ADM Investor Services, Inc.

Weekly Futures Market Summary

May 22, 2023 **by the ADMIS Research Team**

BONDS:

In retrospect, the action in treasury markets last week was strange with prices falling significantly despite very concerning weakness in two separate Fed regional manufacturing surveys. However, some traders attribute the sharp washout in treasury prices to declining flight to quality interest in treasuries off the premise that a debt ceiling deal will be forged, and a major crisis will pass. On the other hand, it is possible that Fed commentary today indicating the outlook for upcoming Fed policy is highly uncertain prompted shorts with significant profits to cover positions off reevaluation of the Fed pause view in the marketplace.

The charts remain bearish in bonds and notes to start the new trading week with the fundamental bias also favoring the bear camp. Apparently, uncertainty over the prospects of a US default has not so far resulted in flight to quality buying of treasuries which is certainly a deviation from past debt ceiling events. However, it is possible treasuries are tracking expectations that the widely anticipated pause by the Federal Reserve may not be seen in June. In a longer-term development, a weekend poll of economists has pushed back expectations of a Fed "cut" into 2024, even though some of those polled still expect to see a recession. On the other hand, the survey also adjusted 2023 inflation readings higher which is why the trade leaves open the potential for another hike by the Fed in their June meeting.

In Monday's action it will be interesting to see if treasuries continue to discount flight to quality, as we think both parties will posture today with fear that no deal will be reached today. From short-term technical perspective treasuries are obviously oversold from the last 2 weeks washout and June bonds have reached a possible chart support point of 127-00 in June bonds. The May 16th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 11,416 contracts to their already short position and are now net short 19,872. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 597,577 contracts after net buying 35,591 contracts.

CURRENCIES:

With the dollar forging a minimal new high for the move and promptly failing and reversing to close last Friday sharply lower, a technical reversal appears to have been forged. While it is unusual for the dollar to rally in the face of moderating flight to quality interest from the debt ceiling problem, that issue is anything but settled. Therefore, the May uptrend in the dollar should not be discounted as the true upcoming trend. Even though the dollar has come into favor this month, like US treasuries the index is not seeing the usual aggressive flight to quality inflow typical in the face of major financial market concerns.

However, the rally this month in the dollar probably signals the relatively better economic positioning in the US than in Europe. We give the edge to the bull camp, but we are extremely suspicious of the market's capacity to end this week higher. The Commitments of Traders report for the week ending May

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

16th showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 266 contracts to a net long 12,349 contracts.

While the washout in the euro might have become overdone from a technical perspective at the end of last week, we see the fundamental bias remaining in favor of the bear camp. In fact, adding to the negative economic view toward the euro zone is a significant dip in euro zone construction output readings for March. Even though we see the path of least resistance pointing down early this week, a hard break in the euro might provide a fresh long entry at attractive levels. The May 16th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders net bought 4,816 contracts and are now net long 245,103 contracts.

Like the euro, the Yen starts the new trading week with fresh fundamental pressure following much weaker than expected Japanese machinery orders report for March. Also like the euro, the Yen remains mired in bearish charts with near term downside targeting this week pegged at the top of an old gap down at 71.94. We think the aggressive reversal from last week's low in the Swiss franc signals the currency's capacity to become one of the primary flight-to-quality markets into the debt ceiling end game this week. In fact, with the Swiss franc already regaining the first retracement from the May washout, we see a continuation above the 50% retracement level.

The Pound appears to have built a shelf of technical support at 1.24 but is likely to remain pinned to that level because of global economic uncertainty flowing from the US debt ceiling deadline. However, a hard break in the Pound later this week should be considered a fresh long entry point especially given improving the UK housing market confidence. Like the Pound, the Canadian dollar looks to build consolidation around the 74.00 level this week, with possible retest of the key double low support level seen periodically. While the bull camp might see Bank of Canada indications that it is premature to consider cut interest rates as supportive, weakness in Canadian retail sales leaves the bear camp with a fundamental edge.

STOCKS:

With another new high for the move and the highest trade since early February in the S&P, the highest trade in the NASDAQ since last August and favorable Deere & Company earnings the bull camp certainly ended last week with several bullish arguments. However, a portion of the trade thinks money flowing to big tech has been a defensive reaction and it is possible that a solution to the US debt ceiling conundrum could result in long profit-taking in equities. On the other hand, given the magnitude of the gains so far this month, a breakdown in talks (even if temporary) could result in a thousand point down day in the Dow on Monday. Global equity markets at the start of this week were generally higher except for Australian, Spanish, German, and French markets posting minimal losses.

The bull camp continues to surprise with the ability to hold up in the face of major uncertainty flowing from Washington. However, US equity markets are short-term overbought from a technical perspective, and many are suggesting prices are overdone from a fundamental perspective. In our opinion, the bear camp is likely to prevail today as both sides of the political aisle play to their political base with a final wave of stubbornness which in turn will delay a deal until later in the week. As indicated several times last week, equity markets typically do not like uncertainty and this week is very clearly poised to scare investors.

As indicated already, politicians still have time to take hardline positions in efforts to push the deal in their favor. Therefore, we give the bear camp the edge to start the week especially if the job of the equity market later this week is to send a loud message to Washington of the need to get a deal! While the net spec and fund short in the S&P might be overstated given the rally after the report was measured, the net spec and fund short is approaching the vicinity of record spec short positioning from the financial crisis. In other words, futures traders have already priced in significant negative outcomes for the US economy. E-Mini S&P positioning in the Commitments of Traders for the week ending May 16th showed Non-Commercial & Non-Reportable traders are net short 426,390 contracts after net selling 13,803 contracts.

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

We see the Dow Jones vulnerable to the uncertainty of debt ceiling negotiations and to the prospects of further gains in US interest rates. Like the S&P, the Dow Jones futures are significantly net spec and fund short with positioning hovering at the largest levels since the beginning of the pandemic. The May 16th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 26,787 contracts after increasing their already short position by 1,910 contracts. While we expect the NASDAQ to hold up better than the rest of the market this week, the index should not be immune to downside work early this week as Washington politicians scare investors until default is imminent. The May 16th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 7,846 contracts after net selling 3,369 contracts.

GOLD, SILVER & PLATINUM:

The charts favor the bear camp in gold and silver to start the new trading week. While a portion of the bull camp is hopeful of flight to quality buying interest following debt ceiling negotiations at the White House, we think the markets are at risk of faltering from fears of recession if talks break down. Last week gold ETF holdings declined by 154,592 ounces while silver ETF holdings saw a decline of 2.02 million ounces. With the dollar early this week drifting below last Friday's low, the bull camp in gold is hopeful the May rally is losing momentum. With the trade generally remaining positive about US debt ceiling negotiations, it is possible that optimism will spill over into this week thereby allowing gold and silver to consolidate above last week's low.

Unfortunately for the bull camp, Indian buyers remain extremely price-sensitive especially with the Indian currency vulnerable to further US dollar strength. In addition, the latest COT positioning report (which is probably overstated) showed a net spec and fund long reading near 12-month highs leaving the market vulnerable to stop loss selling from signs of an impending US debt ceiling deal. The May 16th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 14,837 contracts to a net long 131,789 contracts. Non-Commercial & Non-Reportable traders net sold 14,423 contracts and are now net long 237,557 contracts. On the other hand, with recent financial market relationships out of sync it is possible gold could shift its focus from the dollar to the direction of US interest rates.

Fortunately for the bull camp in silver the market saw a correction last week and the beginning of a possible consolidation low support level building around the $23.56 level. However, the latest COT positioning report remains near the upper level of the range of its long positioning of the last 12 months. The Commitments of Traders report for the week ending May 16th showed Silver Managed Money traders are net long 13,443 contracts after net selling 13,726 contracts. Non-Commercial & Non-Reportable traders had 36,749 contracts after decreasing their long position by 11,556 contracts.

As opposed to gold and silver, the platinum market last Friday managed to respect the $1,055 level to form a double low which becomes a bull/bear line early this week. While the physical demand outlook for platinum could improve with a US debt ceiling deal, Chinese data continues to be lackluster which has discouraged would be buyers since the April highs. On the other hand, platinum ETF holdings remain 9.6% higher year-to-date with a net positive annualized impact on demand of roughly 300,000 ounces. Last week platinum ETF holdings increased by 50,995 ounces. In our opinion, if the bull case in platinum remains in place and inflows to platinum ETF holdings continue, we expect buyers to return once the debt ceiling impasse is in the rearview mirror.

Unfortunately for the bull camp, the net spec and fund long in silver is overbought relative to the last 12-months even though the latest reading probably overstates the position following the slide after the report was measured. The May 16th Commitments of Traders report showed Platinum Managed Money traders were net long 19,789 contracts after decreasing their long position by 2,540 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,178 contracts to a net long 31,134 contracts. With the market anticipating palladium to continue to lose demand to platinum we expect the price premium of palladium over platinum to narrow.

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

However, investors remain interested in palladium ETF holdings with the year-to-date gain in holdings the largest of the actively traded precious metal ETF contracts at +14%. Last week palladium ETF holdings increased by 8,638 ounces. From a technical perspective, the palladium market has seen technical balancing with the market continuing to hold a moderately significant net spec and fund short. The Commitments of Traders report for the week ending May 16th showed Palladium Managed Money traders reduced their net short position by 746 contracts to a net short 4,016 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 570 contracts to a net short 5,311 contracts. It should also be noted that platinum broke after the positioning report was measured and it should be noted that the reversal and recovery last week was forged on one of the highest trading volume days of the past 30 days.

COPPER:

In retrospect, the copper market remains caught in a sideways consolidation range bound by $2.7790 and $3.6570. If it were not for lackluster Chinese economic data, we would see the current consolidation lows as value. However, the bull camp should also be emboldened by a large net spec and fund short in copper which in the latest report was the largest net short since March 2020! In other words, the copper futures have factored in a bearish environment with the downside extension in May.

The Commitments of Traders report for the week ending May 16th showed Copper Managed Money traders net sold 6,451 contracts and are now net short 22,621 contracts. Non-Commercial & Non-Reportable traders are net short 28,992 contracts after net selling 8,279 contracts. Unfortunately for the bull camp daily LME copper warehouse stocks have increased for twenty straight trading sessions, but that bearish supply factor is fully countervailed by typically more important declines in weekly Shanghai copper warehouse stocks for the last 3 months.

ENERGY COMPLEX:

In the days ahead, the energy markets are likely to be hyper focused on demand signals primarily arising from the ebb and flow of the US debt ceiling negotiations. In fact, at times last week, the trade saw broad-based big picture physical commodity market selling despite market buzz of a possible US debt deal. Certainly, the market continues to draft minimal support from headlines touting ongoing OPEC+ production cuts. Over the weekend, the Iraqi oil minister apparently reaffirmed the country's commitment to the Russian oil minister via telephone that the country would stick to the agreement to discourage oversupply. The Russian president over the weekend indicated oil production cuts need to be enforced to support prices.

While the Russian president also indicated his country has been cutting production and was at the agreed-upon level, signs of Russian export from storage has kept India and China well supplied. However, while Chinese apparent demand for April increased by 25% over year ago levels and reached a fresh record at 15.09 million barrels per day, Indian April crude oil imports declined 8.3% versus year ago levels. It should be noted that OPEC will be meeting on June 4th! In a very positive longer-term development, the weekly Baker Hughes rig operating count fell 11 rigs, reaching the lowest level since June 2022 and perhaps more importantly posting the first year-over-year decline since April 2021.

In another longer-term supportive development, G7 officials continued to press for the phasing out of fossil fuels and that should discourage exploration. Over the short-term, strong US refinery operating rates are needed to build seasonal fuel supplies to meet rising demand especially with residually tight US inventories. In fact, the need to rebuild inventories is already high amid signs US gasoline demand is running hot early in the season and that should result in solid refinery demand for US crude supplies. However, recent strength in the US dollar is a potential limiting issue for the bull camp. Fortunately for the bull camp the net spec and fund long positioning in crude oil has been moderated with recent downside action and from sideways chop on the charts.

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

Crude Oil positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders are net long 160,293 contracts after net selling 11,632 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 25,066 contracts to a net long 265,188 contracts. As indicated, the market's focus will likely be on the direction of global demand which in turn will see a huge impact from the ebb and flow of US debt ceiling talks. We suspect the initial bias will be down as US debt ceiling negotiations produce last-ditch position demands from both sides which will likely delay a deal closer to the point where the US runs out of cash. Therefore, a retest of consolidation support is likely.

As indicated already, US gasoline stocks remain tight into the strongest seasonal demand period of the year. While the US deficit is not significant on a year over basis at 1.8 million barrels, it should be noted that gasoline stocks have been below a year ago and well below the five-year average every week in 2023. It should also be noted that ARA gasoline stocks declined again last week mostly because of strong exports to the US. Total European gasoline in storage dropped 3% on the week! In addition to tight stocks, US implied gasoline demand readings have posted very significant weekly readings above 9 million barrels per day in what is considered the shoulder season. While the most recent COT positioning report understates the magnitude of the net spec and fund long, the net spec and fund long was near the lowest levels since July of last year!

The Commitments of Traders report for the week ending May 16th showed Gas (RBOB) Managed Money traders added 5,209 contracts to their already long position and are now net long 44,542. Non-Commercial & Non-Reportable traders net bought 2,513 contracts and are now net long 45,108 contracts. The bias is up, and we expect gasoline to lead upside moves in the petroleum complex and hold up better early this week than other markets. Without strong jet fuel demand, the diesel market would be in a very vulnerable condition as the US debt debate reaches a fever pitch. Last week European fuel oil supplies declined as did jet fuel supplies thereby increasing the odds the July diesel contract will test $2.30. The Commitments of Traders report for the week ending May 16th showed Heating Oil Managed Money traders net bought 7,117 contracts which moved them from a net short to a net long position of 6,854 contracts. Non-Commercial & Non-Reportable traders have 17,440 net long contracts after net buying 5,362 contracts.

While the technical trend remains up in natural gas from the extension of the rally and the trade above $2.75, we are concerned with the significant open interest gains in the face of ample supply and ongoing strong production in the US. In fact, the Russian gas oil company confirmed their intentions to continue to ship gas to Europe via the Ukraine and that combined with cool temperatures over the weekend throughout most of the US should erode bullish confidence. However, significant heat returns to the central portion of the United States this week with hot temperatures seen along the southern border and up through Nebraska to the Canadian border. Therefore, demand prospects should help underpin a short-term overbought market.

Adding into the potential demand support for natural gas early this week, is the return of hot temperatures in North Africa and central Europe by the end of this week. Natural Gas positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders were net short 43,450 contracts after decreasing their short position by 11,083 contracts. Non-Commercial & Non-Reportable traders were net short 95,078 contracts after decreasing their short position by 11,386 contracts. While the natural gas market is short-term overbought internal demand should support, while big picture global macroeconomic influences could temporarily knock prices down early this week.

BEANS:

Soybeans experienced another steep decline on Friday, with the July contract trading to its lowest level since July 2022, and the November contract to its lowest level since December 2021. July beans were down 82 3/4 cents for the week. The market was also put off by reports that US House members and the representatives of the Biden Administration has paused their talks regarding the debt ceiling limit.

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

Brazilian soybean production in 2022/23 is expected to total 155.66 tonnes, up 21.1% over the previous season's harvest, according to Safras & Mercado. If confirmed, it will be the biggest harvest in history.

China's soybean imports from Brazil fell 16% in April compared with the same month a year ago to 5.3 million tonnes. So far this year, imports from Brazil remain 28% behind that of a year ago, with 9.21 million tonnes in the first four months, compared with 12.7 million tonnes in the same period of 2022. US shipments for this year so far stand at 18.24 million tonnes, compared with 15 million tonnes last year. Olive oil prices climbed to their highest level since at least 2010 as drought slashes production in Spain, which accounts for over 40% of world supply. Spain and Portugal are under severe weather stress, with almost no meaningful rainfall reaching crop areas since January, the EU's Monitoring Agricultural Resources unit said last month.

The May 16th Commitments of Traders report showed Soybeans Managed Money traders are net long 23,942 contracts after net selling 24,517 contracts for the week and the long liquidation selling trend is considered bearish. Non-Commercial & Non-Reportable traders reduced their net long position by 30,165 contracts to a net long 1,306 contracts. For Soyoil, Managed Money traders net sold 22,897 contracts and are now net short 36,381 contracts. For Soymeal, Managed Money traders net bought 18,025 contracts and are now net long 80,287 contracts. Non-Commercial & Non-Reportable traders are net long 116,731 contracts after net buying 24,081 contracts. The hefty net long position leaves meal especially vulnerable to increased selling is support is violated.

CORN:

While December corn managed some follow-through buying from the hook reversal on Thursday, July corn closed lower for the fourth session in a row on Friday and was down 31 3/4 cents on the week. A weaker dollar and a better risk mood lent some temporary support on Friday, and the market avoided making a new low after a steep, two-day selloff. The corn market is reeling from the two-month extension of the Black Sea shipping deal, the previous week's bearish USDA supply/demand report, and the timely start to US plantings. While the 5-day forecast models for the Midwest showed no rain, the 6-10 day and 8-14 day forecast models show above normal temperatures but also above normal precipitation; the greenhouse effect.

Ukrainian farmers have planted 3.3 million hectares of corn so far this year, according to the Agriculture Ministry. This is lagging behind year-earlier plantings. Ukrainian farmers had planted 4.2 million hectares of corn by the same period last year. Corn positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders were net short 91,985 contracts after decreasing their short position by 17,658 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 910 contracts to a net short 132,748 contracts.

WHEAT:

The wheat markets sold off sharply last Friday as prices fell under pressure after the postponement of talks between House members and the Biden Administration regarding a deal on the debt limit. This was a sharp turnaround from earlier in the day when markets were encouraged by word of progress. This news came on top of the extension of the Black Sea shipping agreement earlier in the week which had also sent wheat prices on a downward track. The 5-day forecast models show almost no rain for Kansas except for the far Western and southern region. The 6-10 day forecast models show above normal temperatures and above normal precipitation while the 8-14 day forecast models show above normal temperatures and above normal precipitation for the Western half of Kansas.

With a weak demand tone, the real question is if the recent rains, and rains in the forecast will help improve the Kansas crop much. US farmers may only harvest 67% of their winter wheat crop this year, which would be the lowest since 1917, according to the USDA. The Wheat Quality Council's annual crop tour of Kansas fields wrapped Thursday, and the tour estimated wheat yield potential in Kansas at 30

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

bushels per acre, the lowest since 2000. The five-year average yield is 45.62. Global weather remains a concern with the potential for extreme heat in India and the possibility of El Nino bringing drought to Australia and India. Even a minor reduction in a major world exporter's production could have a significant impact on global wheat prices.

Ending stocks for the US and other major wheat exporters are projected to come in at 52.85 million tonnes for 2023/24, which would be the tightest since 2012/13. This is a bullish set up. Wheat positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders are net short 112,769 contracts after net buying 4,137 contracts for the week. Non-Commercial & Non-Reportable traders net bought 3,703 contracts and are now net short 86,039 contracts. For KC wheat, Managed Money traders added 9,147 contracts to their already long position and are now net long 16,593. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 4,134 contracts after net buying 7,227 contracts.

HOGS:

June hogs were lower again Friday and closed near contract lows. Producers may be current with marketings, but June hogs are trading roughly 8.00 higher than the cash market, which leaves the futures vulnerable to heavy selling if cash prices slip. The CME Lean Hog Index as of May 17 was 78.42, up from 77.80 the previous session and 75.40 the previous week. The USDA pork cutout released after the close Friday came in at $82.47, up 34 cents from Thursday and up from $82.29 the previous week. The USDA estimated hog slaughter came in at 469,000 head Friday and 69,000 head for Saturday.

This brought the total for last week to 2.408 million head, up from 2.368 million the previous week and 2.403 million a year ago. Estimated US pork production last week was 521.4 million pounds, up from 513.5 million the previous week but down from 522.6 a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 1,728 contracts of lean hogs for the week ending May 16, increasing their net short to 19,398. Non-commercial & non-reportable traders were net buyers of 914 contracts, reducing their net short to 16,429.

CATTLE:

June cattle approached the contract high last Friday but failed to punch through that level. Traders appeared reluctant to push the market too hard ahead of the Cattle on Feed report. The market has been on a bullish trend lately, and the discount of June futures to the cash market has provided underlying support. The USDA Cattle on Feed Report showed placements for the month of April at 95.8% of last year versus an average trade expectation of 96.2%. April marketings came in at 89.9% of last year versus an average expectation of 90%. On feed supply as of May 1 came in at 96.6% of last year versus 96.5% expected (range 95.5% to 97.2%). The report was not very exciting, as the numbers generally came near expectations. The placements number was a little bit supportive for the deferred contracts. The USDA boxed beef cutout was up $2.88 at mid-session Friday and closed $2.79 higher at $301.10. This was down from $304.61 the previous week. Cash cattle firmed a bit last week.

As of Friday afternoon, the five-day, five-area weighted average price was 174.42, up from 173.40 the previous week. The USDA estimated cattle slaughter came in at 122,000 head Friday and 16,000 head for Saturday. This brought the total for last week to 642,000 head, down from 646,000 the previous week and 677,000 a year ago. The estimated average dressed cattle weight last week was 817 pounds, down from 819 the previous week and 818 a year ago. Estimated beef production last week was 526.5 million pounds, down just 1% from a year ago which is a bit higher than expected. Friday's Commitments of Traders showed managed money traders were net buyers of 4,993 contracts of live cattle for the week ending May 16, increasing their net long to 100,272. Non-commercial & non-reportable traders were net buyers of 2,221, increasing their net long to 113,717.

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

COCOA:

Cocoa prices were able to regain and sustain upside momentum going into the weekend. While prices at multi-year highs leave the market vulnerable to profit-taking, cocoa continues to receive bullish supply/demand developments that are fueling this month's upside move. For the week, July cocoa finished with a gain of 82 points (up 2.7%) which was a second positive weekly result in a row. A slower than expected start to the region's mid-crop harvest has led to tight near-term West African supplies which have underpinned cocoa prices this month. Many of those newly-harvested mid-crop beans are too small and are not of sufficient quality to be acceptable for exporters, and that has further tightened West African exportable supply.

Ghana is expected to have their 2022/23 production come in above last season's total, but it will finish well below their recent output levels. In addition, a rebound in the Eurocurrency and British Pound provided carryover support to the cocoa market going into the weekend as that should help European grinders with acquiring near-term supplies. Cocoa positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders are net long 51,983 contracts after net buying 980 contracts. Non-Commercial & Non-Reportable traders added 1,585 contracts to their already long position and are now net long 63,306.

COFFEE:

The coffee market experienced an impressive break-out up on Friday and looks poised for more buying. While Brazil appears to be heading for larger production this season, a rebound in coffee's demand outlook can help the market maintain upside momentum. For the week, July coffee finished with a gain of 9.15 cents (up 5.0%) which was a second positive weekly result over the past 3 weeks. ICE exchange coffee stocks were unchanged on Friday, but they remain at their lowest level since December. It has been more than a month since any coffee went through the exchange grading process, which indicates a further decline in stocks that has underpinned coffee prices over the past few weeks. In addition, tight global supplies of Robusta coffee have provided carryover support to the New York coffee market.

The USDA's Foreign Agricultural Service forecast Colombia's 2023/24 coffee production will come in at 11.6 million bags. While this would be a 3% increase from this season's output, Colombia's coffee production remains well below levels seen during the 2019/20 and 2020/21 seasons as it continues to recover from the impact of back-to-back La Nina weather events during the past 3 years. The Commitments of Traders report for the week ending May 16th showed Coffee Managed Money traders are net long 27,327 contracts after net buying 893 contracts. Non-Commercial & Non-Reportable traders added 1,134 contracts to their already long position and are now net long 30,555.

COTTON:

July cotton closed moderately higher on the session Friday but well off the highs of the day. Earlier in the session the market had traded to its highest level since February 7. The market closed 6.19 higher for the week. The market drew some support from a weaker dollar and stronger equity and energy markets earlier in the session, but that support faded when it was learned that members of the House and representatives of the Biden Administration had paused their talks regarding a debt limit deal on Friday. The market seemed to defy indications of gradually improving soil moisture conditions in west Texas last week, with the weekly Drought Monitor showing areas moving from "extreme" to "severe" drought.

Friday's Commitments of Traders report showed managed money traders were net buyers of 1,078 contracts of cotton for the week ending May 16, reducing their net short to 12,764. Non-commercial & non-reportable traders were net buyers of 246, increasing their net long to 2,679. There is still some rain for the Texas Panhandle region for the next five days, and the 6-10 day forecast model shows near normal temperatures and above normal precipitation for northern and western Texas.

The information and comments contained herein is provided by ADM Investor Services, Inc. ("ADMIS") and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.

SUGAR:

While sugar was able to put the brakes on a potential downside breakout move, the market will start this week well below its multi-year high from late April. Unless it can find fresh support from key outside markets, sugar may resume at least a downside correction. For the week, July sugar finished with a loss of 44 ticks (down 1.7%) which was a third negative weekly result in a row. An early rebound in energy prices provided carryover support as that would provide a boost to ethanol demand following the Petrobras gasoline pricing change last week. In addition, weather over Brazil's major cane-growing region should help to speed up this year's harvesting and crushing operations.

While there has been talk that Brazilian port delays will limit sugar exports until July, Center-South mills have kept sugar's share of crushing ahead of last year's pace over the past 1 1/2 months. German sugar beet planted area is expected to have a mild increase this year, but that will not be enough for 2023/24 EU sugar production to avoid a decline from this season's output total. Sugar positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders are net long 214,939 contracts after net buying 3,070 contracts. Non-Commercial & Non-Reportable traders were net long 286,303 contracts after increasing their already long position by 1,107 contracts.

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

Follow ADMIS on Social Media

The information and comments contained herein is provided by ADM Investor Services, Inc. (“ADMIS”) and NOT ADM. Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Any reproduction or retransmission of this report without the express written consent of ADM Investor Services, Inc. is strictly prohibited. Again, the information and comments contained herein is provided by ADMIS and in no way should be construed to be information provided by ADM. Copyright © ADM Investor Services, Inc.