ADM Investor Services, Inc.

Weekly Futures Market Summary

November 14, 2022

by the ADMIS Research Team

BONDS:

Last Friday's European data included a better than expected reading for UK industrial production and an in-line German CPI result, while the only major US economic number of note was a monthly private survey of consumer sentiment that came in below trade forecasts. The Fed's Collins said that she sees further Fed rate hikes and it is too soon to call a peak in the rate cycle. Treasuries continued to hold their ground within inside-day ranges at the top end of Thursday's updraft, but were pressured by profit-taking and long liquidation as they closed last Friday's trading session with mild losses.

Treasuries started out the week within fairly tight ranges, but they have extended Friday's pullback with moderate early losses. Over the weekend, the Fed's Waller said that last Thursday's US CPI reading is just one report, the market is way out in front, and that it will need a run of CPI reports for the Fed to take a foot off the brake. The Dollar has posted sizable gains at the start of the week that are weighing on Bond and Notes prices, although it only recovered a portion of its Thursday/Friday downdraft.

While risk concerns from that sector continue to simmer early this week, major cryptocurrencies have rebounded from early lows which in turn may dampen safe-haven flows towards Treasuries. US cash markets were closed on Friday in observance of the Veterans Day holiday, and the only major US economic number of note was a monthly private survey of consumer sentiment that came in below trade forecasts. There are no major US or Canadian scheduled economic numbers, so the market may be looking ahead towards tomorrow's set of producer price index readings and Wednesday's retail sales result

CURRENCIES:

The Dollar remained under severe pressure and has reached a 2 1/2 month low before finishing last Friday's trading session with a second heavy loss in a row. Last Thursday's US CPI results continue to weigh heavily on the Dollar as they have led many in the market to dial back their Fed rate hike expectations. In contrast, hawkish comments from SNB Chairman Jordan have provided the Swiss franc with strong support as it climbed up to a new 3-month high. The Dollar was able to regain upside momentum early this week, but has only recovered a portion of its Thursday/Friday downdraft as it remains in close proximity to Friday's 2 1/2 month low.

Comments from the Fed's Waller that it will need a run of CPI reports for the Fed to take a foot off the brake have clearly provided a boost to the Dollar this week, while the spike in new Chinese Covid cases have revived safe-haven inflows towards the Dollar. There are no major US data points for the market to digest at the start of this week, but there are fresh readings on PPI tomorrow and retail sales Wednesday that may keep further Dollar gains in check. The Dollar should continue to hold the upper hand on most major currencies early this week.

The Euro found significant early pressure this week, but continues to be on-track for a sizable monthly gain. Euro zone industrial production came in well above forecasts, while the ECB's Panetta said that their tight monetary policy is to ensure that inflation does not become entrenched. A negative shift in global risk sentiment continues to be a source of pressure, however, and it may be difficult for the Euro to regain upside momentum without seeing a "risk on" mood in global markets and remains vulnerable to profit-taking and additional long liquidation.

The Yen's upside breakout has run out of steam as it has fallen back on the defensive early this week. While there has been improvement seen in recent Japanese data results, the BOJ appears to be still some distance away from making a hawkish policy shift. As a result, the Yen may have gone "too far, too fast" during its Thursday/Friday rally and is vulnerable to a near-term pullback.

The Swiss franc held within an inside-day range at the top end of last week's update, but is finding significant pressure early in this week's trading. Swiss producer and import price index reached a 13-month low, but a 4.9% year-over-year rate is still far above levels seen during the past decade and should keep the SNB firmly in a hawkish policy stance going forward.

The Pound found moderate pressure at the start of this week but as with other major currencies, it remains in close proximity to last Friday's highs. News of a UK clothing retailer going into bankruptcy has cast a shadow over market sentiment, while a private survey of UK business confidence reached its lowest level since 2009 has also been a source of early pressure this week.

The Canadian dollar was unable to extend its November rally as it has found moderate pressure from sluggish global risk sentiment and weaker crude oil prices. BOC Governor Macklem is scheduled to speak on Monday, and hawkish comments from him could help to turn the Canadian dollar back to the upside. The Canadian dollar would be a major beneficiary if global markets can shift back into a "risk on" mood early this week.

STOCKS:

Global markets started the day with a mildly positive tone, but lost some strength by midsession. News that China has reduced the quarantine period for inbound travelers was seen as a sign that they are relaxing their "Zero Covid" policy, and that gave a significant boost to global risk sentiment. However, news that the FTX crypto bank filed for Chapter 11 bankruptcy triggered another selloff in cryptocurrencies that weighed on risk appetites. US equities continued to see volatile price action late in Friday's trading session with the Dow Jones continuing to underperform the S&P and Nasdaq.

Global markets started the week with initial upside follow-through after last week's sharp rally before losing some strength. Over the weekend, the Fed's Waller said that last Thursday's US CPI reading is just one report, the market is way out in front, and that it will need a run of CPI reports for the Fed to take a foot off the brake. Chinese regulators announced a package to shore up financials in their property sector which gave a mild boost to global risk sentiment. However, there was a sharp spike in new Chinese Covid cases on Saturday which dampened risk appetites. European data included a Euro zone industrial production reading that came in higher than trade forecasts.

The S&P 500 has seen an impressive rally and up through the 50% mark of the August 16 through October 13 break, and seems to have priced-in some very optimistic opinions politically and economically. While the political set up late last week was considered somewhat supportive, further progress by Democrats opens the door for more volatile economy with more hands-on economic interference. In addition, traders seem to believe Chinese economic issues are resolved and that Europe

will not see a big negative impact on their economy from the energy set up. The chart pattern is impressive for now, but it's difficult to believe the market has the fundamentals for further strong gains over the near term.
The Dow managed a test of the August highs and while the chart pattern is still bullish, the lower close on Friday is a warning sign that upside momentum may be waning. There does seem to be more upside potential for the NASDAQ after last week's move over initial key resistance.

GOLD, SILVER & PLATINUM:

The euphoria from last week's CPI number ebbed after Fed Governor Christopher Waller made some hawkish comments in Sydney at the start of this week. The dollar rallied and gold and silver were lower. Waller commented that rates are going to stay high for a while until inflation gets closer to their target. Vice Chair Lael Brainard and NY Fed President John Williams will speak during Monday’s trading. Last week's milder than expected CPI number has raised hopes that the Fed will moderate its fight against inflation, but the market seemed to get ahead of itself. Gold had its strongest week in 2 1/2 years, and the dollar fell to its lowest level since August.

After the sharp gains of the past week and a half, the market has gotten short-term overbought and vulnerable to a setback. Prior to last week's CPI report, the trade was giving a 50-67% chance that the December FOMC hike will be 50 basis points a not another 75 BP "Jumbo" rate hike, and that had risen to 71.5% by Friday. Easing Covid restrictions in China has also lent support, and the collapse in cryptocurrencies has driven investment flows towards precious metals. But even by the end of last week Fed commentary was pointing towards higher US Treasury yields, and that seemed to soften the metals' gains on Friday, even pushing silver market into negative territory.

The PGMs were lower at the start of this week in the wake of the Fed commentary suggesting that rates would stay high for a while. The sector
saw mixed results on Friday, with palladium sharply higher but platinum easing back from seven-month highs to lower on the day. Indications that China may be relaxing their "Zero Covid" policy supported ideas that auto catalyst demand will increase. China is shortening quarantines by two days for those who have had close contact with infected people as well as for inbound travelers. However, infections are still on the rise, and full loosening could still be a long way off. This could set both markets up for a pullback if any additional easing of restrictions is slow in coming. There is also talk that the Chinese government is preparing a bailout for their real estate sector, which could ultimately support PGM demand if it succeeds in supporting the Chinese economy.

COPPER:

After gaining 17% since the end of October and reaching its highest level in 4 1/2 months at the start of this week, copper reversed direction and is posting heavy losses early in Monday’s trading session. The market is vulnerable to further long liquidation, but the near-term supply situation remains tight. News that the Chinese government instituted measures supporting for their property sector provided early support overnight, but a weekend spike in new Covid cases has diminished the chances for demand growth.

News that the government was relaxing Covid restrictions was a key factor in copper's rally last week, but losses in Chinese equity markets and significant rebound in the Dollar are putting pressure on prices. LME copper stocks had a sharp increase on Monday that broke a 15-session streak of declines, but those stocks levels remain close to their lowest levels since late March. The market was able to disregard a 17,112-tonne increase in weekly Shanghai exchange copper stocks on Friday. Shanghai stocks are the second highest since early April.

ENERGY COMPLEX:

The petroleum markets saw mixed results at the start of this week with volatile action inside their October/November trading ranges. If there are signs of demand improvement or an improvement in global risk sentiment, crude oil and RBOB gasoline may extend their recovery moves. January crude oil finished Friday with a strong gain, but it gave up early gains and found significant pressure Monday morning. A sharp increase in new Covid cases in China has traders concerned about demand. There are reports that Chinese refiners are pulling back on Russian crude oil purchases. US Treasury Secretary Yellen said that India can buy Russian oil at any price, just as long it does not use maritime services or insurance from Western nations.

Iraq's Prime Minister said that his nation needs to expand its oil production to generate more revenue and rebuild its country. He also said that OPEC Plus needs to reconsider its current production quota. The Baker Hughes US oil rig count rose by 9 rigs to 622 last week, the largest increase since late June and the highest overall reading since March 2020. The Permian basin count increased by 4 rigs, and "others" increased by 5, which suggests that firms are increasing their exploration efforts. However, Canadian oil rigs fell by 8, and at 133 they are at their lowest level since late July.

RBOB was under mild pressure Monday morning while ULSD was higher. The global demand outlook for petroleum products remains subdued, particularly with reduced driving demand during the Northern Hemisphere winter months and the news that new Chinese Covid cases are rising. A fire at a major refinery in southern California reportedly did not involve any major processing units, which eased fears of significant disruption in West Coast product supplies. Last week's EIA report showed PADD 5 (West Coast) gasoline supplies reaching an 11-week high, but total US supply fell to its lowest level since November 2014. Average US retail prices for unleaded gasoline have held within an 8-cent range over the past three weeks, and they are $1.25 below their record high from June. US distillate levels are very tight, with the EIA report putting them 77,000 barrels away from a 14 1/2 year low.

Natural gas had a downbeat finish on Friday that resulted in a negative weekly reversal from last Monday's five-week high. It has regained some strength and posted decent gains early this week. The market has not been able to maintain upside momentum since its rally over the first weekend of November that was in reaction to a colder weather forecast for the US. The temperature outlooks have moderated a bit, and the market continues to be volatile. Longs from the early November rally may have finally run out of patience and sold out of their positions late last week.

Germany's meteorological office said that their nation could be in for a mild winter, and the latest US 8-14-day forecast has near normal to above normal temperatures across the western third of the continental US. Indications that the Freeport LNG export terminal may not resume any operations until December also pressured the market going into the weekend. However, the Baker Hughes US gas rig count has been stable over the past few months, which suggests that US gas production is not going to post a new record anytime soon. US residential, industrial, and power plant demand for natural gas is expected to increase next week, which could keep prices above their recent lows.

BEANS:

The soybean market remains in a short-term consolidation as the short-term tightness is clashing with the outlook for a bumper world crop for the 2022/23 season. The U.S. soybean crush likely jumped in October to the fourth highest on record for any month as processing plants received a flood of newly harvested beans. For the NOPA crush report, traders see crush at 184.464 million bushels of soybeans for October. If realized, this would be up 16.7% from the 158.109 million bushels processed in September and up 0.3% from the October 2021. It would also be the second largest October crush on record, behind only October 2020. Estimates ranged from 175.000 million to 191.343 million bushels. Soyoil stocks are expected near 1.535 billion pounds, up 5.2% from the two-year low of 1.459 billion pounds at the end of

September but down 16.3% from the 1.834 billion pounds last year. The range is 1.425 billion to 1.700 billion pounds.

January soybeans ended higher last Friday but held inside last Thursday's range. The market received some hopeful demand news with the announcement that China was relaxing some of its Covid restrictions. Chinese firms have already booked a large deal with Indonesia to buy palm oil, and this was viewed as bullish for vegoil in general. December soybean oil responded with a move to within striking distance of its June contract highs, but closed well off of the highs. Safras and Mercado has raised its forecast for Brazilian 2022/23 soybean production to 154.5 million tonnes from a previous forecast of 151.5 million. Wednesday's USDA WASDE report put Brazilian production at 152.0 million tonnes, unchanged from last month's number.

While traders see a major surplus in oilseeds for this coming season, soybeans, meal and oil supplies will not be seen as significant until early next year, so there is some tightness which can provide periodic support. This is especially true with China shifting to a much more aggressive purchasing pace as compared with last month. Near record crush margins will help boost US supplies while the near record discount of palm oil to soybean oil is seen as a negative demand factor for soybean oil. The dry weather this summer and fall delayed plantings and may have encouraged growers to switch from corn to soybeans, which have a shorter growing season.

CORN:

December corn closed moderately higher on Friday but was confined to the lower half of Thursday's big range down with an inside trading session. Talks between a Russian delegation and UN officials to discuss Moscow's grievances about the Black Sea grains export initiative were underway in Geneva on Friday. This comes just eight days before the current agreement brokered by the UN and Turkey set to be renewed. A renewal could assure more Ukrainian grain would be available for export.

The USDA Foreign Ag Service has lowered its forecast for Ukrainian 2022/23 corn production to 25.8 million tonnes versus the official USDA number of 31.5 million that was in this week's supply/demand report. An estimated 10% of the crop may go unharvested due to lack of funds for fuel and storage. The market also found support from strength in crude oil and a further sharp drop in the US dollar. Dryness in Argentina is also a concern even though it might be too early to suggest any permanent damage. The near 50 cent break off of the October 31 peak came from the slow export pace.

WHEAT:

Wheat prices were higher last Friday on what some traders were describing as bargain hunting after the declines of the previous week. The weather forecast for Kansas continues to be dry. Winter wheat crop conditions are the worst they have ever been for this time of year. The crop can usually recover if there is adequate rainfall in the spring, but the conditions are so bad that analysts fear that this year could be an exception. The Buenos Aires Grain Exchange and the Rosario Board of Trade both lowered their forecasts for 2022/23 Argentina wheat production, as this year's drought continues to take its toll. Argentina wheat exports this year may come in at half of the previous year at near 7 million tonnes.

Traders are awaiting the results from the negotiations between Russia and the UN regarding the renewal of the Black Sea grain export agreement. Egypt officials indicated that they have enough wheat reserves for five months. The market was able to hold on the early break Friday above Thursday's low which was somewhat positive. While the market bounced on Friday, wheat closed 34 cents lower on the week. There is no rain in the central Plains for the next five days, with very light amounts elsewhere but there could be 1/4 inch in parts of Oklahoma. The 6-10 day forecast models show below normal precipitation for the whole wheat region and the 8-14 Day models also show dry weather ahead.

HOGS:

The short-term technical picture remains negative for lean hogs, and the setback of the past several days has brought December basis levels back down to more normal levels. As a result, the market could look a bit undervalued on any further technical correction. A jump in pork cutout values on Friday plus the fact that pork production last week was down 3.1% from a year could support the market early this week. Estimated US pork production last week was 534.3 million pounds, down from 551.5 million the previous week and 567.1 million a year ago. The USDA pork cutout, released after the close Friday, came in at $97.03, up $2.61 from Thursday and up from $94.72 the previous week. This was the highest the cutout had been since October 31.

December hogs closed lower on Friday with an outside day range. This was despite some supportive factors, including a sharp gain in pork cutout values Thursday after falling to their lowest levels since February earlier in the week. In addition, declining hog weights at a time of year they normally increase is a positive force, and USDA supply/demand report on Wednesday was bullish as well. The CME Lean Hog Index as of November 9 was 88.96, down from 89.46 the previous session and 92.34 the previous week. The USDA estimated hog slaughter came in at 450,000 head Friday and 164,000 head for Saturday. This brought the total for last week to 2.577 million head, up from 2.557 million the previous week but down 3.3% from a year ago.

CATTLE:

While other markets have presented a very optimistic view on the US economy, the cattle market continues to see a sharp drop in beef prices, as consumers are still likely to shift to other meats or at least lower priced beef cuts. The USDA boxed beef cutout was down $3.72 at mid-session Friday and closed $4.33 lower at $258.94. This was down from $263.75 the previous week and was the lowest the cutout had been since October 24. December live cattle closed lower Friday after trading in a wide range, giving up most of Thursday's gains in the process. Cash cattle prices were mostly steady with last week. Beef production is not falling off as much as expected, and this could weigh on cattle prices. In this week's supply/demand report, the USDA raised its estimate of US 4th quarter beef production by 215 million pounds. Beef production last week was up 0.8% from last year.

Cash cattle prices ended last week a bit firmer than the previous week. As of Friday afternoon, the five-day, five-area weighted average price was $152.52 versus $151.99 the previous week. The USDA estimated cattle slaughter came in at 120,000 head yesterday. This brings the total for the week so far to 630,000 head, down from 638,000 last week but up from 600,000 a year ago. The estimated average dressed cattle weight last week was 834 pounds, up from 832 the previous week but down from 835 a year ago. The 5-year average weight for that week is 833.2 pounds. Estimated beef production was 558.2 million pounds, up from 548.8 million a year ago.

COCOA:

Cocoa may be setting up for early downside follow-through this week as its November rally ran out of steam. With signs of improving demand and bullish near-term supply developments, however, cocoa prices should remain well supported on a near-term pullback. March cocoa reached 5-month high early in the day, but came under late pressure and fell into negative territory before finishing Friday’s outside-day trading session with a sizable loss and a negative daily reversal. For the week, however, March cocoa with a gain of 88 points (up 3.6%) for a second sizable weekly gain in a row.

A “double-digit” year-over-year reading for German CPI provided more evidence of high European inflation levels that are likely to diminish near-term cocoa demand in the region, and may have been a key factor for triggering a wave of profit-taking and end-of-week long liquidation. Sizable rallies in the

Eurocurrency and British Pound as well as continued strength in Euro zone and US equity markets provided carryover support that helped to keep further losses for cocoa prices in check.

Ivory Coast's Coffee and Cocoa Board has threatened to block the purchase of cocoa from their farmers starting on November 20th if buyers do not agree to both their current nation premium and their Living Income Differential. Following a dockworker strike at their port of San Pedro, this situation could lead to further disruption in the follow of Ivory Coast cocoa beans and products onto the global market if there is no quick resolution.

COFFEE:

While coffee prices were unable to complete a positive weekly reversal, they managed their first back-to-back positive daily results since early October. Although the market will continue to deal with near-term demand concerns, coffee is in a good position to extend a recovery move. March coffee was able to follow-through on Thursday's outside-day higher close and positive daily reversal with early strength, but came under pressure late in the day as it finished Friday's trading session with a mild gain. For the week, however, March coffee finished with a loss of 3.55 cents (down 2.1%) which was a sixth negative weekly result over the past 7 weeks.

Production issues in Brazil and Colombia from the current La Nina weather event has provided the coffee market with underlying support, as those 2 nations account for more than half of global Arabica output. The Brazilian trade organization Cecafe said that their nation's October Arabica exports came in at 3.07 million bags, which was up 3.3% from last year and pressured the coffee market going into the weekend. Safras and Mercado said that 62% of Brazil's 2022/23 Arabica production had been sold as of November 8th, which compares to 69% of last season's crop on that date last year. ICE exchange coffee stocks rose by 5,232 bags on Friday, and there are now more than 456,000 bags left to be graded.

COTTON:

December cotton closed higher on Friday as a sharply lower dollar and optimism about Chinese demand lent support. The dollar index was sharply lower for the second day in a row and closing 4% lower for the week. China relaxed some of its Covid restrictions, which raised hopes that the Chinese cotton demand would strengthen. The stock market was also higher, which boosts demand expectations. There were also concerns that rains from Hurricane (now Tropical Storm) Nicole would damage cotton crops in Georgia. As of November 6, 51% of Georgia's crop had been harvested. This suggests there is still a large amount still in the fields and vulnerable to damage from heavy rains.

SUGAR:

Sugar prices have seen an abrupt change in fortune during the past 2 weeks as they have regained more than 11% in value since posting a 3 1/2 week low in late October. If key outside market can provide consistent strength, sugar can see a sizable upside extension to this recovery move. March sugar extended its November rally to a new 5-month high before a midsession pullback, but it was able to finish Friday's trading session with a moderate gain. For the week, March sugar finished with a gain of 93 ticks (up 5.0%) for a second sizable weekly gain in a row.

A rebound in the Brazilian currency provided the sugar market with carryover support as that eases pressure on Brazil's Center-South mills to produce sugar for the global export marketplace. In addition, a week-ending rally in crude oil and RBOB gasoline prices strengthened ethanol demand prospects in Brazil and India. Keep in mind that energy prices finished last week well below their 10-week highs from last Monday.

The prospect of additional price gains for energy markets as China relaxes their “Zero Covid” policy helped the sugar market to maintain upside momentum going into the weekend. The USDA cut their 2022/23 US sugar stock usage from 14.8 down to 13.5, due in part to a 2.2% reduction in 2022/23 domestic beet sugar output, while bad weather forced the Western Sugar Cooperative to reduce their expected 2022/23 sugar deliveries by 12% and declare force majeure.

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