ADM Investor Services, Inc.

Weekly Futures Market Summary

May 1, 2023 **by the ADMIS Research Team**

BONDS:

With a lower low in bonds late last week soundly rejected and a revival of US debt ceiling anxiety, the bullish reaction in prices is likely to extend into this week. In fact, seeing US treasury prices gain in the face of a better-than-expected personal income reading, a residually hot core personal consumption expenditure reading and in the face of a significant jump in the Chicago purchasing managers index for April highlight a very capable bull contingent. Even though there have been some positive US economic readings released over the last several weeks expectations for the US nonfarm payroll reading from last month on Friday call for a very small gain of only 181,000 jobs which would be the smallest gain since January 2020! In fact, J.B. Hunt trucking predicted a recession, but that should be offset by what is predicted to be generally positive ISM manufacturing readings for the US. We would not be surprised to see a return to the January/February and early April highs after Friday's nonfarm payroll report.

On the one hand, treasury prices have backed off from last week's highs, but they remain moderately above the last 2 months' consolidation low levels. On the other hand, depending on which economist you ask, US scheduled data has been soft or mixed. While the First Republic Bank takeover and sale created a ripple of flight to quality interest in treasuries, that development has been largely anticipated and is unlikely to have a sustained impact on Treasury prices ahead. However, soft Chinese manufacturing data combined with reports of softening physical commodity prices inside China are a minor dovish development for the Fed to consider on Wednesday. However, with US Federal Reserve expected to announce their latest policy decision Wednesday afternoon, the trade will remain on edge with the treasury markets seemingly poised to embrace a rate hike as a development that increases the threat of slowing in the US. Therefore, Monday's US scheduled data from 2nd and 3rd tier data is likely to take on added importance.

In our opinion, the most important scheduled data point will be the US ISM Manufacturing Prices Paid reading for April which is expected to post again which would be the 2nd highest reading since October. The 2nd most important scheduled data point is likely to be the ISM Manufacturing Employment Index for April, which is expected to improve. However, the anticipated reading for the ISM jobs report would be a 3-week high but below the readings posted in the first 2 months of this year. From a technical perspective the spec trade in treasuries continues to reduce their net shorts which could slow upside action as stop loss buying diminishes. On the other hand, a return to the 5 highs posted above 134-00 in June bonds ahead we see Treasuries forging a major top in prices with both speculators and hedgers selling into what has been a broadening top. The April 25th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net bought 22,635 contracts and are now net short 29,761 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net short 646,132 contracts after net buying 8,394 contracts.

CURRENCIES:

With the dollar forging a major range up extension and reversing aggressively from that rally last Friday, it is clear the bull camp lacks resolve and perhaps capacity. However, seeing euro zone inflation remain problematic has likely increased expectations of another 50-basis point ECB rate hike while expectations for the US hike next week calls for a mere 25-basis point move. In conclusion, last week's corrective action in the currency markets has likely increase the attractiveness of long Swiss franc and Euro positions. While the most likely action in the dollar this week is to remain within a 150-point consolidation zone, we expect the dollar to fail in the wake of a US rate hike on Wednesday.

In fact, if the Fed pauses, that will result in the Fed losing credibility and a large wave of capital moving away from the dollar. However, the dollar might see a measure of support from US ISM readings, but the bull camp will likely remain concerned about buying the dollar with expectations for the nonfarm payroll gain on Friday to be the smallest reading since January 2020. The April 25th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 12,702 contracts after increasing their already long position by 756 contracts.

While the euro will be vulnerable to a measure of post US report pressure, we see uptrend channel support at 1.105. A holiday throughout Europe on Monday should narrow the Euro’s trading range especially after US data is released. Euro positioning in the Commitments of Traders for the week ending April 25th showed Non-Commercial & Non-Reportable traders net bought 12,632 contracts and are now net long 235,200 contracts.

Seeing the Japanese Yen extend last Friday's very significant downside washout highlights the trades entrenched bearish fundamental and technical views toward the currency. Obviously, the trade sees the conundrum of a very vulnerable Japanese economy in the face of inflation and the prospect of unending easy monetary policy as an environment to avoid. With the hyper volatile Swiss franc showing signs of a double top last month, the currency needs to respect a quasi-double low around the 1.120 level to avoid a failure to the next lower support point. In the end, given the potential for significant volatility in the Swiss franc would-be buyers should be conservative with their long entry pricing.

While the upcoming coronation of Prince Charles could provide psychological support for the Pound, that potential lift will likely be secondary to the recent shift up in the charts. A UK nationwide house price index reading for April is expected to remain in contraction territory, but the contraction is expected to be less significant than last month. With the Canadian dollar significantly oversold at last Friday low, aggressively bouncing from that downside breakout, and regaining the 50-day moving average there are signs of a technical low. Furthermore, it is possible that a positive Canadian S&P Global Manufacturing PMI reading for April will provide lift.

STOCKS:

The surprise rally in equities last Friday caught many traders off guard and potentially served to accentuate the rally with stop-loss buying. In a contrary and type view the markets might have accepted the prospect of failure of First Republic Bank and were also cheered by the release of the Federal Reserve assessment of the Silicon Valley Bank collapse. In other words, the Fed plan to revamp bank oversight provides investors with improved confidence toward the US banking sector. Global equity markets at the start of this week were surprisingly higher (several markets were closed for holiday) as the failure of First Republic Bank (the 2nd largest US bank to fail) could have rekindled financial sector contagion fears again. We sense a growing fear of recession in the US with Charlie Munger (Warren Buffett's partner) warning of a possible commercial property induced bank failure wave. Furthermore, expectations for a rate hike on Wednesday and the softest of the US nonfarm payroll reading since the Covid lockdown period should discourage investors.

With the low to high rally last week of 132 points in the S&P forged on a minimal uptick in open interest and very modest gains in trading volume there is very likely a key pivot point/trend determining trade in the offing. Certainly seeing J.P. Morgan buy the assets of First Republic soothes anxiety, but other icons in the investing world have warned of further bank/loan problems. Fortunately for the bull camp, the latest COT positioning report posted the largest net spec and fund short since the great financial crisis back in 2008. In other words, traders in S&P futures and options seem to have already factored in a measure of crisis or recession with their bets and the market. E-Mini S&P positioning in the Commitments of Traders for the week ending April 25th showed Non-Commercial & Non-Reportable traders net sold 16,340 contracts and are now net short 385,783 contracts.

As indicated already we see a very critical junction for stocks in the Dow this week, with the early edge leaning in favor of the bear camp. Clearly, the prospect of a US rate hike has been widely anticipated, therefore the failure to hike rates Wednesday would likely result in the Dow reach to the highest level since February 16th. While the Dow has recovered from the spike low from which the COT report was calculated, the Dow futures remain near the largest net spec and fund long positioning since the financial crisis. The April 25th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 3,249 contracts to their already short position and are now net short 32,590. However, despite a bearish tilt we do not detect significant anxiety which could result in orderly selling in the 2nd half of this week.

We are surprised with the NASDAQ's initial higher high move this week, especially given Amazon concerns regarding its cloud business and because Twitter announced it would suffer a 10% cut on content subscriptions over 12-months. However, the trade likely continues to hang to a life raft from AI hopes for the future. The April 25th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 1,895 contracts after decreasing their short position by 7,125 contracts. With the upside breakout in the NASDAQ to the highest level since August 25th early this week it appears another sector of the market is "looking through" the potential negative news later this week.

GOLD, SILVER & PLATINUM:

Seeing the gold market track lower in the face of the official First Republic Bank failure highlights the market's lack of sensitivity to flight to quality events. Furthermore, seeing gold and silver diverge suggests flight to quality sentiment is really moderating and the trade is possibly looking at silver as an undervalued commodity following the deficit projections from the Silver Institute. Last week gold ETF holdings increased by 105,274 ounces while silver ETF holdings increased by 4.5 million ounces which shifted silver holdings into a net gain year-to-date 0.4%. On the other hand, gold ETF holdings year-to-date have contracted by 0.3%. We give the edge to the bear camp this week with fear of the Fed dominating early in the week and the potential for a trend signal following the Fed's decision on Wednesday.

Fortunately for the bull camp, last Friday's dollar rally fizzled and produced a negative chart signal. However, while weakness in the dollar will certainly provide support to gold and silver prices, the charts in gold and silver also favor the bear camp. While the May Day holiday could narrow trading ranges in the US trade, the markets will be presented with both US employment and prices paid readings from ISM manufacturing for April and projections call for both jobs and price readings to rise from the prior month. Therefore, fear of a US Fed hike is likely to be stoked slightly and that should add pressure to gold and silver.

Gold is especially vulnerable from the latest positioning report which shows a net spec and fund long sitting near the highest levels in 12 months. The April 25th Commitments of Traders report showed Gold

Managed Money traders are net long 133,174 contracts after net selling 1,079 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,928 contracts to a net long 236,807 contracts. The net spec and fund long in silver is elevated and sits only 4,000 contracts below the highest level in 12 months. The April 25th Commitments of Traders report showed Silver Managed Money traders net bought 3,414 contracts and are now net long 25,167 contracts. Non-Commercial & Non-Reportable traders were net long 43,037 contracts after increasing their already long position by 1,762 contracts.

Since we expect a risk off mentality to dominate commodities in the first half of this week and given bad news on the status of Chinese economy, we see the path of least resistance pointing down. From a technical perspective, the platinum market is very vulnerable to a net spec and fund long position very near the highest levels in 14 months. Platinum positioning in the Commitments of Traders for the week ending April 25th showed Managed Money traders were net long 24,411 contracts after increasing their already long position by 6,033 contracts. Non-Commercial & Non-Reportable traders net bought 5,760 contracts and are now net long 34,897 contracts. Going forward, we expect daily inflow and outflow from platinum ETF holdings to remain very volatile with holdings last week reaching the highest level since March of last year. Furthermore, platinum ETF holdings are now 6.8% higher year-to-date. Last week platinum ETF holdings posted another large inflow on Friday of 10,157 ounces and holdings rose by 23,927 ounces on the week.

As we have been indicating, the palladium market has failed to benefit from the potential for improved demand from China as has been the case in the platinum market. However, the trade is fully embracing the expectation that palladium will lose industrial market share to platinum and the platinum/palladium spread will continue to narrow. While palladium ETF holdings are 6.2% higher year-to-date, holdings remain within last year's range with a climb above 500,000 ounces needed to forge an upside breakout and signal definitive expansion of investment interest. Last week palladium ETF holdings increased by 7,010 ounces despite an insignificant contraction on Friday. Fortunately for the bull camp the palladium market continues to hold a near record net spec and fund short and that could mean the market will be "mostly sold-out" on a return to $1400. The April 25th Commitments of Traders report showed Palladium Managed Money traders are net short 4,745 contracts after net selling 66 contracts. Non-Commercial & Non-Reportable traders net sold 217 contracts and are now net short 6,265 contracts.

COPPER:

Seeing copper prices post minimal declines early this week in the face of a discouraging Chinese April manufacturing PMI survey adds credence to the idea of value at last week's lows. However, the soft Chinese data has instantly fostered calls for, predictions of and hope among Chinese companies of further Chinese government policy support. It should be noted that the markets were tossing around two different types of support plans last week, but those plans were not likely to be a direct benefit for copper in the near term. It appears that a small measure of risk on and slightly positive Chinese economic news resulted in copper rejecting the 4-month low and last week with the trade extending the recovery into a 2nd day during last week's late trading. However, the copper market is facing talk of more consistent production from South America which could reduce price volatility and limit the magnitude of gains in copper.

On the other hand, last week the International Copper Study Group predicted a 2023 world copper market deficit of 114,000 tonnes, and that deficit was given credence by last week's news of a 4.7% year-over-year decline in Chilean copper production. From a positioning perspective, the copper market has a neutral to slightly supportive positioning in the latest COT report with a net short position somewhat elevated at 10,003 contracts. The Commitments of Traders report for the week ending April 25th showed Copper Managed Money traders net sold 30,257 contracts which moved them from a net long to a net short position of 10,489 contracts. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 10,003 contracts after net selling 24,572 contracts. A supportive development from the of last week came from Shanghai where the weekly copper warehouse stocks posted a decline of 8,921 tons for a 6.1% decline.

ENERGY COMPLEX:

While the Friday rally back above the 50-day moving average was partially the result of lower US production, the oversold condition of the crude oil market from the May high to low washout of $7.00 added to the cleansing bounce. However, the fundamental outlook for energy demand has suffered a major blow following disappointing Chinese manufacturing PMI readings released overnight. Bearish supply side influences remain from last week's news that big oil posted very significant profits from strong production and high margins. While it may not be a direct supply side support for the bull camp reports that a Ukraine drone caused a major Crimea fuel depot fire could heat up the war in Ukraine. While a quasi-triple low in June crude oil last week around $73.93 that level could lend technical support for prices to start the new trading week, but the potential for fireworks from the financial markets into the US Federal Reserve rate decision on Wednesday could produce a failure of that support. It should be noted that US crude output in February fell to a 3-month low at 12.4 million barrels per day while US oil and gas rig count readings have pretty much stabilized.

On the other hand, a Reuters poll last week projected crude to return to $90 per barrel before the end of the year off the long-held bullish expectation of fully implemented OPEC+ production cuts and from expanding Chinese and Indian demand. With the latest COT positioning report a backward assessment of positioning (as of early last week) the reduction of some speculative long positions should leave the market less vulnerable to stop-loss selling. In the latest positioning report the net spec and fund long is 180,000 contracts below the highest net spec and fund long this year. The April 25th Commitments of Traders report showed Crude Oil Managed Money traders were net long 192,916 contracts after decreasing their long position by 19,525 contracts. Non-Commercial & Non-Reportable traders are net long 318,086 contracts after net selling 3,470 contracts. While risk off and rate hike fears look to provide pressure in crude throughout the week, the Friday low could provide temporary support.

In retrospect, the gasoline market posted a 30-day low on Friday and promptly and aggressively rejected that low. Fortunately for the bull camp, the net spec and fund long in gasoline remains relatively modest and the market into the low Friday was trading nearly $0.10 below the level where the COT report was measured, and therefore one could make the argument that the gasoline market has leveled the significant overbought condition from the mid-March early April rally. Gas (RBOB) positioning in the Commitments of Traders for the week ending April 25th showed Managed Money traders were net long 51,966 contracts after decreasing their long position by 13,003 contracts. Non-Commercial & Non-Reportable traders net sold 4,834 contracts and are now net long 55,637 contracts. In a fresh negative for the gasoline market Indian gasoline sales in April declined by 0.5% despite noted increases in India diesel.

Last week Amsterdam, Rotterdam and Antwerp storage readings produced a decline in gasoline, gas oil, and fuel oil stock while naphtha and jet fuel inventories increased. Even though the diesel market managed to reject the lowest trade since February 2022, fundamentals generally remain sour, and we see further declines ahead. On the other hand, Indian diesel sales in April increased by 4.8% versus the prior month and are up 6.7% versus year ago levels. The most recent positioning report showed the lowest net spec and fund long since September 2022 but until the net spec and fund long is below 12,000 contracts, we expect more selling. The Commitments of Traders report for the week ending April 25th showed Heating Oil Managed Money traders net sold 6,144 contracts and are now net long 7,773 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 8,899 contracts to a net long 16,131 contracts.

The bull camp continues to be "lucky" as weekly natural gas injections in the US continue to rebuild supply with the most recent surplus to the 5-year average reaching 22.2%, which is the highest since March. However, the market has also managed to hold up consistently over the last several weeks despite widespread expectations that both the US and Europe will see inventories build quickly in the shoulder season and yet the market has held up rather impressively to the evidence of Chinese slowing. Apparently, the Russian national gas company continues to send full allotments through the pipeline under Ukraine and that combined with milder US temperatures should keep June natural gas prices near the middle/lower end of the last 4 weeks trading range.

Another bearish development is proof that Russia continues to send gas which ultimately makes its way to Europe. Even though the natural gas market has held a large net spec and fund short position since the beginning of the Covid lockdowns, the shorts have not been presented with a definitive reason to exit. The April 25th Commitments of Traders report showed Natural Gas Managed Money traders added 19,996 contracts to their already short position and are now net short 39,229. Non-Commercial & Non-Reportable traders are net short 105,907 contracts after net buying 6,741 contracts.

BEANS:

Short-covering seemed to be the key supportive force last Friday with the market turning higher for July soybeans with an outside-day-up. The rally in soybeans Friday took place in the face of indications from the Cargill Brazilian CEO that Chinese soybean demand for Brazilian beans is coming in softer than expected. However, it should be noted that the CIT positioning in soybeans has leveled out over the past several weeks after a precipitous liquidation. There have been no deliveries against the May soybean contract and also none for meal. There were 449 contracts delivered against May soybean oil which pushed the month to date total to 648 contracts. For the May 1 NASS March crush report, the average trade guess is 197.3 million bushels with a range of 195.6 to 200.0 million. With new capacity, traders may underestimate the size of the crush. The Oil stocks estimate is 2.414 billion pounds with a range of 2.390 to 2.450 billion.

Cash meal is still sluggish. A general rally across commodities leaves the trade scrambling for an underlying reasoning that shifted markets higher. The Commitments of Traders report for the week ending April 25th showed Soybeans Managed Money traders reduced their net long position by 47,574 contracts in just one week to a net long 87,208 contracts. The long liquidation trend is considered a negative. Non-Commercial & Non-Reportable traders are net long 69,706 contracts after net selling 57,938 contracts for the week. For Soyoil, Managed Money traders are net short 19,555 contracts after net selling 3,812 contracts. For meal, Managed Money traders were net long 86,373 contracts after decreasing their long position by 19,309 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net long position by 23,278 contracts to a net long 119,903 contracts.

CORN:

For the life of contract range, the 50% mark for July corn is at 571 3/4. The market came within 1/4 cent of this price on Friday and closed 13 cents up from the lows. Unlike soybeans and wheat, open interest in the corn market has declined significantly from earlier in the month, corn has returned to a long-term historic pivot price of $5.20 in the December contract and cold temperatures in the eastern Corn Belt in the coming 2 weeks could result in some frost damage, and therefore conditions for a bottom have improved. However, numerous indications of softening Chinese demand for US corn will continue to hang on the back of the market especially with the potential for the USDA report next week to highlight softer demand.

There were still no corn deliveries on second notice day. May corn pushed to a 51 cent premium to the July contract which is a contract high for the spread. This suggests extreme tightness for the cash market.

The April 25th Commitments of Traders report showed Corn Managed Money traders net sold 64,731 contracts which moved them from a net long to a net short position of 15,297 contracts. Non-Commercial No CIT traders net sold 70,100 contracts and are now net short 89,330 contracts. Non-Commercial & Non-Reportable traders net sold 72,544 contracts which moved them from a net long to a net short position of 56,339 contracts.

WHEAT:

Even though the wheat market rejected a new low for the move and closed higher on the day, the charts remain patently bearish and open interest is in a steep downtrend. The hook reversal after the market reached is a positive technical development. While there will need to be more rain in the central and southern Plains to make a market, a wave of precipitation certainly leaves a bearish element in the market. Similarly, French soft wheat crop ratings have reached a record high creating the potential for a good crop especially with ratings 94% in the good to excellent category.

Poland and four other European Union member states agreed to restrictions on Ukrainian grain products as part of an agreement with the bloc's executive arm. The measures apply to wheat, corn, rapeseed, sunflower and sunflower oil and will be in place until June 5, with the possibility of being extended through the end of the year. Farmers are a key voter base for political parties in Poland ahead of October elections. The ban came as a surprise, since Poland has been among the staunchest supporters of Ukraine since it was attacked by Russia last year.

Wheat deliveries came in at 579 contracts which pushed month to date deliveries to 1433. There have been no deliveries against Kansas City wheat. Temperatures are seen above normal in east-central, eastern areas Thailand, Bangladesh also grappling with searing summers. India is predicting blistering heat across parts of the country in May, which could strain the power network, hurt the economy and threaten people's lives. Monthly maximum temperatures are expected to be above normal over east-central and eastern regions, according to the India Meteorological Department.

Wheat positioning in the Commitments of Traders for the week ending April 25th showed Managed Money traders net sold 10,029 contracts for the week and are now net short 113,012 contracts. This is the biggest net short since January of 2018. Non-Commercial No CIT traders added 10,941 contracts to their already short position and are now net short 100,362. For KC wheat, Managed Money traders are net long 7,371 contracts after net selling 3,220 contracts. Non-Commercial & Non-Reportable traders net sold 5,937 contracts which moved them from a net long to a net short position of 4,626 contracts.

HOGS:

The hog market has been in a general uptrend since April 20 with a tightening outlook for supply, an improved export outlook, and stronger pork prices have trended higher in the latter part of last week. The weekly US export sales report was strong last week for the second time in three weeks. The USDA pork cutout, released after the close Friday, came in at $80.13, up $2.87 from Thursday and up from $79.23 the previous week. This was the highest the cutout had been since March 16. The USDA estimated hog slaughter came in at 450,000 head Friday and 47,000 head for Saturday. This brought the total for last week to 2.387 million head, down from 2.454 million the previous week but up from 2.367 million a year ago.

Estimated US pork production last week was 518.2 million pounds, down from 532.6 the previous week but up from 517.3 a year ago. The CME Lean Hog Index as of April 26 was 71.29, down from 71.31 the previous session and 71.41 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,907 contracts of lean hogs for the week ending April 25, reducing their net short to 20,663. The short-covering trend is a positive development. Non-commercial & non-reportable traders combined were net buyers of 3,540, reducing their net short to 19,156.

CATTLE:

The cattle market pushed through Thursday's high on Friday but failed to follow through, and this action may become a disappointment for the bulls. A strong beef market last week was supportive, with the boxed beef cutout reaching its highest level since September 2021. This move offsets a mixed to slightly lower trend in cash cattle. The USDA boxed beef cutout was up 6 cents at mid-session Friday and closed 37 cents higher at $311.44. This was up from $306.60 the previous week and was the highest it had been since September 20, 2021. The cash live cattle market is divided, with prices in the northern regions running $5.50-$6 higher than the south. Iowa/Minnesota averaged $179.09 last week, with Nebraska at $178.38, Kansas at 172.92, and Texas/Oklahoma at 172.90. As of Friday afternoon, the five-day, five-area weighted average price was 177.18, down from 178.36 the previous week. The high price for cash cattle leaves speculators less aggressive at selling the big June discount.

The USDA estimated cattle slaughter came in at 106,000 head Friday and 18,000 head for Saturday. This brought the total for last week to 620,000 head, down from 622,000 the previous week and 647,000 a year ago. The estimated average dressed cattle weight last week was 821 pounds, unchanged from the previous week and down from 829 a year ago. The 5-year average weight for that week is 813 pounds. Estimated beef production last week was 507.9 million pounds, down 5.1% from a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,692 contracts of live cattle for the week ending April 25, increasing their net long to 107,033. Non-commercial & non-reportable traders were net buyers of 678, increasing their net long to 117,519.

COCOA:

Cocoa prices have had trouble sustaining upside momentum since reaching a multi-year high in mid-April as the market saw a “lower high” in each of last week’s sessions. While cocoa continues to have a bullish longer-term supply/demand outlook, this may set the stage for a sizable pullback in early May. July cocoa was able to rebound from a 1 1/2 week low to finish Friday’s trading session with a moderate gain. For the week, July cocoa finished with a loss of 46 points (down 1.5%) which broke a 2-week winning streak.

A positive shift in global risk sentiment further strengthened cocoa’s near-term demand outlook following guidance from Hershey and Mondelez that demand would be resilient in the face of higher prices. In addition, a set of Euro zone CPI reading showed evidence that inflation in the region is on a longer-term demand, which should benefit the demand outlook for discretionary items such as chocolates. With this season’s global grindings widely expected to reach a third record high in a row, the likelihood that cocoa will have a second sizable global production deficit in a row has fueled cocoa’s March/April recovery move.

Nigeria’s March cocoa bean exports came in 34% below last year’s total and 42% below their February export total, as a large portion of this season’s bean harvest are too small to be shipped outside the country. While weekly Ivory Coast port arrival totals may increase as their mid-crop harvest progresses, their full-season total is well behind last season’s pace.

The April 25th Commitments of Traders report showed Cocoa Managed Money traders added 7 contracts to their already long position and are now net long 53,483. CIT traders are net long 26,156 contracts after net selling 1,207 contracts. Non-Commercial No CIT traders were net long 39,136 contracts after increasing their already long position by 1,902 contracts. Non-Commercial & Non-Reportable traders added 757 contracts to their already long position and are now net long 62,307 contracts.

COFFEE:
Coffee prices had a sluggish finish to April as they only had two positive daily results over the final 8 sessions of the month. With Brazil's Arabica harvest underway and likely to reach full speed by the end of this month, coffee may remain under pressure during the early part of May. July coffee was unable to hold onto early support as it fell to a 2 1/2 week low before finishing Friday's trading session with a sizable loss. For the week, July coffee finished with a loss of 5.50 cents (down 2.9%) which was a second negative weekly result in a row.

There are growing expectations that 2023/24 Brazilian Arabica production will show an increase over the previous season, and that continues to weigh on coffee prices. While their 2022/23 Arabica crop was an "on-year" in their 2-year production cycle, their coffee trees were negatively impacted by back-to-back La Nina weather events that brought drier than normal conditions to the region. Conditions shifted back to normal earlier this year, while there was heavier than normal rainfall over major Brazilian Arabica growing areas during April, so the 2023/24 crop should benefit from several months of more "normal weather".

A rebound in Central American exports since the start of the year has added further pressure on coffee prices as that may reflect improved production from the region. ICE exchange coffee stocks fell by 7,489 bags on Friday and finished April at 680,163 bags, a decline of 62,371 from their March month-end today. This was a third monthly decline in a row for ICE exchange coffee stocks which also posted their lowest month-end total since last November.

Coffee positioning in the Commitments of Traders for the week ending April 25th showed Managed Money traders are net long 35,081 contracts after net buying 1,524 contracts. CIT traders net bought 1,003 contracts and are now net long 56,624 contracts. Non-Commercial No CIT traders were net long 19,854 contracts after decreasing their long position by 408 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 48 contracts to a net long 36,260 contracts.

COTTON:
July cotton closed higher on Friday but well off the highs of the day as it attempted to follow through on Thursday's sharp rally. The market failed to take out Monday's high, which may have been a disappointment to the bulls. The dollar rallied to its highest level since April 11 early in the session, but it ended up closing well off its highs of the day. A stronger dollar makes US export commodities more expensive. Crude oil closed sharply higher on Friday which could benefit cotton as higher price oil may increase the cost for man-made fibers. The weather forecast for west Texas is wet, which could help alleviate the dry conditions in that region and benefit the upcoming crop. The 1-5-day forecast calls for 0.1-0.5 inches, and the 6-10 and 8-14-day forecasts show above normal chances of rainfall.

Last week's US Drought Monitor showed west Texas was still under moderate to extreme drought with no improvement from the previous week. Conditions are much better than a year ago, when the area was under extreme to "exceptional" drought. (Exceptional drought is the worst category.) Friday's Commitments of Traders report showed managed money traders were net sellers of 12,949 contracts of cotton for the week ending April 25, increasing their net short to 20,298. Non-commercial, no CIT traders were net sellers of 9,941, increasing their net short to 23,662. Non-commercial & non-reportable traders were net sellers of 14,644, taking them from a net long position to a net short of 6,895.

SUGAR:
Concerns over tighter global supplies started an uptrend for the sugar market in early January which accelerated over the past five weeks with prices rising over 6 cents (nearly 30%) in value. While reduced exports and production have fueled concerns, increased sugar production should help ease supply

concerns and usher in lower prices. July sugar held within a fairly tight inside-day range before finishing Friday's trading at unchanged levels. For the week, July sugar finished with a gain of 2.01 cents (up 8.3%) which was a sixth positive weekly result in a row.

A month-end rebound in crude oil and gasoline prices provided carryover support to the sugar market. India is unlikely to allow further sugar exports beyond 6.15 million tonnes for the 2022/23 season versus early estimates of 8 to 9 million, while Thailand's 2022/23 exports may be reduced 500,000 tonnes to 9.0 million. In addition, both the EU and China are heading for lower production this season. In contrast, there are growing expectations Brazil will see a significant sugar production increase for the 2023/24 season.

Unica reported Center-South sugar production of 542,000 tonnes during the first half of April which despite falling short of estimates was 312% above last year. Sugar's share of cane crushing was 38.6% versus 26.4% last year while 13.605 million tonnes of cane were processed which was 157% above last year. Even before the 2023/34 season started, Brazil's sugar production was off to a strong start as 2022/23 ended. Due to weather delays, a significant portion of last season's Center-South cane crop was not able to be harvested until the end of the 2022/23 season. Total cane crushed during the second half of March was 271% above last year while sugar's share of crushing was 33.43% versus 11% last year.

The April 25th Commitments of Traders report showed Sugar Managed Money traders are net long 228,680 contracts after net buying 2,622 contracts. CIT traders net bought 2,799 contracts and are now net long 160,635 contracts. Non-Commercial No CIT traders are net long 162,565 contracts after net buying 4,818 contracts. Non-Commercial & Non-Reportable traders net bought 1,966 contracts and are now net long 300,506 contracts.