ADM Investor Services, Inc.

Weekly Futures Market Summary

January 16, 2024 **by the ADMIS Research Team**

BONDS:

While US treasuries technically closed higher and built consolidation support on the charts last Friday, we see the totality of recent US economic news markedly shifting views on the prospect of a first quarter US rate cut. In fact, we discounted the slightly hotter than expected US CPI, embrace the slightly softer than expected PPI reading and we see the economy holding steady instead of faltering. Therefore, the downtrend from the late December highs is likely to resume next week.

While treasury prices have started out lower, bond and note prices remain within the recent sideways consolidation and the markets might not see large ranges because of a thin US scheduled economic data. The markets will see regular weekly treasury bill auctions and will be presented with a Fed speech on Tuesday. One might have expected treasury prices to have found support as global CPI and PPI readings remained under control in Europe, despite being a little hotter than expected in Japan.

While the markets will be presented with the typical avalanche of predictions from the world economic forum in Davos, Switzerland this week US treasury markets should begin to focus on the January 19th end of the continuing resolution to keep the US government open. In our view, legislators picked up their interest on the debt ceiling issue early last week and the battle lines have been drawn with the key negotiating points the Ukraine war funding and illegal immigrant funding/policy.

After the first volley it appears the two sides of the aisle are roughly $60 to $70 billion apart on nondefense budgeting, which would seem to be a surmountable problem. Unfortunately, in Washington political priorities aren't always about dollars and cents with politicians needing unqualified political victories not solutions. In other words, don't let the small size of perceived differences in the budget battle fool you into thinking a compromise will come easy.

Obviously, over the last several weeks the probability of a first quarter US rate cut has dropped with the latest probability of a March cut at 69% suggesting the trade has not given up yet on the prospect of a Fed move. The January 9th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net sold 4,209 contracts and are now net short 87,592 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders reduced their net short position by 63,972 contracts to a net short 652,958 contracts.

CURRENCIES:

Given the US economic news since the start of this year, the bull camp in the dollar should be extremely inflated. In addition to a stronger-than-expected US nonfarm payroll reading last week, US initial claims remain near downside breakout levels on their charts and inflation readings still favor a declining pattern of prices. However, the dollar clearly lost the upside momentum pattern from the end of December through early January rally and has faltered despite falling prospects of a first quarter US interest rate cut.

While the CME Fed Watch tool leaves the probability of a March US rate cut near 70%, the markets appear to be embracing increased odds the US Fed will not reduce rates in the first quarter. Furthermore, the dollar is benefiting from evidence of softening inflation in the euro zone and from signs of weakness in the German economy. A minimal addition to early gains, the dollar found added lift despite a 3 1/2 year low in the New York Empire State manufacturing report.

However, the most important market moving development could come from a speech from the Fed's Waller as the trade is keeping track of consensus inside the Fed. From a technical perspective, the dollar should see tailwinds from the gap higher move to the highest level in 30 days, with the dollar likely settling in above 103.00. Dollar positioning in the Commitments of Traders for the week ending January 9th showed Non-Commercial & Non-Reportable traders are net long 2,208 contracts after net buying 596 contracts.

In our opinion, the euro is under pressure this week from signs that European inflation is under control, but the euro is also under pressure from concern for the German economy. In fact, a European bank survey showed European inflation expectations have declined sharply and "inflation expectations" are the foundation of all inflation. We see the euro settling in below 1.09 and above 1.08 in the days ahead. The Commitments of Traders report for the week ending January 9th showed Euro Non-Commercial & Non-Reportable traders net bought 3,812 contracts and are now net long 162,396 contracts.

Not surprisingly, the Pound is under significant pressure following the gap higher trade in the US dollar. Adding to the technical damage in the pound is notable slowing of UK wage growth which sparks both slowing fear and rate cut hopes. With massive damage on the Canadian dollar chart early this week, a gap up surge in the dollar and negative Bank of Canada economic survey results, the path of least resistance is obviously down in the Canadian.

STOCKS:

With the equity markets managing to hold up in the face of a slightly disappointing hotter than expected US CPI report, the bull camp was heartened. However, a softer than expected US PPI report did not spark a definitive rally suggesting the bull camp might be growing sensitive to high stock prices. In fact, with Friday being the most active day of the current earnings cycle providing negative news toward banks, the equity markets could have corrected a large portion of last week's low to high rally in the S&P of 112 points.

Global equity markets early this week were generally lower except for the two markets in Shanghai which traded fractionally higher, with the weakest global market on Tuesday being the Hang Seng with a decline of 1.46%. With a slight global risk off mentality flowing from global equity markets, most charts remain negative, and a liquidation tone appears to be in place. If last week's bank sector earnings are any guide, this week’s sweep of bank/brokerage company earnings will produce a small measure of selling.

While there does not appear to be a bearish vibe in the S&P, investors are on a back foot from fading rate cut prospects, concerns for and from a potential battle between big US banks and the Federal Reserve regarding higher bank capital requirements. In retrospect, the S&P saw a massive amount of spec and fund buying in the latest COT positioning report suggesting the January 5th through January 11th rally overextended the market. The January 9th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 107,167 contracts and are now net short 19,210 contracts. Fortunately for the bull camp anxiety is relatively low with corporate earnings likely to temporarily dominate over the eroding hope of a first quarter US rate cut.

While Boeing has promised additional inspections for its 737 Max that issue leaves Boeing shares out-of-favor especially with China reportedly delaying deliveries following the latest problem. In the early action today the Dow futures have posted fresh damage on the charts with a retest of 37,500 likely this week. Dow Jones $5 positioning in the Commitments of Traders for the week ending January 9th showed Non-Commercial & Non-Reportable traders net bought 4,844 contracts and are now net long 25,428 contracts.

Despite several bullish fundamental tech sector/Nasdaq taglines in the press this week (an end to the Apple watch ban, a buyout in the AI sector and news that Elon wants to double his current stake in Tesla to be comfortable driving AI technology at Tesla), the NASDAQ has started with a lower high and lower low. The January 9th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders reduced their net long position by 5,182 contracts to a net long 43,901 contracts.

GOLD, SILVER & PLATINUM:

In addition to gapping higher early this week, the dollar index reached the highest price level since December 13th in a reaction that appears to carry follow-through potential. Adding into the bearish track for gold and silver to start the new trading week, US treasury yields are climbing and gold ETF holdings at the end of last week had posted nine straight days of outflows, with holdings last week reduced by 656,635 ounces. Year-to-date gold ETF holdings are already down 1.2% while silver ETF holdings are down only 0.6% year to date.

From a longer-term perspective, the gold market could see lift from Chinese President Xi Jinping who announced China would push for high quality development of its financial sector and would accelerate the creation of a modern financial system as that necessitates the need for a faster expansion of Chinese central bank gold reserves to backstop its currency in the eyes of the world trade. Along those lines the markets will be presented with Chinese retail sales and GDP readings on Wednesday with expectations calling for a slight deceleration of growth on a month-to-month basis.

Gold positioning in the Commitments of Traders for the week ending January 9th showed Managed Money traders reduced their net long position by 31,228 contracts to a net long 106,288 contracts. Non-Commercial & non-reportable traders are net long 221,128 contracts after net selling 25,031 contracts. While the net spec and fund long position was pulled down in gold last week, we still see the positioning as burdensome and vulnerable to stop loss selling especially with the violation of support at $2033.10. Silver positioning in the Commitments of Traders for the week ending January 9th showed Managed Money traders reduced their net long position by 8,066 contracts to a net long 7,886 contracts. Non-Commercial & non-reportable traders net-long 41,320 contracts after decreasing their long position by 7,517 contracts.

The Commitments of Traders report for the week ending January 9th showed Platinum Managed Money traders were net long 17,084 contracts after decreasing their long position by 6,462 contracts. Non-Commercial & non-reportable traders are net long 28,734 contracts after net selling 5,490 contracts. The Commitments of Traders report for the week ending January 9th showed Palladium Managed Money traders added 1,855 contracts to their already short position and are now net short 8,154. Non-Commercial & non-reportable traders added 1,220 contracts to their already short position and are now net short 9,481.

COPPER:

While the copper market did not post a lower low early this week, the charts remain definitively bearish with the lower high and lower low pattern likely to extend straightaway. Despite higher Chinese equity market action, a risk off mood exists in Southeast Asia and in most of the world, leaving copper demand concerns from last week in place. However, the copper market should see support from news that a major

Chinese bank has listed 41 developers who have been authorized for funding support, as that provides minimal solace for the property sector. However, with the largest Chinese private property developer indicating the property markets in China will remain weak and could face "severe challenges", assistance to Chinese property developers probably indicates the Chinese property sector remains on the ropes!

Not surprisingly, the world's largest iron ore exporter Rio Tinto sees Chinese stimulus supporting the broader economy in China, but that optimism is in the minority among analysts. With the net spec and fund long position in copper shifting from net long to a net short as of last Tuesday and the market temporarily bouncing after the positioning was measured, we see the potential for additional spec and fund selling. Copper positioning in the Commitments of Traders for the week ending January 9th showed Managed Money traders net sold 26,822 contracts which moved them from a net long to a net short position of 16,754 contracts. Non-Commercial & non-reportable traders went from a net long to a net short position of 8,422 contracts after net selling 20,186 contracts.

ENERGY COMPLEX:

The energy markets remain caught in fundamental and technical ranges with the trade facing a measure of big picture bearish news from a strengthening dollar, an uptick in global interest rates, a large projected increase in 2024 oil exports from the Caspian Pipeline Consortium and from signs of softening Indian diesel demand. However, prices should be supported in the short-term by a 14% week over week decline in global crude oil in floating storage and from last week's news that Chinese 2023 crude oil imports posted a record of 11.28 million barrels per day or a gain of +11%.

In fact, the bull camp should be emboldened by reports out of Singapore suggesting Chinese refiners are in a buying mode and need to refill their inventories. It should be noted that the weekly floating oil inventory report showed the largest drawdown in supply was in the Asian Pacific region! Certainly, extreme cold temperatures throughout the US provide some demand support but that lift might be temporary as the latest National Weather Service data shows US heating degree days were 19 degree days below normal last week!

On the other hand, concerns of shipping through the Red Sea has resulted in inventory backing up and in turn creating tightness in certain arrival destinations. It should also be noted that signs of increased bullish speculative interest have been noted in London with Brent $120 calls seeing increased trading volume and Brent crude oil implied volatility jumping sharply. In a minimally supportive development, there are reports that certain US oil production areas are already suffering reduced output due to extreme cold which is expected to maintain through this week.

From a technical perspective, the crude oil contract is "mostly liquidated" with the net spec and fund long position on a retest of the $70.00 level potentially reaching the lowest level since 2011! The January 9th Commitments of Traders report showed Crude Oil Managed Money traders were net long 111,129 contracts after increasing their already long position by 21,799 contracts. Non-Commercial & non-reportable traders net sold 627 contracts and are now net long 216,692 contracts.

With the gasoline contract showing significant volatility last week with a range of $0.17 and the net long from positioning reports very burdensome, we see a trading range this week of $2.24 and $2.05. Fortunately for the bull camp Indian gasoline demand held together in the face of a sharp drop in diesel demand and Russian refiners are reportedly reducing activity which could provide minimal supply and demand support for global gasoline early this week. In fact, Russian refiners are apparently switching gasoline exports supply to domestic users and that could leave gasoline with a stronger near-term track than diesel.

However, the net spec and fund long position in gasoline remains burdensome with an upside breakout potentially resulting in the largest net spec and fund long positioning since February 2021. The

Commitments of Traders report for the week ending January 9th showed Gas (RBOB) Managed Money traders reduced their net long position by 7,196 contracts to a net long 62,105 contracts. Non-Commercial & non-reportable traders are net long 76,992 contracts after net selling 6,415 contracts.

Despite US heating degree days continuing to run well below normal (as of last week), extreme cold temperatures throughout the US will continue through the next several days potentially surprising the markets with massive, concentrated consumption evidence in the weeks ahead. Relatively speaking the diesel market net spec and fund long positioning is less overbought than gasoline or crude oil positioning and that should help thicken uptrend channel buying support. The January 9th Commitments of Traders report showed Heating Oil Managed Money traders are net long 25,731 contracts after net buying 6,766 contracts. Non-Commercial & non-reportable traders added 7,084 contracts to their already long position and are now net long 50,056.

The downside action in natural gas prices early this week must be devastating to the bull camp as the deepest and widest spread subzero pattern in the US in several years has failed to halt last week's reversal down from multi-month highs. However, reports that LNG shipments continue through the Red Sea indicates the markets lack of need for a supply premium from the Middle East crisis. On the other hand, a pattern of large consumption in the US should manifest in several large weekly withdrawals ahead and that combined with record US exports and some lost production due to extreme cold should help natural gas find value.

While the net spec and fund short position in gas is not large, the net short should be expanding rapidly given the market's decline of $0.29 since the last COT report mark off. The Commitments of Traders report for the week ending January 9th showed Natural Gas Managed Money traders are net short 45,474 contracts after net buying 32,977 contracts. Non-Commercial & non-reportable traders net bought 23,603 contracts and are now net short 54,333 contracts.

BEANS:

The USDA reinforced the ideas of adequate US stocks last Friday with an increase in US ending stocks of 35 million bushels from last month and a stocks to use ratio at a 4 year high. Trader participation surged last Friday with March futures having its highest volume day since it began trading back in late 2021. Prices closed well off the lows of the day, and combined with the high volume, a possible capitulation low can't be ruled out.

Crop cuts in Brazil continued to roll in as a prominent South American crop scout lowered his estimate two million tonnes to 149 million saying early yields continue to be poor, USDA's number from Friday was 157 million tonnes. On the contrary, that same crop scout increased Argentine's production two million tonnes to 52 million, up from USDA's Friday number of 50 million. AgRural says Brazil's harvest is now 2.3% complete but lowered their estimated production to 150.9 million tonnes.

Argentina is expected to dry out for the next couple weeks after recent favorable weather and although southern Brazil will see showers, parts of northern Brazil have turned back dryer again. NOPA crush will be out today with estimates at 193 million bushels crushed, and bean oil stocks at 1.27 billion pounds. Our friends at Crushtraders.com estimate crush at 197.38, well outperforming pre-report estimates. China's bean imports in the 1st quarter are expected to hit a 4-year low at 18.5 million tons, compared to 23.1 last year as their pig herd continues to shrink.

The Commitment of Traders data showed funds increasing their short position in beans by over 19,000 contracts and heavy long liquidation in meal, as funds shed more than 32,000 net longs. Perhaps prices are finding a measure of support from a Reuters story overnight saying studies suggest herbicide resistance weeds are increasing faster than seed companies can find solutions. Friday's high-volume spike lower and subsequent bounce, especially coming on technically oversold conditions, should be enough to stabilize trade and offer an upside correction.

Soybean positioning in the Commitments of Traders for the week ending January 9th showed Managed Money traders net sold 19,619 contracts and are now net short 31,248 contracts. CIT traders are net long 121,580 contracts after net selling 3,704 contracts. Non-Commercial No CIT traders added 15,082 contracts to their already short position and are now net short 50,736. Non-Commercial & Non-Reportable traders were net short 51,720 contracts after increasing their already short position by 19,874 contracts.

The Commitments of Traders report for the week ending January 9th showed Soymeal Managed Money traders net sold 32,578 contracts and are now net long 10,461 contracts. CIT traders are net long 100,780 contracts after net selling 436 contracts. Non-Commercial No CIT traders are net short 31,173 contracts after net selling 27,514 contracts. Non-Commercial & non-reportable traders were net long 13,940 contracts after decreasing their long position by 29,823 contracts.

The Commitments of Traders report for the week ending January 9th showed Soyoil Managed Money traders reduced their net short position by 3,946 contracts to a net short 46,608 contracts. CIT traders were net long 122,226 contracts after increasing their already long position by 10,616 contracts. Non-Commercial No CIT traders are net short 71,101 contracts after net selling 394 contracts. Non-Commercial & non-reportable traders were net short 30,029 contracts after decreasing their short position by 1,757 contracts.

CORN:

The USDA did the corn market no favors on Friday as nearly all the numbers were bearish. A surprising 2.4 bushel increase in yield could not be offset by a decrease in harvested acres. Adding further to the bearish stats, the USDA chose to adopt China's government corn stocks statistics for this report which raised China stocks 13 million tonnes, in turn raising world carryout by 10 million tonnes. Food/seed, feed/residual and ethanol numbers were all raised but carryout still grew 31 million bushels from last month's report.

A prominent South American crop scout lowered his Brazilian corn estimate 2 million tonnes to 115 million, USDA's Friday number was 127 million. However, the crop scout also increased Argentine corn production 3 million tons to 56 million, up from USDA's Friday number of 55 million. Reuters is reporting studies suggesting the problem of herbicide tolerant weeds in the northern Plains and Midwest is growing quickly and seed companies must find new solutions to address the issue.

Argentina is expected to enter a drier trend for the next 2 weeks and southern Brazil will see rains while northern Brazil rains are more widely distributed. March corn had its highest volume day Friday since November 8th; however, prices did not bounce significantly off Friday's low and the bear camp remains in charge. We do believe we are entering a longer-term support area below 4.40 which should stabilize the downtrend.

The Commitments of Traders report for the week ending December 5th showed Corn Managed Money traders reduced their net short position by 45,945 contracts to a net short 160,533 contracts. CIT traders reduced their net long position by 479 contracts to a net long 223,377 contracts. Non-Commercial No CIT traders were net short 179,057 contracts after decreasing their short position by 45,444 contracts. Non-Commercial & non-reportable traders net bought 37,578 contracts and are now net short 155,220 contracts.

WHEAT:

Friday saw the largest trading volume in a little over a month and USDA's supply demand report offered mostly neutral to slightly friendly numbers. Feed/residual was raised 24 million bushels resulting in ending stocks dropping a like amount from last month. Quarterly stocks were up 8% from a year ago, with on farm stocks up 9%. However, the surprise came in a larger than expected drop in all wheat acreage, down 6% at 34.425 million acres, and down 1.7 million from last season.

A US-owned cargo ship was attacked by the Houthis and the leader of the group said US ships will continue to be a target after the US and the UK struck Houthi targets in Yemen last week. Tunisia is tendering again for 150,000 tons of SRW and 50,000 tonnes of durum. The Buenos Aries Grain Exchange says Argentine harvest is 94.3% complete. March wheat hit its lowest point since December 1st on Friday and with prices mildly oversold, we expect a short covering rebound is likely to start the week.

The January 9th Commitments of Traders report showed Wheat Managed Money traders net bought 2,289 contracts and are now net short 57,988 contracts. CIT traders were net long 83,728 contracts after decreasing their long position by 823 contracts. Non-Commercial No CIT traders reduced their net short position by 1,963 contracts to a net short 62,951 contracts. Non-Commercial & Non-Reportable traders are net short 47,103 contracts after net selling 2,565 contracts.

HOGS:

February hogs held their uptrend last week, and Thursday's close above 72.45 changed the medium-term trend to higher. Snow and extreme cold weather in the Midwest hurt weight gain and can back up hogs in the country. This could limit supply in the near term but create a backlog later. The USDA estimated hog slaughter came in at 332,000 head Friday and 149,000 head for Saturday. This brought the total for last week to 2.279 million head, down from 2.371 million the previous week and 2.689 million a year ago.

Estimated US pork production last week was 493.0 million pounds, down from 512.1 million the previous week and 587.7 million a year ago. The CME Lean Hog Index as of January 10 was 66.77, up from 66.46 the previous session and 65.86 the previous week. The USDA pork cutout, released after the close Friday, came in at $85.39, up $2.34 from Thursday, up from $82.60 the previous week and the highest it had been since December 11.

Friday's Commitments of Traders report showed managed money traders were net buyers of 11,013 contracts of lean hogs for the week ending January 9, reducing their net short to 6,589. This is close to a neutral position. In Friday's supply/demand report, the USDA raised its estimate for 2023 US pork production by 60 million pounds to 27.302 billion and its forecast for 2024 production by 240 million pounds to 27.970 billion.

CATTLE:

Wintry weather is slowing slaughter and raising concerns about weight gain, but it is also backing up supply, which could limit gains once the weather improves. There is a mild reprieve expected this week in the Northern Plains, but then it gets cold again. Next week could see a return to above freezing, but this is expected to be accompanied by rain. The USDA estimated cattle slaughter came in at 105,000 head Friday and 20,000 head for Saturday. This brought the total for last week to 549,000 head, down from 551,000 the previous week and 660,740 a year ago.

The estimated average dressed cattle weight was 849 pounds, up from 848 the previous week and 827 a year ago. The 5-year average weight for that week is 831 pounds. Estimated beef production last week was 465.2 million pounds, down from 545.3 million a year ago. Cash live cattle were quiet on Monday with no trade reported. The five-area weighted average steer price last week was $173.47, down from $174.01 the previous week but up from $156.78 a year ago.

The USDA boxed beef cutout was up $3.69 at mid-session Friday and closed $3.37 higher at $289.26. This was up from $277.16 the previous week and the highest it had been since January 1. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,645 contracts of cattle for the week ending January 9, reducing their net long to 13,770. This is their smallest net long since May 2022. In Friday's supply/demand report, the USDA raised its estimate for 2023 US beef production by 35 million pounds to 26.967 billion and its forecast for 2024 production by 120 million pounds to 26.110 billion.

COCOA:

The cocoa market has been in an uptrend since September 2022, and the strong gains in 2023 left the market vulnerable to profit-taking. Cocoa prices rallied 324 points (+8%) from Monday's 8-week low through midsession Friday, and it should extend its longer-term uptrend during the first quarter. March cocoa extended last week's recovery move to a new 46-year high before finishing Friday with a sizable gain. For the week, March cocoa finished with a gain of 119 points (up 2.8%) which was a second positive weekly result in a row and a positive weekly reversal from Monday's 8-week low.

Reports that commercial buyers became more aggressive following late week's early pullback provided strong support to the cocoa market. In addition, news that Brazil's 2023 grindings were 12% above their 2022 total and a 5-year high gave an additional boost to cocoa prices. Reuters estimated last week's Ivory Coast port arrivals at 41,000 tonnes which compares to 70,000 over the comparable week last year. This puts their full-season 2023/24 arrivals total at 914,000 tonnes which is 36% behind last season's pace. The cocoa market remains vulnerable to a pullback, as its managed money net long position remains close to a four-year high.

European and US equity markets, the Euro and the British Pound all lost strength going into the weekend, and any further increase in global risk anxiety could put the cocoa market back on the defensive. Cocoa's demand outlook has been resilient despite prices doubling over the past 15 months, however, and the emergence of a “risk off” mood does not look like it would be enough to finish the cocoa market's long-term uptrend. Fourth quarter grindings data from Europe and North America will be released on Thursday, which could put additional pressure on prices if those quarterly totals come in low.

Keep in mind that the last three marketing years have also produced the three highest global grindings totals on record, with top cocoa processor Ivory Coast having a 25% increase in grindings over that timeframe. The January 9th Commitments of Traders report showed Cocoa Managed Money traders are net long 59,116 contracts after net selling 3,826 contracts. CIT traders net sold 1,556 contracts and are now net long 26,547 contracts. Non-Commercial No CIT traders were net long 41,385 contracts after decreasing their long position by 1,634 contracts. Non-Commercial & Non-Reportable traders net sold 5,059 contracts and are now net long 55,830 contracts.

COFFEE:

Over the last ten trading sessions, coffee prices have lost 18 cents in value (down 9%) and have closed below their 50-day moving average for the first time since mid-October. With many of the world's largest Arabica-growing nations looking at larger production this season, coffee prices may see further downside before they can find their footing. March coffee gave up early gains and fell to a new 4 1/2 week low before finishing Friday's trading session with a heavy loss. For the week, March coffee finished with a loss of 2.80 cents (down 1.5%) which was a third negative weekly result in a row.

On Monday, London Robusta climbed up to a new 16-year high, which may provide early support to coffee prices during today's trading. The USDA expects the five largest Arabica-producing nations to have a combined production increase of over 8.5 million bags this season, and that continue to be a source of pressure on coffee prices. ICE exchange coffee stocks rose by 3,380 bags on Friday and now have more than 50,000 bags waiting to be graded.

Halfway through January, ICE exchange coffee stocks are more than 10,000 bags above their December month-end total, and that put additional pressure on the coffee market as they remain on-track for a second monthly increase in a row. While the US and UK retaliated with strikes on several of their military targets, the missile and drone attacks by Houthi rebels on vessels in the Red Sea have ramped up supply anxiety in the coffee market as a significant portion of coffee travels from Asian growing through to Europe through the Red Sea and Suez Canal.

Coffee positioning in the Commitments of Traders for the week ending January 9th showed Managed Money traders net bought 1,066 contracts and are now net long 42,143 contracts. CIT traders net sold 4,810 contracts and are now net long 59,222 contracts. Non-Commercial No CIT traders added 2,623 contracts to their already long position and are now net long 25,179. Non-Commercial & Non-Reportable traders were net long 49,218 contracts after increasing their already long position by 1,837 contracts. The mild weekly increases for the managed money and net spec long positions make coffee more vulnerable to additional long liquidation this week.

COTTON:

The cotton market saw a brief rally on bullish US numbers in Friday's USDA monthly supply/demand report but quickly gave up those gains when the world number came in bearish. A revision lower for 2023/24 global consumption was particularly concerning to the bulls, as the US exports face stiff competition from Brazil and Australia, and it seems that only a boost in global demand will lift the market out of its 2 1/2 month trading range.

In the report, US 2023/24 cotton production came in at 12.43 million bales versus 12.77 million expected (range 12.50-12.95) and 12.78 million in the December update. Ending stocks came in at 2.90 million versus 3.11 million (range 2.85-3.30 million) and 3.10 million in December. World ending stocks came in at 84.38 million bales versus 82.41 million expected (range 81.90-83.00) and 82.40 million in December. The US numbers were bullish as production and ending stocks came in below average expectations and near or below the low end of the expected range.

However, world ending stocks were only slightly below the average guess, and usage was lowered to 112.43 million bales versus 113.68 million expected (range 113.00-114.00) and 113.73 million in December. Chinese production was increased to 27.50 million bales from 27.00 million previously. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,484 contracts of cotton for the week ending January 9, increasing their net short to 6,872. This is close to a neutral position.

SUGAR:

March sugar saw daily highs within a tight 0.05 range (21.91 to 21.96) over the past four sessions, which may set the market up for a near-term pullback. With the Brazilian supply outlook starting to take a positive shift, however, sugar prices should remain well supported early this week. March sugar held within a relatively tight early range before coming under late pressure as it finished Friday's trading session with a moderate loss. For the week, however, March sugar finished with a gain of 0.50 (up 2.4%) and a second weekly gain in a row.

The Brazilian analytics firm Datagro forecast their nation's upcoming 2024/25 Center-South sugar production will reach a record high 43.1 million tonnes, and that weighed on sugar prices late this week. Brazil's current 2023/24 Center-South sugar production remains well ahead of last season's pace, and that continues to pressure the sugar market early this year. On the other hand, the Unica supply report for the second half of December showed sugar's share of crushing at 37% which is far below the 47% share it had over the same period last year.

Center-South domestic ethanol sales have come in above the previous year's total during the past 5 months. This shows improving Brazilian ethanol demand that may keep sugar's share of crushing comparatively low through the early stages of the 2024/25 season which starts in April. The 2023/24 Center-South cane harvest has been extended into this year due in part to drier than normal weather, but it should be winding down by the end of this month and will leave very little "carryover" cane to be harvested during the 2024/25 season.

The Commitments of Traders report for the week ending January 9th showed Sugar Managed Money traders net sold 2,305 contracts and are now net long 15,892 contracts. CIT traders added 1,948 contracts to their already long position and are now net long 136,208. Non-Commercial No CIT traders were net short 8,739 contracts after increasing their already short position by 7,274 contracts. Non-Commercial & Non-Reportable traders were net long 54,377 contracts after decreasing their long position by 7,571 contracts.