ADM Investor Services, Inc.

Weekly Futures Market Summary

September 18, 2023 **by the ADMIS Research Team**

BONDS:

With US scheduled data last Friday better than expected and import-export pricing showing signs of inflation, the slide in treasury prices was fundamentally justified. It is also possible that the rally last Thursday data and with the better US economic signals last Friday ignited sellers off the idea that the Fed might pause next week. The interest rate markets enter a key central bank decision later this week with expectations of a Bank of England rate hike (widely thought to be the last in the cycle) and expectations the US Fed will pause. Monday's CME Fed Watch tool has the odds the Fed will pause at 99% which is a little suspicious given the debatable US CPI and PPI results last week. Keep in mind, the Fed chairman indicated the Fed wants inflation to come "down" not just slow its rate of climb!

However, the Fed is somewhat handcuffed by the fact that a rate hike would increase the prospects of renewed problems in the US banking sector. On the other hand, foreign central banks are helping the US Fed fight inflation and Chinese demand remains a headwind for global inflation especially in commodities. Unfortunately, surging energy prices add back a measure of inflation and that continues to trickle through the economy. Nonetheless, despite lower global equity market action and a Goldman Sachs prediction that the Fed is unlikely to raise rates in November, the US treasury bond market broke out to the downside and posted the lowest price/highest yield since August 22nd.

With the downtrend in treasuries started earlier in the year fully in place and the dollar recently making 6-month highs, Monday afternoon's Long-term Treasury International Capital Flows report will be critical especially given recent signs that major US treasury buyers have slowed their purchases. In fact, given the cratering of the Chinese yuan, the capacity and or interest of China to purchase US treasuries should be declining rapidly. In a minimally supportive but largely discounted development, the United Auto Workers strike adds a threat against US growth which in turn could facilitate minimal flight to quality buying of US treasuries.

In the last COT positioning report, bonds held a large net spec and fund short of 149,000 contracts and since the positioning report was measured bonds have declined one full point which means the short position is likely understated however, until the net spec and fund short reaches 173,000 contracts (which would be the largest since May 2021) we do not see the market as excessively oversold. Similarly, the T-Note market is heavily net spec and fund short, but the T-Note markets tends to be dominated by hedgers protecting lenders against rising car loan rates and other consumer debt held by those granting consumer loans and not from the speculative contingent. The September 12th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 149,633 contracts after increasing their already short position by 5,421 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 723,416 contracts after net buying 42,629 contracts.

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CURRENCIES:

While the dollar did not post a new high for the move following last Friday's US scheduled data, the index held near this week's highs despite a 3-month low in Michigan Consumer Sentiment. On the other hand, the dollar bulls were cheered by the fact that the New York Empire State manufacturing index, capacity utilization, and industrial production readings for August were all better than expected! Either the currency markets think the US Fed will hike rates against market expectations or the pause by the US Fed has already been heavily accepted by traders.

While the US dollar has displayed a loss of momentum since last Thursday's big range up move, surging US treasury yields could attract fresh buyers especially with yields nearing the highest of the year. A breakout below the 2023 low price downside targeting in bonds becomes 116-02, and that type of move that could result in a wave of dollar buyers seeking attractive yields with low risk. Obviously, widespread expectations for a US Federal Reserve pause in their Thursday decision has the dollar off balance especially with expectations of a pause registering at a near certainty of 99% by the CME Fed Watch tool.

We are somewhat concerned with a "near certainty" opinion in the marketplace, especially with other major central banks following through with what has been alluded to as the last hikes in the cycle. At this point there is no reason to doubt the uptrend in the dollar index. The Commitments of Traders report for the week ending September 12th showed Dollar Non-Commercial & Non-Reportable traders were net long 7,726 contracts after increasing their already long position by 2,732 contracts.

Certainly, the euro is significantly oversold after the massive washout last Thursday especially with the washout correlating with a rate hike by the ECB. Perhaps traders see the EU economy as vulnerable to further tightening or more likely the trade simply sees the dollar with bullish sunglasses. We suspect traders are confident in attacking the short side of the euro given predictions that the ECB will not need more rate hikes until spring as that should leave euro returns at a disadvantaged level to US returns.

The Commitments of Traders report for the week ending September 12th showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 25,640 contracts to a net long 151,809 contracts. The path of least resistance remains down in the Yen with both fundamental and technical factors not expecting any deviation in existing conditions. The Pound also remains entrenched in a downward track despite expectations for this week's Bank of England rate hike, perhaps because the hike is expected to be the "last" in the cycle.

STOCKS:

In our opinion, the equity markets suffered a noted bout of long profit-taking last Friday after US scheduled data firmed, and in the process caused a slight boost in US Fed rate hike prospects. However, the UAW strike certainly casts a cloud over US economy and that combined with weakness in micro chipmaker shares added to the reversal of bullish psychology largely in place since September 7th. Global equity markets at the start of the week were lower except Russian and Chinese markets which posted decent gains. With the aggressive reversal range down action last Friday, the result of rising rates and or the UAW strike, economic and investor sentiment remains on edge. In fact, at the current juncture we are having difficulty isolating a credible reason to be long given the potential risks ahead. While the headlines this morning are not rife with government, regulatory, and or legal challenges for big tech, that very important sector of the market will remain under siege.

Obviously, the 4500 level becomes an extremely critical pivot point in the S&P to start the trading week. While the S&P remains net spec and fund short, the net short has consistently contracted since the May 9th report when the net short was 412,000 contracts. The current net short is 94,000 contracts) with the record net spec and fund short in the S&P 521,003 contracts posted back in September 2007. Therefore, while the S&P might be cushioned against aggressive selling by a pre-existing net spec and fund shorts,

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the magnitude of selling fuel on the sidelines remains very significant. In the end, the direction of equities this week will likely be determined by the US treasury markets with new high yields for the year likely to foster rotation from equities to bonds. The Commitments of Traders report for the week ending September 12th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 94,328 contracts after net buying 43,449 contracts.

With the dollar surging, US interest rates surging and a looming threat of a US government shutdown, the path of least resistance is down in the Dow Jones. A rally back above 35,121 is needed to shift the trend back to the upside. Dow Jones $5 positioning in the Commitments of Traders for the week ending September 12th showed Non-Commercial & Non-Reportable traders are net short 12,444 contracts after net selling 2,213 contracts. As indicated already, big tech and tech in general remains under siege from regulators and various lawsuits with the regulatory/trade barrier action between the US and China adding significant weight with each new trade barrier. A rally back above 15,590 might be needed to turn the trend higher. The September 12th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 4,683 contracts to their already long position and are now net long 14,676.

GOLD, SILVER & PLATINUM:

While the dollar has not made a fresh high for the move since last Thursday (which was a 6 month high), the currency index remains near upside breakout territory, suggesting potential for a resumption of upside follow-through early this week. With treasury yields also breaking out to the highest level since August 22nd and Treasury prices sitting within one point of contract lows, renewed strength in the dollar should not be discounted. In short, outside market forces continue to favor the bear camp in gold and silver with internal bullish fundamentals incapable supporting prices or are simply completely absent.

With the December gold contract trading $180 below the level where the 2023 low net spec and fund long position was registered in May, the gold market is vulnerable to further stop loss selling by specs and funds. The September 12th Commitments of Traders report showed Gold Managed Money traders net sold 16,544 contracts and are now net long 49,796 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 16,109 contracts to a net long 144,725 contracts. Last week gold ETF holdings declined by 225,067 ounces and are 5% lower year-to-date.

Like the gold market, the silver market has little in the way of fresh fundamental news, especially bullish fundamental news. Certainly, there was a moment last week when silver saw an outsized rally off hope for Chinese stronger demand. With the net spec and fund long position in silver pretty much in the middle of the last 6 months range, the market is somewhat balanced technically. The September 12th Commitments of Traders report showed Silver Managed Money traders net sold 12,794 contracts and are now net long 1,184 contracts. Non-Commercial & Non-Reportable traders are net long 31,216 contracts after net selling 6,313 contracts. Last week silver ETF holdings increased by 1.7 million ounces but remain 5% lower year-to-date.

In retrospect, the massive rally in platinum on Friday lifted prices $30 from last week's low and the market forged the rally on increased volume but a decline in open interest. In our opinion, the bull camp is small in numbers, especially with the potential cut back in auto catalyst demand given the United Auto Workers strike in the US. However, Chinese economic chatter overnight has turned slightly positive after calls from the IMF for the Chinese government to begin focusing on personal consumption instead of infrastructure programs.

Platinum positioning in the Commitments of Traders for the week ending September 12th showed Managed Money traders went from a net long to a net short position of 5,100 contracts after net selling 12,310 contracts. Non-Commercial & Non-Reportable traders net sold 7,227 contracts and are now net long 12,279 contracts. Palladium positioning in the Commitments of Traders for the week ending

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September 12th showed Managed Money traders net bought 373 contracts and are now net short 10,213 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 147 contracts to a net short 10,839 contracts.

COPPER:

We see the copper market becoming overvalued from both fundamental and technical perspectives. In fact, with LME copper warehouse stocks continuing to post daily inflows (4,200 tonnes on Monday) and Shanghai weekly copper stocks last Friday jumping by 18.5% (10,191 tonnes), the tight supply theme continues to erode. In another bearish development, Codelco has apparently ended its long-term contract to sell copper concentrate to Chinese clients in 2025.

Certainly, a revitalization of Chinese economic optimism justified a portion of last week's rally, but we doubt that positive vibe can remain in place again this week. The most recent COT positioning report showed the copper market nearly balanced, especially if the report is adjusted for the $0.05 rally into last week's high. The September 12th Commitments of Traders report showed Copper Managed Money traders went from a net long to a net short position of 3,768 contracts after net selling 7,672 contracts. Non-Commercial & Non-Reportable traders added 5,918 contracts to their already short position and are now net short 10,718.

ENERGY COMPLEX:

Another day, another new contract high in November crude oil on Monday. Not surprisingly, the focus of the bull camp remains squarely on tight supply with speculative buying from tight supply fueled by an 8.9% drop in global floating storage, a forecast from Citi that both Russian and Saudi Arabia might increase cutbacks in the 3rd and 4th quarters, and news that Cushing, Oklahoma oil stocks continue to plummet with only 24.965 million barrels remaining. The magnitude of the Cushing inventory slide is very significant as there were 42.844 million barrels at the storage facility at the end of June.

In retrospect, both macroeconomic and energy demand sentiment improved last week with decent Chinese numbers and the trade somehow able to interpret US CPI and PPI as a sign inflation was moderating. In the week ahead the markets will be presented with BOE, US and Peoples Bank of China rate decisions with the latest CME Fed Watch tool pegging the odds the US Fed will be on hold at 99%. However, the Bank of China could decide to cut rates at mid-week as they continue to provide piecemeal stimulus for their struggling economy.

While China posted crude oil output 3.1% above year ago levels at 17.4 million tonnes last month, that was massively offset by the countries 30.9% increase in imports of 52.8 million tonnes. It should be noted that Russian crude oil continues to trade at a sizable premium to global crude pricing with China also buying crude oil from Russia at a large premium to the world market. Perhaps the most important component of revived global energy demand views is the inability to produce enough diesel fuel to satisfy current market needs! Last week, the US rig operating count increased by two with 641 rigs operating compared to 763 one year ago.

With the November crude oil contract into the high as the start of this week nearly $11 a barrel above the level where the last COT positioning report was measured crude is likely at the longest level in 15 months. Crude Oil positioning in the Commitments of Traders for the week ending September 12th showed Managed Money traders net bought 30,322 contracts and are now net long 279,312 contracts. Non-Commercial & Non-Reportable traders net-long 383,863 contracts after increasing their already long position by 41,568 contracts. Without a fresh surprise supply glitch or continued improvement in global sentiment crude oil prices are now expensive.

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With a quasi-double top last week, RBOB could become the weakest component of the petroleum markets. In fact, the market was presented with a double top followed by a very aggressive reversal. Furthermore, short-term technical indicators were severely overdone and given the $0.15 rally into last week's high RBOB's net spec long position should be close to a 2023 high. Given the inability to supply an extremely tight situation in the global diesel market, that should provide some support for gasoline as refiners focus on producing diesel. The Commitments of Traders report for the week ending September 12th showed Gas (RBOB) Managed Money traders added 6,746 contracts to their already long position and are now net long 70,877. Non-Commercial & Non-Reportable traders net bought 5,874 contracts and are now net long 72,499 contracts.

Even the demand set up favors the bear camp now with implied gasoline demand falling by 1 million barrels per day over the last week! Therefore, the gasoline market is vulnerable to a retracement with the first retracement price at $2.58.

Like the gasoline market, the diesel market forged a very significant technical signal of a top at the end of the last week with a low to high rally on the week of $0.22 and the reversal down action on Friday registered on strong volume! Into last week's high, diesel was trading $0.16 above the level where the COT positioning report was measured leaving the diesel market at the longest level since February 2022. Certainly, the global diesel market remains extremely tight and given divergence between crude oil (moving higher) and diesel prices (falling) crack margins could slow refinery activity and lay the groundwork for a resumption of the diesel rally after a temporary corrective track. Heating Oil positioning in the Commitments of Traders for the week ending September 12th showed Managed Money traders are net long 34,670 contracts after net selling 2,147 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,281 contracts to a net long 64,331 contracts.

With European gas storage at 94.4% of full capacity or 10% above normal levels, there is little cause for concern that current injections are lower than withdrawals. While there is a longer than expected unplanned gas outage in Norway, many portions of the US and Europe have for the time being entered the low demand shoulder season. Adding into the bear’s travails, the Chevron's strike burdened Australian LNG facility has returned to full capacity. Adding insult to injury, wind power generation in Europe has expanded thereby reducing the consumption of gas. Lastly, despite some residual heat throughout portions of the US and another narrowing of the EIA natural gas stocks surplus to 5-year average levels last week, the path of least resistance down in natural gas.

Adding to the bearish environment is a significant jump (+7) in the Baker Hughes US gas rigs operating count which has reached the highest level since last November! Certainly, European countries are likely to begin topping off their strategic storage especially if natural gas prices forge new lows and create an attractive price incentive. The Commitments of Traders report for the week ending September 12th showed Natural Gas Managed Money traders reduced their net short position by 4,674 contracts to a net short 27,149 contracts. Non-Commercial & Non-Reportable traders were net short 86,301 contracts after decreasing their short position by 4,738 contracts.

BEANS:

With very poor chart action to end last week and follow through down early this week, the technical bias clearly favors the bear camp. It should also be noted that funds turned aggressive sellers on Friday with 12,000 contracts sold. The trend of liquidation by money managers continued into September 12th with a 10.9% week over week reduction in their net long. It should also be noted that soybean oil money managers cut their net long position by 25.9% on a week over week basis. Other bearish developments are softening bids for US soybeans in the Midwest given anticipation of incoming harvest supply and from a slight backup of beans from slower River transport.

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Leaving the weather aside, the latest NOPA crush report clearly pointed to lower demand as the crush was lower than most estimates with "Crush Traders" predicting the shortfall with the brunt of the trade widely missing the mark. The crush for August of 161.4 million bushels was an 11-month low. The August reading was down 6.8% from the 173.3 million bushels process in July and 2.5% below year ago figures. However, some crushing downtime combined with soft demand justified a weak number. In a surprising bullish development, Chinese August soybean imports jumped 30.7% versus year ago levels to 9.36 million tonnes. However, soybean oil was undermined early this week by Chinese indications they will double their imports of Malaysian Palm oil.

Even outside indirect markets are contributing to the bear case with soybeans oil not recently supported by significant gains in energy prices. While November soybeans are down from the level where the COT positioning report was measured, the latest spec and fund long is 70,000 contracts above the smallest net spec long since October 2021. Therefore, November beans have further liquidation potential, especially if 10-to-14-day forecasts show favorable weather for early harvesting. In a potential supportive longer-term development, the Brazilian government has announced a program called "fuel of the future" which increases the use of renewable fuels which will likely include soybean oil.

Soybean positioning in the Commitments of Traders for the week ending September 12th showed Managed Money traders were net long 73,815 contracts after decreasing their long position by 8,995 contracts. CIT traders are net long 149,193 contracts after net selling 1,785 contracts. Non-Commercial No CIT traders reduced their net long position by 6,151 contracts to a net long 40,697 contracts. Non-Commercial & Non-Reportable traders net sold 4,612 contracts and are now net long 57,585 contracts.

Soyoil positioning in the Commitments of Traders for the week ending September 12th showed Managed Money traders reduced their net long position by 14,294 contracts to a net long 40,865 contracts. CIT traders reduced their net long position by 1,753 contracts to a net long 111,629 contracts. Non-Commercial No CIT traders are net long 8,352 contracts after net selling 6,479 contracts. Non-Commercial & Non-Reportable traders were net long 55,573 contracts after decreasing their long position by 9,908 contracts.

The Commitments of Traders report for the week ending September 12th showed Soymeal Managed Money traders net sold 2,920 contracts and are now net long 62,202 contracts. CIT traders added 2,640 contracts to their already long position and are now net long 119,926. Non-Commercial No CIT traders were net long 39,665 contracts after decreasing their long position by 4,701 contracts. Non-Commercial & Non-Reportable traders are net long 108,257 contracts after net selling 3,180 contracts.

CORN:

Another low volume trade as the start of this week as the market awaits Monday afternoon's harvest progress and conditions report. Good harvest weather is expected this week and hedge pressure will be a headwind for prices. 6-10-day forecasts have above normal precipitation for the Midwest which could create some harvest delays. Pressure overnight may be from EU crop consultancy, Strategie Grains, upping their corn crop estimate 1 million tonnes to 59.6 million tonnes.

The tight trading ranges seen late last week may continue into early this week as early yield reports trickle in and traders search for fresh market moving news. Last week, crude prices were very strong, and this creates a bullish backdrop for corn. Fund short positioning hit its highest level in three years and that will be bullish fuel once the market is able to take out recent highs. With planting ongoing in South America, traders will turn to South American weather as a focal point in the coming days.

The Commitments of Traders report showed a large increase in short positioning by speculators for the week ending September 12th. Managed Money traders net sold 40,996 contracts and are now net short

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134,909 contracts. Non-Commercial & Non-Reportable traders were net short 142,653 contracts after increasing their already short position by 44,109 contracts.

WHEAT:

Along with the key reversals up on the DEC daily chart midweek last week, prices also formed a key weekly reversal up with Friday's strong close. While the Commitment of Traders report showed an increase of nearly 5,900 contracts of speculative shorts, that data does not include the action the last half of last week where undoubtedly speculators covered some of those shorts. Either way, more short covering could be triggered if DEC prices move above 6.16.

Underlying support is coming from expectations Russian exports generally fall in winter as transportation becomes more difficult getting grain to the ports and Australia's deepening drought is also a major concern as they are one of the large global exporters. Ukraine has decided to sue Poland, Hungary and Slovakia for banning Ukrainian grain imports. More Russian attacks on Ukrainian ports over the weekend and the first civilian cargo ships are said to be ready to test out Ukraine's grain corridor.

The September 12th Commitments of Traders report showed Wheat Managed Money traders added 5,458 contracts to their already short position and are now net short 84,139. Non-Commercial & Non-Reportable traders added 5,095 contracts to their already short position and are now net short 59,092. The Commitments of Traders report for the week ending September 12th showed KC Wheat Managed Money traders were net short 13,148 contracts after increasing their already short position by 3,310 contracts. Non-Commercial & Non-Reportable traders added 2,504 contracts to their already short position and are now net short 16,312.

HOGS:

December hogs traded right up to near the top of a trading range that extends back to July last week and backed off when they failed to penetrate it. The market is in a seasonally weak period and may have difficulty moving through those highs this week. The CME Lean Hog Index as of September 13 was 86.94, up from 86.48 the previous session and 86.19 the previous week. The USDA pork cutout, released after the close Friday, came in at $97.56, down 51 cents from Thursday but up from $96.85 the previous week.

The USDA estimated hog slaughter came in at 476,000 head Friday and 150,000 head for Saturday. This brought the total for last week to 2.531 million head, up from 2.486 million a year ago. Estimated US pork production last week was 521.5 million pounds, down from 527.6 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 6,164 contracts of lean hogs for the week ending September 12, increasing their net long to 38,186. This is well below their 2021 high of 89,000 and their all-time high of 98,000 from 2013, indicating the market is far from overbought.

CATTLE:

Cattle supplies are tight and are likely to continue to be that way for a while. December cattle traded to a new contract (and all-time) high for the second day in a row on Friday. The next window to the US supply situation will be the monthly Cattle on Feed report on Friday. Cash live cattle were higher last week as well. As of Friday afternoon, the five-day, five area weighted average price was $183.84, up from $182.12 the previous week. The USDA estimated cattle slaughter came in at 121,000 head Friday and 9,000 head for Saturday. This brought the total for last week to 632,000 head, down from 673,000 a year ago. The estimated average dressed cattle weight last week was 824 pounds, up from 823 the previous week but down from 832 a year ago.

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The 5-year average weight for that week is 830 pounds. Estimated beef production last week was 519.6 million pounds, down from 558.9 million a year ago. The USDA boxed beef cutout came in at $305.71 on Friday, down 66 cents from Thursday and down from $312.90 the previous week. This was the lowest it had been since August 14. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,871 contracts of live cattle for the week ending September 12, increasing their net long to 98,417. This is in the upper end of the historic range but below the 2023 high of 120,000. The market may be overbought, but this does not preclude more fund buying.

COCOA:

Cocoa prices posted a new 44-year high for three sessions in a row as West African supply problems continue to be the front-and-center issue for the market. Until there are signs that global production can improve, cocoa prices will continue to climb further to the upside. December cocoa shook off mild early pressure and held within a tight range for a second day in a row before finishing Friday’s trading session with a moderate gain. For the week, December cocoa finished with a gain of 103 points (up 2.8%) and a fifth positive weekly result in a row.

A report that 30% of Indonesian cocoa plantations are non-productive provided support to the cocoa market, as they have been one of the world’s major cocoa-producing nations for many years. While the International Cocoa Organization (ICCO) forecast Indonesia’s 2022/23 production at a 3-year high of 200,000 tonnes, this is far below their record high output of 550,000 tonnes during the 2009/10 season. With no other major producing nations in the region, grinders in Indonesia and Malaysia (the world’s fourth and fifth largest cocoa processing nations) are forecast to import a large portion of their cocoa from West Africa.

Late last week, an official from the ICCO said that pests and diseases are currently as large a problem for global cocoa production as extreme weather. This also underpinned cocoa prices as many of West Africa’s major producing nations did not have adequate pesticide and fertilizer use over the past two years, and recently has received heavy rainfall that normally helped to spread black pod and swollen shoot diseases.

The September 12th Commitments of Traders report showed Cocoa Managed Money traders net bought 1,668 contracts and are now net long 78,982 contracts. CIT traders were net long 38,468 contracts after increasing their already long position by 11,199 contracts. Non-Commercial No CIT traders are net long 63,468 contracts after net buying 674 contracts. Non-Commercial & Non-Reportable traders added 1,608 contracts to their already long position and are now net long 89,678.

COFFEE:

Since reaching a 2023 high in mid-April, coffee prices have been in an extended downtrend and have been unable to sustain four recovery moves during the third quarter. However, December coffee retested its low from mid-August with an outside-day higher close on Monday and followed that with another outside-day higher close on Thursday and a rally to its highest price level in five weeks before finishing Friday’s trading session with a sizable gain. For the week, December coffee finished with a gain of 10.50 cents (up 7.1%) which broke a 2-week losing streak and was a positive weekly reversal from Monday’s 4-week low.

The Brazilian currency reached a 2-week high on Friday which provided carryover support to coffee prices, as that should ease pressure on Brazil’s farmers to market their remaining newly harvested coffee to foreign customers. Brazil has seen Arabica exports during July and August come in above last year’s total as 2023/24 production reaches Brazilian port facilities. As this year’s harvest winds down, focus will

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shift towards Brazil's 2024/25 Arabica crop as their coffee trees will start their flowering process over the next few weeks.

ICE exchange coffee stocks increased by 3,365 bags on Friday, all of which was coffee that passed the grading process in Antwerp while 1,035 bags failed to be approved. Although there are 17,755 bags waiting to be graded, ICE exchange coffee stocks remain close to 10-month lows which indicates improving demand (particularly in Europe) that can underpin coffee prices this week.

Coffee positioning in the Commitments of Traders for the week ending September 12th showed Managed Money traders net bought 645 contracts and are now net short 30,561 contracts. CIT traders were net long 44,493 contracts after increasing their already long position by 1,217 contracts. Non-Commercial No CIT traders are net short 25,034 contracts after net buying 835 contracts. Non-Commercial & Non-Reportable traders are net short 19,412 contracts after net buying 1,816 contracts.

COTTON:

The cotton market is in a consolidation mode, caught between a poor US crop and uncertain demand. The USDA supply/demand report last week put US 2023/24 ending stocks at 3.00 million bales, down from 4.25 million last year and the lowest since 2016/17, when they fell to 2.75 million. The stock/usage ratio is forecast at 20.8%, down from 28.7% last year and the lowest since 2016/17 as well, when it fell to 15.1%. Both numbers are the second lowest since 2013/14. However, the world numbers were not nearly as tight, with ending stocks for 2023/24 forecast at 89.96 million bales, down from 93.18 in 2022/23 but above the 84.50 million from 2021/22. The stocks/use ratio was forecast at 77.6%, down from 84% last year but up from 72.9% the year before that.

Export sales last week were disappointing at only 91,685 bales, which marked the fourth week in a row they were below 100,000. Cumulative sales have only reached 47% of the USDA forecast for the 2023/24 marketing year versus a five-year average of 57%. The 6-10 and 8-14 day forecasts call for above average temperatures and normal to above normal chances of rain in Texas and the delta. It may be too late to help the crop, and heavy rain could do some damage to the quality. However, today's weekly crop progress report could show some improvement in Texas after the rains last week. Friday's Commitments of Traders showed managed money traders were net sellers of 5,217 contracts of cotton for the week ending September 12, reducing their net long to 46,954. This is well short of the record net long of 109,000 from 2018, so the market is far from overbought.

SUGAR:

For the second Friday in a row, sugar prices saw a negative key reversal from a new 12 1/2 year high. While the south Asian supply situation remains bullish, recent developments in the region suggest that sugar has a stronger chance of seeing downside follow-through early this week. March sugar was able to build onto early support through midsession, and then lost strength late in the day to finish Friday's trading session with a mild loss. For the week, however, March sugar finished with a gain of 56 ticks (up 2.1%) and a fourth positive weekly result in a row. El Nino is forecast to last through the first quarter of 2024, and that should have a negative impact on cane production in India and Thailand that continues to be a source of strength for the sugar market early this this week.

As of Thursday, reservoirs in India's major producing states of Uttar Pradesh were 38% below normal storage levels, and reservoirs in Karnataka were 22% below normal storage levels. On Sunday, however, India's 2023 monsoon rainfall was 8% below their long-period average which shows some improvement from the "double-digit" deficits following India's lowest August rainfall total since at least 1901. In addition, 2023 monsoon rainfall is closing in on the lower threshold (6% below the long-period average) that represents "normal" full-season monsoon rainfall.

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Brazil's major Center-South cane growing regions have dry and warmer weather in the forecast through late next week, and that should minimize crushing and harvesting delays that pressured the market going into the weekend. During the first 5 months of their 2023/24 season (April through August), Brazil's Center-South sugar production was 4.36 million tonnes ahead of last season's pace while sugar's share of crushing was 4% above last season's comparable levels.

The September 12th Commitments of Traders report showed Sugar Managed Money traders net bought 5,875 contracts and are now net long 202,660 contracts. CIT traders were net long 170,448 contracts after increasing their already long position by 758 contracts. Non-Commercial No CIT traders added 5,431 contracts to their already long position and are now net long 138,216. Non-Commercial & Non-Reportable traders are net long 275,392 contracts after net buying 5,283 contracts.

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