to foreign investment in Canada.

STOCKS:

In retrospect, the equity market performance last week was very impressive as the markets shook off significant increases in global sovereign bond yields, remained calm in the face of a 45% year-over-year increase in German PPI and managed to quickly discount negative news from the social media sector. However, the bull camp should be emboldened by the market's ability to rally sharply off mere rumors of a less aggressive Fed!

Global equity markets at the start of this week were mostly higher with markets in London, Shanghai, and Hong Kong tracking lower. While Chinese GDP readings were somewhat positive, the trade is skeptical of the data and should be minimally discouraged by the totality of global PMI readings released. This week will bring a veritable avalanche of corporate earnings with roughly 120 companies in the S&P 500 reporting and 12 Dow companies reporting. In retrospect, recent strength in equities was in part the result of market optimism from earnings which have "stood up to" monetary tightening.

Apparently, hope that jumbo rate hikes beyond November will be reduced has carried last week's general optimism into the new trading week. However, the markets will see significant corporate earnings reports this week and key data from the US in the form of consumer confidence, durable goods, and GDP. It should be noted that the net spec and fund short in the S&P remains large and capable of contributing short covering buying on trade action above key chart resistance points. E-Mini S&P positioning in the Commitments of Traders for the week ending October 18th showed Non-Commercial & Non-Reportable traders net sold 65,949 contracts and are now net short 236,386 contracts.

With a range up extension of last week's rally pushing the Dow futures up to the highest level since September 13th, the market hopeful of a softening of the US Fed's hawkish tone and generally interpreting corporate earnings in a positive light, the bull camp has the edge to start the new trading week. Like other segments of the market, the Dow futures continues to hold a moderate net spec and fund short which could provide stop loss buying if chart resistance levels are regained. The October 18th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 4,125 contracts and are now net short 20,739 contracts.

The NASDAQ probably saw headwinds from headlines that Tesla cut Chinese vehicle prices by nearly 10%, but the real fireworks for the NASDAQ will be seen later this week as big tech earnings roll in. Google reports their earnings on Tuesday, Meta platforms reports on Wednesday while Apple and Amazon.com report on Thursday. The October 18th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 2,682 contracts and are now net short 10,416 contracts.

GOLD, SILVER & PLATINUM:

Initial weakness in the dollar translated into a temporary rally in gold to start the trading week. Given the one-way street to unending jumbo US rate hikes, it is not surprising that gold reversed direction aggressively at the end of last week in the wake of suggestions that November's 75-basis point US rate hike might open the Fed to a slight moderation of the pace of increases in the December meeting. On the other hand, the Fed last week made it very clear that softening in the economy will not deter their battle against inflation, but that gold bearish theme was countervailed by words of caution from a Fed member indicating the Fed could not "overdo it". In yet another inflation tempering US official commentary, the US Treasury Secretary indicated that inflation was not "embedded" in the US economic structure.

Unfortunately for the bull camp in treasuries, equities and physical commodities last week saw historical inflation readings from the UK and Europe. While we have mentioned it several times already, German producer prices registered a year-over-year jump of 45.8% last week in a reading that unnerved investment in European instruments and that in turn provides the US dollar with ongoing strength. Over the weekend, reports from India suggested that pre-festival gold buying has been unremarkable despite gold prices last week reaching the lowest level since the beginning of the pandemic! With the Indian rupee at record lows, Indian imports of gold might moderate sharply if it were not for the low flat price.

Even though the December gold contract into the close Friday was near the level where the last COT positioning report was measured, into the low last week the market was $36 lower which likely put the net spec and fund long down to the lowest levels since the middle of 2019. The Commitments of Traders report for the week ending October 18th showed Gold Managed Money traders net sold 21,923 contracts which moved them from a net long to a net short position of 20,633 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 18,006 contracts to a net long 83,353 contracts. Last week, gold ETF holdings declined by 779,853 ounces and are now 2.4% lower year-to-date.

Given the silver market's capacity to stand up to weakness in gold and significant strength in the dollar last week and in turn respect the $18.00 level over 6 trading sessions, the range up move on Friday could signal silver's newfound bullish capacity especially if extreme hawkish Fed views are tempered further. It should be noted that the net spec and fund long in silver remains extremely low compared to the last 3 years but is not as liquidated as the gold spec positioning. Silver positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders went from a net long to a net short position of 7,599 contracts after net selling 8,722 contracts. Non-Commercial & Non-Reportable traders were net long 8,679 contracts after decreasing their long position by 7,432 contracts. Last week silver ETF holdings increased by 517,650 ounces but are 13% lower year-to-date.

While the palladium market last week showed a significant rally off the $1,950 level and the market remains net spec and fund short, we see a negative demand environment keeping prices at the bottom of the last 3 months consolidation. Palladium positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders net sold 678 contracts which moved them from a net long to a net short position of 209 contracts. Non-Commercial & Non-Reportable traders were net short 1,444 contracts after increasing their already short position by 634 contracts. We see a trading range in December palladium bound by $2,120 and $2,000. Obviously, the platinum market is viewed differently than palladium as the strong range up move at the end of last week suggest platinum it is poised to benefit from hope of less aggressive rate hikes.

In fact, the January platinum contract late last week regained a 5-month-old downtrend channel resistance line and managed that strength in the face of an ongoing pattern of outflows from platinum ETF holdings. Platinum positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders were net long 3,228 contracts after increasing their already long position by 2,543 contracts. Non-Commercial & Non-Reportable traders added 3,043 contracts to their already long position and are now net long 11,612. Last week platinum ETF holdings declined by 10,728 ounces and are now 14% lower year-to-date. The path of least resistance is minimally pointing up, but we view risk and reward for fresh longs at current levels as very unattractive.

COPPER:

In addition to spillover lift from initial weakness in the dollar and generally positive global equity market action at the start of this week, copper is lifted by an increase in Chinese January through September copper concentrate and ore imports and from a minimally positive Chinese GDP release. Furthermore, Chinese unwrought copper imports rose by 9.8%. It should also be noted that Bloomberg rekindled concern for tight copper supplies inside of China by citing the comparatively low historical tonnage in bonded warehouses. Certainly, the tempering of US aggressive rate hike prospects, talk of reducing quarantine time for inbound Chinese travelers and hope for a Chinese infrastructure spending program provided copper with the basis for last week's strong finish.

However, the Chinese also implemented some additional lockdowns in Xi’an Province and increased restrictions in Beijing thereby leaving the threat of economic headwinds hanging on copper prices. While LME copper warehouse stocks declined by roughly 10,000 tonnes last week, that bullish news was more than offset by a 25,820-tonne jump in Shanghai copper warehouse stocks on the week! Fortunately for the bull camp, the most recent COT positioning report showed the market maintaining a net spec and fund short which was likely reduced given the bounce off last week's low. Copper positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders went from a net long to a net short position of 5,494 contracts after net selling 6,324 contracts. Non-Commercial & Non-Reportable traders added 2,912 contracts to their already short position and are now net short 18,507.

ENERGY COMPLEX:

From the news flow early this week, the bear camp has the edge in crude oil off signs of softer demand. Apparently, Chinese September oil imports and year-to-date oil imports contracted, and their fuel exports have exploded. While Chinese GDP readings on their face appeared positive, the trade interpreted the data as soft, and that demand negative was accentuated by mostly soft global PMI readings. However, the bear camp also saw news that crude oil in global floating storage over the last week increased by

2.4% but that bearish news was tempered by the fact that Asian-Pacific floating storage levels declined. Surprisingly, the energy complex did not benefit from the interest rate/commodity relief rally environment late last week.

However, Russian comments and predictions from analysts that Russia would easily get around a price cap severely limits the bull camp and basically increases the impact of sagging economic information on energy demand expectations. Even though the US saw only two additional rigs operating in the weekly Baker Hughes report, the total rigs operating is at the highest level since the pandemic was recognized as an economic disaster. Recently, the US President indicated the Department of Energy would refill the SPR with prices around the low $70 per barrel level, which could deter initial selling at that level in the future. Incidentally this is $10 per barrel above the level that Joe Biden's secretary of the treasury indicated Russia can "make money" on crude oil.

While Russia could retaliate against the "price cap" with some form of energy supply disruption, without a disruption, demand news will likely dominate prices this week. From a technical perspective, the net spec and fund long position in crude oil remains near the lowest levels since 2016 which should moderate stop loss selling and could eventually result in fresh fund buying. The Commitments of Traders report for the week ending October 18th showed Crude Oil Managed Money traders reduced their net long position by 32,616 contracts to a net long 176,050 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,796 contracts to a net long 322,440 contracts. Unfortunately for the bull camp, without a significant improvement in economic views and/or a continuation of explosive inflation, funds might not be stirred into action.

We suspect a moderate portion of last week's rally in gasoline ($0.28) correlated with improved sentiment flowing from global equity markets and ongoing concern of extreme tightness in the diesel market. However, last week's EIA inventory report showed the US gasoline deficit dropping aggressively and prices rejected a test of 4-month-old downtrend channel resistance. With the gasoline market rallying after the last COT positioning report was measured, the net spec and fund long positioning is more burdensome to prices than supportive. Gas (RBOB) positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders were net long 50,098 contracts after decreasing their long position by 2,727 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,863 contracts to a net long 45,073 contracts.

Despite evidence that China is aggressively ramping up fuel exports, talk of a squeeze in the diesel market from backwardation remains in the market's daily chatter. Adding credibility to the extreme tightness is a story from Bloomberg suggesting US officials are considering export restrictions with US diesel supplies reportedly at only 25 days which is the lowest level among available records. Certainly, any export restriction could result in an explosion in global diesel prices, but it could also result in a significant supply injection/backup in the US and send US domestic prices plummeting. Relatively speaking, the most recent net spec and fund long positioning in diesel is overbought. The Commitments of Traders report for the week ending October 18th showed Heating Oil Managed Money traders were net long 28,451 contracts after increasing their already long position by 4,488 contracts. Non-Commercial & Non-Reportable traders added 5,531 contracts to their already long position and are now net long 44,341.

As opposed to late August when the trade was bidding up natural gas prices for fear of a significant winter shortage in Europe, the market has seen evidence that European storage levels have reached targets that should take the edge off colder than normal temperatures. In our opinion, US injections will continue for several more weeks leaving the natural gas market capable of returning to prewar levels down at $5.00. On the other hand, the most recent COT positioning report showed natural gas holding the most bearish spec and fund positioning since the early days of the pandemic and proceeding to the $5.00 level could put the net spec and fund short at the largest level since 2015.

The October 18th Commitments of Traders report showed Natural Gas Managed Money traders were net short 87,631 contracts after decreasing their short position by 6,492 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 3,712 contracts to a net short 126,995 contracts. As of late last week, the Russian national gas company indicated its gas flows to Europe via the Ukraine pipeline remained steady. As indicated already, supply and demand forces remain bearish in natural gas with US supplies to continue to build up and Europe unloading as much supply from tankers as facilities allow. However, it should be noted that a hot weather forecast for Europe into the end of the month could lend support for prices.

BEANS:

January soybeans closed higher for the third session in a row on Friday as the meal market has seen solid gains in the last two trading sessions. The low crush pace in Argentina may be seen as a supportive force for meal. Outside market forces were supportive with a sharp break in the US dollar, strength in the stock market and a more positive tilt to many commodity markets. A sharp rally in the soybean oil market last week has provided underlying support and strength in the products has left soybean crush margins near historic highs. Brazilian production was revised up by 3 million tonnes to a new record high 152 million tonnes in the last USDA update.

World soybean production is expected to increase by 35.3 million tonnes for the new season, and soybean production for the world major exporters is surging to a new record high. While traders are currently concerned with the dry weather situation in Argentina which has driven wheat production estimates all the way down to 15 million tonnes or lower from 22.4 million last year, the situation for soybeans is still uncertain. Corn plantings have reached just 17% complete as compared with near 26% last year at this time. In the end, late plantings of corn and other crops in Argentina could lead to a significant advance in soybean plantings, as soybeans can be planted much later than other crops.

As a result, Argentina soybean production could come in 1-3 million tonnes higher than current estimates. The Commitments of Traders report for the week ending October 18th showed Soybeans Managed Money traders added 1,124 contracts to their already long position and are now net long 66,862. Non-Commercial & Non-Reportable traders net sold 2,373 contracts and are now net long 18,729 contracts. For Soyoil, Managed Money traders net bought 13,990 contracts and are now net long 74,974 contracts. Non-Commercial & Non-Reportable traders are net long 91,550 contracts after net buying 24,420 contracts in just one week and this leaves the market overbought. For meal, Managed Money traders are net long 70,797 contracts after net buying 408 contracts. Non-Commercial & Non-Reportable traders are net long 114,413 contracts after net buying 3,606 contracts.

CORN:

For the month of September, China imported 1.53 million tonnes, down 56.6% from last year. Year to date corn imports have reached 18.46 million tonnes, down 25.9% from last year's pace. December corn closed slightly higher on the session Friday, but the market still closed lower on the week. It was choppy and two-sided trade as the market found support from a surge higher in the stock market and a sharp break in the US dollar. Harvest remains active and traders remain concerned with the low water levels on the Mississippi, and a potential disruption in the flow of corn to the gulf. In addition, there are concerns for a rail strike if workers cannot agree. Cumulative export sales have reached 25.3% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 35.5%. A private forecast showing mostly higher expectations for next year's grain crops was seen as a negative factor last week.

For corn, planted acreage was seen at 91.9 million acres. If so, and we assume a 178 yield, and also assume the same total usage as this year, ending stocks would come in near 2.062 billion bushels with a stocks/usage of 14.6%. That compares with this year's ending stocks projected at 1.172 billion bushels and an 8.3% stocks/usage. The Commitments of Traders report for the week ending October 18th showed Corn Managed Money traders net sold 13,116 contracts and are now net long 254,261 contracts. Non-Commercial & Non-Reportable traders were net long 235,461 contracts after decreasing their long position by 12,114 contracts. The long liquidation selling trend is seen as a bearish factor.

WHEAT:

December wheat closed slightly higher on the session Friday with an outside day up which is a positive technical development. A sharp break in the US dollar and continued concerns with the Argentina crop helped to provide some support. Turkey bought 470,000 tonnes of milling wheat at an international tender. Talk of the oversold technical condition of the market helped to support as well. With a drought and a much smaller crop, Argentina's 2022-23 wheat exports are now set to be worth $3.1 billion, 28% less than the $4.3 billion forecast at the start of the season in July, according to the Rosario Board of Trade. Production is estimated at 15 million tonnes, which would be the least in seven years.

Australia production for this year looks to come in near 34 million tonnes, down from last year's record high 36.3 million and the second largest on record. For the month of September, China imported 370,000 tonnes, down 42.2% from last year. Year to date wheat imports have reached 6.62 million tonnes, down 12.8% from last year's pace. While it is still way too early for concern, it is hard not to believe that there will be significant issues with the US crop due to unusually drive fall weather with more than 80% of the US showing abnormally dry conditions.
Severely dry weather is noted in Nebraska, Kansas and Oklahoma. The five day forecast has plenty of rain for Oklahoma, but most of Kansas stays somewhat dry for the next few weeks.

China sold 40,026 tonnes of wheat at an auction of state reserves on Oct. 19. The wheat was from the 2014, 2015 and 2016 crops. Egypt wheat stocks are enough for 5.5 months of supply. Wheat positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders added 2,549 contracts to their already short position and are now net short 22,051. Non-Commercial & Non-Reportable traders are net short 13,285 contracts after net selling 1,799 contracts. For KC wheat, Managed Money traders reduced their net long position by 238 contracts to a net long 26,270 contracts. Non-Commercial & Non-Reportable traders were net long 23,535 contracts after increasing their already long position by 2,493 contracts.

HOGS:

December hogs have risen as much as 23% in just 13 trading sessions, and this leaves the market in a short-term overbought condition. The CME Lean Hog Index as of October 19 was 93.76 up from 93.20 the previous session and 92.67 the previous week. This leaves the market holding a discount of $4.08 to the cash as compared with the 5-year average discount at this time of the year of $4.48. As a result, the basis in no longer the positive force it has been over the past few weeks. The buying on Friday pushed the market up to the highest level since August 16th. The rally has left the market in an extreme overbought condition and up six of the last seven trading sessions. The USDA pork cutout, released after the close Friday, came in at $99.45, down $1.75 from Thursday and down from $100.23 the previous week. This was the lowest the cutout had been since October 5.

The USDA estimated hog slaughter came in at 478,000 head Friday and 145,000 head for Saturday. This brought the total for last week to 2.571 million head, up from 2.545 million the previous week but down from 2.606 million a year ago. Estimated US pork production last week was 540.2 million pounds, down from 548.8 million the previous week and down 4.1% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 14,763 contracts of lean hogs for the week ending October 18, increasing their net long to 35,787. Non-commercial & non-reportable traders were net buyers of 10,527 contracts, increasing their net long to 24,521.

CATTLE:

The USDA Cattle on Feed report Friday showed placements for the month of September at 96.2% versus trade expectations for 96.4% (range of 91.8% to 99%). This is neutral against expectations. Marketings came in at 104% of last year. The average estimate was 104%. The Cattle on Feed supply as of October 1st came in at 99.1% of last year versus the average estimate of 99.1% (range of 98.2% to 100%). The news is completely neutral against trade expectations. December cattle experienced a strong outside-day trading session on Friday and jumped to a new contract high. While overbought technically, there is still no sign of a short-term peak as beef prices pushed sharply higher in the last two weeks during a period of higher production. Estimated beef production last week was 557.4 million pounds, up from 549.2 million a year ago. The USDA boxed beef cutout was up 11 cents at mid-session Friday and closed 9 cents higher at $253.71. This was up from $246.98 the previous week and the highest it had been since September 13. Cash live cattle were trading around $3 higher last week.

As of Friday afternoon, the 5-area, 5-day weighted average price was 149.93, up from 146.99 the previous week. The USDA estimated cattle slaughter came in at 122,000 head Friday and 42,000 head for Saturday. This brought the total for last week to 673,000 head, up from 660,000 the previous week and 662,000 a year ago. The estimated average dressed cattle weight last week was 830 pounds, down from 831 the previous week and 831 a year ago. The 5-year average weight for that week is 830.6 pounds. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,237 contracts of live cattle for the week ending October 18, increasing their net long to 37,299. Non-Commercial & Non-Reportable traders were net buyers of 2,167, increasing their net long to 53,831.

COCOA:

Mixed demand news was not enough for the cocoa market to regain upside momentum as it will start this week in close proximity to last Wednesday’s 3-week low. Until there are more signs that inflation levels are subsiding, cocoa could see further downside before it finds a near-term price floor. December cocoa opened under pressure and was unable to benefit from stronger outside markets as it finished Friday’s trading session with a moderate loss. For the week, December cocoa finished with a loss of 71 points (down 3.0%) which was a second negative weekly result in a row.

The Cocoa Association of Asia said that Asian third quarter grindings came in at 231,080 tonnes, which was 9.5% above last year’s total. This was also a 1.0% increase from the second quarter, the largest third quarter grindings total on record and the second largest grindings for any quarter since Asian grindings data began in 2009. While this may have exceeded market expectations, it was not totally unexpected since Malaysia’s third quarter grind came in 15% above last year. In addition, this followed the negative year-over-year result for North American third quarter grindings released late Thursday that helped to keep cocoa prices on the defensive going into the weekend.

A group of major Ivory Coast grinders said that their third quarter cocoa grindings came in 18% above last year’s comparable total, and that helped to keep further losses in check as that data reflects the growth in “origin” grindings where cocoa beans are processed in the nation they were grown. There were reports that Ivory Coast and Ghana officials will not attend a meeting of the World Cocoa Foundation this week due to a pricing dispute between the world top 2 producing nations and major chocolate producers.

Cocoa positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders added 5,172 contracts to their already short position and are now net short 21,892. CIT traders are net long 18,412 contracts after net selling 7,303 contracts. Non-Commercial No CIT traders were net short 18,573 contracts after increasing their already short position by 4,430 contracts. Non-

Commercial & Non-Reportable traders were net short 7,531 contracts after increasing their already short position by 4,159 contracts.

COFFEE:

Coffee prices have declined 27 cents (12%) in the past 8 sessions and reached a 14-month low. With the market technically oversold, a bullish supply outlook can help coffee regain and sustain upside momentum early this week. December coffee came under early pressure, but was able to rally back into positive territory before finishing Friday with a mild loss. For the week, December coffee closed with a loss of 5.80 cents (down 2.9%) which was a third negative weekly result in a row. Rainfall over Brazil's major Arabica-growing areas increased the prospect for more flowering, and that weighed on coffee prices.

While there has been good flowering in Brazil during the past few weeks, coffee still has a bullish global supply outlook. The current La Nina weather event is expected to continue through early 2023. This should have a negative impact on coffee production in Brazil where it tends to bring drier than normal conditions, and can also lower production in Colombia which tends to see heavier than normal rainfall during La Nina. Brazil and Colombia account for more than half of global Arabica output, while production in several Central American nations is still recovering from last year's severe storms.

A rebound in global risk sentiment helped to soothe near-term demand concerns. Concerns about consumption have been given additional weight with the surge in inflation, as that could result in consumers cutting back on restaurant and retail shop purchases. A large portion of coffee demand comes from at-home consumption which has seen a notable increase since the start of the COVID pandemic. ICE exchange coffee stocks fell by 2,150 bags on Friday, remain on track for a sixth monthly decline in a row and reached their lowest level since May 1999. There are forecasts for Brazil's March 31 coffee stocks to fall to a record low in 2023.

Even if inflation levels remain stubbornly high, 2022/23 global coffee consumption is expected to reach a record high. The October 18th Commitments of Traders report showed Coffee Managed Money traders reduced their net long position by 21,889 contracts to a net long 12,072 contracts. CIT traders net sold 4,030 contracts and are now net long 36,588 contracts. Non-Commercial No CIT traders were net long 5,106 contracts after decreasing their long position by 18,768 contracts. Non-Commercial & Non-Reportable traders net sold 22,742 contracts and are now net long 18,516 contracts.

COTTON:

December cotton closed higher on Friday after trading to its lowest level since May 2019 earlier in the session and it appears that at least a short-term low is in place. It was the sixth straight time the market closed lower on the week. A possible technical reversal lower in the dollar was viewed as supportive. The stock market rallied after reports of some Fed members getting uncomfortable with pressing rates too much higher, and this was supportive to cotton as well.

Traders remain focused on demand, as they fear a worldwide recession could significantly lower cotton consumption. Friday's Commitments of Traders showed managed money traders were net sellers of 4,812 contracts of cotton for the week ending October 18, reducing their net long to 22,032. This is their smallest net long since July 2020. Non-commercial, no CIT traders were net sellers of 4,916, increasing their net short to 5,689. The spec net longs are near their lowest point since July 2020 and are close to neutral. The selling trend is bearish.

SUGAR:

Sugar prices remain on-track for their largest monthly gain since February, but they have clearly lost strength over the past week. Until the market receives fresh bullish supply news, sugar prices will have a tough time finding their footing. March sugar continued to see wide-sweeping coiling action with a downward bias as it reached a 2-week low before finishing Friday's trading session with a minimal loss that was a fifth negative daily result in a row. For the week, March sugar finished with a loss of 46 ticks (down 2.4%) which broke a 4-week winning streak.

A rebound in crude oil and RBOB gasoline prices provided the sugar market with early carryover support as that should help to strengthen ethanol demand. The Brazilian currency had a second sizable daily gain in a row and reached a 2 1/2 week high, which also supported sugar prices as that should ease pressure on Brazil's Center-South mills to produce sugar for the global export marketplace. The Unica Center-South supply report that covers the first half of October will be released early this week, and will show if Center-South mills continued to shift their crushing away from ethanol production and towards sugar production.

The likelihood of larger production from India and Thailand this season continued to weigh on sugar prices and drove the market into negative territory during Friday's trading. India's 2022/23 sugar exports are widely expected to come in below last season's record high of 11.2 million tonnes. Even with more of their crushing diverted to ethanol, early forecasts for India's 2022/23 sugar exports of 8 to 9 million tonnes may have be revised higher if their sugar production comes in above 36 million tonnes.

Sugar positioning in the Commitments of Traders for the week ending October 18th showed Managed Money traders were net long 107,068 contracts after increasing their already long position by 28,073 contracts. CIT traders were net long 195,999 contracts after increasing their already long position by 1,591 contracts. Non-Commercial No CIT traders net bought 26,585 contracts and are now net long 39,607 contracts. Non-Commercial & Non-Reportable traders net bought 35,537 contracts and are now net long 155,655 contracts.

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