ADM Investor Services, Inc.

Weekly Futures Market Summary

January 2, 2024 **by the ADMIS Research Team**

BONDS:

We suspect the setback in treasury prices early this week is partly a reaction to the massive December rallies of 10-points in Treasury Bonds and the 3 1/2 point rally in March Notes and perhaps from a measure of typical beginning of the year economic optimism. While a Chinese Caixin manufacturing PMI reading for December showed a slight improvement, that is hardly justification aggressive retrenchment in US Treasury prices. However, there is talk that the markets have overplayed the prospect of an early US rate cut as the flip of the calendar has brought with it a series of longer-term forecasts indicating the markets are premature in their rate cut timing and in predictions suggesting that rates will remain "higher" for longer.

We continue to hold the view that the market's perception of "higher rates" is skewed by younger traders who discount the inflation battle of the 80s when the prime rate rose above 20%! In the near term, the treasury markets are obviously intermediately-term overbought with treasury bonds adding 19 points in the 4th quarter and Treasury Notes gaining seven points. Looking ahead, the trade will encounter the monthly US payroll reading on Friday with early estimates calling for a gain of 165,000 and jobs related news beginning Tuesday with the ISM Manufacturing employment index and the JOLTS report. The Job Openings and labor turnover report is expected to show a gain of 120,000 jobs which would be the lowest reading since April 2021!

If one gives the JOLTS report credibility as a leading indicator, the current correction could offer a significant buying opportunity. A normal retracement of the December rally projects initial support at 112-02 and with 111-21 in March notes with a similar retracement in bonds from the December rally providing initial support at 122-09 and then again at 121-05. However, it could be difficult to see the corrective action extend straightaway, as US scheduled data is expected to be soft! Bonds positioning in the Commitments of Traders for the week ending December 26th showed Non-Commercial & Non-Reportable traders were net short 91,108 contracts after decreasing their short position by 63 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders added 29,425 contracts to their already short position and are now net short 658,642.

CURRENCIES:

At least in the early going this week, the dollar continues to add to last week's reversal and recovery effort. However, the dollar faces a very critical junction this week with a minimal negative view toward the economy likely to send the index below par. In other words, the trade is poised to reconfirm or begin to question the massive washout of the fourth quarter. On the other hand, the trade is likely to remain in a “Goldilocks” posture where a mix of positive and negative US data is likely to favor the bear camp. We seriously doubt the dollar can post a recovery to downtrend channel resistance drawn from the November and December high but a first retracement of the December washout up is possible but not likely. Dollar positioning in the Commitments of Traders for the week ending December 26th showed Non-Commercial & Non-Reportable traders are net long 2,177 contracts after net selling 974 contracts.

While we doubt the dollar is poised to fully throw off its fourth quarter downtrend, the prospect that the euro will throw off its fourth quarter uptrend is increased by a second straight session of predicated on emerging idea that the euro zone has already entered a recession. In other words, the bull camp in the euro "needs" very soft US data to distract from the deterioration in the euro zone economy. A first retracement from the December rally targets 1.1020, and like the dollar this week is likely a first quarter 2024 trend setting week with jobs data scheduled for both sides of the Atlantic. Obviously, the euro is overbought in the speculative categories and in need of corrective action. The Commitments of Traders report for the week ending December 26th showed Euro Non-Commercial & Non-Reportable traders net bought 6,072 contracts and are now net long 155,877 contracts.

With the dollar adding to last week's recovery action, the setback in the British pound is justified with the pound severely overbought from the December rally and mostly fixated on the action in the dollar. In fact, the trade remains discouraged toward the UK economy from December PMI readings and from the lowest UK shop price inflation reading since June 2022. With the pound violating the first retracement from the December rally, we suspect the currency is poised for a temporary trade below 1.25 later this week. While it is not surprising to see the Canadian dollar correct in the face of renewed dollar strength, it remains somewhat insulated from strength in the dollar from the Canadian global manufacturing PMI reading for December a key pivot point. In the prior month Canadian PMI was 47.7 compared to 48.2 in the US. Therefore, the March Canadian may temporarily fail to 75.47 early this week.

STOCKS:

Global equity markets at the start of this week were generally higher, except for the markets in Shanghai, Hong Kong, and Moscow. Like the treasury markets, the stock market is overbought technically and fundamentally! However, the trend is up with interest rates supportive, softening inflation supportive and from the usual investor optimism from the beginning of a new year with portfolio balancing and small investor New Year's resolutions to save, invest and make more money. While the CME Fed Watch tool has not had a dominating impact on equities, that tool puts the probability of a rate cut later this month at only 10.9% but that number is likely to make a dramatic change during a holiday shortened week of jobs related data.

While we doubt the S&P will forge a full first retracement of the December rally or a dip to 4749, a temporary test of levels below 4797 is possible. In fact, the latest COT positioning report shows the net spec and fund short at less than half than the largest net spec and fund short of last year. The December 26th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net short 129,217 contracts after increasing their already short position by 3,849 contracts. In the end, the market is likely to firmly embrace "bad economic data is good for equity prices"!

With the Dow futures making a new high and holding above price levels from last Friday, there does not appear to be a corrective bias in place early. However, with a significant blip up in treasury yields, intense fighting in Ukraine and the serious earthquake in Japan that should provide a measure of anxiety early this week. On the other hand, the "trend" is up, and investors have the capacity to look beyond the negatives. Unfortunately for the bull camp the Dow futures have registered the largest net spec and fund long since July 2021 when the trade was presented with overly optimistic views of a very strong post Covid recovery.

Following that July peak in the net spec and fund long the Dow posted a high to low correction of 2200 points. The December 26th Commitments of Traders report showed Dow Jones $5 Non-Commercial &

Non-Reportable traders are net long 12,481 contracts after net buying 5,856 contracts. Like the Dow, the NASDAQ has posted mostly positive action early this week with the index hovering near its highs. The December 26th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 34,543 contracts after net buying 8,316 contracts. However, it should be noted that the all-time net spec and fund long in the NASDAQ was 289,507 contracts back in 2004.

GOLD, SILVER & PLATINUM:

The bulls started the New Year in control as gold prices rallied after Israel attacked Syria in response to a rocket attack, and Turkey arrested 33 Israeli "spies". There is fear that this might be the start of a deeper regional destabilization following the US Navy's sinking of three Houthi ships in the Red Sea, and Iran sending a warship into the Red Sea. US interest rates were higher and the dollar managed to rally sharply to start the year. The bulls shook off these macro headwinds as there is much euphoria around gold to start the year, and there are plenty of bulls lined up to buy. The bulls have been expecting interest rate cuts in 2024 and weaker than expected Chinese data keeps this theme alive to start the new year.

Silver prices rose strongly as bulls bet that weak US PMI data will lead to swifter rate cuts. Tuesday morning's US PMI and Construction Spending data are both expected to come in softer than last month, which should provide buying of gold and silver. Unfortunately for the bull camp the net spec and fund long in gold is approaching the highest levels since May 2022 especially if one adjusts the positioning for the post report rally of $20. The December 26th Commitments of Traders report showed Gold Managed Money traders are net long 135,507 contracts after net buying 3,758 contracts. Non-Commercial & Non-Reportable traders were net long 243,016 contracts after increasing their already long position by 7,542 contracts.

The Commitments of Traders report for the week ending December 26th showed Silver Managed Money traders added 800 contracts to their already long position and are now net long 17,022. Non-Commercial & Non-Reportable traders net long 51,400 contracts after increasing their already long position by 2,844 contracts. The December 26th Commitments of Traders report showed Platinum Managed Money traders added 5,037 contracts to their already long position and are now net long 16,853. Non-Commercial & Non-Reportable traders were net long 28,948 contracts after increasing their already long position by 5,258 contracts. Palladium positioning in the Commitments of Traders for the week ending December 26th showed Managed Money traders were net short 5,799 contracts after decreasing their short position by 736 contracts. Non-Commercial & Non-Reportable traders net bought 665 contracts and are now net short 8,124 contracts.

COPPER:

Copper started out this year under noted pressure as a slight improvement in Chinese PMI data was discounted. Although there has been speculation of further Chinese stimulus, this has yet to show up even as China's President Xi gave a speech outlining China's economic woes. In a more direct bearish development last week, Chinese Shanghai copper warehouse stocks increased by 2,187 tonnes insinuating soft Chinese domestic demand. Several of European PMI's came in above trade estimates, but they are all still well below 50, and the trade chatter suggests the euro zone may already be in a recession.

As in the gold market, the copper market should see some pressure from higher treasury yields and an upside extension in the US dollar. The bulls still see a glimmer of hope as Chilean copper output dropped 3.1% from a year earlier. Chile is the largest copper producer in the world, but it has been hurt by lower quality ores and slower than expected expansions. This large drop in Chilean copper production was met by a 5.8% rise in Chinese monthly copper ore & concentrates imports.

China also saw a 13% month over month jump in refined copper imports, and an 18% rise in copper scrap imports. This helped Chinese warehouse stocks rise to 34,483 mt's. This morning's U.S. PMI and Construction Spending data are both expected to come in softer than last month. The December 26th Commitments of Traders report showed Copper Managed Money traders net long 14,956 contracts after decreasing their long position by 1,258 contracts. Non-Commercial & non-reportable traders added 2,730 contracts to their already long position and are net 10,400 contracts long.

ENERGY COMPLEX:

We suspect part of the recovery action in crude oil early this week is beginning of the year allocations with another portion of the buying interest resulting from global crude in floating storage declining by 16% last week. In fact, Asian Pacific floating storage fell by 32% and now stands at 33.3 million barrels. The market is also likely to draft fresh support from intensified fighting in Ukraine, increasing clashes between the US Navy and Yemeni terrorists and most importantly from news that Iran has sent a warship into the Red Sea.

While a direct confrontation between the US and Iranian navies is unlikely, an exchange of fire is likely to result in a sinking of the Iranian vessel which in turn would dramatically escalate the threat against supply. Iranian exports are just under 2 million barrels per day and therefore are significant in the global pricing scheme. Issues that should hold back energy prices is word that Indian crude oil imports from Russia fell in December to their lowest level since January 2023 and news that November Indian overall crude oil imports overall declined by 2.3% on a year-over-year basis. It should also be noted that Indian December diesel and gasoline sales declined by 0.8% and 4.9% respectively.

Last week the Baker Hughes rig operating count increased by two which was the first increase since the first week of December. The rig count in 2023 fell by 157 rigs which was largely the result of a massive addition of rigs operating in 2022 of 193. Fortunately for the bull camp, the latest net spec and fund long in crude oil was the second lowest reading since August 2011 leaving the crude oil market mostly liquidated. The December 26th Commitments of Traders report showed Crude Oil Managed Money traders added 15,476 contracts to their already long position and are now net long 125,199. Non-Commercial & non-reportable traders net bought 11,310 contracts and are now net long 241,630 contracts.

Like the crude oil market, the gasoline market is showing corrective gains early this week off increased military movement in the Red Sea, but the market remains overbought in speculative categories and should see headwinds from a decline in December Indian gasoline sales. The Commitments of Traders report for the week ending December 26th showed Gas (RBOB) Managed Money traders are net long 67,825 contracts after net selling 1,023 contracts. Non-Commercial & Non-Reportable traders net long 79,416 contracts after decreasing their long position by 2,126 contracts. However, the gasoline market net spec and long in last report likely overstated the net long with the market from that report into last week's low declining by 8.5 cents.

While the diesel market is showing corrective bounce action early, the recovery is the most anemic in the petroleum markets. In addition to the decline in Indian December diesel sales, the diesel market is also undermined by Russian plans to raise diesel exports by 18% or 817,000 barrels per day more than in December. The Commitments of Traders report for the week ending December 26th showed Heating Oil Managed Money traders added 931 contracts to their already long position and are now net long 18,749. Non-Commercial & Non-Reportable traders are net long 47,484 contracts after net buying 7,086 contracts.

The natural gas market has started the year extending a pattern of higher lows in higher highs beginning on December 21st. Not surprisingly, the market is higher early this week in the face of a Bloomberg report that US heating demand was 54 heating degree days below normal last week and from concerns that natural gas flows will be disrupted if military action between the US and Iran unfolds in the Red Sea. From a longer-term perspective, the gas market should see support from news that China has returned coal imports tariffs which have reduced the amount of coal imports from Russia from their peak in June.

Lower Russian exports of gas to China opens the door for other international sales. Other supportive news from China is a prediction that Chinese gas demand will increase 8% from last year, with January through November 2023 apparent gas demand up 7.3% versus 2022. The Commitments of Traders report for the week ending December 26th showed Natural Gas Managed Money traders net bought 15,695 contracts and are now net short 104,762 contracts. Non-Commercial & Non-Reportable traders added 3,126 contracts to their already short position and are now net short 88,229.

BEANS:

The new year started off with all eyes on the Brazilian weather scene where some rains fell over the weekend in the driest areas and more is expected this week, which gives the edge to the bear camp to start the year. Crop stress is expected to shrink to just 10-15% of the belt after the rains this week; however, extended models show a drier trend returning mid-to-late month, which may keep the bears from pressing the market too hard.

A prominent South American crop scout lowered his Brazilian production number by 2 million tons to 151 million tonnes, compared to USDA at 161 million. He cited disappointing early yields and rains coming too late for the early planted portion of the crop. Harvest will likely move ahead at a historically fast-pace due to the poor crop conditions. 2023 ended with bean futures down 14.9%, meal down 19.3% and bean oil down 25%, after Friday's weak close.

NASS crush will be released Tuesday at 2 PM CST Tueday and pre-report estimates stand at 200 million bushels crushed in November, up 5.5% from a year ago and bean oil stocks estimated at 1.657 billion pounds. There is no doubt the Brazil forecast will be the primary market focus for this first week of the new year. If Brazil rains continue this week is the forecast suggests, we would expect prices to stay under pressure and a gap lower to start the day would be a bearish sign.

The Export Sales Report showed that for the week ending December 21, net soybean sales came in at 983,894 tonnes for the current marketing year and none for the next marketing year. Cumulative soybean sales have reached 76.1% of the USDA forecast for the 2023/2024 marketing year versus a 5 year average of 72.3%. Sales need to average 315,000 tonnes per week to reach the USDA forecast.

Net meal sales came in at 268,541 tonnes for the current marketing year and 142 for the next marketing year for a total of 268,683. Cumulative meal sales have reached 50.9% of the USDA forecast for the 2023/2024 marketing year versus a 5 year average of 48.2%. Sales need to average 168,000 tonnes per week to reach the USDA forecast.

Net oil sales came in at 901 tonnes for the current marketing year and none for the next marketing year. Cumulative oil sales have reached 20.2% of the USDA forecast for the 2023/2024 marketing year versus a 5 year average of 41.5%. Sales need to average 3,100 tonnes per week to reach the USDA forecast.

CORN:

This year will start out with prices on a sideways/lower trajectory after last Friday's year-end close was just a few cents off the low for 2023 and down 30.5% for the year, the largest decline in 10 years. Brazil rains fell as advertised over the holiday weekend hitting some of the driest areas, more is expected this week, but models suggest a drier trend returning mid-to-late month. A Maersk cargo ship was attacked over the weekend by the Houthis and was repelled by the U.S. Navy, which resulted in Iran sending a destroyer into the Red Sea area, raising shipping risks further. A prominent South American crop scout left his Brazil and Argentine corn crops unchanged and said Safrinha corn planted area could be down 15-20%.

Our opinion is planted area may not be as low as some think since the poor bean crop conditions in Brazil will make for a quicker than normal harvest, offsetting some of the fears that the late planting season would push a sizable portion of Safrinha planting beyond the ideal window. The new Argentine president sent reform proposals to Congress, but since his Libertarian party only controls 15% of the lower house seats and 10% of the Argentine Senate seats, passing reform legislation will be an uphill battle.

We look for a lower start to the year on the Brazilian precipitation and a sizable rally in the US dollar index overnight and give the edge to the bear camp. The Export Sales Report showed that for the week ending December 21, net corn sales came in at 1,242,116 tonnes for the current marketing year and 11,200 for the next marketing year for a total of 1,253,316. Cumulative sales have reached 55.2% of the USDA forecast for the 2023/2024 marketing year versus a 5-year average of 54.3%. Sales need to average 659,000 tonnes per week to reach the USDA forecast.

WHEAT:

Geopolitical and global shipping risks are the features to start the new year as Russia attacked the port of Odessa again with drones and the Houthis attacked a cargo ship in the Red Sea. Reportedly, the U.S. Navy repelled the attack and sunk three Houthi boats, which resulted in Iran deploying a destroyer to the Red Sea area. 2023 ended with a loss of 20.7% for SRW futures and a 27.7% loss for HRW. Ukraine said 13 million tons of cargo has moved through the grain corridor, but shipping risks are elevated in the area after a ship hit a sea mine last week.

Some rains are expected to return to the southern Plains HRW areas late this week into early next. Below normal temperatures will be finally moving into the heart of the US next week after a mild start to the winter. Price action last week was mostly sideways and established an upper range boundary of 6.39 3/4 and a lower boundary of 6.19 1/4 on March Chicago futures. Those levels will be key to extending a move and we give the slight edge to the bull camp to start the year due to the increasing shipping risks, although a strong rally in the US dollar overnight is a negative factor.

The Export Sales Report showed that for the week ending December 21, net wheat sales came in at 276,406 tonnes for the current marketing year and 41,600 for the next marketing year for a total of 318,006. Cumulative sales have reached 76.7% of the USDA forecast for the 2023/2024 marketing year versus a 5-year average of 72.4%. Sales need to average 127,000 tonnes per week to reach the USDA forecast.

HOGS:

February hogs remain under the negative influence of the December 22 Hogs and Pigs report, which showed hog supply close to year ago levels but higher than expected. Another strong weekly export sales reports did not seem to provide much support. The report showed US pork sales for the week ending December 21 at 23,830 tonnes for 2023 delivery and 24,042 for 2024 for a total of 47,872. This was down from 56,319 the previous week but was the second highest since November 2. Cumulative sales for 2023 have reached 1.766 million tonnes, up from 1.603 million a year ago but below the five-year average of 1.841 million. The largest buyer this week was Mexico at 21,891 tonnes, followed by Japan at 9,199 and Australia at 3,881. China bought 2,042 tonnes.

The USDA estimated hog slaughter came in at 2.233 million head last week, down from 2.420 million the previous week (due to the holiday) but up from 2.184 million a year ago. Estimated US pork production last week was 483.3 million pounds, down from 523.1 million the previous week and up from 475.9 million a year ago. Midwestern hog weights are well above year-ago and the five-year average, which indicates there should be ample pork supply going forward. The CME Lean Hog Index as of December 27 was 65.57, down from 65.71 the previous session and 66.54 the previous week.

February hogs were trading at a 4.41 premium to the lean index on December 27 versus an 8.59 premium a year ago and a five-year average of 9.82. The smaller than normal premium could lend support to the futures. The USDA pork cutout, released after the close Friday, came in at $83.78, up $2.86 from Thursday and up from $81.12 the previous week. This was the highest it had been since December 11. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,311 contracts of lean hogs for the week ending December 26, reducing their net short to 5,995. These traders are far from holding an extreme position, but the buying trend is short-term positive.

CATTLE:

February cattle continue to consolidate inside a range bound by 167.35 and 171.00, which it has held for 10 sessions. The market drew support last week from blizzards and cold weather in the Northern Plains. The region looks dry this week, but the 6 to 10 and 8 to 14 day forecasts call for above normal precipitation and below normal temperatures, which could affect weight gain. Cash live cattle traded higher last week in decent volume. As of Friday afternoon, the five-day, five-area weighted average price was 172.17, up from 170.60 the previous week.

Traders are looking for cash cattle trade to be firmer this week due to shorter production schedule. The USDA estimated cattle slaughter came in at 125,000 head Friday and 33,000 head for Saturday. This brought the total for last week to 508,000 head, down from 621,000 the previous week and 535,000 a year ago. The estimated average dressed cattle weight last week was 847 pounds, up from 846 the previous week and 832 a year ago. The 5-year average weight for that week is 832 pounds. Estimated beef production last week was 429.4 million pounds, down from 443.8 million a year ago.

The USDA boxed beef cutout was $1.57 lower on Friday at $289.71. This was down from $292.93 the previous week and was the lowest it had been since December 20. Friday's export sales report showed US beef sales for the week ending December 21 at 2,138 tonnes for 2023 delivery and 11,602 for 2024 for a total of 13,740. This was down from 16,144 the previous week and was the lowest since November 22. The largest buyer was South Korea at 4,763 tonnes, followed by Japan at 3,586 and China at 2,184.

Traders commented last week that China is having a difficult time getting beef from Brazil because of backups in the Panama Canal. Friday's Commitments of Traders report showed managed money traders were net buyers of 18 contracts of cattle for the week ending December 26, increasing their net long to 16,902. This is close to their smallest net long since July 2022 and compares to a net long of more than 100,000 in this past September.

COCOA:

The cocoa market has been in a 15-month uptrend that has seen prices double in value from their 2-year low in September 2022 to a 46-year high last Tuesday. Cocoa finished that session with a negative daily key reversal, and followed that with three negative daily results to finish out 2023. With commercials already increasing their selling going into year-end, the cocoa market remains vulnerable to profit-taking and additional long liquidation during the first week of 2024.

March cocoa extended last week’s post-holiday pullback with a sizable loss during Friday’s trading session. For the week, March cocoa finished with a loss of 115 points (down 2.7%) which was a second negative weekly result over the past 3 weeks and also was a negative weekly reversal from Tuesday’s

46-year high. Lukewarm global risk sentiment may weaken near-term demand for discretionary items such as chocolates, and that kept pressure on the cocoa market late last week.

Indications that Harmattan winds have not been strong so far during West Africa's dry season also weighed on cocoa prices late last week. The region normally has drier than normal conditions during an El Nino weather event, so the timing of the current El Nino coinciding with West Africa's dry season is expected to increase the negative impact on cocoa trees. Although they have a sizable increase from their October total, Nigeria's November cocoa exports came in 24% below last season's total.

Cocoa positioning in the Commitments of Traders for the week ending December 26th showed Managed Money traders were net long 61,722 contracts after decreasing their long position by 3,346 contracts. CIT traders net bought 39 contracts and are now net long 28,562 contracts. Non-Commercial No CIT traders were net long 43,053 contracts after decreasing their long position by 5,513 contracts. Non-Commercial & Non-Reportable traders were net long 62,103 contracts after decreasing

COFFEE:

Coffee's fourth quarter uptrend saw five pullbacks of 10 cents or larger, the last of which (and largest in size) was a 15.70 cent decline from Thursday's high to Friday's low. With the market continuing to find support from Robusta production issues, coffee prices should be close to finding a near-term low early this year. March coffee turned sharply to the downside early in the day and remained on the defensive as they finished Friday's trading with a very large loss. For the week, March coffee finished with a loss of 4.50 cents (down 2.3%) which broke a 2-week winning streak.

There is rain in the forecast for Brazil's major Arabica growing regions through the end of this week, and that was a major source of pressure on coffee prices as that should improve the outlook for their upcoming 2024/25 crop. Brazil and Colombia have seen increased Arabica production this season and with the market having a yearly gain of 33 cents at the start of Friday's action, that may have given added incentive for some longs to take their profits and head to the sidelines. In addition, a negative shift in global risk sentiment weakened the out-of-home demand outlook which also pressured the coffee market going into year-end.

ICE exchange coffee stocks fell by 7,175 bags on Friday and finished December at 251,224. This was 27,158 bags above their November month-end total for the first monthly increase since January, but is also the second lowest month-end total since March of 1999. The Commitments of Traders report for the week ending December 26th showed Coffee Managed Money traders reduced their net long position by 181 contracts to a net long 39,761 contracts. CIT traders are net long 65,198 contracts after net selling 82 contracts. Non-Commercial No CIT traders are net long 22,138 contracts after net selling 1,666 contracts. Non-Commercial & Non-Reportable traders were net long 47,798 contracts after decreasing their long position by 1,501 contracts.

COTTON:

The possibility that the New Year will bring some active export trade seemed to support the cotton market at the start of this week. Friday's weekly US export sales report showed sales for the week ending December 21 at 369,857 bales for the 2023/24 (current) marketing year and 2,640 for 2024/25 for a total of 372,497. This was up from 147,991 the previous week and the highest since November 2. Cumulative sales for 2023/24 have reached 8.492 million bales, down from 8.747 million a year ago and the lowest for this point in the marketing year since 2016/17, but this is not surprising given the relatively small US crop this year.

Sales have reached 74% of the USDA forecast for the marketing year versus a five-year average of 76% for this point in the season. The largest buyer last week was China at 271,209 bales, followed by Vietnam at 38,939. China has the most commitments for 2023/24 at 3.365 million bales, followed by Pakistan at 1.306 million. This is China's largest purchase since October 26 and their second largest since June.

The trade is looking for a pickup in sales ahead of the Lunar New Year in early February. However, the US faces steep competition from Brazil and Australia. Friday's Commitments of Traders report showed managed money traders were net sellers of 5,099 contracts of cotton for the week ending December 26, which moved them from a net long position to a net short of 3,847, which is basically flat. These traders have been chopping back and forth between being net long and net short for several weeks.

SUGAR:

After reaching a 12-year high in November, sugar prices embarked on a steep 29% decline through last week. While the sugar market saw a sharp rebound on Thursday and quickly gave back those gains on Friday, it managed to hold above last week’s lows which may indicate that a longer-term low may be in. March sugar reversed all of Thursday’s sharp upside breakout as it could not shake off early pressure and finished Friday’s trading session with a very large loss. For the week, March sugar finished with a loss of 0.04 cent (down 0.2%) which was an eighth negative weekly result in a row.

Reports that Indonesia will reduce their 2024 sugar import quota from this year’s level weighed on sugar prices on Friday, but the major source of pressure on the sugar market during December was the decision by India’s government to ban mills from using cane juice for ethanol production. While this was expected to add 2.5 million tonnes to their sugar output this season, officials later decided to allow mills to divert 1.7 million tonnes of sugar to 2023/24 ethanol production, and last Friday they announced a price hike for refiners that should further incentivized ethanol production. The market has also seen pressure from strong production out of Brazil which is expected to reach a record high level in 2023/24.

As of December 16, cumulative Center-South Brazil production was running 25% ahead of 2022/23 levels. Their harvest/crushing activity usually comes to a halt in late November or early December when the wet season arrives. The December 26th Commitments of Traders report showed Sugar Managed Money traders reduced their net long position by 12,475 contracts to a net long 22,160 contracts. CIT traders were net long 137,161 contracts after increasing their already long position by 191 contracts. Non-Commercial No CIT traders net sold 11,174 contracts which moved them from a net long to a net short position of 1,307 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 12,771 contracts to a net long 64,373 contracts.

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