ADM Investor Services, Inc.

Weekly Futures Market Summary

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by the ADMIS Research Team

BONDS:

On one hand, last Friday's US job related data was mixed but it could be argued the readings depicted an economy standing up to the rate hike cycle. However, seeing stronger than expected average hourly earnings probably concerns the Fed while the Fed sees less risk of further tightening because of the overall condition of the US job sector. On the other hand, if one interprets last Friday's jobs news as positive, the magnitude of the downside action in bonds and notes was undersized and indicative of a lack of bearish resolve.

Despite the short-term overbought condition in treasuries into last Friday's highs, prices at the start of this week remain near the recent highs despite news that China is or will soon relax Covid activity restriction rules in two major cities. However, a set of S&P global services and composite PMI readings throughout Europe were very disappointing with euro zone retail sales posting a massive month-over-month decline of 1.8%!

Not surprisingly, the European economic data has fostered fresh predictions of a European recession and therefore European economic data is probably providing indirect support to bond and note prices. In retrospect, seeing treasury prices remain firm following slightly positive nonfarm payroll data highlights the bull camp's current control. On the other hand, with the US Fed and the ECB approaching rate hike decisions next week and the trade widely expecting both banks to raise by 50-basis points, it will take a series of better-than-expected US readings to rekindle talk of a US 75-basis point rate hike.

With the treasury bond market last week increasing its net spec and fund short positioning, a portion of last week's gains in bonds were likely short covering but given the magnitude of the net spec and fund short, more technical stop loss buying is possible. The Commitments of Traders report for the week ending November 29th showed Bonds Non-Commercial & Non-Reportable traders were net-short 65,721 contracts after increasing their already short position by 7,273 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 347,089 contracts after decreasing their short position by 14,096 contracts.

CURRENCIES:

Despite attempts to recover, the dollar index ultimately posted a fresh new low for the move and preferred the lower end of the trading range for most of last Friday's trading session. In other words, a better-than-expected nonfarm payroll reading and concerning wage readings were almost totally discounted by the currency markets. However, one could make the argument that the US economy continues to hold up in a fashion that justifies flight to quality money exiting the dollar. While the dollar index has displayed respect for the 104.00 level early this week, the fundamental path of least resistance remains down as the potential reopening of China offsets expanding fear of a recession in Europe.

In fact, the Chinese currency has jumped and has reached the highest levels since mid-September which is a fresh undermine of the US dollar. On the other hand, the trade apparently judged US job data as positive and that has likely contributed to the market's respect of 104.00. The Commitments of Traders report for the week ending November 29th showed Dollar Non-Commercial & Non-Reportable traders added 534 contracts to their already long position and are now net long 28,423. Traders should become sellers of the dollar on a retest of 105.05.

Despite broadening recession forecasts for Europe, the euro has forged a higher high for the move and the highest trade since the end of June! Furthermore, the euro has clawed out gains in the face of very disappointing euro zone retail sales and disappointing French, German, and euro zone global services PMI data. In conclusion, the bull camp apparently controls despite growing evidence of a European recession. However, it is possible the euro is deriving lift from ECB comments overnight predicting they will still hike rates 50 basis points on December 15th. The November 29th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders were net long 165,456 contracts after decreasing their long position by 1,580 contracts.

Even though the Yen has not forged a fresh higher high for the move early today the currency is likely to respect support at Friday's low. In fact, the Yen should see minimal support from a positive Japanese bank services PMI reading and to a lesser degree from weakness in the Dollar. Furthermore, it should be noted that the Yen is trading higher despite a noted rally in the Chinese currency. With the Swiss franc continuing to exhibit the most volatility of the actively traded currencies and the trade seemingly preferring the Swiss over the euro, the 107.00 level appears to be a launching point for a retest of the 108.00 level.

As in other nondollar currencies at the start of this week, the Pound has forged a fresh higher high in the face of disappointing scheduled data. While GBP global services PMI readings were unchanged, GBP S&P global composite PMI readings were weaker than expected. Furthermore, predictions of a contraction in UK growth in the last quarter of 2022 have been aggressively discounted. The Canadian appears to be "lost" in the face of contradictory conditions/issues. On one hand, the Canadian economy remains very vulnerable to slowing, with the Bank of Canada likely to raise interest rates especially after favorable October and November Canadian jobs data.

STOCKS:

As expected, the stock markets exhibited significant volatility early last Friday because of the non-farm payrolls report. In fact, given the better-than-expected payroll reading and concerns of wage inflation, treasury could have jumped and in turn could have sparked selling in equities off a slight rekindling of fears of a 75-basis point Fed funds rate later this month. Global equity at the start of this week were mixed with gains posted in Asia from Chinese covid news, but that positive news was offset by losses in Europe off recession fears.

Apparently, the equity markets last week factored in the prospect of a lessening of Chinese Covid restrictions as further positive news from China this morning on that front has failed to lift equity markets outside of Asia. However, the markets are justifiably unsettled by softer than expected European ISM and PMI readings which resulted in widespread European recession forecasts, as that news has also coincided with indications the ECB will likely go ahead and "raise rates" next week! In conclusion, economic sentiment is suspect to start the week and investors are reportedly looking to defensive/recession stocks.

While Reuters is reporting growing interest in recession/defensive stocks, the flow of recent US scheduled data in our opinion is exactly what the bull camp needed. In other words, good and bad data serves to add to the idea the Fed will reduce the magnitude of the rate hikes at the same time positive data has increased the prospect of a soft landing in the US economy. Positive corporate headline developments overnight came from news that Amazon and Apple would resume advertising on Twitter! The Commitments of Traders report for the week ending November 29th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 159,613 contracts after net selling 3,849 contracts.

While the Dow stocks should see support from news that Apple will resume advertising on Twitter, multinational companies in the Dow are likely to be pressured early this week because of growing European recession fears. However, certain Dow stocks will benefit with further declines in treasury yields and declines in the US dollar. The November 29th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 1,271 contracts and are now net short 12,907 contracts.

Corporate news for the NASDAQ at the start of the week was mixed with Tesla reporting a 20% reduction in Model-Y output by its Shanghai plant and Twitter shares benefiting from news that both Apple and Amazon would resume advertising on the social media site. Nasdaq Mini positioning in the Commitments of Traders for the week ending November 29th showed Non-Commercial & Non-Reportable traders net bought 4,214 contracts which moved them from a net short to a net long position of 1,264 contracts.

GOLD, SILVER & PLATINUM:

With the dollar showing signs of stabilizing above 104.00 at the start of this week and interest rates tilting higher, a portion of the anticipated lift from news that China may relax Covid restrictions (in its two largest cities) was lost on gold and silver. However, seeing China relax restrictions should support physical commodities worldwide. Fortunately for the bull camp, the net spec and fund long in gold is in the lower 10% of the net spec and fund long positioning since March, but this week's reading likely dramatically understates the adjusted net spec and fund long present into the high early this week.

In other words, since the COT report mark off, February gold has gained $65. The November 29th Commitments of Traders report showed Gold Managed Money traders were net long 28,009 contracts after decreasing their long position by 3,910 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 9,914 contracts to a net long of 128,974 contracts. It should be noted that the upcoming global economic report slate is extremely active and therefore the prospect of rate hike talk volatility will be high. Last week, gold ETF holdings reduced by 55,032 ounces and are 3.7% lower year-to-date.

With the very aggressive 4-day rally in March silver last week of $2.47, the net spec and fund long in silver is likely dramatically understated in the COT report. However, even with the net spec and fund long positioning adjusted for last week's late rally the net spec and fund long position remains significantly below the 2022 high of 72,382 contracts. The Commitments of Traders report for the week ending November 29th showed Silver Managed Money traders net bought 2,069 contracts and are now net long 14,695 contracts. Non-Commercial & Non-Reportable traders net bought 1,511 contracts and are now net long 29,805 contracts. Last week silver ETF holdings declined by 1.8 million ounces and are now 14% lower year-to-date!

Despite the recent sharp gains in gold, silver, and platinum, the palladium market remains listless and seemingly without a key fundamental focus. Along those lines, J.P. Morgan predicted gold, silver and platinum would end the year higher and suggested palladium would "struggle". However, the palladium market continues to hold a net spec and fund short positioning which could increase the prospects of the market holding above $1,800. Palladium positioning in the Commitments of Traders for the week ending November 29th showed Managed Money traders are net short 700 contracts after net selling 434 contracts. Non-Commercial & Non-Reportable traders net sold 500 contracts last week and are net-short 1,686 contracts. Last week palladium ETF holdings declined by 329 ounces and are 19% lower year-to-date.

Obviously, the platinum market is the leadership market in the PGM complex with the trade seemingly embracing improving auto catalyst demand views and retaining a small premium for the prospect of disrupted Russian PGM supplies. Not surprisingly, the platinum net spec positioning is significantly overbought following the mid-November to early December rally of $96.00. Platinum positioning in the Commitments of Traders for the week ending November 29th showed Managed Money traders are net long 20,540 contracts after net buying 962 contracts. Non-Commercial & Non-Reportable traders were net long 28,443 contracts after net buying 1,240 contracts. Last week platinum ETF holdings declined by 5912 ounces and are 16% lower year-to-date.

COPPER:

In retrospect, the magnitude of this week’s early gain in copper is disappointing when compared to last week's gains that were forged in the face of rumors of a loosening of Chinese activity restrictions. However, copper prices into the high early Monday morning have rallied $0.35 from the late November low in a sign that the market has been anticipating a moderation of Chinese Covid rules. With the net spec and fund positioning in copper recently shifting from net spec and fund short to a net spec and fund long, and the copper market from the COT report mark off gaining $0.22 (into the high on Friday) the copper market is potentially the most overbought since April.

The Commitments of Traders report for the week ending November 29th showed Copper Managed Money traders net sold 1,017 contracts and are now net long 12,710 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,566 contracts to a net long 2,892 contracts. Fortunately for the bull camp, Shanghai copper warehouse stocks tightened last week, and that news is magnified by further moderating of the Chinese Covid demand threat. As in other physical commodity markets, a significant breakdown in the US dollar likely contributed to last week's rally and will likely continue to contribute to the copper bull case going forward.

ENERGY COMPLEX:

Clearly, additional chatter that China will continue to relax Covid restrictions offsets growing recession fears in Europe. As indicated by CNBC at the start of this week, traders should not underestimate the bounce in global energy demand with the reopening of Chinese cities. According to some CNBC dialogue, a full reopening of China could add 2.1 million barrels of daily demand for crude oil. However, Chinese government policy has been shifting back and forth and reduced Covid restrictions in the past have been less beneficial than initial expectations. However, given the precipitous decline in the US dollar, traders expected to see crude oil prices perform better in the last 2 trading sessions last week.

While it is possible the market will see psychological support around the $80 level on the charts, a senior treasury official comment indicating that a $60 per barrel price cap will keep the markets well supplied and institutionalized the deep discounts on internationally offered Russian crude supply and that could lower support to $75. Despite Russian threats to cut energy supply because of the implementation of the price cap starting Monday, news that Russia is selling discounted crude oil to Pakistan indicates Russian supply continues to satisfy a portion of global demand. In our opinion, the price cap level of $70 was initially expected and not only did the Cap price decline, but a long list of aggressive restrictions on the Russian export process were watered down.

On the other hand, a noted portion of the trade thinks Russia can easily survive the price cap, continue to fund its war, and threaten a cut back of supply. With the US nonfarm payroll reading coming in better-than-expected Friday, the threat of a US recession is mitigated but that potential supportive factor is partially mitigated by the simultaneous (but minimal) increase in the prospect of a December US jumbo rate hike. While the crude oil market saw much larger than expected declines in both API and EIA crude stocks last week, that supportive supply issue is heavily countervailed by the highest pandemic era production level in the US of 12.3 million barrels per day in September.

It should be noted that the rate of gain in US oil production has slowed with 2022 output only 700,000 barrels per day above 2019. Fortunately for the bull camp, the net spec and fund long positioning in crude oil sits within 20,000 contracts of the lowest net spec and fund long since August 2016! Crude Oil positioning in the Commitments of Traders for the week ending November 29th showed Managed Money traders are net long 165,589 contracts after net selling 6,125 contracts. Non-Commercial & Non-Reportable traders were net long 298,963 contracts after decreasing their long position by 15,592 contracts.

We continue to see the gasoline market as the most vulnerable fundamental and technical component of the petroleum complex. In fact, both crude and ULSD have tighter relative supplies and relatively stronger demand prospects than RBOB. In fact, crude oil demand is expected to remain strong from a very high US refinery operating rate and from a steady rise in seasonal heating demand. In looking back, the gasoline deficit to year ago stock levels is the smallest of the four main EIA inventory readings. Furthermore, the most recent COT net spec and fund long position is near the highest levels since March, and it could be several weeks before seasonal demand for gasoline picks up into the next holiday. The November 29th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 57,143 contracts after decreasing their long position by 2,576 contracts. Non-Commercial & Non-Reportable traders are net long 58,742 contracts after net selling 877 contracts.

While we think the diesel market has better fundamentals than gasoline, the charts turned negative last week and the US refinery operating rate of 95.2 should bring an increase in ULSD supply to the market potentially matching rising seasonal demand. Heating Oil positioning in the Commitments of Traders for the week ending November 29th showed Managed Money traders were net long 31,423 contracts after increasing their already long position by 1,209 contracts. Non-Commercial & Non-Reportable traders net bought 2,405 contracts and are now net long 47,718 contracts.

In addition to a moderating of cold temperatures, the natural gas market is undermined following news that Moldova is negotiating with the Russian gas company Gazprom and by news that the Russian state oil company continues shipping gas to Europe through the Ukraine. Last week, US gas drilling fell for a 2nd straight week and the prospects of sudden cold temperatures in Asia, North America and Europe should become more frequent. Even though the US starts the official gas inventory withdrawal season with only a modest deficit to the 5-year average of 2.4%, we see that as bullish considering 2 straight weeks of expansion in the deficit which is taking place without the outflow of export supply from the fire damaged export facility.

Unfortunately for the bull camp, reports last week indicated a restart for the Freeport facility "by the end of the year"! While the natural gas market from the COT positioning report measurement has declined $1.00 and that should puff up the net spec and fund short (which is probably the highest since the initial outbreak of the virus in the US), the trade feels capable of implementing additional short positions. The Commitments of Traders report for the week ending November 29th showed Natural Gas Managed Money traders were net-short 62,900 contracts after decreasing their short position by 7,767 contracts. Non-Commercial & Non-Reportable traders net bought 7,029 contracts and are now net short 136,312 contracts.

BEANS:

January soybeans remain in a steady uptrend and if the weather does not improve quickly in Argentina, the market is likely to build a weather premium. The proposed EPA biofuel volume for the next three years will be subject to debate and won't be finalized until June. Fund traders expected a continued acceleration of soybean oil used for biofuel in the next three years but the EPA proposal shows an increase of only 2.2% in the biofuel mandate from the 2022 target. On top of the EPA news, the record premium of soybean oil above palm oil plus news of high soybean oil stocks in Argentina were factors which helped to pressure soybean oil. This has hurt soybean oil demand globally and has helped support much stronger palm oil demand. As a result, news of a sharp break in palm oil prices last week was additional bearish news for the soybean oil collapse. Also, canola oil from Canada has now been approved as a biofuel feedstock for the renewable fuel standard, which might spark additional imports from Canada. Stats Canada pegged the Canola crop at 18.2 million tonnes, down by 925,000 tonnes from the previous estimate.

For soybeans, European Union crushers have been shifting available capacity over to rapeseed and sunflower seed and this trend may continue. January soybeans closed higher on the session Friday and recovered just a small part of Thursday's sharp break. January meal closed higher for the third session in a row and experienced the highest close since September 21. The November 29th Commitments of Traders report showed Soybeans Managed Money traders net bought 19,969 contracts and are now net long 102,104 contracts. Non-Commercial & Non-Reportable traders added 20,161 contracts to their already long position and are now net long 65,107. For Soymeal, Managed Money traders net bought 3,046 contracts and are now net long 74,861 contracts. Non-Commercial & Non-Reportable traders added 1,968 contracts to their already long position and are now net long 118,636.

January soybean oil remains in a steep downtrend and gapped lower to trade down to the lowest level since October 17th on Friday. The market also traded below the 100-day moving average for the first time since August 18. Open interest remains high and with funds holding a hefty net long position, the market is vulnerable to increase selling when support levels are violated. January Soybean Oil has seen major technical damage after a successful test of the high on November 11. The market has already closed below the 50% mark of the June 8 to July 14 break. It remains overbought according to the Commitments of Traders reports, with managed money traders adding 5,229 contracts to their already long position and are now net long 105,503. Non-Commercial & Non-Reportable traders were net long 119,050 contracts after increasing their already long position by 5,639 contracts.

CORN:

A combination of weaker export demand and disappointment over the proposed biofuel mandates helped to drive the market lower last Friday. The Biden Administration proposed boosting the amount of biofuel that must be mixed into gasoline and diesel over the next three years, but the targets were below market expectations. March corn closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since August 23. The export tone remains very weak and this has left the market in a long liquidation selling mode. Statistics Canada reported their corn crop at 14.5 million tonnes, up 4% from last year.

In November, Brazil exported 6.058 million tonnes of corn as compared with 2.392 million tonnes in November last year. Sales in Brazil are being closed due to concerns about the world corn supply, due to the drought in the European Union and in China, the Russia-Ukraine war and its effects on exports from the Black Sea, and the weather in South America. The European Commission revised down production to 53.3 million tonnes in November, against 54.9 million tonnes in the report released in October. On the other hand, imports were revised up, from 22 million tonnes in October to 23 million tonnes in November.

The November 29th Commitments of Traders report showed corn managed money traders were net long 191,631 contracts after increasing their already long position by 20,864 contracts. Non-Commercial & Non-Reportable traders net bought 19,304 contracts and are now net long 203,121 contracts, down from nearly 450,000 contracts in April. Technically, July Corn experienced a downside breakout on Friday, which soured the technical picture. Open interest is low, and the market has developed a downtrend off the October 10 peak. Long liquidation has been one of the key negative forces. However, technical indicators are showing significant divergence, which suggests a loss of downside momentum.

WHEAT:

March wheat closed sharply lower on the session last Friday and even took out the August lows. This leaves a longer-term swing target near 683 1/4. Continued concerns with a very poor export market helped to pressure. A record crop from Russia and a lack of positive news helped keep fund traders as active sellers. Statistics Canada indicated that the country produced its third biggest wheat crop ever with production coming in at 33.8 million tonnes, down from the September estimate of 34.7 million tonnes but up 52% from last year. Trade expectations were for a crop near 34.8 million tonnes.

Argentine wheat exports could reach its lowest level in eight years at just 6.5 million tonnes, due to the impact of a prolonged drought. July Kansas City Wheat remains in a steady downtrend off the October 10 high. The 50% mark of the life-of-contract range comes in at 891 1/4, and the close below this level last week was a bearish development that leaves 816 1/4 as the next key support level. The market is deeply oversold according to traditional technical indicators. In recent weeks, open interest has fallen to its lowest level since 2015. Winter wheat crop conditions are at a record low for this time of year.

The November 29th Commitments of Traders report showed Wheat Managed Money traders are net short 54,068 contracts after net selling 666 contracts. Non-Commercial No CIT traders net bought 299 contracts and are now net short 65,392 contracts. For KC Wheat, Managed Money traders are net long 17,129 contracts after net selling 179 contracts. Non-Commercial No CIT traders net sold 1,136 contracts which moved them from a net long to a net short position of 1,020 contracts.

HOGS:

February hogs closed sharply higher on the session Friday after the early break failed to attract new selling. The buying pushed the market up to the highest level since November 22. The USDA pork cutout released after the close Friday came in at $87.64, up $2.94 from Thursday and up from $86.88 the previous week. The market managed to rally sharply off of the lows last week even with high slaughter levels. Ideas that pork production is about to peak for the next year helped to support. The USDA estimated hog slaughter came in at 486,000 head Friday and 138,000 head for Saturday. This brought the total for last week to 2.590 million head, up from 2.213 million the previous week but down from 2.656 million a year ago.

Estimated US pork production last week was 476.0 million pounds, down from 560.3 the previous week and down 2.6% from a year ago. The CME Lean Hog Index as of November 30 was 83.24, down from 83.89 the previous session and 85.56 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 12,793 contracts of lean hogs for the week ending November 29, reducing their net long to 41,484. This is a fairly strong long liquidation selling trend. Non-commercial & non-reportable traders were net sellers of 11,437, reducing their net long to 23,974.

CATTLE:

February cattle closed higher on the session last Friday and experienced the highest close since November 22nd. The outlook for a steep drop in beef production into the first and second quarters of next year helped to support. The USDA boxed beef cutout was down $2.02 at mid-session Friday and closed $3.64 lower at $249.93. This was down from $251.83 the previous week and was the lowest it had been since October 17. Cash live cattle ended last week slightly higher than the week before. As of Friday afternoon, the five-day, five-area weighted average price was 156.35 versus 156.12 the week before. The USDA estimated cattle slaughter came in at 123,000 head Friday and 28,000 head for Saturday. This brought the total for last week to 663,000 head, up from 596,000 the previous week but down from 682,000 a year ago.

Estimated beef production last week was 553.7 million pounds, down 3.2% from a year ago. The estimated average dressed cattle weight last week was 837 pounds, up from 836 the previous week but down from 840 a year ago. The 5-year average weight for that week is 835 pounds. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,545 contracts of live cattle for the week ending November 29, reducing their net long to 59,844. Non-commercial, no CIT traders were net sellers of 4,890, reducing their net long to 36,144. The long liquidation trend is a short-term negative force.

COCOA:

High retail inflation can force consumers to pull back on purchases of discretionary items like chocolate. However, the recent declines in year-over-year inflation in the US and the Euro zone should give a boost to chocolate demand in both regions and should underpin cocoa prices going forward. March cocoa was able to rebound from early pressure and retested Thursday’s high before finishing Friday’s trading session with a moderate gain. For the week, March cocoa finished with a gain of 52 points (up 2.1%) which was a second positive weekly result in a row.

Indications that global demand can improve through year-end and into the first quarter of 2023 provided cocoa with underlying support. While the cocoa market has been pressured by demand concerns for several years, global grindings reached a record high during the 2021/22 season for second year in a row. If global grindings continue their long-term growth trend, then 2022/23 could bring a substantial supply deficit for the second year in a row.

Furthermore, reduced fertilizer and pesticide usage by West African growers could limit production this coming season while Ghana and Nigeria have seen outbreaks of black pod disease that will limit their chances for increased output. The International Cocoa Association (ICCO) released their fourth quarter supply/demand report this week, and it showed a 2021/22 global supply deficit of 306,000 tonnes. This marked an increase of 76,000 tonnes from their previous estimate and would be the largest deficit on record. This puts the 2021/22 global stocks/usage ratio at 31.9%, down from 33.2% previously and lowest it has been since 1984/85.

The November 29th Commitments of Traders report showed Cocoa Managed Money traders are net short 12,232 contracts after net selling 1,514 contracts. CIT traders reduced their net long position by 31 contracts to a net long 19,388 contracts. Non-Commercial No CIT traders added 5,104 contracts to their already short position and are now net short 14,149. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 213 contracts after net selling 5,413 contracts.

COFFEE:

Fed Chair Powell’s speech last Wednesday may be an early indicator of improving coffee demand, as his suggestion that the Fed may pull back on the size of upcoming rate hikes may be due to a pullback in inflation that should benefit restaurant and retail shop demand prospects. With the market already benefiting from a bullish longer-term supply outlook, coffee prices should stay well clear of their mid-November lows. March coffee saw downside follow-through from Thursday’s wide-sweeping outside-day down close, but held above Monday's weekly low before finishing Friday's trading session with a moderate loss. For the week, March coffee finished with a loss of 2.45 cents (down 1.5%) which was third negative weekly result over the past 4 weeks and was a negative weekly reversal from last Thursday's 4-week high.

Lukewarm global risk sentiment following US and Canadian jobs data weighed on coffee as that could weaken coffee's near-term demand outlook. Out-of-home consumption prospects have been boosted by a pullback in inflation levels in major developed economies, and that helped coffee to find its footing going into the weekend. The recent buildup in ICE exchange coffee stocks has also been seen as reflecting lukewarm demand as they increased by 4,075 bags on Friday to reach a 2 1/2 month high. Coffee waiting to be graded fell by 7,495 bags, however, which is another indication that those inflows are starting to subside. More than half of global Arabica production comes from Brazil and Colombia, both of which are seeing a negative impact on their production from La Nina.

Honduran coffee exports last month fell by 26% from last year's total while Costa Rica's November coffee exports came in 43% below their 2021 total. The November 29th Commitments of Traders report showed Coffee Managed Money traders net bought 1,921 contracts and are now net short 19,232 contracts. CIT traders net bought 155 contracts and are now net long 36,603 contracts. Non-Commercial No CIT traders were net short 22,559 contracts after decreasing their short position by 1,894 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 1,523 contracts to a net short 14,230 contracts.

COTTON:

The surge higher in the China stock market at the start of this week is a positive force. March cotton closed sharply lower on Friday after trading to its highest level in two weeks on Thursday. The stock market broke early in the session after the US jobs report came in higher than expected on fears that this would encourage the US Fed to stay the course on tightening, and this may have scared cotton longs to liquidate. The dollar was also higher early in last Friday's session, which was negative for cotton.

The dollar sold off late in the session and ended up lower on the day, but this was after the cotton market had closed. Friday's Commitments of Traders showed managed money traders were net sellers of 2,366 contracts of cotton report for the week ending November 29, reducing their net long to 14,913. Non-commercial, no CIT traders were net sellers of 1,510, increasing their net short to 16,429. Non-commercial & non-reportable traders were net sellers of 1,535, reducing their net long to 16,448.

SUGAR:

Sugar prices remain well below their mid-November highs as they have not received consistent carryover support from key outside markets. With the market looking at a sizable global production surplus this season, sugar remains vulnerable to a sizable downside move this week. March sugar could not hold onto mild early gains as it came under pressure and finished Friday's trading session with a moderate loss. For the week, March sugar finished with a gain of 15 ticks (up 0.8%) which was fourth positive weekly result over the past 5 week and was a positive weekly reversal last from Monday's 3 1/2 week low.

Energy prices follow-through on Thursday's pullback with sizable losses that put carryover pressure on the sugar market, as a continued pullback will weaken near-term ethanol demand prospects in Brazil and India. In fact, the latest Unica supply report showed sugar's share of Brazil's Center-South crushing during the first half of November was nearly 9% above the comparable period last year. If mills continue to keep their crushing mix at current levels, 2022/23 Center-South sugar production will come in above last season's output total.

The Brazilian currency fell back from an early 3-week high into negative territory late on Friday, which put carryover pressure on the sugar market as a weaker currency gives even more incentive for Center-South mills to produce sugar for the global export marketplace. In fact, Brazil's November sugar exports came in at 4.07 million tonnes, which was 53% above last year's total and their largest export total for any month this year. India remains on-track for a new record high production total this season, as their October/November sugar production of 4.8 million tonnes compares to 4.7 million over the same period last year.

The November 29th Commitments of Traders report showed Sugar Managed Money traders were net long 196,874 contracts after decreasing their long position by 5,133 contracts. CIT traders were net long 206,368 contracts after increasing their already long position by 890 contracts. Non-Commercial No CIT traders reduced their net long position by 6,424 contracts to a net long 115,079 contracts. Non-Commercial & Non-Reportable traders are net long 238,882 contracts after net selling 11,362 contracts.

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