ADM Investor Services, Inc.

Weekly Futures Market Summary

January 9, 2023 **by the ADMIS Research Team**

BONDS:

Initially the treasury markets were flat-footed following the nonfarm payroll release but eventually spiked higher to the highest levels since December 20th. Apparently, the trade widely discounted the better-than-expected payrolls, the decline in the US unemployment rate and a stronger than expected labor force participation rate to fully embrace a moderation of wage inflation. In retrospect, the treasury trade early this week reconfirmed the primary focus is on the ebb and flow of inflation and not as much on the health of the economy. Clearly, there has been a positive shift in global economic sentiment with forecasts of soft landings surfacing from both sides of the Atlantic.

However, it is possible that the markets are reading much into the "Goldilocks data" last week from the US jobs sector. Therefore, any data related to prices will take on added importance directly ahead. Looking ahead, the US will present US December consumer price inflation readings on Thursday, with economist projections not available yet. On the other hand, with the last extremely hot US CPI reading posted back in the month of June and the average US CPI monthly change of the past 5 months near 0.2 a reading at or below that level that this week could suddenly prompt further waves of forecasts of a US Fed pivot. It should also be noted that Japanese, Chinese, and European consumer price readings will be released late this week.

Without a very broad case of softening inflation, the idea of a Fed pivot will be pushed further into the future. There will also be another US auction cycle this week featuring 3-year, 10-year, and 30-year US treasury offerings. In addition to an improvement in US, European, and euro zone economic sentiment and the short-term overbought condition from the recent bounce of 5 points in bonds, technical and fundamental issues favor the bear camp. However, the most recent COT positioning reports show net spec and fund short positions at the largest levels since June 2021 and that could limit selling volume from the speculators. The January 3rd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net sold 26,778 contracts and are now net short 141,780 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 390,244 contracts after increasing their already short position by 40,217 contracts.

CURRENCIES:

With the failure to hold a fourth straight day of strong gains in the face of a generally positive US jobs report, the dollar index became short-term overbought into last week's highs, and perhaps some longs saw the softest nonfarm payroll reading since December 2021 as a sign to bank profits. However, the recent pattern of US economic data favors the bull camp in the dollar until the US CPI release on January 12th. The bullish shift in sentiment in the dollar off the late December low has been definitively reversed

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from a combination of forecasts of soft landings by economists, another sign of moderating inflation from US wages and perhaps to a lesser degree from improved sentiment flowing from China.

However, in a strange twist of historical fundamental trading patterns, persistent declines in the dollar ahead will require "soft US CPI" on Thursday. In the end from the path of least resistance is down in the dollar with a possible temporary respect of consolidation low support he dollar Index positioning in the Commitments of Traders for the week ending January 3rd showed Non-Commercial & Non-Reportable traders net bought 84 contracts and are now net long 20,204 contracts.

With the euro seeing a forecast for a soft European landing, economic views toward the euro zone have improved while classic fundamental pressure is returning to the dollar index. Certainly, it is premature to price a Fed pivot, but the job of the markets is to price in probable future events. Monday’s Euro zone data was slightly positive with slightly better-than-expected German industrial production readings, an increase in French November exports, a tick down in Italian unemployment and perhaps from a steady euro zone unemployment rate. Euro positioning in the Commitments of Traders for the week ending January 3rd showed Non-Commercial & Non-Reportable traders are net long 197,632 contracts after net selling 15,340 contracts.

The failure of the Yen to sustain initial strength in the face of noted dollar weakness indicates the Yen is not poised to rally with the euro, Swiss franc, and Pound. However, traders might be discouraged from entering fresh positions given potentially critical Tokyo consumer price index readings early this week. Despite extreme two-sided volatility in the Swiss franc since the beginning of the year, traders have not been discouraged from chasing the Swiss higher despite the currency nearing the highest levels since April. In addition to the spillover benefits of noted weakness in the dollar the Swiss franc is given added speculative buying potential with a tick lower in the Swiss December unemployment to a very low level of 1.9%!.

Apparently, the Pound is embracing chatter of the potential for soft landing in some global areas ahead despite a lack of fresh bullish fundamental news from the UK. Nonetheless, further weakness in the dollar and general market optimism projects the Pound to 1.2219. With the 2023 rally/recovery extending aggressively and facilitated by noted weakness in the US dollar, a near term trade above 75.00 is likely with that level becoming consolidation support in the coming weeks. Furthermore, with open interest falling precipitously from last month's highs into the low level on Friday the Canadian dollar probably has significant buying fuel available.

STOCKS:

In retrospect, we are very surprised with the stock market's ability to react positively to the US December jobs report. While the jobs report could be interpreted as good or bad, we think the report was much closer to "good" than "bad". Therefore, the markets judge the report as a "Goldilocks" report which underpins fears of recession and is not likely to increase the hawkishness of the US Fed. On the other hand, sentiment among traders and investors is negative or guarded at a time of the year where optimism is usually present. Global equity markets overnight were higher except for the markets in London, Paris, and Madrid.

Global sentiment has improved with soft landing forecasts, expanding hope of inflation fighting progress and perhaps most importantly because of the beginning of hope for a Fed pivot. While a Fed pivot is likely many months off, a soft US CPI report on Thursday could result in more intensive hope for a pivot and that should dramatically improve prospects for global equity markets. In retrospect, US jobs data generally serves to cushion views toward the US economy which in turn should temper widespread bearishness toward US corporate profits in 2023. While a reduction in political anxiety is seen from the end of the battle for the Speaker of the House, expecting consistently positive news from Washington is ill-advised.

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Clearly, the S&P has and continues to embrace the "hope" of a US Federal Reserve pivot from the "Goldilocks" US jobs data. In our opinion, the market sees the US job market holding together and is beginning to gather evidence that inflation is moderating. Therefore, the bear case is eroding, and the markets have a more positive technical set up than negative set-up to start the trading week. In fact, the net spec and fund short remains large and could lead to follow through stop loss buying after the 4-week upside breakout this morning especially if the positive macro track remains in place. The January 3rd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 153,414 contracts after net buying 10,246 contracts.

Not surprisingly, the Dow futures have also extended last week's very strong finish/upside breakout and should have the technical and fundamental fuel to rally above 34,000. Obviously, the potential for large layoff announcements at large Dow companies is still possible but given the shift in sentiment, investors might buy the shares of companies announcing large layoffs. In other words, reduced payroll costs in turn reduce the threat of poor earnings from the cost side. The Commitments of Traders report for the week ending January 3rd showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 16,052 contracts after net selling 1,089 contracts.

Not surprisingly, the NASDAQ has lagged the rest of the markets on the current recovery wave. However, the announcement of additional Twitter layoffs could reduce financial concerns toward the company but to see the outlook for Twitter improve dramatically will require changes of company content policies perceived as good by both sides of the free-speech argument. Fortunately for the bull camp, the NASDAQ bulls will benefit from market tailwinds. Nasdaq Mini positioning in the Commitments of Traders for the week ending January 3rd showed Non-Commercial & Non-Reportable traders are net short 1,844 contracts after net buying 274 contracts.

GOLD, SILVER & PLATINUM:

With the upside breakout in gold prices early this week, the market should attract positive headline coverage, especially with growing hope for soft landings surfacing from economists on both sides of the Atlantic. Apparently, the gold and silver markets have become more patient with significant gyrations in the US Dollar seemingly resulting in a return to the downtrend status in place prior to the recovery last week. Clearly, several US financial markets at the end of last week took the US jobs data and have begun to look for a case to bring the Fed to a less hawkish stance. In our opinion, the jobs data Friday, and data over the last several weeks have been "Goldilocks data" which for equities, gold, treasuries, and many physical commodities could be the best overall market condition for the coming quarter.

With gold and silver price strength extending into a third month and positive inflows to gold and silver ETFs at the end of last week, perhaps investors will be attracted to the sector. However, gold holdings are up only 0.1% and silver holdings are down 0.3% year-to-date. In yet another potential major bullish development, signs of increased central bank gold buying are surfacing and extending a developing pattern of buying with reports overnight that the Peoples Bank of China bought 30 tonnes of gold last month after purchasing 32 tonnes in the month of November. As indicated by the IMF back in the 4th quarter of 2022, central bank gold activity can be delayed in reporting with many central bank purchases not confirmed until months and quarters after the fact. Furthermore, with many other markets displaying "chop", seeing the gold market reach the highest level since June and seeing the silver market last week fill a series of gaps from last April, that should create some bullish buzz.

Unfortunately for the bull camp, the gold and silver bulls are likely to need consistent support from a weaker dollar and steady to lower US treasury yields. After the silver market forged a very significant 3-day correction of $1.50 it should be bought on a test of uptrend channel support this week. The Commitments of Traders report for the week ending January 3rd showed Gold Managed Money traders net bought 5,473 contracts and are now net long 72,805 contracts. Non-Commercial & Non-Reportable traders net bought 8,258 contracts and are now net long 178,119 contracts. While the silver market forged an aggressive washout from the COT positioning report, the spec long last week was the highest

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since April 2022! Silver positioning in the Commitments of Traders for the week ending January 3rd showed Managed Money traders were net long 29,385 contracts after decreasing their long position by 802 contracts. Non-Commercial & Non-Reportable traders added 1,117 contracts to their already long position and are now net long 46,370.

While the palladium market bounced from consolidation support levels just above the $1,700 level last week, the market continues to face neutral to bearish fundamentals. Furthermore, it seems that 2023 will bring about the rotation of industrial demand from expensive palladium to cheaper platinum. Therefore, we expect palladium and platinum prices to see their spread narrow consistently over the coming quarters. While only a minimally supportive influence, the palladium market holds a net spec and fund short which could discourage long liquidation. In the near term, the $1,701 level in March Palladium becomes a key pivot point. The Commitments of Traders report for the week ending January 3rd showed Palladium Managed Money traders added 389 contracts to their already short position and are now net short 1,812. Non-Commercial & Non-Reportable traders net sold 115 contracts and are now net short 2,414 contracts.

As indicated several times this year, platinum displayed very impressive action on its charts since last September and has significantly outperformed palladium on the upside. Therefore, the markets might be seeing or anticipating substitution of palladium with platinum. Furthermore, given the extreme discount of platinum to palladium, we suspect an increase in flows into PGM ETFs will favor platinum. The path of least resistance is up but the net spec and fund long position in platinum is nearing the highest levels since May 2021. The Commitments of Traders report for the week ending January 3rd showed Platinum Managed Money traders added 5,822 contracts to their already long position and are now net long 24,012. Non-Commercial & Non-Reportable traders had a net long 33,317 contracts after increasing their already long position by 3,677 contracts. The platinum market sits significantly above uptrend channel support and $57 above last week's low.

COPPER:

Not only has the copper market managed to hold up impressively in the face of what continues to be a major threat against Chinese copper demand, it has now jumped to the highest levels since the middle of June in a fashion that suggests the trade has somehow become comfortable with Covid uncertainty. Certainly, the bulls were inspired by news last week that the Chinese government was aiding the beleaguered Chinese real estate sector. However, economic sentiment in China has been improved further this morning with reports of Chinese travelers flooding airports following the government's lifting of certain travel restrictions. Obviously, copper will continue to benefit from supportive outside market influences like a weaker dollar, steady interest rates and from recent "Goldilocks" US jobs data.

In fact, several economists have predicted increased potential for soft landings in the US and European economies and that certainly helps stoke optimism toward copper consumption. Therefore, Chinese copper and copper concentrate imports are likely to support prices ahead especially given the overall extreme tightness of supply in Chinese exchange stocks and industrial stockpiles. The January 3rd Commitments of Traders report showed Copper Managed Money traders net sold 6,706 contracts and are now net long 8,288 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,244 contracts to a net long of only 349 contracts.

ENERGY COMPLEX:

The extension of last week's bounce in the crude oil is easily attributable to the improvement in global sentiment from soft landing forecasts, reports of a surge in Chinese travel and from a 2nd Chinese import quota which puts 2023 import quotas ahead of the pace seen early in 2022. Adding into the sentiment shift is a 5.9% decline in weekly crude oil in floating storage and a downside breakout in the US dollar. Therefore, we suspect Brent crude oil, and WTI crude oil ETF instruments will see renewed inflows especially after Bloomberg estimates overnight of $1 billion of inflows into Brent ETF instruments this

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week. However, daily energy demand concerns have also been offset by the threat of production cutbacks from OPEC+. Keep in mind that OPEC+ last month indicated they would be proactive and aggressive in supporting prices.

Therefore, if the February crude oil contract fails at the $72.50 level that could spark rumors of a reduction in output from OPEC+. The $72.50 level offers thin and unreliable support as does the presence of a pop-up US gasoline supply tightening. In a bearish development, the Biden Administration last week rejected the first offers to rebuild the SPR. Fortunately for the bull camp, the net spec and fund positioning in crude oil (adjusted for the post COT report slide of $5.00) probably reduced the net spec and fund long to the lowest level since March 2016. The Commitments of Traders report for the week ending January 3rd showed Crude Oil Managed Money traders reduced their net long position by 29,923 contracts to a net long 165,486 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 19,024 contracts to a net long 280,510 contracts.

While the gasoline market strength early this week was less impressive than the strength seen in the crude oil market, signs of strong Indian December fuel consumption (fuel sales up 3.1% and diesel sales up 6.5%), improved overall market sentiment and reports of significant Chinese travel activity provides the bull camp with a fresh bullish fundamental condition to start the new trading week. We suspect gasoline will continue to garner support from talk of extremely tight regional gasoline supplies from the eastern seaboard pipeline problem last week. Furthermore, the Colonial Pipeline Line-3 restart was delayed last week but that was of little interest to the markets last week. Apparently, US refineries are returning to output after the troubles in December (from extreme weather), thereby emboldening the bear camp.

A supportive development for gasoline discounted last week was the shift in EIA year-over-year gasoline stocks from a minimal surplus to a 10-million-barrel deficit. Unfortunately for the bull camp the positioning report in gasoline showed a net spec and fund long near the highest level since March which probably played a large part in last week's high to low slide of $0.31. The Commitments of Traders report for the week ending January 3rd showed Gas (RBOB) Managed Money traders net bought 886 contracts and are now net long 51,785 contracts. Non-Commercial & Non-Reportable traders added 3,067 contracts to their already long position and are now net long 57,836.

While the diesel market discounted bullish fundamental developments last week, the sharp jump in Indian diesel consumption last month (+6.5% year-over-year) gave the bull camp added confidence early this week. Last week, US jet fuel inventories fell to a 26 1/2 year low while the US refinery net input fell to the lowest level since February 2021. The January 3rd Commitments of Traders report showed Heating Oil Managed Money traders reduced their net long position by 2,065 contracts to a net long 18,082 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,075 contracts to a net long 33,976 contracts.

With the natural gas market in freefall last week, it is apparent that many fundamentals (mild temperatures and no restart date for the Freeport export facility) leave the bear camp in control. In fact, without a decidedly colder shift in North America and western Europe temperatures, the best hope of any sustained positive daily trade will likely be limited to technical balancing. While we think the market will continue to discount the massive net spec and fund short in natural gas, the net short from last week's COT report adjusted for the $0.47 decline last week should put the net spec and fund short near pandemic lows. The Commitments of Traders report for the week ending January 3rd showed Natural Gas Managed Money traders net sold 11,373 contracts and are now net short 74,840 contracts. Non-Commercial & Non-Reportable traders added 9,427 contracts to their already short position and are now net short 142,996.
Last week, the Baker Hughes rig operating count saw US gas drilling rigs drop by four reaching the lowest level since November! The natural gas market is massively oversold and sits significantly below the level where the Russians invaded Ukraine. However, other than technical orientated bargain-hunting buying and the fact that natural gas inventories versus the 5-year average are 6.7% below the five-year

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average very early in the winter, there are few reasons to pick a firm bottom. On the other hand, we suspect pressure on government regulators to stop holding up the restart of the Freeport export facility (to keep winter prices down for consumers) is likely to be challenged very vocally ahead. From a trader's perspective, the shorts should be aware as nearby natural gas prices have reached the lowest levels since September 21st and the warm temperature lucky streak for Europe could come to an end, as the coldest seasonal period of the year approaches!

BEANS:

While the soybean market experienced bearish technical action for the first week of January, the Argentina forecast is still too dry, and stressful conditions continue for a high percentage of the Argentina and southern Brazil crop. March soybeans closed sharply higher on the session Friday and even took out Thursday's high. The weather outlook is uncertain and traders are nervous that a continued drier than normal trend over the next 2 to 3 weeks could cause significant production losses for Argentina. The surge higher in the US stock market along with a very sharp break for the US dollar were seen as positive forces as well. Export news was disappointing.

The weekly export sales report showed that for the week ending December 29, net soybean sales came in at 720,997 tonnes for the current marketing year and 151,000 for the next marketing year for a total of 871,997. Cumulative soybean sales have reached 78.7% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 71.9%. Sales need to average 338,000 tonnes per week to reach the USDA forecast. Net meal sales came in at 79,259 tonnes. Cumulative meal sales have reached 49.9% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 49.0%. Net oil sales came in at 353 tonnes. Cumulative oil sales have reached 6.3% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 45.0%. In addition, The USDA confirmed private sales of 132,000 tonnes of U.S. soybeans for shipment to unknown destinations in the 2022/23 marketing year.

For the USDA supply/demand report, traders see soybean ending stocks near 233 million bushels, 200-270 range, as compared with 220 million bushels in December. For US production, the average trade estimate came in at 4.357 billion bushels, 4.321-4.400 range, as compared with 4.346 billion in the December update. Yield is expected to be adjusted slightly higher. World ending stocks are expected near 101.69 million tonnes, 99.1-104.4 range, as compared with 102.71 million in the December update. For the December 1 Stocks in All Position report, traders see soybean stocks near 3.162 billion bushels, 3.088-3.466 range, as compared with 3.152 billion bushels one year earlier. For South America production, traders see soybean production from Argentina near 46.5 million tonnes, 44.5-49.5 range, as compared with 49.5 million tonnes last month. Brazil production is expected near 152.4 million tonnes, 151-155 range, as compared with 152 million tonnes last month.

Northern and western areas of Argentina may get light rain amounts on January 10th and 11th, allowing crop stress to continue with high temperatures over the weekend and warm conditions for next week, according to some weather models. Dryness will also continue to stress crops in southern Brazil. According to Conab, Brazil is likely to export 96.58 million tonnes of soybean in 2023, almost 22% more compared to 2022. The January 3rd Commitments of Traders report showed Soybeans Managed Money traders net bought 14,378 contracts and are now net long 142,994 contracts. Non-Commercial & Non-Reportable traders were net long 106,087 contracts after increasing their already long position by 9,395 contracts. For Soyoil, Managed Money traders reduced their net long position by 1,825 contracts to a net long 63,762 contracts. Non-Commercial & Non-Reportable traders net sold 3,337 contracts and are now net long 79,147 contracts. For Meal, Managed Money traders hit a new extreme long of 141,877 contracts after buying 11,888 contracts in just one week.

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CORN:

The weather is threatening and buyers could get more active. March corn managed to close slightly higher on the session last Friday but the market closed well off of the highs. Outside market forces were bullish for the market with a collapse in the US dollar and a surge higher in the US stock market. Demand news remains sluggish and the trade remains very uncertain over the Argentina crop situation for this week, and especially for the next few weeks. For the USDA supply/demand report, traders see corn ending stocks near 1.314 billion bushels, 1.181-1.400 billion range, as compared with 1.257 billion bushels in December.

For the final US production estimate, traders see corn production near 13.901 billion bushels, 12.910-14.005 billion range, as compared with 13.930 million in the December update. Corn yield is expected to be revised slightly higher. World ending stocks are expected near 297.86 million tonnes, 292.50-300.30 million range, as compared with 298.4 million tonnes in December. For the December 1 stocks in all position report, traders see corn stocks near 11.173 billion bushels, 10.737-11.937 billion range, as compared with 11.642 billion bushels one year previous.

For South America production, traders see corn production from Argentina near 51.6 million tonnes, 49-54 million range, as compared with 55 million tonnes last month. Brazil corn production is expected near 126.4 million tonnes, 125-128.7 million range, as compared with 126 million tonnes last month. The weekly export sales report showed that for the week ending December 29, net corn sales came in at 319,242 tonnes. Cumulative sales have reached just 41.2% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 54.9%.

The USDA confirmed private sales of 112,000 tonnes of U.S. corn to Mexico, including 89,600 tonnes for shipment in the 2022/23 marketing year and 22,400 tonnes for shipment in the 2023/24 marketing year. According to Conab, Brazil corn consumption is estimated at 80.8 million tonnes in the 2022/23 season, 7.7% up compared to the previous, and a record. The domestic demand has been boosted by the animal consumption and the processing to produce ethanol. The Commitments of Traders report for the week ending January 3rd showed Corn Managed Money traders are net long 196,457 contracts after net buying 37,142 contracts for the week. Non-Commercial & Non-Reportable traders net bought 28,366 contracts and are now net long 195,687 contracts.

WHEAT:

March wheat closed lower on the session last Friday and near the lows of the day after spending most of the session higher. Strength in the other grains plus a sharp drop in the US dollar and strength in other commodity markets helped to support. Continued talk of the record high Russia wheat crop along with ideas that the Australia crop will also be a record high and that Europe has plenty of wheat for export helped to pressure as well. Export sales news was quite negative. The weekly export sales report showed that for the week ending December 29, net wheat sales came in at 47,142 tonnes for the current marketing year and 97,000 for the next marketing year for a total of 144,142 tonnes. Cumulative sales have reached 71.0% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 74.2%. For the US winter wheat Seedings report, traders see All Winter Wheat plantings near 34.5 million acres, 33.2-36.2 million range, as compared with 33.3 million acres in 2022.

For the USDA Supply/Demand report, traders see wheat ending stocks near 581 million bushels, 556-601 range, as compared with 571 million bushels in December. World ending stocks are expected near 268.02 million tonnes, 265.40-270.50 million range, as compared with 267.33 million in December. For the December 1 Stocks in All Position report, traders see wheat stocks near 1.339 billion bushels, 1.213-1.429 billion range, as compared with 1.378 billion bushels one year previous. Wheat positioning in the Commitments of Traders for the week ending January 3rd showed Managed Money traders were net short 52,715 contracts after decreasing their short position by 3,497 contracts for the week. Non-Commercial No CIT traders were net short 62,799 contracts after decreasing their short position by 2,493

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contracts. For KC Wheat, Managed Money traders are net long 1,757 contracts after net selling 94 contracts. Non-Commercial & Non-Reportable traders were net short 5,380 contracts after increasing their already short position by 436 contracts.

HOGS:

The hog market remains in a steep downtrend and getting to an oversold condition. February hogs traded sharply lower on the session Friday and the selling pushed the market down to the lowest level since October 7th. Average weights jumped significantly during the storm and this has helped to cause an increase in pork production over the short run. The USDA pork cutout, released after the close Friday, came in at $82.77, up 3 cents from Thursday but down from $86.85 the previous week. The CME Lean Hog Index was 78.26, down from 79.06 the previous session and 80.69 a week prior. The USDA estimated hog slaughter came in at 453,000 head Friday and 420,000 head for Saturday. This brought the total for last week to 2.296 million head, up from 2.194 million the previous week but down from 2.552 million a year ago.

Estimated US pork production last week was 495.9 million pounds, up from 475.9 the previous week and up from 469.0 a year ago. U.S. pork export sales for the week ending December 29 came in at -51,900 tonnes (cancelations) compared with the average of the previous four weeks of 34,300 tonnes. Cumulative sales for the 2022 marketing year have reached 1,551,200 tonnes, down 6.3% versus last year's pace. The Commitments of Traders report for the week ending January 3rd showed Hogs Managed Money traders are net long 50,359 contracts after net selling 1,889 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net long position by 4,934 contracts to a net long 32,766 contracts.

CATTLE:

The cattle market is still under the bearish technical influence of the December 30th key reversal for August cattle. Demand concerns persist and this has kept buyers at bay. However, the supply outlook remains a bullish force which should emerge on breaks to provide support. February cattle closed moderately lower on the session Friday and the selling pushed the market down to the lowest level since December 21st. A supportive tilt to outside market forces has failed to provide much in the way of support. Average weights have come down and the market seems to have the supply fundamentals to remain in a short-term uptrend. The USDA boxed beef cutout was up $1.60 at mid-session Friday and closed $1.36 higher at $282.99. This was up from $278.86 the previous week.

Futures are still correcting the short-term overbought condition. U.S. beef export sales for the week ending December 29 came in at -6,900 tonnes (cancelations) compared with the average of the previous four weeks of 13,300 tonnes. The USDA estimated cattle slaughter came in at 125,000 head Friday and 53,000 head for Saturday. This brought the total for last week to 563,000 head, up from 547,000 the previous week but down from 619,000 a year ago. The estimated average dressed cattle weight last week was 834 pounds, down from 836 the previous week and down from 847 a year ago. The 5-year average weight for that week is 836.0 pounds. Estimated beef production last week was 468.3 million pounds, up from 442.7 million a year ago. The January 3rd Commitments of Traders report showed Cattle Managed Money traders are net long 82,762 contracts after net buying 3,011 contracts for the week. Non-Commercial & Non-Reportable traders net bought 914 contracts and are now net long 80,975 contracts.

COCOA:

Cocoa prices had a volatile start to the year, but the market continues to have a bullish fundamental setup. If global risk sentiment and key outside market can regain a positive tone, cocoa should be able to regain and sustain upside momentum. March cocoa was able to rebound from early pressure but could not climb up into positive territory as it finished Friday’s trading session with a moderate loss. For the

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week, however, March cocoa finished with a gain of 5 points (up 0.2%) which was a second positive weekly result over the past 3 weeks.

Last Friday's decent US jobs data may keep the Fed in a hawkish policy stance, which in turn pressured the cocoa market as that could have a negative impact on demand for discretionary items such as chocolates. However, the latest Euro zone CPI reading had a larger than expected decline which reflects a consistent pullback in European inflation, and that can help to strength the region's first quarter cocoa demand outlook. In addition, sizable gains in the Eurocurrency, British Pound and US equity markets helped to soothe near-term demand concerns and strengthened cocoa prices going into the weekend.

Ivory Coast cocoa bean exports during October and November were 47% below last year's total, which was due in large part to a dockworker strike in their port of San Pedro. On the other hand, Ivory Coast cocoa product exports over that same timeframe were 16% above last year. A longer-term shift towards processing cocoa beans where they are grown ("origin" grinding) has Ivory Coast, Ghana and Indonesia as 3 of the world's top 6 grinding nations.

Cocoa positioning in the Commitments of Traders for the week ending January 3rd showed Managed Money traders net sold 4,335 contracts and are now net long 14,308 contracts. CIT traders added 33 contracts to their already long position and are now net long 22,412. Non-Commercial No CIT traders reduced their net long position by 4,720 contracts to a net long 2,054 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,317 contracts to a net long 20,992 contracts.

COFFEE:

While the coffee market has received bullish supply news, prices have shown few signs of putting in a longer-term low. Until demand concerns are soothed, the coffee market is vulnerable to further downside. March coffee was unable to hold onto early strength as it fell to a 3 1/2 week low before finishing Friday's trading session with a sizable loss. For the week, March coffee finished with a loss of 9.00 cents (down 5.4%) which was a second negative weekly result in a row.

ICE exchange coffee stocks increased by 9,732 bags on Friday to reach their highest levels since July and are on-track for a third monthly increase in a row, which has not occurred since mid-2021. Most ICE exchange coffee stocks are located at Euro zone warehouses, so this will remain a source of pressure on coffee prices as it reflects badly on European out-of-home consumption prospects during the first quarter.

A more than 2% increase in the value of the Brazilian currency helped to keep further coffee prices in check, as a sizable recovery move to start the year should ease pressure on Brazil's producers to market their coffee supply to foreign customers. In contrast, Colombia's currency remains close to a 6-week low while they have seen four months in a row in which their monthly production came in below the previous year's total Colombia's 2022 production came in at 11.084 million bags which was their lowest annual total since 2013. In addition, several key Central American growing nations have seen their fourth quarter coffee exports come in well below the previous year's total.

The Commitments of Traders report for the week ending January 3rd showed Coffee Managed Money traders were net short 11,898 contracts after decreasing their short position by 1,450 contracts. CIT traders are net long 34,791 contracts after net selling 40 contracts. Non-Commercial No CIT traders net bought 1,154 contracts and are now net short 14,472 contracts. Non-Commercial & Non-Reportable traders were net short 5,885 contracts after decreasing their short position by 1,492 contracts.

COTTON:

March cotton managed to hold minor support levels last week and experienced the highest close since December 21st on Friday. Nearby contracts led the rally which is a positive development, as traders continue to believe that cotton demand will gradually improve. The surge higher in the stock market and a

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sharp break in the US dollar were seen as supportive forces. Talk of the oversold condition of the market plus talk that there was some increase in activity in the cash market were factors which added to the positive tone.

Strength in energy prices and other commodity markets was also a factor to support. The weekly export sales report showed that for the week ending December 29, net cotton sales came in at just 39,615 bales. Cumulative sales have reached 72.8% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 76.6%. Sales need to average 94,000 bales per week to reach the USDA forecast. Once again, China was noted with some cancellations which is yet another bearish demand development.

Brazil's cotton crop is expected to increase 13% to 13.3 million on good weather and favorable outlook for prices and profitability, according to the USDA. Exports are expected to climb 11% to 8.7 million bales. Cotton positioning in the Commitments of Traders for the week ending January 3rd showed Managed Money traders are net long 11,405 contracts after net selling 4,576 contracts for the week. Non-Commercial No CIT traders net sold 2,419 contracts and are now net short 13,247 contracts.

SUGAR:

Sugar prices had an abrupt change in fortune going into 2023 as they lost over 2 cents in value since the Christmas holiday weekend. While it is receiving carryover support from key outside markets, sugar needs a significant shift in its supply outlook to put some brakes on this current downdraft. March sugar maintained downside momentum as it reached an 8-week low before finishing Friday's trading session with a sizable loss. For the week, March sugar finished with a loss of 1.08 cents (down 5.4%) which was a second sizable weekly loss in a row.

While crude oil had a modest gain, a 2-week low in RBOB gasoline prices weighed on the sugar market as that will diminish near-term ethanol demand prospects. With an exemption on Brazil federal gasoline taxes extended through the end of February, Center-South mills have little incentive to shift their crushing away from sugar production to ethanol production. Several mills are still operating this month, so this season's Center-South sugar production will climb further ahead of last season's pace.

Better than expected early production from India has been a source of pressure on sugar prices as this will increases the chances that their second export tranche will be 3 million tonnes or larger. The All India Sugar Trade Association (AISTA) forecast India's 2022/23 sugar production at 34.5 million tonnes (down 3.6% from last season) with 2022/23 exports at 7 million tonnes (versus 11.2 million last season). AISTA said that sugar production in Maharashtra and Karnataka will be lower than last season while production in Uttar Pradesh will have a slight increase.

Sugar positioning in the Commitments of Traders for the week ending January 3rd showed Managed Money traders net sold 18,258 contracts and are now net long 239,758 contracts. CIT traders are net long 193,687 contracts after net buying 167 contracts. Non-Commercial No CIT traders are net long 157,992 contracts after net selling 16,358 contracts. Non-Commercial & Non-Reportable traders net sold 23,269 contracts and are now net long 285,087 contracts.

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