ADM Investor Services, Inc.

Weekly Futures Market Summary

February 5, 2024 **by the ADMIS Research Team**

BONDS:

With treasury bonds recently forging an aggressive six points rally, the hard setback today in the wake of much better-than-expected nonfarm payrolls was fully justified. In our opinion, a nonfarm payroll result outside of the range of estimates can impact prices significantly for 2 consecutive sessions and that could extend volatility into this week's trade. Adding into the corrective track in bonds is the uptick in average hourly earnings and higher University of Michigan five-year consumer inflation expectations readings for January.

Because of the sharp reversal from last week's high at the end of last week, the magnitude of downside action this morning from the US Federal Reserve chairman speech Sunday night has been relatively muted. Apparently on "60 Minutes", the Federal Reserve Chairman indicated the Fed had the luxury to be "prudent" in deciding its March interest rate decision. In other words, the Fed thinks the US economy is stabilized and inflation is coming down thereby allowing them to gather more data on growth and inflation before committing to a change in rates.

Obviously, the much stronger-than-expected US payroll report from Friday justifies the two-day decline of nearly 3 points in bonds as major surprise jobs reports can take several sessions to adequately factor into prices. Indirectly bearish forces also surfaced from the UK and Europe with UK services activity jumping at the fastest rate since last summer, and Japanese and euro zone inflation rising faster than expected last month.

With the Fed's Goolsbee speaking Monday morning, the treasury markets could see fleeting support as he is a staunch supporter of the current administration. With a wave of US PMI and ISM readings Monday morning, we see the markets embracing strong data and discounting soft data. The Commitments of Traders report for the week ending January 30th showed Bonds Non-Commercial & Non-Reportable traders are net short 62,828 contracts after net selling 2,851 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders are net short 719,371 contracts after net selling 55,392 contracts.

CURRENCIES:

Instead of being saved by the bell, dollar bulls last Friday were saved by a surprisingly strong US nonfarm payroll report. However, while the dollar has forged an upside breakout to the highest levels since early December, the currency markets have been unable to sustain breakouts for almost 3 weeks. On the other hand, the size of the gain in US nonfarm payroll should clearly distinguish the US as a stronger economy than China, Europe, and the UK. The higher high at the start of this week in the dollar following the higher high on Friday signals the trade has shifted its focus from fears of a March rate cut to ideas the US economy looks to avoid recession.

In fact, the bull camp this morning has fully discounted hawkish dialogue from the US Federal Reserve Chairman Sunday night on the television program "60 Minutes". However, those looking to buy into the uptrend in the dollar could see a slight dip following a speech from the Feds Goolsbee who remains very dovish, especially with Goolsbee a staunch supporter of the Biden administration. The January 30th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders are net long 731 contracts after net selling 1,635 contracts.

As the dollar goes, the euro goes in the opposite direction. The euro could see some minimal cushion from recent signs of residual inflation and from favorable French, Italian and German services PMI readings and also see find support from favorable composite PMI readings from France, but those readings were countervailed by disappointing German composite PMI readings and very disappointing German import and export figures for December. In conclusion, strength in the dollar should overwhelm the euro in the near term. The Commitments of Traders report for the week ending January 30th showed Euro Non-Commercial & Non-Reportable traders net sold 2,392 contracts and are now net long 121,796 contracts.

While the Pound could show some resistance to pressure from a surging US dollar because of signs of strength into the end of January, from a lower-than-expected UK unemployment rate at the end of last year, better-than-expected composite and services PMI readings for January released this morning, a noted failure on the charts overwhelms the bull case today. Not surprisingly, the Canadian has not been exempted from the expanding bullish wave in the dollar. Strong data from the US is likely to throw the Canadian to and perhaps below recent consolidation support.

STOCKS:

While the equity markets fell back following a much stronger than anticipated US nonfarm payroll data last Friday (which prompted a surge in treasury yields), prices recovered and posted new highs before midsession in a sign that the bull market remains in place. However, the subject of overvaluation, particularly in big tech could soon become a problem for the markets. Global equity markets at the start of this week were mixed with the Shanghai stock exchange composite trading down 1% and extending last week's significant losses.

While a portion of the trade continues to be unnerved by the unfolding situation in China and disappointed in sharply declining odds of a March US rate cut, the bull camp has retained control. While we do not expect US markets to become rattled by the situation in China today, the markets were able to discount the "good data is bad for equities" mantra last week, but hawkish Fed dialogue from the Fed chairman on "60 Minutes" has prompted some second-guessing of the buying from last Thursday and Friday. We suspect the markets will see Monday's ISM and PMI readings as signals for the direction of equity prices, but the data is second tier and could be mixed, thereby reducing Monday's scheduled data impact.

In retrospect, the S&P last week seemed to anticipate a positive US jobs result but has partially succumbed Monday morning to the disappointment over a virtual elimination of a March rate cut. Fortunately for the bull camp the S&P saw its net spec and fund short positioning ramp up over the last several reports potentially limiting the amount of stop loss selling from the current minimal reversal down. E-Mini S&P positioning in the Commitments of Traders for the week ending January 30th showed Non-Commercial & Non-Reportable traders added 28,721 contracts to their already short position and are now net short 147,753.

While the Dow continues to get mixed classic fundamental signals from interest rates and exchange rates, large cap stocks remain locked in the impressive recovery rally which began at the middle of last month. In a minor headwind early this week, Boeing has apparently encountered another manufacturing issue on the 737 Max and the Dow should see the biggest relative headwind from hawkish Fed dialogue than the rest of the market. Dow Jones $5 positioning in the Commitments of Traders for the week ending

January 30th showed Non-Commercial & Non-Reportable traders net bought 4,797 contracts and are now net long 26,344 contracts.

Despite the NASDAQ showing relatively more volatility than other sectors of the market, seeing Meta Platforms (Facebook) gain $196 billion in equity on Friday (apparently from very positive views toward the Vision Pro virtual reality glasses) and seeing Amazon.com shares jump 7% on Friday (from AI prospects) gives the bull camp significant fundamental momentum. The January 30th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 47,412 contracts after net buying 9,713 contracts.

GOLD, SILVER & PLATINUM:

Not surprisingly, the gold market started off under noted pressure this week with a six day low largely because of the upside breakout in the dollar to the highest level since mid-November and from a slight increase in US treasury yields following a hawkish speech from the US Fed chairman Sunday night. With the gold market adding to the January recovery rally last week before failing and reversing the market was giving off technical signs of an intermediate top last week. Unfortunately for the bull camp, outside market impacts of the dollar and treasuries shifted patently bearishly after the much stronger than expected US nonfarm payroll reading.

While the readings might be a one-off reading requiring adjustments next month, the odds of a US rate cut are likely drifting lower and further into the future, with the markets instructed by the Fed that they were unlikely to cut interest rates in March. Therefore, it is not surprising that the Fed Watch tool probability of a March cut is only 15.5% with the probability of a May cut at 55%. Given the ramping up of US and UK attacks on targets in Yemen, the gold market should have found some flight to quality support.

In fact, on Friday the NYSE announced an order imbalance on the buy side for Barrick Gold, but eventually shares closed lower. In other words, it is possible investors stepped up for the gold mining company shares in a bargain hunting fashion, but those buyers should be under duress this morning. Furthermore, investor interest in gold continues to soften in the ETF markets with gold holdings falling for 12 straight days as of Friday. Furthermore, fresh buyers in from the upper half of Friday's range are under pressure, especially with the gold market failing to hold Friday's low at $2,044.20 early this week.

While the net spec and fund long positioning in gold decreased last week, gold at the start of this week was above where the report was measured, which was 74,000 contracts longer than on October 3rd. In conclusion, the gold market is "overbought and vulnerable" to "stop-loss selling." The Commitments of Traders report for the week ending January 30th showed Gold Managed Money traders were net long 71,976 contracts after decreasing their long position by 4,639 contracts. Non-Commercial & non-reportable traders net sold 21,292 contracts and are now net long 174,396 contracts. It should be noted that open interest plunged throughout January during a month where prices showed a drift lower which could indicate some value is near.

While we thought the silver market was tracking physical demand fundamentals last week, the much better-than-expected US jobs report and ongoing gains in equities has not cushioned the market, thereby leaving the potential for a retest of $22.00 in place. In another sign of bearishness toward silver as an investment, silver ETF holdings last week lost 8.3 million ounces of holdings. Fortunately for the bull camp, the net spec and fund long in silver is at the lowest level since March of last year.

Silver positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 8,211 contracts which moved them from a net short to a net long position of 5,046 contracts. Non-Commercial & non-reportable traders are net long 35,245 contracts after net buying

4,999 contracts. The January 30th Commitments of Traders report showed Platinum Managed Money traders net bought 5,656 contracts and are now net short 1,168 contracts. Non-Commercial & non-reportable traders added 2,380 contracts to their already long position and are now net long 17,114. Palladium positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 887 contracts and are now net short 10,332 contracts. Non-Commercial & non-reportable traders were net short 10,385 contracts after decreasing their short position by 719 contracts.

COPPER:

With the Shanghai stock exchange composite closing 1% lower (a 52-week low) and continuing its recent plunge, concerns of softening Chinese copper demand are front and center and on the back of the copper market early this week. Even though the copper market managed to rally in the first three days of last week's trade and managed that in the face of persistent expansion of fear toward the Chinese economy (and concerns for Chinese copper consumption), the market reversed and closed very poor on the charts suggesting a trade back below $3.80 is in the offing. Adding into the negative Chinese copper demand theme is the largest weekly increase in Shanghai copper stocks last week since February 2023 which left the total inventories at the highest level since July 2023.

Yet another bearish takeaway from the Shanghai copper inventory report is the fact that inventories have declined for six straight weeks. Fortunately for the bull camp, the copper market is already net spec and fund short which could moderate the amount of stop loss selling. Yet another bearish Chinese development for copper early this week was a softer than expected Chinese Caixin services PMI reading for January. Copper positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 27,509 contracts and are now net short 3,330 contracts. Non-Commercial & non-reportable traders net bought 20,090 contracts and are now net short 7,294 contracts.

ENERGY COMPLEX:

With strength in the dollar, ongoing significant declines in the Shanghai Stock Exchange index, news of a decline in Spanish 2023 crude oil imports and perhaps most importantly, a lack of positive price action from intense US and UK attacks in the Middle East, the bias in energy prices remains down. Furthermore, crude oil in floating storage increased 8.3% last week and buyers are beginning to avoid the Red Sea with attempts to buy from closer selling destinations. With the sharp plunge in crude to end last week's trade reaching the lowest level since January 17th, the market could be headed down to $70.00 unless there is a clear sign that Iran or some other Middle East country has stepped in in favor of Iran.

Fortunately for the bull camp, the net spec and fund long in crude oil (accounting for the post COT report slide of two dollars) is possibly the lowest since 2010 which could reduce selling interest on further declines. Crude Oil positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders added 16,088 contracts to their already long position and are now net long 150,228. Non-Commercial & non-reportable traders net bought 16,500 contracts and are now net long 244,843 contracts. In retrospect, last week saw the definitive bull case in crude oil eroded by an increase in weekly EIA crude oil stocks and by a plummeting US refinery operating rate which should reduce physical crude demand in the US.

The US refinery operating rate is now at the lowest level since December 2022 and could facilitate a rebuilding of what is a 30-million-barrel year-over-year deficit in EIA crude oil supplies. On the other hand, the very low US refinery operating rate should begin to deflate what has become a very burdensome supply issue for products in the US. In conclusion, with Chinese demand fears front and center and potentially a major bearish force, the dollar should be monitored closely especially given last week's upside breakout and the highest trade since early November!

While gasoline will find some intermediate support from the extremely low US refinery operating rate, spillover pressure from weakness in crude oil and negative charts should give the bear camp an edge to start the new trading week. Unfortunately for the bull camp, the latest COT positioning in gasoline showed a net spec and fund long near the highest levels since February 2021 and that should leave more selling fuel in place. Gas (RBOB) positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders were net long 68,422 contracts after increasing their already long position by 1,477 contracts.

Non-Commercial & non-reportable traders net bought 1,093 contracts and are now net long 82,487 contracts. In fact, gasoline fundamentals remain the most bearish in the petroleum complex with a year over year EIA surplus of 19.5 million barrels. Therefore, it will take a sustained low US refinery operating rate or a noted pickup in demand to alter the bearish gasoline supply condition. With open interest very high (near the highest level since last September), the bear camp holds a fundamental and technical edge.

With the diesel market holding up better than crude oil and gasoline in the face of last week's washout, the market may have “catch up” selling ahead. However, EIA ULSD inventories have contracted for two consecutive weeks and have reduced year-over-year surplus readings. The diesel market is also less vulnerable from a technical perspective as its net spec and fund long has declined by 30,000 contracts from the high of 2023. Heating Oil positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 6,913 contracts and are now net long 23,767 contracts. Non-Commercial & non-reportable traders net bought 1,069 contracts and are now net long 41,794 contracts.

Despite a modest rejection of last week's new contract low into the close Friday and a higher high early this week, the path of least resistance remains down in natural gas. While we are unclear of the ultimate impact of open interest nearing 1.5 million contracts, a long-held net spec and fund short in natural gas has remained low despite declining prices and that could suggest some long accumulation. However, the bearish drumbeat continues with US temperatures trending in a fashion that winter heating degree days in the US are likely to be way below normal.

Furthermore, while there was one very large withdrawal from US storage, European storage levels remain solid, and the European trade is shifting its focus to summer supplies in a sign bearish sentiment continues to dominate. Unfortunately for the bull camp, the net spec and fund short in natural gas is not significant and is unlikely to produce significant short covering. The January 30th Commitments of Traders report showed Natural Gas Managed Money traders added 32,585 contracts to their already short position and are now net short 70,011. Non-Commercial & non-reportable traders added 17,780 contracts to their already short position and are now net short 75,876.

BEANS:

Ongoing Brazilian harvest and rains scheduled for this coming weekend in Argentina are the market's focus to start the week, which favors the bear camp. After 2 weeks of high 90s and 100s heat in Argentina, showers and moderating temperatures are expected this coming weekend. The Buenos Aires Grain Exchange says 59% of Argentine beans are flowering and 23% setting pods, which means upcoming weather is of increasing importance to the crop. AgRural says Brazil harvest is 17% done, compared to 10% average for this date.

China's Rural Policy meetings over the weekend pushed high-yield crop development, farm mechanization and higher oil-content soybean seeds. China's Lunar New Year arrives at the end of this week and export demand generally is poor during the holiday week. USDA's February Supply/Demand report will be out Thursday morning and the bean ending stocks estimate is 285 million bushels, slightly up from 280 million in the January report. Brazil bean crop is expected at 153.7 million tonnes, down from

157 in January. Argentina's crop is expected at 50.8 million tonnes, compared to 50 million in January. Argentina's current dry spell may give USDA pause in raising their crop this soon in the growing season.

March futures have taken out last week's low to start the week and fundamentals and technicals point to more weakness. A move down to the lows in summer of 2023 at 1145 is possible if prices break support. Managed Money added 16,000 contracts giving them a total net short of 108,000, the largest net short in 4 years. Soybean oil and meal weakness, due to the potential earlier than expected meal export competition is weighing on beans as well. Technically, March futures negated the reversal last week and look poised for further downside action this week, as long as Argentine rains arrive as forecast.

Soybeans positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders are net short 108,247 contracts after net selling 16,405 contracts. CIT traders were net long 119,996 contracts after increasing their already long position by 4,388 contracts. Non-Commercial No CIT traders are net short 146,623 contracts after net selling 30,486 contracts. Non-Commercial & Non-Reportable traders net sold 29,234 contracts and are now net short 152,016 contracts.

Soyoil Managed Money traders were net short 54,418 contracts after increasing their already short position by 9,713 contracts. CIT traders are net long 126,044 contracts after net selling 3,563 contracts. Non-Commercial No CIT traders added 7,220 contracts to their already short position and are now net short 73,860. Non-Commercial & Non-Reportable traders added 12,968 contracts to their already short position and are now net short 36,899.

Soymeal Managed Money traders added 3,052 contracts to their already short position and are now net short 22,068. CIT traders net sold 7,474 contracts and are now net long 99,056 contracts. Non-Commercial No CIT traders net sold 3,642 contracts and are now net short 56,071 contracts. Non-Commercial & Non-Reportable traders are net short 16,067 contracts after net selling 9,387 contracts.

CORN:

The week begins on a bearish notice as prices look to be headed for a test of the contract lows seen last week. Rains in Argentina are expected late this week into the weekend and temperatures will moderate and if the rains arrive as expected, the subsequent reduction in crop stress takes away the only bullish news the market has going for it. The extremely large fund net shorts could become a bullish factor if prices begin to move high enough to trigger short covering, but in meantime, bullish fundamental arguments are going to be hard to find. Commitment of Traders data showed Managed Money increased their net short by 15,000 contracts to 280,000 contract short, nearing a record.

USDA's February supply/demand report will be out Thursday and ending stocks are expected at 2.149 billion bushels, slightly below the 2.162 billion in January. Brazil's crop is expected to be cut 2 million tonnes from January and Argentina's crop is expected to rise slightly less than 1 million tonnes. The Buenos Aires Grain Exchange says 46% of Argentina's corn crop is currently pollinating, which makes upcoming weather of critical importance. Safrinha planting in Brazil is 20% complete. No major market moving news over the weekend, and we expect more of the same sideways/lower action to start the week.

The Commitments of Traders report for the week ending January 30th showed Corn Managed Money traders are net short 280,151 contracts after net selling 14,866 contracts. CIT traders were net long 271,582 contracts after increasing their already long position by 21,206 contracts. Non-Commercial No CIT traders net sold 21,123 contracts and are now net short 292,204 contracts. Corn Non-Commercial & Non-Reportable traders hit a new extreme short of 267,696 contracts. Non-Commercial & Non-Reportable traders added 4,759 contracts to their already short position and are now net short 267,696.

WHEAT:

March Chicago prices are inside the narrow range of the last 7 days and will likely struggle to gain bullish footing after good rains across the HRW belt over the weekend. The US dollar moved to an 8-week high early this week, and spillover pressure from corn and beans adds further headwinds for wheat. Beneficial HRW rains fell across the southern Plains over the weekend covering much of Nebraska, Kansas, Oklahoma and central Texas. China says they will raise the minimum price for wheat to encourage more production.

Thursday's USDA February Supply/Demand report is expected to show US ending stocks at 647 million bushels, nearly unchanged from the 648 million in the January report. In geopolitical news, the US and the UK struck more Houthi targets in Iraq and Yemen over the weekend and Ukraine struck a Russian oil refinery with a drone attack. Weak Russian prices are like an anchor around the neck of US wheat futures and crop weather there has been good overall. However, warm temperatures in the US and Russia have melted the snow cover and traders will be watching the extended forecasts for any major cold spell which could increase winterkill potential.

Turkey says they will be discussing with Russia a 'new mechanism' for Ukraine exports on Putin's next visit with Erdogan, but there doesn't seem be much incentive for either side to make a deal, since Ukraine's corridor is working. Commitment of Traders data showed managed Money net short 65,000 contracts, unchanged from last week. March Chicago prices were mostly sideways last week and that may be the case for the 1st half of this week as well, before USDA's Supply/Demand report on Thursday. The near-term range of 584 1/2-611 1/2 on March Chicago remains intact.

The Commitments of Traders report for the week ending January 30th showed Wheat Managed Money traders added 277 contracts to their already short position and are now net short 64,818. CIT traders added 9,154 contracts to their already long position and are now net long 91,098. Non-Commercial No CIT traders net bought 3,668 contracts and are now net short 63,498 contracts. Non-Commercial & Non-Reportable traders net bought 6,775 contracts and are now net short 46,037 contracts.

The January 30th Commitments of Traders report showed KC Wheat Managed Money traders net bought 4,985 contracts and are now net short 33,355 contracts. CIT traders added 2,878 contracts to their already long position and are now net long 61,513. Non-Commercial No CIT traders net bought 3,849 contracts and are now net short 38,817 contracts. Non-Commercial & Non-Reportable traders net bought 6,661 contracts and are now net short 22,624 contracts.

HOGS:

Last week's US export sales report was impressive, with pork sales for the week ending January 25 the highest since December 21, but the market failed to capitalize on that news. The dollar broke out to the upside on Friday and saw further gains overnight, which could dampen US export prospects. China domestic pig prices had a sharp rally early last week but backed off as the week progressed. Perhaps the rally was due to last minute buying ahead of the Lunar New Year holiday, which starts later this week.

There may be more herd culling ahead in China that would boost near term supply. China's national average spot pig price was down 2.4% today and 7.5% for the month but up 6.3% year to date. The USDA pork cutout, released after the close Friday, came in at $87.26, down 66 cents from Thursday and down from $88.49 the previous week. The CME Lean Hog Index as of January 31 was 72.71, up from 72.38 the previous session and 69.67 the previous week.

The USDA estimated hog slaughter came in at 487,000 head Friday and 294,000 head for Saturday. This brought the total for the week to 2.719 million head, up from 2.630 million the previous week and 2.546 million a year ago. Estimated US pork production last week was 586.8 million pounds, up from 585.8

million the previous week and 561.3 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 22,553 contracts of hogs for the week ending January 30, increasing their net long to 25,036. The buying trend is short-term positive.

CATTLE:

April cattle are facing a key junction Monday at the 200-day moving average, which it has not crossed since November 7. The market garnered support last week from the USDA cattle inventory report that showed US cattle supply on January 1 was the lowest it had been since 1951. The report reinforced expectations that US supply will remain tight for the foreseeable future. The market was also supported by higher cash live cattle prices. As of Friday afternoon, the five-day, five-area weighted average price was $177.77, up from $175.28 the previous week.

However, the USDA boxed beef cutout was $1.86 lower on Friday at $293.08. This was down from $300.53 the previous week. The USDA estimated cattle slaughter came in at 124,000 head Friday and 5,000 head for Saturday. This brought the total for the week to 618,000 head, up from 617,000 the previous week but down from 653,000 a year ago. The estimated average dressed cattle weight last week was 845 pounds, down from 847 the previous week but up from 828 a year ago.

The 5-year average for the week is 833 pounds. Estimated beef production last week was 536.8 million pounds, up from 526.7 million a year ago. Friday's Commitments of Traders showed managed money traders were net buyers of 10,004 contracts of live cattle for the week ending January 30, increasing their net long to 27,171. This was well below the 100,000 net long they were in September, indicating there is more buying power left for the funds.

COCOA:

Cocoa prices have only had two negative daily results over the past 18 sessions as they have risen 915 points (up 22%) over that timeframe. While the market continues to have a bullish supply outlook and resilient global demand, cocoa is well into technically overbought territory and may not require much in the way of bearish news to have a sizable pullback. March cocoa extended its longer-term uptrend and climbed above the $5,000 level for the first time since 1977 before finishing Friday’s trading session with a sizable gain and a sixth positive daily result in a row. For the week, March cocoa finished with a gain of 337 points (up 7.2%) which was a fifth positive weekly result in a row.

Dry and very warm growing conditions over West African growing areas have negatively impact cocoa production over the past few months, and that continues to be a major source of strength for the market. There are indications that the current El Nino weather event may finish during the second quarter, and that should provide better growing conditions for West Africa’s midcrop cocoa production. A rally in US equity markets provided cocoa with carryover support as that may improve the North American near-term demand outlook for chocolates.

The Commitments of Traders report for the week ending January 30th showed Cocoa Managed Money traders reduced their net long position by 6,552 contracts to a net long 64,109 contracts. CIT traders reduced their net long position by 492 contracts to a net long 27,565 contracts. Non-Commercial No CIT traders are net long 46,026 contracts after net selling 5,038 contracts. Non-Commercial & Non-Reportable traders were net long 68,135 contracts after decreasing their long position by 3,948 contracts.

COFFEE:

Coffee prices have lost upside momentum as the start of February and may face fresh demand concerns early this month. Until it can find supportive news from the supply side of the market, coffee is likely to slide further to the downside early this week. March coffee continued to see whipsaw price action as it pivoted back to the downside before finishing Friday’s trading session with a moderate loss. For the week, March coffee finished with a loss of 1.90 cents (down 1.0%) which broke a 2-week winning streak and was a negative weekly reversal from last Tuesday’s 5-week high.

While there is still a shortage of shipping containers to deal with, Brazil’s port congestion has eased in recent weeks. This should lead to increased Brazilian exports this quarter and has weighed on coffee prices early this month. The negative shift in global risk sentiment following Friday’s US jobs data may weaken coffee’s out-of-home demand outlook, and that also weighed on coffee prices going into the weekend. ICE exchange coffee stocks rose by 4,997 bags on Friday and are now 17,061 bags above January’s month-end total. While 4,743 of 9,945 bags failed to be approved on Friday, there are 65,114 bags of coffee waiting to go through the exchange’s grading process.

The January 30th Commitments of Traders report showed Coffee Managed Money traders were net long 48,610 contracts after increasing their already long position by 2,469 contracts. CIT traders added 1,868 contracts to their already long position and are now net long 54,881. Non-Commercial No CIT traders are net long 34,110 contracts after net buying 745 contracts. Non-Commercial & Non-Reportable traders net bought 2,361 contracts and are now net long 57,439 contracts.

COTTON:

March cotton extended its uptrend early this week to trade to its highest level since October 16. Cotton traders have been impressed with the pace of US export sales lately, and last week's strong report sparked a new leg higher. The strong pace of exports suggests global supplies are tighter than previously thought. Open interest has been climbing on the rally, which is bullish as well. The dollar had an outside day higher on Friday to trade to its highest level since November 17, and it extended its gains early this week. This move could dampen US export prospects, but it does not appear to have had much impact on the cotton prices so far.

With cumulative 2023/24 US export sales currently running at 87% of the USDA forecast versus a five-year average of 83% for this point in the season, traders may be expecting an increase in the USDA export forecast in Thursday's monthly supply/demand report, which could tighten ending stocks. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,145 contracts of cotton for the week ending January 30, increasing their net long to 28,647. This is their largest net long since October 17 but well short of their 2023 high of 54,343 and the record net long of 108,000. The buying trend is short-term supportive.

SUGAR:

Sugar prices overcame a negative shift in global risk sentiment late Friday as they continued to find support from bullish supply developments. With several major producers having export bottlenecks, sugar prices can maintain upside momentum and extend a 2024 recovery move this week. March sugar was able to rebound from early pressure as they went on to post a moderate gain for Friday’s trading session. For the week, March sugar finished with a gain of 0.12 cent (up 0.5%) and a fifth positive weekly result in a row.

India’s production declined this season resulted in their government restricting the use of cane juice to produce ethanol. Although they will now allow 1.7 million tonnes of sugar production to be diverted to ethanol production, the ISMA and NFCSF trade groups have advocated for allowing an additional 1.5 million to 1.8 million tonnes to be diverted towards ethanol. If India’s ethanol production from cane juice remains limited, this would imply that their sugar export ban will remain in place, and that has underpinned sugar prices early this year. In addition, there has been a rebound in Brazilian ethanol demand that may encourage Center-South mills to shift some of their crushing away from sugar production.

The Commitments of Traders report for the week ending January 30th showed Sugar Managed Money traders net bought 14,876 contracts and are now net long 43,797 contracts. CIT traders added 5,396 contracts to their already long position and are now net long 135,072. Non-Commercial No CIT traders went from a net short to a net long position of 901 contracts after net buying 3,128 contracts. Non-Commercial & Non-Reportable traders added 8,310 contracts to their already long position and are now net long 85,300.

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