ADM Investor Services, Inc.

Weekly Futures Market Summary

June 26, 2023 **by the ADMIS Research Team**

BONDS:

While treasury bonds forged a temporary upside breakout to the highest levels since June 2nd last Friday, the market promptly fell back from that level adding to the credibility of further range trading ahead. Obviously, the bull camp was cheered by disappointing US S&P global manufacturing, composite, and services preliminary PMI readings for June. It goes without saying that treasuries left the trading week with a much-improved bullish fundamental case especially with a forecast from Europe suggesting the probability of a hard landing has increased.

Clearly, global economic sentiment has deteriorated with ratings groups, economists and commodities analyst reducing Chinese, US, and euro zone projected growth levels and therefore providing the basis for last week's upside breakout in treasury bonds. While we think the measured gains last week were justified by softening scheduled data from the euro zone, US news from the job sector was also minimally disappointing. However, the bull camp should derive flight to quality buying interest from the internal fighting in Russia, disappointing German Ifo business climate and expectations readings for June and rumors the Bundesbank might need to seek fresh capital (to offset bond buying losses from the ECB bond buying binge).

Yet another supportive development came from the Bank for International Settlements (BIS) weekend calls for higher rates to finish the inflation battle as higher rates on increasing signs of economic slowing should provide Treasury buying from the over tightening theme. Bonds positioning in the Commitments of Traders for the week ending June 20th showed Non-Commercial & Non-Reportable traders are net short 72,413 contracts after net selling 4,334 contracts. T-Note positioning showed Non-Commercial & Non-Reportable traders net sold 73,886 contracts and are now net short 726,916 contracts.

CURRENCIES:

The Dollar moved back into a mode to benefit from renewed recession fears (economic uncertainty) in the Euro zone. While US data last week has been soft, European data has been softer and the trade is less confident in the ECB than the US Fed when it comes to navigating difficult situations. Without a surprising shift back into a global “risk-on” mood, it could be difficult to take the bid out of the Dollar market and take the ask out of the non-Dollar currency markets. In retrospect, the dollar saw a burst of flight to quality buying as word of the mutiny of mercenaries hired by Russia surfaced.

While the prospects of a Russian Civil War are probably not significant, the prospects should be considered given growing awareness by the average Russian of the massive scale of the "special military operation" against Ukraine and indirectly with a large coalition of global allies. Limiting the upside in the dollar are fresh doubts on the pace of the US economy. The Commitments of Traders report for the week ending June 20th showed Dollar Non-Commercial & Non-Reportable traders net sold 109 contracts and are now net long 16,573 contracts.

In addition to disappointing German Ifo business climate and expectations index readings for June, hints of the need to recapitalize the Bundesbank (because of the massive European bond buying frenzy) there is also spillover pressure from flight to quality buying of the dollar (off developments in Russia). Therefore, the path of least resistance in the euro is down.

While the Yen has not posted a new low for the move early this week, disappointing Japanese coincident index and leading economic index readings disappointed the market while corporate service price index readings prompted ongoing inflation concerns. While there is growing opposition to the yield curve control being exercised by the Bank of Japan, the Japanese economy leaves the central bank in a no-win situation. Buying in the Swiss franc early this week gives off the impression of flight to quality buying interest perhaps because of the Russian situation and perhaps from the recapitalization concerns of the Bundesbank. While we give the edge to the bull camp, volatility could be quite significant in the Swiss.

The Pound charts favor the bear camp with prices lingering just above last week's spike low. Economic news also favors the bear camp with UK retail sales declining for a 2nd consecutive month and with consumers facing further price increases. In retrospect, the Canadian dollar performed impressively in the face of a negative shift in market focus last week. It appears that the Canadian is set to track loosely with the US dollar and in the process could see a windfall from flight to quality buying of the Dollar from downward revisions in global economic growth prospects.

STOCKS:

While there were plenty of negative company-specific headlines last week, the bear camp appears to be more interested in the prospects of a global slowdown which in turn would hit upcoming earnings. Unfortunately for the bull camp, the markets are unlikely to see a benefit from evidence the US Fed will hold steady rates in its July meeting and therefore bad economic news should remain bad for stock prices. Global equity markets at the start of this week were lower with the Shanghai composite and RTS Index losses approaching 1.5%. The path of least resistance remains down in global equities with fears of global slowing compounded by ongoing central bank calls for further rate hikes.

Additionally, investors have been presented with fresh internal Chinese slowing fears following calls for fast stimulus from a government advisor. An additional negative undermining investment interest is the threat of significant Russian upheaval following in fighting between Russian hired mercenaries and regular Russian army forces this weekend. Yet another negative for equities is general chatter among analysts regarding high valuations which were predicated on improving global growth ahead. In fact, last week, forecasts surfaced predicting US earnings declined in the 2nd quarter!

As indicated, the markets entered the new trading week in a risk off environment built off disappointing economic readings throughout the globe and a measure of ongoing hawkish threats from several central banks. In our opinion, investors face high-valued stock prices in the face of anemic performance in the economy which clearly justifies a large portion of the current correction. Unfortunately for the bull camp, the latest net spec and fund short positioning in the S&P narrowed which is likely providing fresh selling fuel this morning. There are reasons to fear rising risk and reasons to fear sagging returns on investments. The Commitments of Traders report for the week ending June 20th showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 88,456 contracts and are now net short 256,746 contracts.

The charts in the Dow remain patently bearish with investor confidence injured and global economic prospects deteriorating. Adding into the negative environment are signs that global central banks "want" to raise rates further as they think the inflation battle has not been won yet. Fortunately for the bull camp, the markets are seeing confidence that large US banks will do well in annual health checks this week. On the other hand, Dow futures held a noted net spec and fund short as of early last week with that net short likely building given the 500-point slide in the Dow Jones futures from the report mark off date of June 20th. Dow Jones $5 positioning in the Commitments of Traders for the week ending June 20th showed Non-Commercial & Non-Reportable traders are net short 16,453 contracts after net selling 1,384 contracts.

Unlike other sectors of the market, the NASDAQ futures has respected and built a credible consolidation support zone around 15,000. Perhaps traders and investors see recent corrective action in tech, AI, and chip stocks as an opportunity to bargain-hunt. It should be noted that optimism toward NASDAQ shares is suspect in a market where global slowing is now expected. The June 20th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 11,355 contracts after net buying 5,480 contracts.

GOLD, SILVER & PLATINUM:

While gold and silver were trading higher early this week from a weaker dollar, both markets enter this week's trade without an unwavering bullish fundamental force. However, at the end of last week gold at times showed signs of flight to quality buying interest off increased global economic uncertainty and that could extend into the new trading week. In fact, global growth was revised downward by two separate entities while a senior Chinese economic official has indicated China must act quickly to support their recovery. It is also possible that gold is drafting a measure of flight to quality buying interest from weekend events in the Ukraine war theater as mercenary forces from the Wagner Group apparently rebelled against Russia and regular Russian forces and were pushing toward Moscow before a deal ended the infighting.

The leader of the Wagner group agreed to a standdown which included his safe exit to Belarus. Therefore, the status of Putin's control is in question and a Russian Civil War would certainly create uncertainty in financial and commodity markets. It should be noted that Russia is currently the 3rd largest producer of gold with output in 2022 declining by 11.5% versus 2021. Unfortunately for the bull camp, gold ETF holdings at the end of last week declined for a 5th straight day on Friday and holdings were down 546,839 ounces for the week. Silver ETF holdings increased on Friday by 875,857 ounces and for the week saw inflows of 5.34 million ounces. However, Indian buyers have been attracted by big breaks recently and into the low last Friday gold was trading $175 an ounce below the May high.

The Indian rupee has recovered this month but remains at a significantly lower value than one year ago thereby limiting the attractiveness of foreign gold imports to India. On the other hand, hedge fund managers did increase their bullish gold positioning last week but many hedge funds have been caught in the wrong position by the broad deterioration of global economic sentiment. Furthermore, the latest positioning report in gold shows an ongoing vulnerable net spec and fund long with last week's long positioning 38% above the last 9 months' low. The June 20th Commitments of Traders report showed Gold Managed Money traders net bought 1,322 contracts and are now net long 94,626 contracts. Non-Commercial & Non-Reportable traders are net long 187,214 contracts after net selling 58 contracts.

The silver market also remains on a downward track on the charts and is currently out-of-favor given slackening forward physical demand views. The net spec and fund long in silver is also vulnerable to liquidation with the recent net long of 32,727 contracts overbought relative to the nine-month maximum negative positioning net short of 4,309 contracts last year. Silver positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders net sold 3,336 contracts and are now net long 11,301 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,973 contracts to a net long 32,727 contracts.

Weekend events in Russia (fighting between Russian hired mercenaries and regular Soviet troops) resulted in the mercenaries moving toward Moscow to kill the Russian defense minister. Apparently, the Russian army launched a missile attack on the mercenaries of the Wagner Group which resulted in the Wagner leader ordering an attack on Moscow. While not a significant threat, a Civil War within Russia would certainly put global PGM supply flow in jeopardy and perhaps that inspired some short covering action this morning. However, even with recent declines in platinum significant, the latest positioning reports showed a residual net-long large enough to project additional long liquidation selling before the market is "mostly" sold out. The June 20th Commitments of Traders report showed Platinum Managed Money traders net sold 1,891 contracts and are now net long 12,013 contracts. Non-Commercial & Non-Reportable traders are net long 25,671 contracts after net selling 2,310 contracts.

However, since the last COT report mark off, July platinum has declined $50.00, and the market has returned to a previous consolidation low on the charts at $925. Nonetheless, bearish fundamentals hang over the market and a test of $910 is possible this week especially if bearish sentiment toward commodities extends. While palladium fundamentals are tight from a long-term perspective, near term demand views favor the bear camp with doubt on Chinese auto catalyst demand remaining in place. On the other hand, the most recent COT positioning report showed Palladium with a new record spec and fund short of 7,172 contracts. The June 20th Commitments of Traders report showed Palladium Managed Money traders reduced their net short position by 664 contracts to a net short 5,861 contracts.

Non-Commercial & Non-Reportable traders are net short 7,172 contracts after net buying 434 contracts. Furthermore, we expect a new record spec short will be posted in the coming week with declines from the last report into the low of last Thursday $134! While the current bias is down, the risk to fresh shorts at current levels is very unattractive especially with Russia the largest palladium producer in the world showing signs of political instability. We are not sure what the probabilities of a Civil War in Russia are, but weekend events are a tangible threat to world palladium supply flows.

COPPER:

With a senior Chinese economic advisor calling for Swift and aggressive support for the Chinese economy, copper should see headwinds from Chinese copper demand expectations dissipate. However, if the Chinese government acts swiftly with aggressive stimulus programs targeted at infrastructure, that could quickly ignite copper buying after a 2-day high to low correction of nearly $0.16. Clearly, the copper market was significantly overbought from a $0.40 rally over the previous 5 weeks. In fact, with the aggressive rally taking place in the face of disappointing Chinese economic progress and most recently in the face of a negative shift in global economic sentiment, the sharp declines was a justified healthy correction. A normal retracement of the late May early June rally was violated on Friday but then rejected at $3.811.

On the other hand, the bull camp should be cheered by recent news that Chilean copper production was halted in some areas last week because of flooding and last week the markets were presented with news that many large producers will not expand production because of governmental environmental threats against operations. Last week Shanghai copper warehouse exchange readings saw a very minimal weekly movement as China was on holiday for part of last week. Fortunately for the bull camp, the latest COT positioning report showed a middle of the last 6 months range net spec and fund long and that might slow or limit the downside washout. The Commitments of Traders report for the week ending June 20th showed Copper Managed Money traders net bought 16,334 contracts and are now net long 23,258 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 3,978 contracts after net buying 16,855 contracts.

ENERGY COMPLEX:

While the magnitude of risk off from ongoing fears of global slowing has not expanded significantly, fear of slumping global energy demand remains a fixture. Evidence of the bear control in the market is the lack of a definitive upside reaction to what some have labeled was a coup attempt in Russia from Russian hired mercenaries. However, traders see little near-term threat of disrupted Russian oil flows, but the risk of pressing the short side of the crude oil market is certainly increased by the weekend events. In a clear negative supply-side development, weekly floating crude oil inventories increased by 15% over the last week. It should be noted that Asian-Pacific floating crude supply was up 34% and at the highest levels in 13 months! Therefore, concern for Asian crude oil demand is justified but is somewhat offset by calls quick and aggressive stimulus from an official Chinese economic advisor.

In a very interesting development, it seems that the 2 largest Chinese refining companies have conflicting views on prices and intentions for their operations directly ahead. Apparently, petrol China's Hong Kong unit has been consistently bidding for oil while Sinopec's Unipec unit has been selling cargoes. In addition to concerns of a very slow recovery in Chinese energy demand, the markets on Friday were presented with additional energy demand threats from very disappointing European PMI data. In fact, some economists indicated recent European data has rekindled the prospects of a "hard landing" which would reduce energy demand more than a simple "recession". Contrary to market perceptions, Chinese and Indian energy demand remain robust with both countries posting various import records and/or strong month over month gains in consumption readings.

While not a major market bottoming event, we think the US should utilize recent price declines to bring US strategic petroleum reserve levels up from 40-year lows. In a longer-term supportive supply side development, US oil and gas rigs operating declined for an 8th straight week adding to ideas that shale oil production in the US appears to be peaking. Going forward, crude oil prices are likely to show correlation with equity prices and could see weakness exacerbated by further sharp gains in the dollar. Unfortunately for the bull camp, the USO (United States oil fund ETF) has seen aggressive outflows recently. However, US futures and options net long positioning adjusted for the lows last Friday, has likely reached the lowest level since November 2012! The June 20th Commitments of Traders report showed Crude Oil Managed Money traders were net long 106,800 contracts after increasing their already long position by 2,576 contracts. Non-Commercial & Non-Reportable traders are net long 223,672 contracts after net buying 715 contracts.

Like the crude oil market, the gasoline market remains vulnerable despite last week's high to low break of nearly $0.19. Also like the crude oil market, vulnerability for gasoline prices from fear of softening demand are facilitated by deteriorating economic readings. From a positioning perspective, the gasoline market is not "mostly liquidated" in the net spec and fund long categories yet! The June 20th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 55,285 contracts after net selling 1,613 contracts. Non-Commercial & Non-Reportable traders added 1,196 contracts to their already long position and are now net long 58,281. Fortunately for the bull camp, June Asian gasoline exports were 3.9 million tonnes in June, down from May exports of 5.6 million. It should also be noted that Asian gasoline exports in June were the lowest in 4 months.

However, as indicated in crude oil coverage, the combination of noted global risk off and further gains in the dollar could result in a return to the June low. Recently the diesel market has seen trade sentiment improved with crack spreads, supply developments and strong Indian fuel demand tempering the entrenched bear bias. Therefore, we see the net spec and fund long adjusted into the lows Friday the lowest since March. Heating Oil positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders are net long 10,365 contracts after net selling 3,877 contracts. Non-Commercial & Non-Reportable traders net sold 2,230 contracts and are now net long 29,243 contracts.

With an upside breakout last Friday to the highest level since May 19th, the natural gas market is beginning to factor in increased consumption from extremely hot conditions in Europe, portions of the US and large areas of Asia. In fact, severe drought circles the Mediterranean Sea which should eventually show up in stronger global consumption. While the weekly Baker Hughes rig operating count showed gas rigs operating was unchanged versus the prior week, last week major gas producing companies Chesapeake Energy Corp., Southwestern Energy Company and Comstock Resources announced plans to reduce production because of low prices with initial reductions planned in shale areas in Arkansas, Louisiana, and Texas. Unfortunately for the bull camp, US gas production this year is expected to post another record.

Adding to the bullish longer-term supply outlook are plans to expand US LNG export facilities with exports reaching 12.1 billion cubic feet per day this year. Natural Gas positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders are net short 31,342 contracts after net buying 27,172 contracts. Non-Commercial & Non-Reportable traders net bought 7,679 contracts and are now net short 79,360 contracts. Certainly, the recent gains in prices have further reduced the net spec and fund "short" in natural gas and therefore stop loss buying could become more modest. In the end, recent hotter than normal temperatures throughout the globe and specifically in the US and European areas has shifted sentiment in natural gas in favor of the bull camp. Furthermore, technical signals from the charts turned bullish with the highest trade on Friday since May 19th showing upside momentum.

BEANS:

Action in the soybean complex in the coming 48 hours will be almost exclusively determined by rainfall totals from the past and upcoming forecasts. While we see Monday afternoon's crop conditions report as a “coin flip”, the duration of the current cooler and wetter pattern has become significant at the same time the geographical spread of rain events has been expansive. However, a circle of extreme dryness remains in Illinois and portions of neighboring states. Therefore, soybean crop conditions Monday afternoon could be up or down, with a slight edge sitting with those expecting "minimal improvement". It is possible that Monday's soybean crop conditions will have a limited impact with the trade seeing next Monday's crop conditions report producing better conditions from weekend rains in a reverse "C" pattern arcing from Minneapolis, Detroit, Columbus and down to Nashville. Portions of northern Wisconsin, portions of Northeast Indiana, southern Indiana, Kentucky, and Tennessee also saw some areas receiving more than 1.5 inches.

Even the temperature outlook through next weekend is bearish (favorable to crop development) as temperatures will remain average or below average everywhere except for Gulf Coast states! However, there are ongoing concerns about palm oil production from El Nino. Volatility in the soybean market will continue to be very expansive as the range of yield outcomes for US beans remains massive with lots of growing time ahead and given the soybean plant's capacity to recover. Furthermore, volatility in palm oil and edible oils in general is likely to add a major storyline for soybean traders to consider. The Commitments of Traders report for the week ending June 20th showed Soybeans Managed Money traders net bought 29,068 contracts and are now net long 76,950 contracts. CIT traders net bought 14,208 contracts and are now net long 123,882 contracts. Non-Commercial No CIT traders are net long 44,392 contracts after net buying 16,606 contracts. Non-Commercial & Non-Reportable traders net-long 61,209 contracts after increasing their already long position by 35,046 contracts.

The June 20th Commitments of Traders report showed Soybean oil Managed Money traders were net long 29,817 contracts after increasing their already long position by 21,069 contracts. CIT traders were net long 112,175 contracts after decreasing their long position by 2,916 contracts. Non-Commercial No CIT traders net bought 15,798 contracts and are now net short 84 contracts. Non-Commercial & Non-Reportable traders net long 31,778 contracts after net buying 19,756 contracts. The Commitments of Traders report for the week ending June 20th showed Soymeal Managed Money traders net bought 3,316 contracts and are now net long 63,924 contracts. CIT traders net bought 1,961 contracts and are now net long 111,811 contracts. Non-Commercial No CIT traders net bought 6,000 contracts and are now net long 55,776 contracts. Non-Commercial & Non-Reportable traders net bought 11,430 contracts and are now net long 111,571 contracts.

CORN:

Anticipation of another downtick in conditions Monday afternoon and key areas of the corn belt missing weekend rains means the bull camp has a slight edge at the start of this week. Despite good weekend rains in western areas of the corn belt, eastern and southwest belt areas were short-changed and follow up rains look limited until at least late this week. In addition, an overall lift in food prices due to the uncertainty over Putin's future may help support early this week. On the other hand, the bear camp can look at the 6-10 day weather maps showing above precipitation for the western and southern corn belts with temps normal to below and normal precipitation for the 8-14-day period and gain confidence. The distribution of rain will be very important and upcoming pollination weather can make or break the crop. Not surprisingly, some traders are pointing to a seasonal down cycle ahead with the recent break giving credibility to that argument.

However, with most areas receiving 1 inch or less and nearly 2/3rd of Illinois remaining extremely dry, the bear camp cannot claim victory in the corn market until pollination information provides a benchmark from the worst growing condition areas in the US. Analyzing the past 72-hour precipitation maps, a series of 1 inch and less fell across the northern growing belt with showers above a straight line drawn from the southern Nebraska state line, onward through the southern Iowa State line and running through Chicago and into northern Indiana with rainfall totals below Interstate 80 mere traces or less. Therefore, we think that some upside has been taken out of the equation unless the 6-to-10-day forecast turned back hot and dry. The Commitments of Traders report for the week ending June 20th showed Corn Managed Money traders were net long 58,299 contracts after increasing their already long position by 56,154 contracts. CIT traders net bought 27,057 contracts and are now net long 345,525 contracts. Non-Commercial No CIT traders reduced their net short position by 56,151 contracts to a net short 7,631 contracts. Non-Commercial & Non-Reportable traders net bought 82,361 contracts, which moved them from a net short to a net long position of 56,695 contracts.

WHEAT:

Russian uncertainty favors more upside gains. Prices found a strong bid at the start of this week as traders believe risk premium is needed with questions surrounding the world's largest wheat exporter and how Russia's leader will respond in coming days to the biggest challenge of his 25-year rule. Putin must reassert his authority somehow and questions on what that looks like must be worrying to the wheat bear camp. Although, so far, we have not heard of any disruptions to exports. There are some weather concerns as well as a heat wave in China scorches Beijing and surrounding areas, however, N Europe and spring wheat areas of the Black Sea are seeing an uptick in moisture as will central India this week after disappointing early monsoon rains.

Specs did reduce shorts to a 4-month low in Chicago last week buying nearly 30k contracts. Funds were sellers of an estimated 4500 contracts Friday. More short covering is very possible as last week's highs were taken out overnight and Russian question marks give bulls the edge. Wheat positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders reduced their net short position by 29,296 contracts to a net short 84,134 contracts. KC Wheat positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders net bought 2,328 contracts and are now net long 5,944 contracts.

HOGS:

August lean hogs saw a key reversal top last Thursday that suggests a near term top is in. This is reinforced by the fact that open interest declined 22% during the rally, indicating the move was primarily short covering. However, pork prices are firm, and this may offer some fundamental support. The USDA pork cutout released after the close Friday came in at $95.14, up 5 cents from Thursday and up from $89.60 the previous week. This was the highest the cutout had been since November 11, 2022. Friday's Cold Storage Report showed there were 525.871 million pounds of frozen pork in storage as of May 31, down from 564.433 million on April 30 and 546.071 million a year ago. Supplies tend to peak in April, and the decline in May follows a seasonal pattern, but this was the first time this year they have fallen below year-ago levels, which could be an indication that supplies are finally becoming unburdened.

US pork export sales for the week ending June 15 came in at 28,661 tonnes, up from 26,670 the previous week and the highest since May 18. Cumulative sales for 2023 have reached 1.015 million tonnes, up from 900,000 a year ago and slightly below the five-year average of 1.023 million. The CME lean hog index as of June 21 came in at 90.47, up from 89.62 the previous session and 86.87 a week prior. The USDA estimated hog slaughter came in at 452,000 head Friday and 79,000 head for Saturday. This brought the total for last week to 2.372 million head, up from 2.330 million the previous week and 2.312 million a year ago.

Estimated US pork production last week was 505.7 million pounds, up from 498.2 million the previous week and 492.5 million a year ago. The fact that production stayed strong during a holiday week suggests ample supply but also that processors expect strong demand. Friday's Commitments of Traders report for the week ending June 20 showed managed money traders were net buyers of 11,975 contracts of lean hogs, taking them from a net short position to a net long of 7,345. This is the first time these traders have been net long since February.

CATTLE:

Friday's Cattle on Feed Report came in at the bearish end of expectations, and the futures could open sharply lower this week on this news. The report showed placements for the month of May at 104.6% of last year versus an average trade expectation of 102.0% and a range of expectations from 100.1% to 103.7%. Marketings came in at 101.7% of last year versus 101.6% expected (range 101.1% to 102.0%). On feed supply as of June 1 came in at 97.1% of last year versus an average expectation of 96.7% (range of 96.4% to 96.9%). The report was bearish, especially for the deferred contracts, as it showed placements well above the average expectation and above the top end of the range. The on-feed number was bearish as well, coming in above the top end of the expected range.

The Cold Storage report on Friday showed there were 423.465 million pounds of US frozen beef stocks in storage as of May 31. This was down from 452.000 million on April 30 and 526.119 million a year ago. Stocks have fallen steadily since the start of the year, and on May 31 they were only 80.5% of last year versus 84.9% in April and 111.6% in January. This is a bullish trend, but the data is retrospective as opposed to forward-looking. The weekly export sales report showed US beef export sales for the week ending June 15 at 13,305 tonnes, up from 13,047 the previous week but below the four-week average of 14,312. Cumulative sales for 2023 have reached 526,200 tonnes, down from 678,000 a year ago and below the five-year average of 582,300. The largest buyer was China at 4,745 tonnes. It was their biggest purchase since February and the second straight week they were above 4,700. The USDA boxed beef cutout closed 46 cents lower on Friday at $334.01. This was down from $343.09 the previous week and was the lowest it had been since June 9.

Cash live cattle traded in light volume on Friday at steady to lower than earlier in the week. As of Friday afternoon, the five-day, five area weighted average price was 182.28, down from 185.72 the previous week. The USDA estimated cattle slaughter came in at 120,000 head Friday and 26,000 head for

Saturday. This brought the total for last week to 649,000 head, up from 634,000 the previous week but down from 665,000 a year ago. The estimated average dressed cattle weight was 813 pounds, down from 815 the previous week but up from 811 a year ago. The 5-year average weight for that week is 811 pounds. Estimated beef production last week was 526.6 million pounds, down from 537.8 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 9,299 contracts of live cattle for the week ending June 20, reducing their net long to 110,622. The net long is in the upper end of the historic range, which leaves the market vulnerable to long liquidation if support levels are taken out.

COCOA:

The cocoa market is on-track for a ninth monthly gain in row, with prices having risen 38% (886 points) since the low last September. Recent Commitments of Traders reports have shown speculators holding a near record net long position, which leaves the cocoa market vulnerable to heavy selling if support levels are taken out. September cocoa continued to hold within its mid-June consolidation zone as they went on to finish Friday’s trading session with a moderate loss. For the week, September cocoa finished with a loss of 33 points (down 1.0%) which broke a 3-week winning streak. Sluggish risk appetites and chronically high inflation have weakened near-term demand for chocolate, and that remains a source of pressure for the cocoa market.

However, this season’s production issues in several West African growing nation continue to provide support. At the end of May, the International Cocoa Organization (ICCO) increased its forecast for the 2022/23 global production deficit from 60,000 to 142,000 tonnes. This would be the second large annual deficit in a row. They also projected the 2022/23 global stocks/usage ratio to fall to 32.2%, which would be the lowest since the 1984/85 season. While cocoa’s longer-term demand outlook remains positive with 2022/23 global grindings expected to reach a record high, there has been ongoing concern over near-term demand. Consumer inflation gauges for many developed countries have been falling since last year, but they remain stubbornly high.

This could result in consumers pulling back on discretionary purchases such as chocolate. This combined with this week’s negative shift in global risk sentiment may pressure cocoa prices over the near term. Cocoa positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders net sold 5,492 contracts and are now net long 68,398 contracts. CIT traders were net long 31,599 contracts after increasing their already long position by 1,849 contracts. Non-Commercial No CIT traders were net long 41,946 contracts after decreasing their long position by 10,577 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 8,827 contracts to a net long 72,414 contracts.

COFFEE:

Coffee prices were unable to have a positive daily result during last week’s holiday-shortened trading as the market continues to be pressured by a bearish Brazilian production outlook. Other major producing nations continue to have supply issues, however, and that could lead to coffee prices finding their footing soon. September coffee found significant early pressure and stayed on the defensive all day as it reached a 4 1/2 month low before posting a sizable loss and a fifth negative daily result in a row last Friday. For the week, September coffee finished with a loss of 15.90 cents (down 8.8%) which was a fourth negative weekly result over the past 5 weeks.

Brazil’s Arabica harvest has reached full speed over the past few weeks which kept pressure on coffee prices as it increased the likelihood that their “off-year” Arabica will be larger than last season’s “on-year” crop. Safras and Mercado estimated Brazil’s 2023/24 harvest was 39% completed last Tuesday, which compares to 35% last year and a 5-year average of 42% on that date. In addition, the negative shift in global risk sentiment could weaken restaurant and retail shop consumption process and that weighed on coffee prices as well. However, Colombia's May coffee production came in at 806,000 bags which was 21% below last year's total. Their 12-month production total (June 2022 to May 2023) came in at 10.771 million bags which would be their lowest annualized total since November 2013.

ICE exchange coffee stocks were unchanged last Friday following Thursday's daily increase, while coffee waiting for a grading report increased by 2,235 bags. Coffee positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders were net long 20,357 contracts after decreasing their long position by 7,043 contracts. CIT traders added 254 contracts to their already long position and are now net long 53,116. Non-Commercial No CIT traders reduced their net long position by 5,360 contracts to a net long 10,691 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,133 contracts to a net long 25,626 contracts. This is a moderate net long position, neither overbought nor oversold, but the selling trend is short-term negative.

COTTON:

The cotton market faces demand concerns and apparently has no desire to build a weather premium. December cotton was lower on Friday on disappointing export sales, a stronger dollar, lower equity markets, and a general risk-off attitude, and it is close to breaking below a six-month trading range. US cotton export sales for the week ending June 15 came in at 42,721 bales for the 2022/23 (current) marketing year and 187,615 for 2023/24 for a total of 230,336. This was up from 164,651 the previous week but below the four-week average of 312,600. Two weeks ago, sales were above 500,000 bales and the highest they had been since January 2022. Cumulative sales for 2022/23 have reached 13.653 million bales, down from 15.555 million a year ago and the lowest for this point in the marketing year since 2015/16.

The trade has not been showing much concern about the weather in Texas, with the crop conditions so far being well ahead of last year and the overall US crop right around average. However, West Texas has received little or no rain over the past seven days and the state has suffered an intense heat wave, and this may start to draw attention. The seven-day forecast has little or no rain, with most of the region expected to receive less than 0.5 inch and show a moderate loss of soil moisture. Last week's Crop Progress report showed 47% of the US cotton crop was in good/excellent condition versus 40% a year ago and 48% on average. Texas was 30% G/E versus 20% a year ago and 35% on average.

We would be surprised if conditions in Texas do not show a decline in Monday afternoon's report. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,079 contracts of cotton for the week ending June 20, which took them from a net long position to a net short of 5,522. They are neither overbought nor oversold, but the selling trend is short-term negative. For Friday's USDA Acreage report, the average trade expectation for US cotton planted area is 11.119 million acres, with a range of expectations from 10.5 to 12.0 million. The forecast in March was 11.256 million, and last year's plantings totaled 13.763 million.

SUGAR:

Sugar prices failed to take out their late April high twice, the first time in early May and the second time at the start of last week. While in both cases they fell back to the same price levels, the severity of their Thursday/Friday downdraft suggests that sugar has further downside left to go. October sugar fell to a 2-week low as it finished Friday's trading session with a heavy loss. For the week, October sugar finished with a loss of 180 ticks (down 6.9%) which broke a 2-week winning streak and was a negative weekly reversal from Tuesday's 5 1/2 week high.

Continued weakness in crude oil and RBOB gasoline put carryover pressure on the sugar market as that could diminish ethanol demand in Brazil and India. While there have been recent delays in cane harvesting and crushing operations, Brazil's Center-South production continues to outpace last year's output which has weighed heavily on the sugar market. There are mostly dry conditions in the Center-South forecast through early July which will minimize delays and should keep operations near full speed.

While a slow start to this year's monsoon had India's planted area for cotton, rice and corn well behind last year's pace as of last Friday, sugar's planted area was slightly ahead of last year's pace. India's monsoon regained momentum over the past few days to reach cane growing regions in west Uttar Pradesh ahead of their normal arrival. Mexico's national sugar committee Conadesuca forecast their nation's 2022/23 sugar production at 5.22 million tonnes which would be a 15% decline from the previous season, due in large part to drought conditions and poor fertilizer usage. However, Conadecusa also projected Mexico's 2023/24 sugar production could climb above 6 million tonnes if there is a good rainy season.

Sugar positioning in the Commitments of Traders for the week ending June 20th showed Managed Money traders added 21,907 contracts to their already long position and are now net long 227,908. CIT traders were net long 155,196 contracts after increasing their already long position by 20,760 contracts. Non-Commercial No CIT traders added 11,258 contracts to their already long position and are now net long 158,258. Non-Commercial & Non-Reportable traders are net long 280,289 contracts after net buying 22,759 contracts. This is in the upper end of the historic range and leaves the market vulnerable to aggressive fund selling if support levels are taken out.

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