ADM Investor Services, Inc.

Weekly Futures Market Summary

November 21, 2022

by the ADMIS Research Team

BONDS:

Japanese national CPI reached a 40-year high while UK retail sales came in better than expected. The ECB's Lagarde said that they expect to raise Euro zone rates further. Following a stronger than forecast Canadian IPPI reading, US existing home sales came in above estimates as it fell to a 2 1/2 year low. The Fed's Collins said that the Fed likely needs to hike interest rates more, and that inflation expectations are reasonably well anchored. Treasuries held within tight ranges as they went on to finish last Friday’s session with moderate losses. Apparently, the treasury markets were overbought following the last two weeks of significant gains as prices were lower at the start of this week despite global risk-off sentiment dominating early this week. Perhaps the treasury markets have factored in the prospects the Fed will moderate the pace of rate hikes in their December FOMC meeting.

While the net spec and fund short positioning in treasuries has been brought down further from the rally after the COT report was measured early last week, both bonds and notes continue to hold sizable net spec and fund short positions (possibly the largest since October 2021) and that could provide support early this week and could potentially provide short covering buying fuel if risk off sentiment this morning, extends in the coming trading sessions. Bond positioning in the Commitments of Traders for the week ending November 15th showed Non-Commercial & Non-Reportable traders were net short 93,829 contracts after increasing their already short position by 22,897 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 414,660 contracts after increasing their already short position by 28,995 contracts.

CURRENCIES:

The Dollar bounced back from early pressure and went on to close with a modest gain for last Friday's trading session. Hawkish comments from the Fed's Collins pointed towards higher US rates in the near future, and has underpinned the Dollar late this week. In contrast, sluggish energy prices drove the Canadian dollar to a 1-week low. Apparently, the Covid situation in China has deteriorated with the government closing schools in Beijing and that in turn has ignited flight to quality buying interest in the dollar index.

Adding to the renewed bullish view toward the dollar is a prediction from Goldman Sachs that a "true" peak in the dollar might be several quarters away. It should be noted that some analysts have the dollar trade shifting into a short position and that could add to short covering in some categories of the Dollar trade. However, our measurement of the positioning report shows the spec and fund contingent remains net-long. Dollar positioning in the Commitments of Traders for the week ending November 15th showed

Non-Commercial & Non-Reportable traders are net long 29,904 contracts after net selling 3,918 contracts.

An escalation of global recession fears from the ramping up of Chinese infections and fear of higher US interest rates should result in significant declines in the euro directly ahead. In fact, a significant contraction in German inflation readings signal an economy potentially screeching to a halt. Therefore, with the euro spec and fund positioning net long (by our measurements), the dollar solidly in flight to quality vogue and fresh damage on the euro charts early today we see near term downside targeting at 1.0180. The November 15th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders added 16,339 contracts to their already long position and are now net-long 160,220.

Despite news that the “Oracle of Omaha” has extended his holdings in Japanese brokerage firms, the outlook for the Yen is distinctly negative from both fundamental and technical perspectives. In fact, if the world is expected to fall into recession and further Chinese activity restrictions unfold, the Japanese economy will slow further, and the currency is likely to fall below 70.00 this week. In addition to the significant overbought condition from a 2-week rally of 800 points, the wave of flight to quality flow toward the dollar has created a "void" of buying interest in the Swiss franc.

We are surprised that the Pound has not come under significant pressure this morning like other actively traded non-dollar currencies. In fact, the press is linking the expanding Covid problem in China with the early weakness in the Pound, but the Pound has held the 1.1750 level and therefore that level could have the ability to cushion the currency against modest strong dollar action. With the Canadian dollar significantly overbought from the October and November rally of 400 points, the US dollar in strong favor early and the Canadian dollar failing to find support, a quick slide below 74.00 is likely.

STOCKS:

Global markets shook off mild early pressure, but lost strength at midsession as they finished Friday's trading session with a mildly positive tone. Better than expected earnings from Applied Material provided an early boost to market sentiment. However, ongoing concern that China will not relax their Covid restrictions soon weighed on risk appetites. US equity markets fell from early highs but still went on to finish in positive territory with the Dow Jones outperforming the S&P and Nasdaq. Global equity markets at the start of this week were lower with the markets in Japan and Spain bucking the trend with modest gains.

While the Thanksgiving holiday tends to support equities from the hope of a strong kickoff to the holiday shopping season, the markets are not in a holiday mood. Certainly, last week's avalanche of recession and deflation forecasts have undermined investor sentiment even though the markets in general have embraced ideas that the Fed will temper its aggressiveness in their December meeting. Unfortunately for the bull camp, further Chinese infection problems have expanded activity restrictions and the equity markets start the week with a moderately bearish tone.

About the most positive view we can offer at the start of the week is the lack of significant anxiety selling in the S&P in early action. However, it appears the markets will be unable to tout the prospect of a strong kickoff to the shopping season early this week thereby signaling a drift lower in prices. Fortunately for the bull camp, the most recent COT report showed an ongoing sizable net spec and fund short which could reduce the magnitude of washouts ahead. E-Mini S&P positioning in the Commitments of Traders for the week ending November 15th showed Non-Commercial & Non-Reportable traders were net short 173,725 contracts after increasing their already short position by 5,993 contracts.

With the Dow futures early this week sitting relatively high in the last two weeks trade (relative to the S&P) the index could be vulnerable to a 400-point slide early this week. The Dow should see additional bearish pressure from the change in leadership at Disney which in turn signals concern throughout the streaming industry! As in the S&P, the Dow futures remain significantly net short and that could moderate the magnitude of stop loss selling waves early this week. The November 15th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 576 contracts to their already short position and are now net short 16,411.

As indicated already, the ouster of the Disney CEO signals trouble in the streaming business and in general retailing and that hurts many Nasdaq stocks. With fresh legal problems for Tesla in South Korea and rail unions in the US expected to vote on a contract this week, the NASDAQ is facing several bearish themes. Nasdaq Mini positioning in the Commitments of Traders for the week ending November 15th showed Non-Commercial & Non-Reportable traders net bought 2,617 contracts and are now net short 12,354 contracts.

GOLD, SILVER & PLATINUM:

In retrospect, both gold and silver were fortunate to avoid significant declines last week in the face of predictions that US Fed funds might need to rise above 7% to quell inflation. While the Chinese central bank left rates unchanged on Monday, the closure of schools in the capital city has sent a wave of fresh economic recession fear into world markets. Obviously, a significant range up breakout in the US dollar has added fresh currency related selling interest in gold and silver. Fortunately for the bull camp, it appears that treasury yields might be poised to slide lower and that might serve to cushion gold and silver against strength in the Dollar. However, this week it is possible the markets will be presented with a temporary wave of euphoria from the upcoming kickoff of the holiday shopping season, and that could firm the dollar further and pressure the Treasuries thereby setting the stage for a quick decline in December gold down to $1,725.

Obviously, the December gold contract has a critical pivot point to start the week at $1,750, with the 100-day moving average today proving lower support. The COT positioning report for November 15th showed the noncommercial and nonreportable net long in gold at 147,131 contracts which is a 50,000 contract increase in the net spec and fund long on a week over week basis. Gold positioning in the Commitments of Traders for the week ending November 15th showed Managed Money traders net bought 48,945 contracts which moved them from a net short to a net long position of 40,726 contracts. Non-Commercial & Non-Reportable traders were net long 147,131 contracts after increasing their already long position by 53,119 contracts. In short, the gold market is relatively overbought in the spec sector and therefore vulnerable to negative fundamentals.

Traders pressing the short side of the silver market should be aware that the Silver Institute in its latest publication predicted global demand for silver will rise 16% this year reaching 1.2 billion ounces and in turn creating the biggest deficit in "decades". This week's net spec and fund long position in silver was 31,230 contracts, a net increase of about 6,000 longs from November 8th! The November 15th Commitments of Traders report showed Silver Managed Money traders net bought 3,401 contracts and are now net long 15,894 contracts. Non-Commercial & Non-Reportable traders are net long 31,230 contracts after net buying 6,953 contracts. Last week gold ETF holdings declined by 282,207 ounces while silver ETF holdings increased by 2.2 million ounces.

Chinese Covid concerns has shifted the path of least resistance down in the PGM markets. Unfortunately for the bull camp in platinum, the market is very vulnerable from a technical perspective with prices at Friday's close sitting $184 above the September lows! It should also be noted that this week's COT positioning report showed platinum to have the largest net spec and fund long positioning since early March and that could facilitate aggressive stop loss selling ahead. Even the outlook for the US economy is moderating with more and more economists projecting recession and that combined with rising loan rates should leave demand forces in the PGM markets in the bear camp. Last week, PGM ETFs reduced their platinum holdings by 31,610 ounces while palladium ETF holdings declined by a mere 102 ounces.

Fortunately for the bull camp in palladium, the COT positioning report showed Palladium net spec and fund short 1,236 contracts and with the market into the low early this week more than $200 lower, the palladium market could become "mostly sold-out". The November 15th Commitments of Traders report showed Platinum Managed Money traders net bought 3,175 contracts and are now net long 20,071 contracts. Non-Commercial & Non-Reportable traders are net long 27,157 contracts after net buying 3,803 contracts. Palladium positioning in the Commitments of Traders for the week ending November 15th showed Managed Money traders are net short 166 contracts after net buying 1,626 contracts. Non-Commercial & Non-Reportable traders net bought 1,338 contracts and are now net short 1,236 contracts.

COPPER:

Conflicting news continues to flow for copper regarding China. While some solid import figures have helped moderate demand destruction fears from the flow of Chinese quarantine headlines, it seems as if the Covid flare has become very serious again! While overall copper supply inside China remains tight, last week's 9,641-tonne inflow to Shanghai copper warehouse stocks dampens the prospect of support from tight supply headlines. On the other hand, analysts expect copper treatment charges for Chinese smelters will remain high but solid forward demand expectations are of little interest to the trade today in the face of what appears to be a big picture macroeconomic let down.

Like many other physical commodities markets, the ratcheting up of interest rates and predictions of recession have brought out the Bears in almost every physical commodity market this morning. Fortunately for the bull camp fund positioning in copper was relatively low at 13,732 contracts and from the report into the low Friday, prices had retrenched by nearly $0.30. Therefore, the net spec and fund position in copper has likely shifted short as traders' position for recession. The Commitments of Traders for copper for the week ending November 15th, showed Managed Money traders are net long 25,380 contracts after net buying 9,200 contracts. Non-Commercial & Non-Reportable traders are net long 13,735 contracts after net buying 10,208 contracts.

ENERGY COMPLEX:

Even though the crude oil market is holding up in the face of significant market wide risk off psychology, we see the path of least resistance pointing down. Obviously, the expansion of the Covid problem in China is at the root of broad-based negative price action in nearly all physical commodity markets early this week. Adding into the initial downward tilt in crude oil is news that Russian Black Sea oil exports have resumed (after a storm), a significant jump in the dollar and news that crude oil in floating storage increased by 12% over last week. However, the crude oil trade expects strong Chinese crude oil imports ahead as the government seeks to capitalize on the global fuel shortage brought on by the Russian embargo by ramping up domestic refinery activity.

In fact, Bloomberg reports an increase in Chinese apparent demand of 0.2% over year ago levels but that could be a byproduct of the attempt to ramp up refinery activity for product exports. Perhaps the markets are also extracting some war/political premium from crude oil prices following signals that the Biden White House would give the Saudi Crown Prince immunity in the death of the Saudi journalist. Last week, the Baker Hughes oil rig drilling report showed an increase of one rig, putting the total rig operating count at 219 rigs and 39% over the same time last year. In the most recent EIA forecast for next year, the "growth" of US output was reduced by 21%. Currently US 2022 daily crude oil production is running at 11.8 million barrels per day which is 500,000 barrels per day above 2021.

However, the EIA projected 2023 US production of 12.3 million barrels per day which would reach the old record from 2019! The most recent positioning report showed the net spec and fund long in crude oil at 338,198 contracts which was near the longest levels since mid-July. On the other hand, since the COT report was measured crude oil prices have declined nearly $9 per barrel and that could push the net spec and fund long down to the lowest since September 2016! However, later this week, the trade will likely see minimal improvement in energy demand hopes from the largest US holiday air travel week of the year! Unfortunately for the bull camp the hope for holiday travel demand could be completely overshadowed talk of Putin's demise begins to surface from credible sources and that in turn sparks peace talks.

It should be noted that Ukraine is reporting heavy damage to its energy infrastructure from Russian bombing with some officials worried that the capital could lose all power! Therefore, one should not rule out the prospect of a massive human tragedy in Kyiv, especially with temperatures beginning to settle below freezing! At least to start the week, the $80.00 level looks to be a key pivot point potentially holding up as support until the direction of global equities telegraphs overall economic sentiment. The November 15th Commitments of Traders report showed Crude Oil Managed Money traders reduced their net long position by 21,978 contracts to a net long 191,833 contracts. Non-Commercial & Non-Reportable traders are net long 338,198 contracts after net buying 1,463 contracts.

Apparently, the wildly bullish case toward the diesel market has moderated significantly because of a sharp downward revision in demand off Chinese infection counts. While not a significant development, last week the EIA inventory report showed inflows to all primary product inventories and the trade was presented with evidence that Chinese fuel exports have jumped and will continue to jump. However, EIA gasoline stocks continue to hold a 4-million-barrel deficit to year ago levels and are also 12 million barrels below the five-year average level for this week of the year. On the other hand, the US refinery operating rate last week reached the highest level since early September and is running significantly above year ago and 5-year average levels. Therefore, without significant US holiday travel and colder than expected US and/or European weather, US product stocks could show inflows thereby facilitating more declines ahead.

With the gasoline futures in the most recent COT positioning report showing a noncommercial and nonreportable spec long of 55,515 contracts, the market is due further stop loss selling. Fortunately for the bull camp in the diesel market, prices aggressively rejected the major spike down failure at the end of last week and the January contract managed to close above the 100-day moving average at $3.3855. Gas (RBOB) positioning in the Commitments of Traders for the week ending November 15th showed Managed Money traders net sold 4,010 contracts and are now net long 56,610 contracts. Non-Commercial & Non-Reportable traders are net long 55,516 contracts after net selling 3,978 contracts. Heating Oil positioning in the Commitments of Traders for the week ending November 15th showed Managed Money traders are net long 27,948 contracts after net selling 1,816 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,254 contracts to a net long 47,122 contracts.

In retrospect, the January natural gas contract has settled within a $7.00 and $6.00 trading range, with the bear camp confident with European storage coffers in good standing and US working gas in storage sitting right on 5-year average levels for this portion of the season. So far, the restart of the Freeport export capacity damaged by fire remains unknown and that in turn continues to "backup" US supply normally in position for export. As of this writing, the Russian national gas company continued to ship gas to Europe via the Ukraine with reports of a slight increase in volume from levels on Saturday! In a longer-term supportive development China apparently inked one of the largest LNG purchases ever with Qatar. This week's COT positioning report showed natural gas holding a net spec and fund short position of 120,365 contracts which is near the lowest level since the beginning of the pandemic.

Last week, the Baker Hughes US gas rig drilling count increased by two with 157 rigs operating. The Commitments of Traders report for the week ending November 15th showed Natural Gas Managed Money traders were net short 67,148 contracts after decreasing their short position by 3,769 contracts. Non-Commercial & Non-Reportable traders added 581 contracts to their already short position and are now net-short 120,365. We see mild temperatures throughout Europe through the end of the week pressuring prices with a zone of cold temperatures limited to northern Italy providing very minimal cushion for prices. Furthermore, the January natural gas market finished last week near the upper portion of the last 4 weeks consolidation zone leaving the market vulnerable to a chop down toward consolidation support.

BEANS:

Concerns for demand from China continues to provide support. The market is in a difficult set up as futures are still holding a risk premium for potential weather issues in Brazil and Argentina. Brazil seems off to a great start for a record crop, while Argentina dryness is a concern. If the Argentina situation does not get worse, and the Brazil crop conditions are good in another 2-3 weeks, the market may take away the weather premium. January soybeans closed moderately higher on the session last Friday but stayed inside of Thursday's range. The market closed 21 3/4 cents lower on the week with bearish export news out of Ukraine for vegetable oils, a sharp break in palm oil futures and a decent start to the Brazil growing season helping to pressure. The market found some support from dryness issues on Argentina for getting the soybean crop planted.

In addition, very strong soybean export sales last week (over 3 million tonnes) added to the positive tone. Global demand for soybean oil may continue to struggle over the near term with palm oil trading at a near discount to soybean oil and other edible oils. Palm Oil production is expected to slow down seasonally over the near term and that may provide some underlying support. The Argentina crushing industry is anticipating the reintroduction of the preferential exchange rate for soybeans. In September, this action triggered sales of roughly 12 million tonnes of soybeans from farmers. Traders believe producers will sell 4-6 million tonnes this time around. Producer sales could improve if weather conditions improve for the new crop season. The increase in COVID-19 cases in China is seen as a bearish demand factor for food and energy consumption.

The November 15th Commitments of Traders report showed Soybeans Managed Money traders reduced their net long position by 10,943 contracts to a net long 92,965 contracts. Non-Commercial No CIT traders net sold 11,502 contracts and are now net long 44,261 contracts. The long liquidation selling is a short-term bearish force. For Soyoil, Managed Money traders added 5,161 contracts to their already long position and are now net long 110,371. Non-Commercial & Non-Reportable traders net bought 9,236 contracts and are now net long 125,029 contracts. For meal, Managed Money traders are net long 75,710 contracts after net selling 19,710 contracts. CIT traders are net long 117,123 contracts after net buying 2,627 contracts. Non-Commercial No CIT traders net sold 17,883 contracts and are now net long 51,375 contracts. This is an aggressive long liquidation selling trend.

CORN:

While the export demand outlook for the corn market remains sluggish and sales are well behind the pace to reach the current USDA forecast, it will not take much in the way of positive export news or minor weather issues in South America to spark a strong recovery rally. Traders anticipate a large crop from South America this year, but ending stocks are still projected at a very tight level. The market spent three sessions inside of Tuesday's range as cash markets remain positive and spread action is positive. The market closed 10 1/2 cents lower for the week. The corn export market has been sluggish. Cumulative US corn export sales for the 2022/23 marketing year have reached just 29% of the USDA forecast versus a five-year average of 43% for this time of year. China imported a total of 550,000 tonnes in October, down 58% from the same period last year. Their year-to-date imports have reached 19.01 million tonnes, down 27.5% from last year's pace.

The spread action in the corn market is sending an opposite signal.
The March/May Corn spread rallied to the highest level in a year this week, with March trading at a 2 1/4 cent premium to the May contract. This is the second highest level in more than 10 years. Only 2012/13 was higher. World grain stockpiles for 2022/23 are expected to fall to an eight-year low of 580 million tonnes, according to the International Grains Council. This is down from 584 million estimated in October. Wheat stockpiles were cut to 282 million tonnes from 286 million previously. Corn stockpiles were cut to

257 million from 258 million due to revisions higher in feed demand. This will put corn inventories at their lowest level in a decade. Argentina's corn crop is off to a poor start due to drought. Ukraine may have less corn than previously expected. The USDA Foreign Ag Service lowered its forecast for their 2022/23 corn production to 25.8 million tonnes. This is down from the 31.5 million in the November USDA report WASDE report. As much as 10% of the crop may go unharvested due to lack of funds for fuel and storage.

The basis charts show how strong the cash market has gotten relative to the futures. Gulf basis has been coming down recently, but at a $1.29 premium, it is still much higher than normal. The Omaha basis is at a 58 1/2-cent premium versus a typical discount of 10-20 cents at this time of the year. After being mostly negative since January, ethanol margins recently hit a new high for the year. This might push more corn into ethanol production. It is impressive that ethanol margins have been able to move higher in the face of the strong basis. The Commitments of Traders report for the week ending November 15th showed Corn Managed Money traders reduced their net long position by a whopping 60,831 contracts in just one week to a net long 176,831 contracts. Non-Commercial No CIT traders net sold 49,624 contracts and are now net long 103,617 contracts. The aggressive long liquidation trend is a short-term bearish force.

WHEAT:

December wheat closed lower on the session last Friday, and continued to push to the lowest level since late August early this week. For the week, the market was down 10 1/2 cents. December Kansas City wheat closed slightly lower on the session but well up from the November 10th lows. US weather is still a bit bullish but it is the time of the year when traders feel that crop conditions have very little correlation with final yield. In India, the Ministry of Agriculture indicated that wheat was planted on 10.1 million hectares as of November 18, up from last year's 8.8 million hectares. A bigger crop may ease the tight stocks situation with stocks falling to multi-year low this year. India is the world second biggest producer. The market seems to have already priced in a resumption of exports out of Ukraine and the Black Sea. There is no rain in the five day forecast for the Central Plains, and both the 6-10 and 8-14 day forecast models call for below normal precipitation.

Argentina will export 6.5 million tonnes of wheat for the 22-23 season, according to the Rosario Board of Trade. This was down from the previous estimate of 7 million tonnes and down from 11.7 million tonnes as the 5-year average. The wheat harvest is 10% complete, according to the Buenos Aires Grain Exchange. The November 15th Commitments of Traders report showed Wheat Managed Money traders net sold 3,878 contracts and are now net short 46,780 contracts. Non-Commercial No CIT traders added 2,008 contracts to their already short position and are now net short 60,490 contracts. This leaves the market vulnerable to increased buying if resistance levels are violated. For KC Wheat, Managed Money traders were net long 21,281 contracts after decreasing their long position by 3,152 contracts for the week. Non-Commercial & Non-Reportable traders net sold 2,063 contracts and are now net long 17,560 contracts. IKAR raised Russia wheat export forecast to 44 million tonnes from 42 million previous.

HOGS:

Estimated US pork production last week was 559.7 million pounds, up from 536.6 the previous week and down 1.8% from 570.0 a year ago. The USDA pork cutout, released after the close Friday, came in at $91.88, up $1.02 from Thursday but down from $97.03 the previous week. The CME Lean Hog Index as of November 16 was 88.14, down from 88.22 the previous session and 88.96 the previous week. December hogs closed moderately lower on the session Friday. While packer profit margins are in the black, pork prices continue to push lower and this kept the cash market trend down.

While the cash market news remains bearish, December hogs are already trading at a discount to the cash market, and this may help provide some support on technical breaks. The USDA estimated hog slaughter came in at 487,000 head Friday and 167,000 head for Saturday. This brought the total for last week to 2.605 million head, up from 2.503 million the previous week but down from 2.632 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,286 contracts of lean hogs for the week ending November 15, increasing their net long to 55,800. Non-commercial & non-reportable traders were net buyers of 1,188, increasing their net long to 38,222.

CATTLE:

The USDA boxed beef cutout was down $2.39 at mid-session Friday and closed $2.23 lower at $254.87. This was down from $258.94 the previous week and was the lowest the cutout had been since October 21. The USDA Cattle on Feed report Friday showed placements for the month of October at 93.9% versus trade expectations for 96.5% of last year, with a range of 94.6% to 100%. This is bullish against expectations. Marketings came in at 100.8% of last year as compared with the average estimate of 100.8% (range 100.5%-101.7%). The Cattle on Feed supply as of November 1st came in at 98% as compared with trade expectations for 98.3% (range 97.9%-99.1%). The news is bullish with placements coming in below the range of estimates. The news is supportive for February cattle. December cattle closed higher on the session and up for the third day in a row and this occurred even with weak beef price. Beef prices have been choppy and cash cattle traded lower last week as supply has come in a bit higher than trade expectations. This may limit the advance in the December contract.

February cattle closed higher for the 4th session in a row on Friday and traded up to the highest level since November 1. Cash live cattle trade was quiet on Friday after very active trade Thursday. The market ended last week very close to the previous week. As of Friday afternoon, the five-day, five area weighted average price was $152.61 versus $152.53 the previous week. The USDA estimated cattle slaughter came in at 125,000 head Friday and 34,000 head for Saturday. This brought the total for last week to 674,000 head, up from 671,000 the previous week but down from 680,000 a year ago. The estimated average dressed cattle weight last week was 835 pounds, up from 834 the previous week but down from 836 a year ago. The 5-year average weight for that week is 835.6 pounds. Estimated beef production last week was 561.3 million pounds, down 1% from a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 12,021 contracts of live cattle for the week ending November 15, reducing their net long to 50,160. Non-commercial & non-reportable traders were net sellers of 10,938, reducing their net long to 63,113. This is a long liquidation selling trend.

COCOA:

After losing more than 5% in value in a week, cocoa prices were able to find their footing going into the weekend. If global risk sentiment continues to improve, cocoa prices should be able to extend a recovery move in front of the Thanksgiving holiday. March cocoa saw early downside follow-through, but rebounded from a new 1 1/2 week low to finish Friday’s trading session with a mild gain and a positive daily reversal. For the week, however, March cocoa finished with a loss of 62 points (down 2.5%) which broke a 2-week winning streak.

Ivory Coast port arrivals remain well behind last season’s pace following a strike at the port of San Pedro, and that continue to provide support to cocoa prices. Many West African cocoa trees did not receive adequate fertilizer and pesticides due to high costs, and that is likely to a negative impact on this season’s main crop production. A strong finish to the week for European equity markets provided carryover support to cocoa as that helped to soothe near-term demand concerns in that region.

Recent inflation readings for the Euro zone and the UK remain close to 40-year highs, however, and that will dampen purchases of discretionary items such as chocolate. Ivory Coast’s CCC and Ghana’s Cocobod are threating to prevent major corporations from going to cocoa plantations to gauge the current harvest, and could also suspend their sustainability programs. If they follow through on those threats, it could result in near-term supply bottlenecks during the fourth quarter. In addition, Ghana and Nigeria have seen outbreaks of black pod disease that could significantly reduce their main crop production this season.

The Commitments of Traders report for the week ending November 15th showed Cocoa Managed Money traders net bought 18,509 contracts which moved them from a net short to a net long position of 4,865 contracts. CIT traders added 2,473 contracts to their already long position and are now net long 23,521. Non-Commercial No CIT traders were net short 594 contracts after decreasing their short position by 11,401 contracts. Non-Commercial & Non-Reportable traders net bought 14,993 contracts and are now net long 16,836 contracts.

COFFEE:

Coffee's fourth quarter downdraft has left prices closer to last year's low of 132.60 than they are to last month's high of 216.25. While its top 2 growing nations continue to have supply issues, coffee continues to be weighed down by the rapid build-up of European near-term supply. March coffee was unable to hold onto early strength as it finished Friday's trading session with a moderate loss and a fifth negative daily result in a row. For the week, March coffee finished with a loss of 13.00 cents (down 7.7%) which was a seventh negative weekly result over the past 8 weeks.

While a rebound in the Brazilian currency provided coffee prices with early carryover support, continued concern with the global demand outlook continued to pressure the coffee market late this week. ICE exchange coffee stocks (most of which are held at Euro zone warehouses) rose by 13,720 bags on Friday, and are close to climbing back above the 500,000 bag level for the first time since September. More importantly, there are more than 565,000 bags still waiting to be graded at the port of Antwerp. While not all of that coffee will pass the grading process, ICE exchange coffee stocks will climb to much higher levels over the next few weeks which will indicate lukewarm European out-of-home consumption levels.

The buildup of ICE exchange coffee stocks has overshadowed what it still a generally bullish global production outlook. The current La Nina weather event is expected to continue through the first quarter of 2023. La Nina usually brings drier than normal weather to Brazil's major Arabica-growing regions, while it brings heavier than normal rainfall to Colombian coffee growing areas that causes flooding and damage to coffee trees.

The Commitments of Traders report for the week ending November 15th showed Coffee Managed Money traders net sold 4,623 contracts and are now net short 18,786 contracts. CIT traders added 261 contracts to their already long position and are now net long 36,526. Non-Commercial No CIT traders net sold 4,040 contracts and are now net short 23,378 contracts. Non-Commercial & Non-Reportable traders added 4,302 contracts to their already short position and are now net short 12,942.

COTTON:

December cotton closed lower last Friday after probing below the low end of its two-week trading range and the selling pushed the market down to the lowest level since November 4th. The dollar closed higher, which is negative to cotton, but it failed to break out on the top end of its recent consolidation zone. It looks like China is far from being clear of its Covid restrictions, and this has traders concerns about demand going forward. In addition, traders are concerned that while consumer retail sales have been a positive influence on the economy, apparel sales do not look good, and traders are believing that consumers will back away from nonessentials for the holiday season and for early 2023.

On Friday there were reports that Beijing's biggest district urged people to stay home over the weekend as the government fine-tuned its Covid rules. The US export sales on Thursday were disappointing, with only 31,155 bales (old and new crop combined), the lowest since July. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,458 contracts of cotton for the week ending November 15, increasing their net long to 17,660. Non-commercial, no CIT traders were net buyers of 3,270, reducing their net short to 13,377.

SUGAR:

Sugar prices rose more than 16% in the space of three weeks, as a bottleneck in India created a short-term supply problem for the global market. The global supply fundamentals remain bearish, and this should reemerge as a negative force on prices. March sugar bounced back from a gap-lower opening and finished Friday's outside-day session with a sizable gain. For the week, March sugar finished with a gain of 41 points (up 2.1%) for a third positive weekly result in a row.

The Brazilian currency regained more than 1% in value which provided carryover support to the sugar market. India's new crop season began on October 1, and the market had been anticipating an influx of Indian exports. Soaring domestic prices have compelled Indian mills to renegotiate sales contracts while other mills were defaulting on contracts with overseas buyers. As much as 400,000 tonnes are thought to impacted, which underpinned sugar prices late last week. India's exports are expected to reach 9 million tonnes this season, which would be down from 11.2 million last year but their second largest on record.

After several years of normal to above normal rainfall, India 2022/23 production is expected to come in close to or above last season's record 36.15 million tonnes. Brazil has shifted some of its cane crushing activity from ethanol production to sugar. The latest Unica report showed that the share of crushing for sugar production was 48.5% during the second half of October, up from 37% for the same period last year. The full-season share has moved ahead of last year's pace, and that has sparked upward revisions in 2022/23 Center-South sugar production estimates. Brazil's season is ending, and most of their mills will be shut down for the season by mid-December.

China's October sugar imports were 35.8% below last year's total, while their January/October sugar imports are 13.4% behind last season's pace. The November 15th Commitments of Traders report showed Sugar Managed Money traders are net long 165,852 contracts after net buying 88,753 contracts. CIT traders are net long 201,862 contracts after net buying 4,803 contracts. Non-Commercial No CIT traders were net long 86,659 contracts after increasing their already long position by 74,135 contracts. Non-Commercial & Non-Reportable traders net bought 97,044 contracts and are now net long 210,684 contracts.

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