ADM Investor Services, Inc.

Weekly Futures Market Summary

March 27, 2023 **by the ADMIS Research Team**

BONDS:

Clearly, the treasury markets have seen a dramatic expansion of bullish forces serving to lift prices. In addition to the bullish inertia from early March declines in equity markets, the emergence of global bank sector fears and renewed fears of slowing from tightening credit conditions could result in new contract highs in bond and note prices in the weeks ahead. Given the potential for a major escalation of bank fears and given a slightly less likely potential for a moderation of bank sector fears, traders should expect the initial action on Monday morning to set this week's trend.

With global equity markets showing modest gains, reports of two banks stepping forward to buy portions of the Silicon Valley Bank and a lack of additional rumors of other banks under pressure, treasury prices have retrenched from last week's low to high rally of 4 points. Surprisingly, treasuries are tracking lower this morning despite suggestions from the Minneapolis Fed President over the weekend that the US economy was edging toward recession. On the other hand, given the 11-point March low to high rally the treasury markets clearly factored some form of a contagion problem in the banking sector. Nonetheless, sentiment toward the economy suffered from the bank news over the last several weeks and US scheduled data has added to fear of slowing in the US.

There will be a series of US treasury auctions this week and a combination of relative calm (compared to the zenith of anxiety from the first news of trouble at SVB) and low yield offerings auction, results this week could take on added importance. However, looking back last week's jobs-related data showed ongoing resiliency in the job sector but other measurements of the economy showed a different story. Going forward it will take a string of days if not weeks without a fresh bank sector rumor of a beleaguered bank to shake the contagion fear completely, but the more days that pass without a fresh problem should give bank regulators time to sort out which institutions are vulnerable. The Commitments of Traders report for the week ending March 21st showed Bonds Non-Commercial & Non-Reportable traders net bought 68,848 contracts and are now net short 26,889 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders reduced their net short position by 50,288 contracts to a net short 496,496 contracts.

CURRENCIES:

After the US dollar failed to show lift from flight to quality and risk-on earlier last week we expected it to remain out-of-favor. However, seeing the focus of the markets shift from the US bank sector threat to a European bank sector threat has clearly rekindled long interest in the dollar. In the near term, flight to quality markets is likely to be the Dollar, yen, US treasuries, and gold which in turn will likely result in consistent and perhaps significant pressure on the euro. The dollar has not managed to take out the

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Friday high and the 2-day bounce at the end of last week has probably set the stage for a slide in the dollar early this week.

However, it is possible that a stabilization of the US bank sector will entice some flows back toward the dollar but skepticism toward the US remains in place especially with the Fed thought to be handcuffed in its inflation battle. An early limiting force for the dollar is the Dallas Fed Manufacturing Business Index reading for March which is expected to remain in deep negative territory. Dollar positioning in the Commitments of Traders for the week ending March 21st showed Non-Commercial & Non-Reportable traders reduced their net long position by 297 contracts to a net long 16,690 contracts.

While the euro appears to have found technical chart support and saw a sweep of favorable German IFO business climate, current assessment, and expectations surveys for March, the direction of the euro is likely to flow from big picture global influences. In fact, with key scheduled data expected to be rather thin over the coming sessions the major rally, blowoff, and corrective setback from last week's highs in the Euro could yield a euro trade below 1.0768 in the coming sessions. Euro positioning in the Commitments of Traders for the week ending March 21st showed Non-Commercial & Non-Reportable traders are net long 213,513 contracts after net buying 6,480 contracts.

With the Yen receiving several weeks of significant flight to quality buying and global anxiety seemingly moderating, we see the Yen eroding toward uptrend channel support but would not rule out a further slide to a past double low down at 76.39. While we expect volatility in the Swiss franc to moderate this week the currency could without notice rally 100 points or break 150 points. Given initial calm and generally higher global equity markets, we view the path of least resistance in the Swiss pointing downward.

From a technical perspective, the Pound is clearly overbought from the March rally of 550 points and the currency could see a measure of pressure from news that Scotland may seek independence if the pro-independence movement remains in place after a leadership transition. However, the Pound should see fundamental support from favorable UK retailer surveys and from a higher Bank of England terminal rate forecast from Barclay's. While the Canadian aggressively rejected the sharp spike down failure last week, the action certainly undermines bullish sentiment and leaves the bear camp with a psychological edge early this week. The bear camp should be emboldened by disappointment in Canadian factory sales last week, but the currency might find support from upcoming Canadian budget news.

STOCKS:

Typically, the equity markets do not like high levels of financial sector anxiety and increasing economic uncertainty. Clearly, the current banking sector threat could be fully exposed, but traders should not have as much confidence in the ECB controlling a banking crisis as in the Fed controlling its banking crisis. Certainly, sharp declines in US treasury yields have reduced the prospect of yield hunting rotation out of equities, but increased headwinds from tightening credit conditions could have a negative impact like additional US Federal Reserve rate hikes.

Global equity markets at the start of the week were higher except for the Chinese markets with the Hang Seng posting the largest loss on Monday. With US/Chinese relations continuing to be tense, concern that inflation may be allowed to regather momentum, residual concerns of bank sector problems and weekend Fed suggestions the US is moving closer to recession that is not a favorable mix for investors. However, US equities have managed to track higher with global equity markets early on in a reaction we suggest is mostly relief and perhaps a measure of technical short covering. In our opinion, the most the bull camp can hope for is a market focus on the possible end of rate hikes and less focus on banks and recession.

All things considered, the upside action in the S&P early this week after the very strong finish on Friday should have some shorts running for the exits. Unfortunately for the bull camp the overall macroeconomic environment is not particularly upbeat with "relief" instead of optimism seemingly driving the bus this

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morning. On the other hand, the S&P has shown resiliency since the early March low and could be poised for a near term trade above 4050. With the most recent COT positioning report registering a sizable net spec and fund short and the market following that report with a washout traders should not underestimate the magnitude of short covering activity. The Commitments of Traders report for the week ending March 21st showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 111,659 contracts and are now net short 277,092 contracts.

While the Dow futures are hesitant early this week, the index is following other US measures and global market action higher. With lower rates and recent declines in energy prices, big companies should see a measure of stability ahead. Obviously, the 32,000 level was judged to be some form of value zone with the market now likely to attempt to determine the level of overhead resistance Without a rise above a downtrend channel resistance line from the February and March highs, the technical trend remains down. Dow Jones $5 positioning in the Commitments of Traders for the week ending March 21st showed Non-Commercial & Non-Reportable traders were net short 30,056 contracts after increasing their already short position by 3,544 contracts.

Not surprisingly, the NASDAQ has lagged the markets early this week with a conference in China including many US corporate executives potentially resulting in some form stern threat against the US government from the Chinese government. In fact, reports are that 5 Chinese employees of a US law firm have been detained leaving the tech sector in an awkward position. Nasdaq Mini positioning in the Commitments of Traders for the week ending March 21st showed Non-Commercial & Non-Reportable traders are net short 20,180 contracts after net buying 17,472 contracts.

GOLD, SILVER & PLATINUM:

With reports of buyers stepping forward for some assets of the Silicon Valley Bank and a regional Fed President suggesting the US economy is drawing closer to recession because of the bank sector turbulence, a measure of corrective action in gold and silver is justified. However, a demand underpin for prices was seen overnight following reports that Chinese February imports of gold via Hong Kong rose to 64.8 tons versus only 22.2 tons in January. In a suspect but supportive development at the end of last week, the Russian central bank also indicated it has added 1 million ounces of gold to its reserves since the beginning of the Ukraine war. While the Russian bank indicated their gold holdings were 74.9 million ounces (worth $135 billion), sanctions reportedly froze $300 billion worth of Russian reserves outside of Russia.

Furthermore, according to several different global entities, total Russian energy receipts continue to be robust, and financing of the war will continue. However, some analysts suggest the Russians may have switched a large portion of their dollar and euro holdings into the Chinese currency and that may justify some of the dollar weakness over the last several months. Fortunately for the bull camp, investors continue to push money toward gold ETF instruments, with Friday posting a net inflow of 48,594 ounces and in turn fostering potential early signs of a trend of investment. Silver ETF instruments also saw an inflow of 836,096 ounces on Friday, but those holdings remain 1% lower year-to-date. Clearly, a moderation of global angst over bank sector issues has moderated and without a fresh bank victim or a rumor of a fresh victim we expect some flight to quality premium to drain from both gold and silver prices. At least to start this week the markets do not appear to be overly interested in news of Russia potentially moving tactical nuclear weapons into Belarus nor is the trade sensitive to the intense fighting between Ukraine and Russia in the East.

It should be noted that gold in certain currency prices has already reached record levels which could be a disincentive for some would-be buyers. While June gold failed to hold a minimal upside breakout on Friday, the market was obviously overbought from a 2-day surge of $70, and the new high for the move was forged on strong trading volume and an uptick in open interest and that makes the downside reversal this morning significant and likely to extend. The Commitments of Traders report for the week ending

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March 21st showed Gold Managed Money traders added 21,593 contracts to their already long position and are now net long 106,955. Non-Commercial & Non-Reportable traders are net long 198,863 contracts after net buying 30,180 contracts. Silver positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders went from a net short to a net long position of 886 contracts after net buying 4,648 contracts. Non-Commercial & Non-Reportable traders net bought 3,659 contracts and are now net long 14,553 contracts.

In addition to negative divergence with gold last week and periodic drawdowns in platinum ETF holdings, the charts have also been freshly damaged in platinum to start the new trading week. Furthermore, the platinum market has consistently forged lower highs and lower lows over the last several weeks and posted a significant jump in trading volume on last Friday's downside failure. Apparently, the trade has quickly discounted the potential for a reduction in output from a South African miner who announced last week they would skip their usual quarterly dividend. While the platinum market was not particularly benefiting from the recent strength in gold, corrective action in gold early this week is likely to add a measure of selling pressure in the platinum trade. Clearly, platinum is tracking physical commodity fundamentals instead of flight to quality cues and apparently anxiety toward the global banking sector has given way to an increase in recession fears today. Therefore, we see July platinum failing to hold key support. While platinum ETF holdings are 1.6% higher year-to-date, recent daily changes have not signaled an ongoing "trend" of investment or disinvestment.

Going forward, we suspect the platinum market will continue to chop sideways with a slightly bearish tilt. The Commitments of Traders report for the week ending March 21st showed Platinum Managed Money traders reduced their net long position by 766 contracts to a net long 2,572 contracts. Non-Commercial & Non-Reportable traders added 282 contracts to their already long position and are net long 14,622. While not significantly vulnerable to stop loss selling (relatively speaking) the net spec and fund long in platinum could facilitate a quick spike down to $950 if outside market forces remain negative over the coming sessions. Like the platinum market, the palladium market posted negative chart action on Friday and has not shown positive traction from strength in gold or from the ebb and flow of flight to quality market action. However, investment interest in palladium is relatively strong with palladium ETF holdings up 7.4% year-to-date. Furthermore, the net spec and fund short in palladium sits right on record "short" levels and without a distant inflationary/recession fear event surfacing, consolidation low support could hold prices up. The March 21st Commitments of Traders report showed Palladium Managed Money traders net sold 613 contracts and are now net short 6,365 contracts. Non-Commercial & Non-Reportable traders net sold 405 contracts and are now net short 7,342 contracts.

COPPER:

Despite tightening supply signals last week from Shanghai copper warehouse stock readings and evidence of supply drawdowns in Chinese private company industrial storage facilities, the copper trade is facing a bearish macroeconomic environment to start the new trading week. However, US and Chinese relations remain very tense with Chinese officials at a global conference in China today reiterating their objective of an "open China". However, it was reported that 5 Chinese employees of a US law firm were reportedly detained in Beijing today prompting suspicion of the open China policy. However, reports last week indicated spot discounts in Shandong contracted sharply because of soft demand but reportedly recovered sharply on Friday. Furthermore, copper scrap prices also fell sharply early last week before rebounding in a possible sign of bargain hunting buying by Chinese interests.

Obviously, Western demand prospects are moderating if not deteriorating, while Chinese copper demand expectations are generally positive but are in constant need of verification. Unfortunately for the bull camp the next critical Chinese scheduled data point is manufacturing PMI readings for March due out early Friday morning Asian time. On the other hand, the copper market could become technically sold-out quickly with the latest positioning report showing the market net short 10,571 contracts. Unfortunately for the bull camp, last year the net spec and fund short in copper reached 30,000 contracts! The March 21st

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Commitments of Traders report showed Copper Managed Money traders were net short 6,967 contracts after decreasing their short position by 2,870 contracts. Non-Commercial & Non-Reportable traders were net short 10,571 contracts after increasing their already short position by 1,040 contracts.

ENERGY COMPLEX:

While crude oil is showing initial strength earl this week, the overall global macroeconomic outlook is still suspicious with the meter tilting more toward recession than growth. However, the focus of the energy markets is locked onto Chinese factors which are supportive of prices to start the new trading week. Apparently, the Chinese National Petroleum Corp. over the weekend indicated it expects crude oil imports to the country to increase by 6.2% this year relative to last year's 540-million-tonne import tally. Furthermore, the national oil company expects crude oil refinery throughput to "increase" by 7.8% to 733 million tonnes. Comparing the anticipated import tally to the refinery throughput tally indicates China expects fuel demand to grow significantly. In fact, CNPC projected Chinese oil consumption to rise by 4.5% and the refinery utilization rate to increase by nearly 4%! In a positive long-term development for crude oil (a negative for global fuel markets) the Saudi national oil company has indicated it will begin building a massive Chinese refinery in a project that was delayed by the Covid pandemic.

According to some of the world's largest oil traders the oil market is set to rally with prices near 15-month lows seen as "too cheap". In a minor short-term bearish development crude oil in floating storage posted an increase of 6.9% over the previous week with supply in producer held ships down sharply and declines in supply seen in Asia. However, it should be noted that US Gulf Coast floating storage posted a dramatic 229% increase in a reading that should leave WTI weaker than other crude varieties. It should be noted that a Middle East oil tanker glut has narrowed slightly because of increased end of March demand. Even though the Russian energy minister indicated his country was near its production cut target output level of 9.5 million barrels per day, flows from the country suggest that production cuts are not having an impact yet on actual Russian exports. In fact, Russian exports from the Urals continue to remain steady and the trade is concerned about burgeoning US crude oil inventories on the Gulf Coast.

Nonetheless, fear of major demand losses remains in place because of the US and European banking threat and that concern might not be alleviated quickly. However, Chinese, and Indian demand readings remain supportive elements with February Indian crude oil imports jumping 8% over year ago levels with the country attempting to meet strong fuel demand which has reached 20-year highs. Technical signals favor the bull camp and will likely attempt to hold up prices against fundamental pressure. In addition to the aggressive spike down reversal Friday, the net spec and fund long in crude oil is approaching the lowest levels since late 2012! Crude Oil positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders were net long 71,302 contracts after decreasing their long position by 52,672 contracts. Non-Commercial & Non-Reportable traders are net long 215,612 contracts after net selling 40,714 contracts. In our opinion, the crude oil market is "mostly liquidated" and will recover sharply if the banking crisis is contained to current trouble spots. The weekly Baker Hughes rig count showed oil rigs drilling were up four with current rigs operating 88 or 13% more rigs than year ago levels!

Like the crude oil, the gasoline market also has a moderately liquidated net spec and fund long position, but near-term demand expectations are likely to trump technical oversold signals. Fortunately for the bull camp, signs of very strong Indian fuel demand and signs of some economic recovery in China should provide cushion against fear of softening demand in the US and Europe. In retrospect, demand news from China last week was somewhat bearish with Bloomberg traffic congestion readings declining again and Chinese economic data limited in scope. Fortunately for the bull camp, EIA gasoline stocks continue to maintain a year-over-year deficit of 8.4 million barrels and the implied gasoline demand reading last week posted above year ago levels for the 3rd time this year. Furthermore, seasonal demand improvement should begin within the next several weeks and the US refinery operating rate continues to run 5% below year ago levels!

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Unfortunately for the bull camp the upside track in RBOB looks to face ongoing headwinds from macroeconomic slowing fears and from key pivot point/consolidation resistance point at $2.60. On the other hand, the net spec and fund long position in gasoline remains in the lower 20% of the last 5-years range and that could limit speculative stop loss selling. The Commitments of Traders report for the week ending March 21st showed Gas (RBOB) Managed Money traders net sold 14,822 contracts and are now net long 35,852 contracts. Non-Commercial & Non-Reportable traders are net long 43,381 contracts after net selling 16,682 contracts. The ULSD fundamentals in the US remain bearish with surplus readings relative to year ago levels in both distillate and diesel inventories. Furthermore, US implied distillate demand has been below year ago levels in every week this year except for the first week of the year. From a technical perspective, diesel has a definitive/uniform downtrend pattern on the charts and the net spec and fund long positioning is vulnerable to additional stop loss selling. Heating Oil positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders net sold 5,775 contracts and are now net long 10,764 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,225 contracts to a net long 22,996 contracts.

The most supportive argument for the bull camp in natural gas is the market's continued efforts to build consolidation support. Certainly, the bear camp has benefited from modest cold weather in Europe, but the track toward warmer temperatures from normal seasonal patterns reduces the supportive capacity of "normal cold". Obviously, supply evidence from both sides of the Atlantic remains bearish with US inventories holding a massive surplus relative to 5-year average levels and the Russian national gas company continuing to send oil through pipelines under the Ukraine to Europe. While there is a minor outage in Norway, and more evidence on the undersea pipeline destruction could surprise the trade in some fashion, the bull camp lacks a case. This week's Baker Hughes US gas rig drilling count was unchanged at 162 rigs. Natural Gas positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders are net short 2,660 contracts after net buying 15,305 contracts. Non-Commercial & Non-Reportable traders are net short 114,116 contracts after net buying 4,410 contracts. Without the market's capacity to respect consolidation support on the charts, the bull camp would have almost no ammunition.

BEANS:

Old crop soybeans and meal appear to have put in at least a short-term low. The extreme oversold condition after the selloff of the last two weeks plus expectations of a sharp drop in meal production in the months just ahead may help support the market over the near term. A lack of farmer selling in Argentina with the poor crop and the currency very weak is seen as a factor which could drive global meal production down even more. In order to find the meal needed for crushing in Argentina, it may take another currency deal in order to pull depleted Argentina supplies away from producer hands. July soybeans managed to close higher on the session Friday after trading down to the lowest level since September 8. The hook reversal after trading through key support at 1399 1/2 is a positive technical development, and the turn up comes from an extremely oversold technical condition. Strength in the other grains helped to provide support.

July soybean meal managed to close higher on the session after an early break down to the lowest level since December 6. The market turned higher after first trading down close to the 50% mark of the July to March rally, and the turn higher from this key support (430.20) is a bullish technical development. For the USDA planted acreage report, traders see soybean plantings near 88.3 million acres, 87.4-89.6 range, as compared with 87.5 million from the USDA Outlook forum and from 87.5 million last year. On Friday, Farm Futures magazine release there producer survey which indicated soybean planted area for this season at 89.62 million acres, up 2.5% from last year. Traders see March 1 soybean stocks at 1.728 billion bushels, 1.600-1.910 range, as compared with 1.932 billion bushels last year.

Soybeans positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders are net long 110,786 contracts after net selling 16,875 contracts. This is a long liquidation

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selling trend. Non-Commercial & Non-Reportable traders reduced their net long position by 4,304 contracts to a net long 98,125 contracts. For Soyoil, Managed Money traders net sold 4,529 contracts and are now net short 5,718 contracts. For Soymeal, Managed Money traders net sold 18,756 contracts and are now net long 115,214 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 27,108 contracts to a net long 145,665 contracts.

CORN:

The corn market is a bit overbought short-term, but still has some positive fundamentals working in its favor. May corn managed to close sharply higher on the session Friday after trading lower early in the day. The buying pushed the market up to the highest level since February 28. China was a noted buyer of 204,000 tonnes of US corn which was the eighth China purchase in the last nine trading days. This pushed total purchases of US corn over this timeframe to over 2.75 million tonnes. With strong weekly export sales last week and May corn still trading at a 20 cent premium to the July contract, the cash tone remains firm. For the USDA planted acreage report, traders see US corn plantings near 90.9 million acres, 87.7-92.1 range, as compared with 91 million acres from the USDA Outlook forum and from 88.6 million last year.

On Friday, Farm Futures magazine released their survey from producers which indicated that growers expected to plant 87.677 million acres of corn, down 1% from last year. Traders see March 1 corn stocks at 7.474 billion bushels, 7.240-7.830 range, as compared with 7.758 billion last year. This year's corn production in the EU, plus the UK, is seen near 62.3 million tonnes, according to trade group Coceral. This would be down from a December estimate for 64.5 million as French plantings are likely to drop due to high input costs. Corn positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders were net short 41,896 contracts after decreasing their short position by 12,238 contracts for the week. The short-covering trend is a positive force. Non-Commercial No CIT traders reduced their net short position by 24,834 contracts to a net short 52,799 contracts.

WHEAT:

A combination of uncertainty from the Black Sea region plus a drier than normal outlook for the winter wheat areas of the US are factors which may support. A Russian business newspaper reported that the Russian government could recommend a temporary halt in wheat and sunflower exports, but many traders believe that Russia has no plans to halt exports. On Saturday, Russia president Putin held a phone call with his Turkish counterpart and it appears that a deal may be in place; but still uncertain. The Ukraine infrastructure minister underlined the agreement to extend Black Sea grain initiative for 120 days is needed but there is still concern that Russia has only agreed to a 60 day extension. May wheat experienced choppy to lower trade early in the session Friday, but managed to close sharply higher on the day. Reports about Russia considering plans to restrict exports from the Black Sea as a way to support wheat prices and this helped to trigger aggressive buying.

Milling wheat futures in Europe pushed up to a new 18-month high with a jump of 6% on Friday. July Kansas City wheat traded sharply higher on the day and up to the highest level since February 24 as some dryness concerns persist for the central plains. There is very light and scattered rains for parts of Texas over the next five days, while the 6-10 day forecast models show normal to below normal precipitation especially for Southwest Texas and Oklahoma. The 8-14 day forecast models show near normal precipitation. Iraq is expected to import anywhere from 600,000 to 1 million tonnes of wheat this year. For the USDA planted acreage report, traders see all wheat planted area at 48.9 million acres, 45.7-50.0 range, as compared with 49.5 million acres from the USDA outlook forum.

Spring wheat planted area is expected near 10.9 million acres, 9.8-12.0 range, as compared with 10.8 million acres last year. Winter wheat plantings are expected near 36.3 million acres from 33.3 million in

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2022. Traders see wheat stocks as of March 1 at 929 million bushels, 875-1.020 billion range, as compared with stocks last March at 1.029 billion bushels last year. The March 21st Commitments of Traders report showed Wheat Managed Money traders net bought 8,757 contracts and are now net short 86,500 contracts. The short-covering trend is a positive development. CIT traders are net long 80,447 contracts after net selling 1,469 contracts. For KC Wheat, Managed Money traders were net short 8,762 contracts after decreasing their short position by 3,970 contracts for the week. Non-Commercial & Non-Reportable traders net bought 2,333 contracts and are now net short 11,524 contracts.

HOGS:

While US pork production was higher than a year ago during the first quarter, it is expected to fall below last year's levels in the second quarter. Production is also expected to decline by 455 million pounds from the first quarter. This would be the third largest decline for this period on record. US production typically drops anywhere from 150 million to 300 million pounds during this time, and a larger than normal decline would be a supportive force. June hogs closed sharply higher on the session Friday after choppy and two-sided trade early in the day. The monthly cold storage report was supportive, and the market is trading at a smaller than normal premium to the cash market. In addition, the market is oversold and experienced a hook reversal after reaching a key downside target on Thursday. The USDA pork cutout, released after the close Friday, came in at $78.90, up $1.04 from Thursday and up from $78.59 the previous week.

The CME Lean Hog Index as of March 22 was 77.39 down from 77.83 the previous session and 79.95 the previous week. The USDA estimated hog slaughter came in at 482,000 head Friday and 63,000 head for Saturday. This brought the total for last week to 2.457 million head, down from 2.492 million the previous week but up from 2.411 million a year ago. Estimated US pork production last week was 539.7 million pounds, down from 544.4 the previous week and down from 540.4 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 18,711 contracts of lean hogs for the week ending March 21, taking them from a net long position to a net short of 16,575. Non-commercial & non-reportable traders were net sellers of 17,447, increasing their net short to 17,534.

CATTLE:

The cattle market is showing much more positive technical action, but the continued weakness in the beef market down to a six week low is a short-term negative force. It will be important to see beef prices stabilize and begin to move higher over the near term. Cash markets are trading well above June cattle and given the oversold condition and the wide basis, it will not take much in the way of positive news to spark renewed buying in cattle. The USDA boxed beef cutout was down $1.94 at mid-session Friday and closed $2.90 lower at $279.88. This was down from $283.35 the previous week and was the lowest it had been since February 16. Cash live cattle prices did not change much last week. As of Friday afternoon, the five-day, five-area weighted average price was $164.18 versus $164.14 the previous week.

The USDA estimated cattle slaughter came in at 108,000 head Friday and 16,000 head for Saturday. This brought the total for last week to 626,000 head, down from 631,000 the previous week and 657,000 a year ago. The estimated average dressed cattle weight last week was 825 pounds, unchanged from 825 the previous week and down from 838 a year ago. Estimated beef production last week was 515.3 million pounds, down 3.1% from a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 28,816 contracts of live cattle for the week ending March 21, reducing their net long to 63,749. This is an aggressive long liquidation selling trend. Non-commercial & non-reportable traders were net sellers of 23,086, reducing their net long to 80,338.

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COCOA:

Cocoa prices have maintained their strength through turbulent action in global markets as they continue to find support from bullish West African supply developments. With the market on-track for a sixth monthly gain in a row and a second sizable quarterly gain in a row, cocoa may be increasingly vulnerable to profit-taking and additional long liquidation this week. May cocoa was able to shake off early pressure and reach a new contract high before finishing Friday's trading session with a moderate gain and a fifth positive daily result over the past 6 sessions. For the week, May cocoa finished with a gain of 146 points (up 5.3%) and a second positive weekly result in a row. After the steep rally this month, a negative shift in global risk sentiment weighed on cocoa prices as that may weaken near-term demand prospects for discretionary items such as chocolate.

A sharp selloff in the Eurocurrency was another source of pressure as that will make it more difficult for European grinders to acquire near-term supplies. The International Cocoa Association said that this season's Ivory Coast cocoa exports through January were 9.3% behind last season's pace, due in part to outbreaks of swollen shoot disease, and may account for the early pullback in main crop production as well as increased domestic grindings. The March 21st Commitments of Traders report showed Cocoa Managed Money traders net bought 5,512 contracts and are now net long 20,521 contracts. CIT traders were net long 23,072 contracts after decreasing their long position by 1,540 contracts. Non-Commercial No CIT traders added 6,714 contracts to their already long position and are now net long 12,951. Non-Commercial & Non-Reportable traders added 5,956 contracts to their already long position and are now net long 32,641.

COFFEE:

After recovering from a 20-month low in early January, coffee prices fell back into a consolidation zone during March as the market could not sustain momentum in either direction. With the market receiving bullish supply news, coffee could see an upside breakout of its consolidation and extends its 2023 recovery move. May coffee had an abrupt change in fortune as it was able to rally from a 1 1/2 week low to finish Friday's trading session with a sizable gain. For the week, May coffee finished with a gain of 2.65 cents (up 1.5%) which broke a 3-week losing streak. A sizable daily decline in ICE exchange coffee stocks Thursday was followed by a decline of 2,355 bags on Friday, while no grading took place and only 1,135 bags are waiting to be graded. With ICE exchange coffee stocks nearly 40,000 bags below their February month-end total with one week to go, this makes more likely that they will have a monthly decline for March.

Most of those stocks are located at Euro zone warehouse where a significant portion of demand comes from out of home consumption, so this drawdown could signal that overall global demand may be improving. Colombia's production pace remains close to 9-year lows which also provided support to the market as they continue to be a large portion of global Arabica output. The Commitments of Traders report for the week ending March 21st showed Coffee Managed Money traders were net long 13,368 contracts after increasing their already long position by 4,505 contracts. CIT traders net sold 914 contracts and are now net long 53,768 contracts. Non-Commercial No CIT traders net bought 6,550 contracts which moved them from a net short to a net long position of 4,023 contracts. Non-Commercial & Non-Reportable traders net bought 3,927 contracts and are now net long 14,820 contracts.

COTTON:

May cotton closed lower on Friday after trading to its lowest level since November 2. The dollar was higher and crude oil was lower, and both of these moves were negative to cotton. A strong dollar makes US export commodities like cotton less competitive on the world market, and cheaper crude oil makes man-made fibers less expensive. Traders remain concerned that there is too much unsold cotton from last year. For the USDA prospective plantings report, the average trade expectation for US cotton planted

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area is 11.0 million acres, with a range of expectations from 10.5 to 12.7 million. This compares to 10.9 million in the USDA Outlook Forum and 13.8 million last year.

But even if planted area is much lower than last year, production is expected to be stronger after drought last year forced the abandonment of a large portion of acreage. Only 54% of US planted area was harvested last year versus a 20-year average of 83%. Friday's Commitments of Traders report showed managed money traders were net sellers of 10,602 contracts of cotton for the week ending March 21, increasing their net short position to 24,255. Non-commercial & non-reportable traders were net sellers of 10,673, increasing their net short to 15,291.

SUGAR:

While the sugar market avoided a negative key weekly reversal, it is starting to show signs of being top heavy at current price levels. With a bearish shift in the Brazilian supply outlook, sugar prices may remain on the defensive early this week. May sugar was unable to hold onto early strength and extended its pullback by finishing Friday’s trading session with a mild loss. For the week, however, May sugar finished with a gain of 15 ticks (up 0.7%) which was a third positive weekly result over the past 4 weeks. The Brazilian trade group Unica released their latest supply report which showed Brazil’s Center-South cane crush during the first half of March at 608,000 tonnes, which was over 3 times the size of last year’s total. While most of that crushing was allocated to ethanol, there was an additional 16,000 tonnes of sugar produced during that timeframe. Unica also said that 24 mills had already begun their operations with another 36 planning to start during the second half of March.

Unica forecast Center-South mills will crush 5 million tonnes of cane during the second half of March which would be 5 times as large as last year’s total. Unica also said that Center-South domestic ethanol sales during the first half of March were 12.6% lower than last year’s total. As a result, a sizable pullback in energy prices put carryover pressure on the sugar market as that could further weaken near-term ethanol demand in Brazil and India. Sugar positioning in the Commitments of Traders for the week ending March 21st showed Managed Money traders are net long 192,032 contracts after net selling 8,872 contracts. CIT traders were net long 185,088 contracts after decreasing their long position by 6,011 contracts. Non-Commercial No CIT traders reduced their net long position by 7,071 contracts to a net long 126,973 contracts. Non-Commercial & Non-Reportable traders net sold 14,386 contracts and are now net long 249,360 contracts.

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