ADM Investor Services, Inc.

Weekly Futures Market Summary

December 27, 2022 **by the ADMIS Research Team**

BONDS:

Treasuries have started this week within fairly tight trading ranges but Bonds and Notes both reached 4-week lows coming into Tuesday morning's action. News that China has further reduced their Covid restrictions has helped to fuel a "risk on" rally in many market sectors and has put pressure on Treasuries early this week. While US economic and inflation data continue to show signs of softening activity and moderating inflation pressures, the markets generally expect the Fed to continue to raise rates next year which has left some fear that a recession will take place.

Stronger than expected US third quarter GDP readings, strong personal income results for November, and US jobless claims remaining close to their lowest levels since September signal that the potential for a soft landing (or better) has improved. While the latest durable goods readings were disappointing, consumer sentiment and new home sales posted surprise upticks on Friday. Bonds positioning in the Commitments of Traders for the week ending December 20th showed Non-Commercial & Non-Reportable traders added 34,060 contracts to their already short position and are now net short 108,953. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 21,611 contracts and are now net short 373,544 contracts.

CURRENCIES:

While the Dollar extended a coiling price pattern since the start of last week, the longer-term trend continues to head to the downside going into year-end. Relaxation of more Chinese Covid restrictions have given more fuel to a post-holiday "risk on" mood that has put early pressure on the Dollar. Recent US economic numbers have provided mixed results that have not been uniformly strong enough for the Dollar to regain upside momentum, and it is unlikely to put any brakes on its pullback unless there is a flare-up of risk anxiety early this week. Dollar positioning in the Commitments of Traders for the week ending December 20th showed Non-Commercial & Non-Reportable traders reduced their net long position by 8,288 contracts to a net long 20,196 contracts.

The Euro extended its recovery move through the weekend and is in striking distance of reaching a 1-week high. While there have few Euro zone data points for the market to digest, news that German 2-year yields have reached their highest levels since 2008 have helped to underpin the Euro early this week. In addition, the Euro should benefit from this week's early "risk on" mood throughout global markets. Euro positioning in the Commitments of Traders for the week ending December 20th showed Non-Commercial & Non-Reportable traders were net long 210,701 contracts after increasing their already long position by 25,608 contracts.

While the Yen remains within the upper portion of last Tuesday's updraft, it was on-track for a fourth negative daily result in a row. While there was a surprise downtick in Japanese unemployment, the latest Japanese retail sales reading was lower than expected. With China relaxed more of their Covid restrictions, the Yen will also be pressured by safe-haven outflows and is vulnerable to profit-taking and additional long liquidation going into year-end.

The Swiss franc pivoted back to the upside with sizable gains early this week. The SNB appears to be more accepting of the Swiss franc's premium to the Euro as they appear to be holding back on currency intervention, and that should keep a longer-term bullish outlook in place through year-end. The Swiss franc should also benefit from carryover support from the Euro zone as well as the "risk on" mood seen in global markets.

The Pound has underperformed since mid-December as it has struggled to climb back above the 200-day moving average and remains below its November month-end close. With the UK still out on holiday and with daily work stoppages weighing on sentiment, the Pound is likely to have trouble sustaining upside momentum. The Pound remains vulnerable to a sizable downside move if last Thursday's monthly low at 1.2017 is taken out.

The Canadian dollar was able to extend its recovery move back above the 50-day moving average Last week's data included stronger than expected readings for Canadian GDP and Canadian CPI, and that should keep the Bank of Canada in a hawkish policy stance during the first quarter. The Canadian dollar should also benefit from stronger global risk sentiment and higher energy prices early this week.

STOCKS:

Global markets have started the holiday-shortened week with a mildly positive tone. Chinese and Japanese equities saw a second day in a row with moderate gains, while major European stock indices and US stock index futures are showing moderate early gains. China has taken further steps to reduce their Covid restrictions including removing a quarantine requirement for overseas visitors. Japanese unemployment had a surprise downtick, while Japanese retail sales and Chinese industrial profits came in lower than trade forecasts. The market experienced an impressive rally Tuesday morning and also saw a recovery bounce on Friday, but the market is still inside of Thursday's big range down day.

Further easing of China COVID rules seems to be the key supportive force, but this does not seem to be the type of information that will drive markets higher. In fact, the market does not seem to have the forces in place that would cause investors to chase the market higher into the end of the year. The market remains in a situation where soft data and soft inflation is required to spark rallies. Strong economic data is considered bearish to equity markets as that could trigger fears of recession from overtightening. E-Mini S&P positioning in the Commitments of Traders for the week ending December 20th showed Non-Commercial & Non-Reportable traders are net short 138,327 contracts after net buying 27,038 contracts.

The lack of urgency from investors to own equity markets along with decent returns for Treasury Notes are factors which might limit the upside on this rally. Technically, the Dow remains oversold and vulnerable to year end short covering, but it appears that investors may be waiting for a better sign of a short-term low before new buying can begin. The Commitments of Traders report for the week ending December 20th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 10,381 contracts after decreasing their short position by 9,912 contracts. Nasdaq Mini positioning in the Commitments of Traders for the week ending December 20th showed Non-Commercial & Non-Reportable traders reduced their net long position by 12,908 contracts to a net long 1,863 contracts.

GOLD, SILVER & PLATINUM:

China has further reduced its Covid protocols, and this gave the gold market a boost overnight on ideas it would support demand from the world's largest consumer of gold. Starting in January, inbound travelers to China will no longer be subjected to quarantine. February gold was higher overnight, advancing Friday's gains but still inside Thursday reversal lower. The market responded positively on Friday to the release of the November PCE. The PCE is often referred to as the Fed's favorite inflation reading. It was up 0.1% in November (+5.5% year over year) after climbing 0.4% in October (6.1% annually). Core PCE was up 4.7% annually.

The annual increases for both the headline and core numbers were the smallest since October 2021. This showed inflation is cooling a bit but apparently not enough to get the Fed to slow their rate hikes. This followed a negative reaction to a stronger than expected GDP number on Thursday, which indicates stronger growth and would give the Fed reason to keep up their fight against inflation. The trade is looking for gold to rally once central banks ease up on tightening in 2023, which would be supportive to gold. Traders are looking ahead to the consumer confidence report today, as a strong number would stiffen the Fed's back.

Friday's Commitments of Traders report showed managed money traders were net buyers of 1,898 contracts of gold for the week ending December 20, increasing their net long to 58,452. Non-commercial & non-reportable traders were net buyers of 2,759, increasing their net long to 155,882. In silver, managed money traders were net buyers of 7,961 contracts, increasing their net long to 29,995. Non-commercial & non-reportable traders were net buyers of 4,288, increasing their net long to 43,558. Neither market could be described as overbought, and the buying trend is short-term supportive.

March palladium gapped higher at the start of this week and traded to its highest level since December 16. China's further relaxation of Covid policies may have given a lift to the market on ideas it would boost the auto sector, which is a key source of palladium demand. This comes after the market rejected a downside breakout on Friday. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,697 contracts of platinum for the week ending December 20, reducing their net long to 17,548. Non-commercial & non-reportable traders net sold 3,145 contracts and are now net long 29,484 contracts. In palladium, managed money traders were net sellers of 1,850 contracts, increasing their net short to 1,853. Non-commercial & non-reportable traders were net sellers of 1,803, increasing their net short to 2,657. The platinum managed money position is coming off its largest net long since March, but it is still well below its record of 53,000+ from January 2020. Palladium positions are about as close to neutral as can be.

COPPER:

Copper prices spent last week in a tight consolidation zone, but it has broken out to the upside with a gap-higher opening and a sharp rally on Tuesday. March copper finished last Friday with a strong gain and a third positive week in the past four. It has reached its highest level in six weeks and is on-track for its first close above the 200-day moving average since June. Chinese equity markets had a positive start to the week following news than more Covid restrictions are being relaxed, and that should provide copper with carryover support. Weekly Shanghai exchange copper stocks fell for the fourth time inf the past five weeks on Friday, reaching their lowest levels since late September which also bodes well for Chinese demand.

LME copper stocks increased on Friday, but they remain close to last Thursday's six-week low. There were reports that the Peruvian government has been able to clear a major road for mining transportation following protests, and that may help to ease near-term supply tightness. Friday's Commitments of Traders report showed managed money traders were net long sellers of 1,867 contract of copper for the week ending December 20, reducing their net long to 14,389. Non-commercial & non-reportable traders were net sellers of 3,015, reducing their net long to 3,388.

ENERGY COMPLEX:

The crude oil market found some fresh supply-side support and could be ready to extend its recovery move early this week. February crude oil finished Friday with a moderate gain and a second positive week in a row, and it has followed with further gains early this week as it reached its highest level in 2 1/2 weeks. News that China will further relax its Covid restrictions has been a major source of strength. This follows last week's threat from Russia to cut its crude production by 5%-7% if the EU and G7 nations introduce a price cap on Russian oil purchases.

US refinery throughput was expected to have a moderate pullback due to the severe winter storm shutting operations at several major refineries, but crude production in Texas and North Dakota was also expected to drop due to severe cold temperatures. The Baker Hughes US oil rig count increased by 2 last week but at 622 is still below late November and early December levels.

November Chinese refinery throughput was 0.3% above a year ago, but their 2022 pace is 3.9% behind 2021. Friday's Commitments of Traders report showed managed money traders were net buyers of 12,930 contracts of crude oil for the week ending December 20, increasing their net long to 188,583. Non-commercial & non-reportable traders were net buyers of 1,119, increasing their net long to 289,146. The buying trend is short-term positive.

RBOB and ULSD both finished Friday with strong gains, and they reached new highs for the move at the start of this week. This is due in large part to US refinery shutdowns from the severe winter storms that moved across the US last week and into the weekend. This year was initially expected to be the third-busiest holiday driving season on record, but the winter weather interrupted travel.

Average US retail pump prices for regular unleaded are at their lowest level since June 2021 and are 20 cents a gallon below a year ago. November Chinese gasoline production was 12.2% below last year, but diesel production was 16.4% higher. The Commitments of Traders report showed managed money traders were net buyers of 2,743 contracts of RBOB for the week ending December 20, increasing their net long to 50,195. Managed money also bought 5,452 contracts of ULSD increasing their net long to 19,521. The buying trend is supportive for the near term.

Natural gas was able to find its footing late last week, but the market has fallen back from its overnight highs and is only modestly higher this morning. Last Friday's positive daily reversal was due in large part to the severe cold that marched across much of the US. This brought record high US gas demand and a sharp drop in production. Demand should ease this week, as the 6-to-10-day forecast calls for above-normal temperatures east of the Mississippi River.

Russia announced that it is ready to resume gas shipments to western Europe through the Yamal pipeline, but their deputy prime minister said that 2023 production will be 12% below 2022 year and exports will be 25% lower. The Baker Hughes US gas rig count rose by 1 last week to 155. This is still below the 3-year high from September. Despite the warmup in the US, stronger global risk sentiment could help natural gas follow through on last Friday's positive daily reversal. The December 20th Commitments of Traders report showed managed money traders were net sellers of 7,291 contracts of natural gas, increasing their net short to 55,202.

BEANS:

There seems to be plenty of uncertainty left regarding Argentina production prospects while the Brazil crop is in good shape. Malaysia palm futures rallied more than 6% today to hit a near three week high as traders see less restrictions for COVID in China as a positive force. Meal has consolidated since December 7 which has helped correct the overbought technical condition. A front brought widespread showers to Argentina growing areas on Friday, but it looks dry this week. Another shot of showers will move through this weekend, but it will get dry behind that front as well. Showers are not coming at a consistent enough clip to reduce drought or turn around crop conditions for corn and soybeans that have been significantly harmed by heat and drought this season, according to traders and weather-watchers. Argentina farmers have traded 4.83 million tonnes of soybeans since the government temporarily devalued the peso for them for a second time from November 28, according to the Buenos Aires Grain Exchange. The first temporary devaluation in September spurred 16.1 million tonnes.

The Commitments of Traders report for the week ending December 20th showed Soybeans Managed Money traders are net long 123,569 contracts after net buying 3,989 contracts for the week. Non-Commercial & Non-Reportable traders are net long 90,028 contracts after net buying 6,179 contracts. For Soymeal, Managed Money traders are net long 121,263 contracts after net buying 6,777 contracts. Non-Commercial & Non-Reportable traders net bought 9,293 contracts and are now net long 162,026 contracts. For oil, Managed Money traders are net long 58,130 contracts after net buying 4,781 contracts for the week. Non-Commercial & Non-Reportable traders added 7,569 contracts to their already long position and are now net long 73,864.

CORN:

The short term trend is up with the market moving to the highest level since December 1 on Friday. There is still enough uncertainty on the Argentina weather outlook, and outside market forces carry a bullish tilt which should help support the market early today. Exporters announced the sale of 150,000 tons of US corn sold to Mexico on Friday. Traders believe Brazil fuel policy could change over the near term in favor of ethanol. Talk that an unfavorable tax law will expire in Brazil on December 31 is seen as a positive influence for corn. Brazilian corn exports have been much higher than the volume shipped last year and there are more ships getting ready to set sail in the coming weeks.

Brazil has exported 3.38 million tonnes of corn, which accounts for 99% of the total exported in December last year (3.41 million tons). Anec estimates the volume to be shipped this month to reach 6.58 million tonnes. Since February, 38 million tonnes of corn have been exported by Brazil, two-fold the volume from 2021 (18 million tonnes). Planting of the summer crop of corn is near the end but low rainfall in southern Brazil is concerning. By December 17th, 82.3% of the crop had been planted. The Commitments of Traders report for the week ending December 20th showed Corn Managed Money traders were net long 113,815 contracts after decreasing their long position by 13,291 contracts for the week. Non-Commercial & Non-Reportable traders are net long 121,735 contracts after net selling 16,501 contracts for the week.

WHEAT:

The wheat market remains in a short-term uptrend as cold-weather uncertainties helped to support late last week. There will not be good readings on the extent of damage in wheat fields which were uncovered. Egypt is tendering for wheat with the lowest offers coming out of Russia. India plans to provide free grain to near 800 million people for one year, a move that could help the ruling party receive political benefits. The government is expected to spend near $24.1 billion on the program, according to the food minister. In spite of record wheat production in Brazil this year, wheat prices are trading very high in some regions, and near record highs. In Brazil, Conab estimated the output near 9.55 million tonnes, a record and 24.4% higher than that in the 2021/22 season.

Wheat positioning in the Commitments of Traders for the week ending December 20th showed Managed Money traders reduced their net short position by 3,693 contracts to a net short 59,311 contracts. Non-Commercial No CIT traders net bought 4,090 contracts and are now net short 67,107 contracts. For KC Wheat, Managed Money traders were net long 1,245 contracts after decreasing their long position by 7,295 contracts for the week. Non-Commercial No CIT traders net sold 6,131 contracts and are now net short 16,019 contracts. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 3,804 contracts after net selling 5,844 contracts.

HOGS:

The USDA Hogs and Pigs report released after the close last Friday showed December 1 US hog supply at 98.2% of last year versus an average trade expectation of 98.5% and a range of expectations from 98.3% to 98.8%. Kept for breeding came in at 100.5% versus 99.5% expected (range 99.0% to 100.0%). Market hogs came in at 98% versus 98.4% expected (range 98.2% to 98.7%). The September-November pig crop was 98.7% of last year 98.4% expected (range 97.9% to 99.2%). The report is bullish against trade expectations, with market supply coming in well below trade expectations. Both the total supply and kept for market came in below the range of expectations, which is supportive for February and April lean hogs.

On the other hand, kept for breeding came in well above trade expectations, and this is bearish for the second half of 2023, especially the December 2023 contract. December 2023 hogs are still under the negative technical influence of their December 21st key reversal. Short-term demand factors appear better than expected, with the recent rally in pork cutout values, a significant decline in cold storage supply for the month of November, and better than expected export news last week. The USDA pork cutout released after the close last Friday came in at $92.06, up $5.05 from Thursday and up from $85.63 the previous week. This was the highest the cutout had been since November 16.

The CME Lean Hog Index as of December 21 was 79.67, down from 80.57 the previous session and 81.88 a week prior. The USDA estimated hog slaughter came in at just 96,000 head Friday and 3,000 head for Saturday, as the sever cold and snow reduced capacity. This brought the total for last week to 1.769 million head, down from 2.592 million the previous week and 1.925 million a year ago. Estimated US pork production last week was 382.5 million pounds, down from 595.8 the previous week and 416.4 million a year ago. Friday Commitments of Traders report showed managed money traders were net sellers of 3,730 contract of lean hogs for the week ending December 20, reducing their net long to 36,386. Non-commercial, no CIT traders were net buyers of 1,983, contracts which moved them from a net short position to a net long of 1,872.

Short-term demand factors have supported the recent bounce, but the mild decline in US pork production from the fourth quarter of 2022 to the first quarter of 2023. The USDA is forecasting production to decline 5 million pounds, whereas it typically declines by 100 to 400 million pounds during that time frame. It was down 281 million last year. This year's change would be close to 2015, when production increased slightly, and it would be the second most bearish setup since 1977. In 2015 February hogs were trading at 82.85 at this time of the year, and they went off the board at 62.05. Another comparable year was 2020, when production declined by 55 million pounds from the fourth to the first quarter. February 2020 hogs were trading near 70.52 on December 15 and went off the board at 55.82.

CATTLE:

The shift in US beef production from the fourth quarter this year to the first quarter of 2023 shows a near record decline, and this is a bullish supply factor. The USDA boxed beef cutout was up $6.32 at mid-session Friday and closed $6.74 higher at $271.95. This was up from $262.83 the previous week and highest was the highest it had been since July 19. Tyson Foods, Inc. suspended and/or reduced operations at some US meat facilities late last week because of the storms, and cattle slaughter was down 10.1% from the previous week. The USDA Cattle on Feed report, released after the close on Friday, showed placements for the month of November at 97.9% of last year versus trade expectations for 95.4% and a range of expectations from 91.8% to 98%. Marketings came in at 101.2% versus an average expectation of 100.9% (range 99.9%-101.3%). On feed supply as of December 1st came in at 97.4% versus 97.1% expected (range 96.5%-97.6%). Placements coming in a bit higher than expected is slightly negative for April live cattle. On the other hand, marketings coming in at the high end of trade expectations suggests producers are more current with marketings than expected, which is slightly positive for the February contract.

The cattle market seems to have the tightening supply set-up to remain in a bull trend. However, talk of the overbought condition and ideas that feedlot areas will turn warmer this week are seen as negative factors. The USDA estimated cattle slaughter came in at 104,000 head Friday and 3,000 head for Saturday. This brought the total for last week to 562,000 head, down from 625,000 the previous week but up from 487,000 a year ago. Estimated beef production last week was 470.4 million pounds, up from 408.7 million a year ago. The estimated average dressed cattle weight last week was 839 pounds, unchanged from the previous week and down from 842 a year ago. The 5-year average weight for that week is 833.8 pounds. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,454 contracts of live cattle for the week ending December 20, reducing their net long to 65,465. Non-commercial & non-reportable traders were net sellers of 1,281, reducing their net long to 67,888.

COCOA:

Cocoa’s 3-day rally going into the holiday weekend lifted prices up to their highest level since April. If global markets can regain and sustain a positive risk tone, cocoa should be able to maintain upside momentum going into year-end. March cocoa held within a fairly tight early range before rallying through midsession to a new 8 1/2 month high, and in spite of a late pullback finished Friday’s trading session with a moderate gain. For the week, March cocoa finished with a gain of 153 points (up 6.2%) which broke a 2-week losing streak.

While they showed mild pre-holiday strength, gains in the Eurocurrency and US equity markets provided cocoa with carryover support. West African growing areas are well into their “dry” season, which combined with inadequate use of fertilizers and pesticides is likely to have a negative impact on the region’s late main crop and early midcrop production. Nigeria’s cocoa exports last month were 17% above 2021 levels and more than double their October export totals, but that was due in part to exporters being able to unload their cocoa bean stocks due to higher prices.

The December 20th Commitments of Traders report showed Cocoa Managed Money traders went from a net long to a net short position of 484 contracts after net selling 2,646 contracts. CIT traders were net long 20,275 contracts after decreasing their long position by 1,289 contracts. Non-Commercial No CIT traders were net short 4,808 contracts after increasing their already short position by 1,988 contracts. Non-Commercial & Non-Reportable traders net sold 3,075 contracts and are now net long 10,923 contracts.

COFFEE:

Coffee prices have had a bumpy ride since reaching a 17-month low in late November as they have been unable to climb back above their December highs. If recent short-covering has run its course, coffee may have a downbeat finish to the year. March coffee followed through on Thursday’s late rebound as it reached a 1-week high before finishing Friday’s trading session with a sizable gain. In addition, this was

March coffee's first close above the 50-day moving average since late September. For the week, March coffee finished with a gain of 7.60 cents (up 4.6%) which was a second positive weekly result in a row.

Coffee continues to find support from the ongoing La Nina weather event which is having a negative impact on South American production. While there is a wide range of early forecasts for Brazil's upcoming 2023/24 "off-year" Arabica crop, Colombia's annualized production pace has fallen to its lowest levels since mid-2014. ICE exchange coffee stocks fell by 1,270 bags on Friday which was their first daily decline since mid-November. With 4 sessions left in December, ICE exchange coffee stocks remain on-track for a second sizable monthly increase in a row.

The Commitments of Traders report for the week ending December 20th showed Coffee Managed Money traders are net short 14,741 contracts after net buying 3,541 contracts. CIT traders were net long 34,413 contracts after increasing their already long position by 81 contracts. Non-Commercial No CIT traders were net short 16,429 contracts after decreasing their short position by 4,061 contracts. Non-Commercial & Non-Reportable traders are net short 9,014 contracts after net buying 3,904 contracts.

COTTON:

The cotton market continues to see a clash of supportive outside market forces, strength in the stock market and in crude oil, as compared with very poor export sales news and increasing demand concerns. Outside market forces carried a positive tilt this morning which may help support. However, the decline in open interest as the market tested the November 16 high last week is a negative development. Light trading volume seems to be adding to the choppiness. The market recovered some on Friday after a limit down move on Thursday. Ideas that the cold weather could support energy prices has helped to provide underlying support.

More talk of a smaller planted area for the coming year has helped to provide underlying support. China's cotton output rose 4.3% in 2022 to 5.977 million tonnes, according to the National Statistical Bureau. The Commitments of Traders report for the week ending December 20th showed Cotton Managed Money traders are net long 12,504 contracts after net buying 1,784 contracts. Non-Commercial & Non-Reportable traders are net long 17,593 contracts after net buying 4,783 contracts.

SUGAR:

Sugar prices are well into overbought territory after 6 positive daily results in a row and a rally to 5 1/2-year highs. With short-term supply tightness and signs of improving demand, sugar can maintain upside momentum through year-end. March sugar was unable to hold onto early strength but rebounded from a late pullback to finish Friday's trading's session with a mild gain. For the week, March sugar finished with a gain of 89 ticks (up 4.4%) and a fourth positive weekly result in a row.
Crude oil and RBOB gasoline extended their recovery moves up to 3-week highs, which provided sugar with carryover support as that should strength near-term ethanol demand.

In addition, the Brazilian currency climbed up to a 6 1/2 week high which also gave a boost to sugar prices. On Monday, the Brazilian trade group Unica released their latest supply report which showed their nation's Center-South sugar production during the first half of December was 298,000 tonnes. This was more than 11 times the size of last year's total but came in below trade forecasts. The Center-South cane crush was 630% above last year, Center-South ethanol production was 144% above last year while Center-South domestic ethanol sales were 7.9% ahead of last year's pace.

The Commitments of Traders report for the week ending December 20th showed Sugar Managed Money traders were net long 241,033 contracts after increasing their already long position by 39,900 contracts. CIT traders were net long 191,450 contracts after decreasing their long position by 7,778 contracts. Non-

Commercial No CIT traders net bought 36,014 contracts and are now net long 163,423 contracts. Non-Commercial & Non-Reportable traders were net long 294,505 contracts after increasing their already long position by 52,921 contracts.

Please contact us at + 1 877 690 7303 or via email at sales@admis.com for questions or comments on this report or would like more information about our ADMIS research reports.

Follow ADMIS on Social Media