ADM Investor Services, Inc.

Weekly Futures Market Summary

August 28, 2023 **by the ADMIS Research Team**

BONDS:

Following a surprise downtick in year-over-year Tokyo CPI, the latest German IFO survey came in lower than expected. A private survey of US consumer sentiment came in lower than trade forecasts. Fed Chair Powell gave plenty for the market to digest as he said that the Fed was prepared to raise rates further if appropriate, the Fed will proceed carefully when deciding to hike again or hold steady, the Fed will decide their next moves based on data, and that inflation remains too high. Later in the day, the Fed's Mester said that the Fed probably still has more work to do while the Fed's Goolsbee said that he still feels confident about reaching the "golden path" of a soft landing. Treasuries saw choppy action before closing last Friday with modest losses.

While the markets seem to have embraced a hawkish stance from the US Fed in symposium presentations last week, the bear camp seems to lack power early on. In the end, the markets see the Fed view on the economy as positive with the pace reportedly still at a level capable of keeping inflation alive. Furthermore, the Fed news extends dollar strength which could be accentuated by foreign money seeking attractive US yields. In fact, a recent poll of the Bank of Japan predicted on hold policies in Japan until at least July of next year and that highlights the likelihood that US rates could see its interest rate differentials expand worldwide. Today's US economic report slate is thin with a Dallas Fed manufacturing business index expected to show noted weakness which could help firm up support in September bonds and notes.

However, the bull camp should be heartened by the fact that the treasury futures markets remain aggressively net spec and fund short as that signals the prospect that potential sellers on the sidelines are in smaller numbers. On the other hand, given the very large number of short positions in place upside chart pivot points could if violated result in a compacted wave of stop loss buying. Bonds positioning in the Commitments of Traders for the week ending August 22nd showed Non-Commercial & Non-Reportable traders are net short 147,239 contracts after net selling 501 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders reduced their net short position by 27,589 contracts to a net short 740,363 contracts.

CURRENCIES:

The Dollar was unable to hold onto early support but came through choppy midsession action to finish Friday's trading session with a moderate gain. While the latest US consumer sentiment reading was disappointing, Fed Chair Powell's comment that inflation remains too high underpinned the Dollar late in the day. The Yen reached a 9-month low following a surprise downtick in Tokyo CPI. In addition, the Euro was pressure by a lower than expected German IFO survey and reached an 11-week low.

While the dollar has not posted a higher high for the move early this week, it is poised just below the highs and continues to see a tailwind from the Fed symposium last week. However, a slight setback could be seen following the release of the Dallas Fed manufacturing index. The Commitments of Traders report for the week ending August 22nd showed Dollar Non-Commercial & Non-Reportable traders are net long 5,602 contracts after net selling 425 contracts.

In addition to an entrenched downtrend channel on the charts, the euro is facing pressure from negative sentiment among German export companies. Therefore, we suggest traders utilize a post Dallas Fed manufacturing report Euro rally as a selling opportunity. The Commitments of Traders report for the week ending August 22nd showed Euro Non-Commercial & Non-Reportable traders net sold 6,855 contracts and are now net long 201,254 contracts.

The Yen remains under a constant liquidation watch especially with comments from the Japanese bank suggesting their policy would remain unchanged over the next three quarters. An example of the Japanese economic malaise was seen from scheduled data with the coincident index for June down minimally and Japanese leading economic index readings for June increasing incrementally. As in most nondollar currencies the trend remains distinctly down in the Swiss franc.

While a bank holiday likely thinned early week trading in the Pound, we see the general trend in the Pound pointing down. However, comments from the Bank of England deputy governor suggesting rates may have to stay high for some time clearly helps support the Pound against ongoing dollar related selling. In conclusion, declines in the Pound should be narrow, with the risk of fresh shorts at current levels unattractive.

The Canadian dollar enters the new trading week significantly oversold from last Friday's major washout. However, the Bank of Canada 2nd quarter GDP report scheduled for the end of the week is widely expected to show a definitive 2nd quarter slowdown. Therefore, technical, and fundamental trends remain down in the Canadian.

STOCKS:

Global markets had a turbulent finish to the week as they saw several shifts in tone during Friday's trading session. NVIDIA's inability to sustain a rally after blowout earnings and guidance late Wednesday continues to cast a shadow over technology stocks. There were indications that the United Auto Workers were voting to authorize a strike of major US vehicle manufacturers next month, which caused a mild flare-up of risk anxiety in many markets sectors. There was volatile two-sided action as equities digested comments from Fed Chair Powell, but they were able to regain strength later in the day as the major US equity indices finished the day with moderate gains.

Global equity markets at the start of this week were higher except for the market in Hong Kong which traded fractionally lower. Global equity markets were tracking higher seemingly because of a tax reduction for Chinese financial transactions like equities trading and real estate activities. While the Chinese transaction news is seen as a supportive global equity market development, the Hong Kong market was not cheered. In our opinion, the reduced taxation offering will provide some relief for the troubled Chinese real estate sector but that move may not help the Chinese economy overall. Looking ahead to this week's action the markets feel as if the buzz from the AI frenzy continues to drain from investor sentiment in a fashion that suggests the August downtrend will continue.

With the two large down days last week resulting in a noted bounce into the close last Friday a portion of the oversold condition of the market was likely balanced. Therefore, we see significant potential selling fuel on the sidelines which could be accentuated by fundamental selling interest. In the near term, it will be important to see the market's reaction to the Dallas Fed manufacturing report which is expected to remain in severe contraction territory as equities can lose the ability to rally on soft data following an avalanche of federal reserve news. The Commitments of Traders report for the week ending August 22nd showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 110,547 contracts after net selling 883 contracts.

As in the S&P, Dow futures have bounced from the significant washout last week in a fashion that should create fresh short sale opportunities early this week. We suspect the Dow will become increasingly more sensitive to the direction of US treasury markets as the threat of rotation to interest bearing investments continues to expand. The August 22nd Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 9,071 contracts to their already short position and are now net short 11,955.

Fortunately for the bull camp the NASDAQ index has residual investment capacity fostered by long term AI business potentials. However, we see the $25 billion Nvidia share buyback with prices at record levels as a sign of excess bullishness. Nasdaq Mini positioning in the Commitments of Traders for the week ending August 22nd showed Non-Commercial & Non-Reportable traders added 9,829 contracts to their already long position and are now net long 18,928.

GOLD, SILVER & PLATINUM:

While the gold trade early this week showed positive action, optimism is seemingly based on the slim idea that gold "held up" well against last week's hawkish Fed guidance. However, hedge fund managers reduced their net long last week and gold ETF holdings last week reduced their gold holdings by a very significant 257,994 ounces. Year to date gold ETF holdings are down 4.2%! Similarly, Silver ETF holdings last week declined by 6.3 million ounces with holdings year-to-date down 3.6%. With the upside breakout in the US dollar at the end of last week stalling the recovery in gold off last week's low, resistance has thickened around a quasi-triple top.

Furthermore, with treasury markets seemingly faltering and the takeaway from the Fed meeting hawkish, the bear should have plenty of outside market forces in their favor. Fortunately for the bull camp, there was a measure of debate on rates at the Jackson Hole Fed Symposium that prevented traders from attacking gold with short sales. However, political uncertainties in the US and Russia should not be discounted as a spark for flight to quality buying of gold and silver. Nonetheless, the path of least resistance is down, and the bear camp holds the ongoing edge.

From a technical perspective, the gold market is vulnerable as the last COT positioning report likely understated the net long given the $26 rally after the report was measured. Given recent action we will not view the gold market "mostly liquidated" until the spec long falls below 90,000 contracts. The Commitments of Traders report for the week ending August 22nd showed Gold Managed Money traders were net long 25,695 contracts after decreasing their long position by 20,845 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 22,611 contracts to a net long 119,266 contracts.

Like the gold market, silver is technically overbought and vulnerable to corrective action which could be accentuated by fundamental selling action. Silver positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders went from a net short to a net long position of 1,479 contracts after net buying 8,167 contracts. Non-Commercial & Non-Reportable traders were net long 22,937 contracts after increasing their already long position by 1,662 contracts. We see a move above $24.45 to be considered an upside breakout.

While the October platinum contract managed an upside breakout at the end of last week due to big picture broad-based global equity market optimism, we see the market vulnerable to a reversal today. In fact, residual strength in the dollar combined with lingering hawkish US Federal Reserve news and some disappointment from the latest Chinese efforts to support their economy should discourage buyers and eventually spark sellers. While a surprise Chinese stimulus could lend support, a hawkish Fed cloud and the lack of confidence in the Chinese government leaves the path of least resistance pointing down in platinum.

However, the most recent COT positioning report likely understates the magnitude of the net spec and fund long given the sharp rally after the report was measured. Therefore, we see the platinum market short-term overbought and vulnerable to normal technical selling combined with bearish fundamental selling. The Commitments of Traders report for the week ending August 22nd showed Platinum Managed Money traders net bought 2,357 contracts and are now net short 10,891 contracts. Non-Commercial & Non-Reportable traders net long 6,442 contracts after net buying 1,190 contracts.

While the most recent positioning report did not register a fresh record spec and fund short position in palladium the market remains net short just under the old record level. However, given the bounce of $65 from the low the palladium market could easily fall aggressively this week. The Commitments of Traders report for the week ending August 22nd showed Palladium Managed Money traders net sold 101 contracts and are now net short 8,637 contracts. Non-Commercial & Non-Reportable traders were net short 9,767 contracts after decreasing their short position by 33 contracts.

COPPER:

Unfortunately for the copper bulls, the latest Chinese attempt to support their economy looks to have an indirect and muted impact on copper, with a reduction of trading fees on equities helping economic sentiment, but that move is unlikely to impact copper demand in the near-term. However, the reduced stamp tax will help the property markets as transaction costs will be reduced potentially aiding buyers. Since we were highly suspicious of last week's rally, we are extra negative toward the copper market at prices significantly higher than last week's lows. While there has been a fresh wave of interest rate fears from the Fed Symposium, the copper market is likely to remain fixated on the Chinese situation.

Unfortunately for the bull camp, Chinese scheduled data is mostly absent at the beginning of this week and without another surprise government announcement, we see copper relinquishing last week's gains. While not a major negative, Shanghai copper stocks last week increased by 1,357 tonnes (+3.5%), thereby discouraging some demand bulls. We suspect that the sharp rally from the August lows tempered the net spec and fund short positioning which now could facilitate renewed selling. Copper positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders were net short 15,109 contracts after decreasing their short position by 3,018 contracts. Non-Commercial & Non-Reportable traders net sold 1,042 contracts and are now net short 22,629 contracts.

ENERGY COMPLEX:

At least in the early action this week, the October crude oil contract has not extended last week's action with a fresh higher high for the move. However, the petroleum complex continues to garner support from a refinery fire in New York as that is pumping up product prices. Certainly, a slowdown in feedstock purchases at the beleaguered refineries are expected, but the overall national US refinery operating rate is strong at nearly 95%. It should be noted that in this week's positioning report bullish positioning was reduced by the spec and hedge fund camps in WTI and Brent oil. Other supportive headlines from Bloomberg are the lowest Russian refinery activity readings since July and a 23% decline in global crude oil in floating storage.

While the strength and track of Tropical Storm Idalia is not currently ultra-threatening, that storm combined with recent increased tropical wave action should keep some sellers on the sidelines. With a very impressively strong recovery close on Friday, the bear camp was caught pressing the market following the Fed Chair's speech. However, the trade quickly discounted the hawkish US Federal Reserve dialogue, and we suspect some stop loss buying will surface. However, demand fears should be a limit on the bull case, especially if global equity markets extend last week's downtrend with new lows for the move. There is a measure of supply threat from a hurricane/tropical storm in the Gulf but as of this writing, no storms have made landfall.

On the other hand, Tropical Storm Idalia is expected to make landfall on Wednesday near the Florida Panhandle and is projected to make landfall as a category 3 hurricane. The storm is not expected to become a hurricane until Tuesday morning, and the track could skirt the eastern edge of offshore platform concentrations. The most recent COT positioning report in crude oil showed a modestly overbought contract which has likely become more overbought given the rally off last week's low. The August 22nd Commitments of Traders report showed Crude Oil Managed Money traders were net long 161,875 contracts after decreasing their long position by 16,945 contracts. Non-Commercial & Non-Reportable traders are net long 294,176 contracts after net selling 12,139 contracts.

With a potential storm threat to the most concentrated US refinery area of the country (the Gulf states) from tropical Idalia, and product prices near new highs for the move bullish resiliency could be rekindled easily. Furthermore, with both domestic and international refinery problems from last week still an issue that should cushion gasoline in the face of a corrective bias early today. However, the massive reversal range up extension in gasoline at the end of last week signals sensitivity to supply concerns. Supply concerns are likely to be prompted by two consequential global refinery outages and by a hurricane threat in the US. In fact, Tropical Storm Idalia is likely to impact the eastern portion of the US refinery operating belt.

Therefore, speculators are likely to set gasoline up as the leadership component of the petroleum complex, and we suggest traders stand back and allow hurricane premium to puff up prices. In the most recent positioning report, the gasoline market showed a moderately overbought position, which is clearly understated given the aggressive $0.06 rally from the late surge last week. Gas (RBOB) positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders are net long 72,107 contracts after net selling 2,066 contracts. Non-Commercial & Non-Reportable traders added 6,099 contracts to their already long position and are now net long 75,099. While we give the edge to the bull camp with domestic and international refinery concerns present, we suspect the market can turn sharply lower later this week.

As if the gasoline rally were not impressive enough, the explosion in diesel prices last Friday clearly highlights the potential for further near-term gains. Obviously, the most recent COT positioning report dramatically understates the diesel long with prices last week ending $0.15 above the level where the COT report was measured, and they touched $0.17 above the COT report level at Friday's highs. Heating Oil positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders are net long 38,479 contracts after net buying 5,612 contracts. Non-Commercial & Non-Reportable traders net long 67,089 contracts after increasing their already long position by 8,042 contracts.

While significant cooling demand last week and a return of heat on Tuesday did not prompt significant buying last Friday, the bull camp appears to be stimulated by the potential for lost production from a hurricane in the Gulf of Mexico. It is also possible that prices are garnering lift this morning following news that Chevron LNG workers in Australia have been given the legal right to strike. Furthermore, a much smaller than expected weekly injection last week is probably given more credence today as other supportive fundamental developments have surfaced. The current track and strength forecast Idalia will become a category one storm early Tuesday and could sweep of the eastern edge of offshore platforms, but unless the track shifts north westerly the threat against production is modest.

The storm is expected to stay east of natural gas export terminals in Louisiana and Mississippi and is likely to fall to a category one hurricane after making landfall and impacting export terminals in Georgia and South Carolina. Natural Gas positioning in the Commitments of Traders for the week ending August

22nd showed Managed Money traders net sold 27,999 contracts which moved them from a net long to a net short position of 18,034 contracts. Non-Commercial & Non-Reportable traders net sold 13,361 contracts and are now net short 79,913 contracts. In the end, the upside action should be limited but a gap higher trade should leave the bull camp in control early this week.

BEANS:

The funds continued to buy last Friday extending a long streak of daily purchases and that combined with the market's capacity to embrace deteriorating conditions in the face of rain and milder temperatures highlight bullish resiliency. Also supporting soybean prices this morning is last week's 120,000 tonnes of soybeans sold to China and a hot and dry forecast is being embraced over a temporary rain and mild temperature event passing through the belt. Final Pro Farmer crop tour results came out at 49.7 bushels per acre which was below expectations. The 2% margin of error gives a yield range of 50.7 - 48.7 bushels per acre. Prices must add some weather premium to start the week, just in case yields do sink toward the bottom end of the crop tour yield range which would dramatically tighten ending stocks.

Additionally, the latest weather models have heat returning by late this week to the Western corn belt and very limited chances of rain all the way out for the next 14 days for most of the Midwest. We can only assume with that forecast that yields could easily end up lower than Pro Farmer's numbers. Some pop-up rains in southern Illinois and southern Indiana and a few in southeast Nebraska were beneficial over the weekend. But overall, the heat dome, which was pushed south, will be moving back into the Western corn belt. This is certainly not an ideal finish to pod-filling and bean kernel size could certainly be smaller than normal. Bean conditions today are expected to decline 3 to 5% and it appears this week's weather and next weeks will further deteriorate conditions, and we expect that may get the bulls excited to start the trading week. In fact, Pro Farmer has revived ideas of a very significant tightening of the carryout, which should add even more volatility to the bean market and offer producers a chance to lock in even higher prices.

The Commitments of Traders report for the week ending August 22nd showed Soybeans Managed Money traders added 7,487 contracts to their already long position and are now net long 58,206. Non-Commercial & Non-Reportable traders net long 40,658 contracts after net buying 8,390 contracts. The August 22nd Commitments of Traders report showed Soyoil Managed Money traders net bought 8,409 contracts and are now net long 55,077 contracts. Non-Commercial & Non-Reportable traders were net long 62,591 contracts after increasing their already long position by 3,567 contracts. Soymeal positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders are net long 52,820 contracts after net selling 4,040 contracts. Non-Commercial & Non-Reportable traders are net long 95,767 contracts after net selling 6,855 contracts.

CORN:

Another very dry week for the Midwest is supporting prices to start the week. Monday's crop condition report is expected to show a 2-3% decline after last week's heat and dryness. Pro Farmer's final results were below expectations in both corn and beans. Corn yield was estimated at 172 bushels per acre, 3.1 bushels below the current USDA number. Using the 2% margin of error, the yield range was 173.7-170.3. The question now that the tour is over is how much further damage is left to be done as the growing season finishes very dry. Updated forecasts bring the heat dome back to the center and Western corn belt by late this week and into the weekend.

Rainfall chances are very limited across the Midwest this week and deteriorating conditions are expected to last into the 11-15 day timeframe. Other than the weather, Germany reported their total grains crop be down 2.9% due to weather problems and Brazil's second crop corn is 83% harvested compared to 89% last year. Brazil's massive corn export program to China is ongoing. Similar to last year, low Mississippi River levels may disrupt barge traffic right as the US harvest is nearing. Weight restrictions mean more barges are needed to carry the same amount of freight, thereby driving up costs. Additionally, global shipping is starting to be affected by restrictions due to low water in the Panama Canal.

We think the bullish weather and anticipation crop conditions will decline are supportive factors for the bulls. Corn positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders net sold 33,555 contracts and are now net short 106,135 contracts. CIT traders reduced their net long position by 4,752 contracts to a net long 278,441 contracts. Non-Commercial No CIT traders net sold 32,770 contracts and are now net short 155,196 contracts. Non-Commercial & Non-Reportable traders added 24,654 contracts to their already short position and are now net short 127,864.

WHEAT:

Spillover buying from the higher start in corn and beans for the week has not materialized in wheat. Prices are suffering from the short leg of long bean/short wheat and long corn/short wheat spreading. Pressure is also coming from reports Putin and Turkish President Erdogan will be meeting as early as next week to discuss the grain corridor deal. Additionally, the second ship to use Ukraine's grain corridor to leave the Odessa port has reached Romanian waters without incident.

Heat and dryness return to the Plains where a complete lack of moisture is expected for the next 10 days. India's battle with food inflation continues and they added a 20% export duty on parboiled rice over the weekend. India's June-Sept rainfall is on track to be the lowest in 8 years and dryness there is common in El Nino years. DEC Chicago prices appear determined to test the years lows at 6.08 1/4.

The Commitments of Traders report for the week ending August 22nd showed Wheat Managed Money traders added 5,331 contracts to their already short position and are now net short 70,921. Non-Commercial & Non-Reportable traders net sold 2,522 contracts and are now short 51,005 contracts.

The Commitments of Traders report for the week ending August 22nd showed KC Wheat Managed Money traders went from a net long to a net short position of 5,965 contracts after net selling 6,552 contracts. Non-Commercial & Non-Reportable traders were net short 12,836 contracts after increasing their already short position by 3,708 contracts.

HOGS:

A strong US export sales report on Thursday, showing net pork sales 30,000 tonnes for the second straight week helps counter concerns about demand, but sharply lower pork prices have undermined that support. The USDA pork cutout, released after the close Friday, came in at $93.10, down $10.22 from Thursday and down from $105.71 the previous week. This was the lowest it had been since June 20. The decline was led by bellies, which were down $57.14 to $123.22. The USDA estimated hog slaughter came in at 468,000 head Friday and 156,000 head for Saturday. This brought the total for last week to 2.500 million head, up from 2.414 million the previous week and 2.412 million a year ago.

Estimated US pork production last week was 518.4 million pounds, up from 501.9 million the previous week and 505.5 million a year ago. The CME Lean Hog Index as of August 23 was 96.40, down from 97.37 the previous session and 100.32 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,552 contracts of lean hogs for the week ending August 22, reducing their net long to 21,409. The selling trend is short-term negative.

CATTLE:

October cattle traded to their highest level since August 11 on Friday and closed moderately higher on the day, but they are still in a downtrend off the contract (and all-time highs) from July. Cash live cattle prices were lower last week, with the five-day, five area weighted average price at $182.28, down from $184.81 the previous week. Prices were lower in the north but steady in the south. 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 626,000 head, up from 616,000 the previous week but down from 678,000 a year ago. The estimated average dressed cattle weight last week was 817 pounds, up from 815 the previous week and down from 823 a year ago.

The 5-year average weight for that week is 824 pounds. Estimated beef production last week was 510.6 million pounds, down from 555.3 million a year ago. The USDA boxed beef cutout was up 20 cents at mid-session Friday and closed 27 cents higher at $317.90. This was up from $316.11 the previous week and was the highest it has been since July 6. Friday's Commitments of Traders report showed managed money traders were net sellers of 7,265 contracts of live cattle for the week ending August 22, reducing their net long to 89,742. This is in the upper portion of the historic range and indicates the market is subject to heavy selling if support levels are taken out.

COCOA:

Since reaching a two-year low last September, the cocoa market has been in an uptrend, with prices rising 1,423 points (up 64%) to reach their highest levels since March 2011. The cocoa market’s setback this month was fueled in part by demand concerns, but a bullish supply outlook may help prices remain well supported before they regain and sustain upside momentum. December cocoa followed through on Thursday’s outside-day higher close as they built on early support and finished Friday’s trading session with a sizable gain. For the week, December cocoa finished with a gain of 17 points (up 0.5%) and a second positive weekly result in a row.

Following several shifts in tone following Fed Chair Powell’s speech, a positive turnaround in global risk sentiment provided cocoa with support going into the weekend. Chocolate is a discretionary item for many consumers, and traders start to worry about demand as risk sentiment deteriorates. Chocolate makers have managed to pass along higher costs to their customers without suffering damage to the bottom line, as recent earnings guidance from major global chocolate manufacturers has attested.

This season’s West African cocoa production was negatively impacted by inadequate fertilizer and pesticide usage. Earlier this year, the International Cocoa Organization projected a 2022/23 global production deficit, the second one in a row. With the arrival of El Nino, the trade is on the lookout for lower production in West Africa, southeast Asia, and Ecuador during the upcoming 2023/24 season. This could result in a global production deficit for the third season in a row and pull the global stocks/usage ratio to its lowest level since the mid-1980s.

The Commitments of Traders report for the week ending August 22nd showed Cocoa Managed Money traders were net long 67,471 contracts after increasing their already long position by 700 contracts. CIT traders were net long 24,694 contracts after decreasing their long position by 763 contracts. Non-Commercial No CIT traders were net long 50,352 contracts after decreasing their long position by 56 contracts. Non-Commercial & Non-Reportable traders net sold 966 contracts and are now net long 74,072 contracts.

COFFEE:

Coffee prices lost 41.80 cents in value (down 22%) from early June to mid-August as they have been pressured by larger Brazilian production and near-term demand concerns. The market may find relief from both of those factors over the next few weeks, and that can help coffee maintain a recovery move going into early September. December coffee was unable to shake off early pressure as it went on to post a moderate loss for Friday’s trading session. For the week, however, December coffee finished with a gain of 3.15 cents (up 2.1%) which broke a 2-week losing streak.

Out-of-home consumption prospects has been weakened by a “risk off” mood seen in global markets over the past few weeks, as that may encourage consumers to hold off on going to restaurants and retail shops. However, a positive turnaround late Friday after Fed Chair Powell's Jackson Hole speech may carry through the weekend and provide coffee prices with early support this week. Brazil remains on track for larger Arabica production this season as the end of the La Nina weather event led to better growing conditions for much of this year.

Safras & Mercado said that Brazil's Arabica harvest was 93% complete as of last Tuesday, which suggest that the harvest will be completed within the next few weeks. While Brazil's monthly coffee exports totals may increase over the next few months, the flow of coffee supply from growing areas to Brazilian ports should start to decline by the end of next month. ICE exchange coffee stocks were unchanged on Friday and with four sessions left in August are nearly 16,000 bags below their July month-end total.

The August 22nd Commitments of Traders report showed Coffee Managed Money traders were net short 34,986 contracts after increasing their already short position by 7,704 contracts. CIT traders were net long 46,165 contracts after decreasing their long position by 501 contracts. Non-Commercial No CIT traders were net short 31,318 contracts after increasing their already short position by 5,276 contracts. Non-Commercial & Non-Reportable traders were net short 25,112 contracts after increasing their already short position by 5,502 contracts.

COTTON:

After last week's Drought Monitor showed worsening drought conditions in Texas and other cotton growing states, the trade will be watching Monday afternoon's weekly Crop Progress report to see if conditions worsened last week. Last week's report showed only 33% of the US cotton crop was rated good/excellent versus a 10-year average of 50% and a record low of 31% (set last year). Also, 46% of the crop was rated poor/very poor versus 20% on average. This was a new all-time high. The Texas crop was even worse. Most other states were close to average, but Texas dominates the story because it represents 55% of the total planted area.

Hot and dry temperatures are expected to return after some mild relief this week. The 6-10- and 8-14-day forecasts call for much above normal temperatures and below normal chances of rain across most of the cotton growing regions, with the severest conditions focused on Texas. India's June-September monsoon rainfall could end with an 8% deficit, the lowest in eight years, according to the Indian weather office. They expect September's rainfall to be negatively affected by El Nino. India is usually the world's second largest cotton producer.

December cotton rallied to its highest level since August 14 on Friday and made further gains overnight, but it fell into negative territory as the session progressed. Economic concerns have at times kept prices in check, particularly regarding with disappointing recovery from Covid lockdowns and the latest concerns over their property sector. Export sales have been slow the past couple of weeks. Cumulative sales for the marketing year are lower than last year at this time but towards the middle of the 10-year range.

Sales have reached 48% of the USDA forecast for the marketing year versus a five-year average of 53% for this point in the season. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,578 contracts of cotton for the week ending August 22, reducing their net long to 27,218. This is towards the middle of the historic range and would be considered neither overbought nor oversold.

SUGAR:

Sugar's turnaround late last week took prices from a 7-week low to a 5-week high in less than 3 days. If the market shifts its supply focus from Brazil to south Asia, sugar should be able to maintain upside momentum early this week. October sugar rallied to a 1-week high before finishing Friday's trading session with a sizable gain. For the week, October sugar finished with a gain of 1.07 cents (up 4.5%) and a positive weekly reversal from Wednesday's 7-week low.

India's nationwide monsoon rainfall during August is expected to reach its lowest level since their records began in 1901. This has put their 2023 monsoon rainfall through Sunday 8% below their long-period average, and that would put this year in the "below normal" monsoon rainfall category. Drier than normal conditions will have a negative impact on cane production for both the 2023/24 and 2024/25 seasons, which in turn will result in lower India sugar production. India's state of Maharashtra (who is usually their largest or second largest sugar-producing state) had a 17% decline in sugar production this season and is forecast to have an 11% drop in sugar production during the 2023/24 season.

El Nino is expected to have a severe impact on Thailand's 2023/24 sugar production which may decline by more than 3 million tonnes from this season. The latest Unica reports showed Brazil's Center-South sugar production 21.7% above last season's pace by mid-August. While recent reports have shown sugar's share of crushing holding above 50%, this season's Center-South sucrose yields have fallen 0.5% below last year's levels which could lead to full-season sugar production totals falling short of market expectations.

Sugar positioning in the Commitments of Traders for the week ending August 22nd showed Managed Money traders were net long 136,746 contracts after decreasing their long position by 6,349 contracts. CIT traders reduced their net long position by 4,254 contracts to a net long 177,527 contracts. Non-Commercial No CIT traders are net long 74,538 contracts after net selling 3,341 contracts. Non-Commercial & Non-Reportable traders were net long 182,761 contracts after decreasing their long position by 10,681 contracts.

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