ADM Investor Services, Inc.

Weekly Futures Market Summary

February 26, 2024 **by the ADMIS Research Team**

BONDS:

As we indicated in this week's market letter, we see the treasury markets entering a major pivot or junction in the coming two weeks of trade. Clearly the sharp slide in treasury prices over the last two months was anticipating higher US interest rates and to recover growing confidence in the economy will need to be tripped up by soft data next week. However, the bear camp will not be easily deterred with next week presenting another round of massive US treasury refunding supply. With global equities faltering early this week, a veritable avalanche of US scheduled data directly ahead and another wave of expanded US treasury auctions (starting Monday with two year and five-year notes) we suspect shorts are banking profits and moving to the sidelines.

Clearly US data continues to reduce the prospects of rate cuts in the next three US Fed meetings, with record gains in equities, favorable data seemingly outnumbering weak data and recent evidence of sticky inflation lingering in the marketplace and in turn consistently extracting rate cut hope. While the trade is tracking higher early this week, credit spreads and junk rated corporate bond yields have narrowed significantly which can signal confidence in the economy. According to Reuters, the Bank of America US corporate index of high-grade debt reached its lowest level since November 2020 last week! In other words, investors and fund managers are confident enough in the economy to increase risk in turn for incrementally higher rates of return.

While the significant jump in open interest and trading volume in Bonds at the end of last week could be attributable to contract roll, open interest has reached the highest level since the initial Covid outbreak headline was released in January 2020. Even positioning reports have leveled the net spec and fund short positions in bonds and notes which could mean further short covering gains will be limited. The February 20th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 31,914 contracts after net buying 16,113 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders reduced their net short position by 51,763 contracts to a net short 613,649 contracts.

CURRENCIES:

While the currency trade has cast dispersions against the dollar rally since the late December low, evidence of sticky US inflation and resilient economic activity should firm up fundamental support for the dollar. In fact, if this week's very active slate of US economic data provides more growth evidence the dollar is likely to breakout to the highest levels since November. Keep in mind, Germany posted negative GDP this week which clearly highlights a US macroeconomic differential edge!

Clearly the dollar eroded in value because of the persistent erosion of an early 2020 US rate cut. However, seeing US data improve should ultimately be supportive of the dollar. Unfortunately for the bull camp, US durable goods on Tuesday are expected to fall by a blistering 4.8% and a decline of that magnitude could throw the dollar down to last week's low around 103.11 which also generally coincides with the 200-day moving average down at 103.09. The February 20th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 53 contracts and are now net long 3,117 contracts.

Fortunately for the bull camp in the euro, German export sentiment has improved this month thereby countervailing a portion of the euro bearish contraction in German GDP readings last week. However, without Euro specific data released early this week, the euro will be in a knee-jerk reaction mode to the dollar following US data on Monday. With strong housing data from the US last week while US new home sales are expected to increase and therefore a slight and temporary back and fill action should be seen in the euro.

The February 20th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 91,914 contracts after net buying 21,598 contracts. With an extending pattern of higher lows and prices entrenching above the 200 and 20-day moving averages, bearish fundamentals from a 15% decline in UK job vacancies last month are tempered. With a damaging three-day low in the Canadian early today combined with a significant jump in the Canadian deficit over the first three quarters of 2023/2024, the Canadian looks to slide early this week.

STOCKS:

The equity markets continue to surge in a fashion which rekindles ideas of irrational exuberance. However, investors remain fixated on the potential for stratospheric earnings from the global implementation of AI technology. On the other hand, seeing Nvidia shares gain $277 billion in value in a single trading session fosters concern for a short-term corrective setback. However, the current euphoria resembles the euphoria from the beginning of the Internet phenomenon and significant money is likely to flow to stocks despite high valuations.

Global equity markets at the start of this week were mostly lower with Chinese markets reversing a recent trend of gains with moderate losses. While it appears the global equity markets have become temporarily overdone with overvaluation talk on Nvidia surfacing, we see the overall uptrend remaining in place. However, earnings reports will begin to slow, and this week is likely to bring even more clarity on the state of the US economy.

Fortunately for the bull camp, initial corrective action is very shallow and there is not an obvious concerning headline weighing on the market early today. Obviously, the markets have impressively traversed the steady removal of expectations for an early US rate cut but that is heavily dependent on further signs the US economy does not "need" a rate cut. Traders should be aware of the beginning of a cycle of US treasury debt auctions today (two-year and five-year notes) and realize shorter-term maturities have shown better demand than longer-term maturities.

Therefore, without a good auction result from the short end on Monday, treasury prices could resume their track lower thereby creating a corrective force for equities. In a very amazing development, the net spec and fund short in S&P futures remains large, indicating stop loss buying could continue to feed prices higher. The Commitments of Traders report for the week ending February 20th showed E-Mini S&P Non-Commercial & Non-Reportable traders added 7,760 contracts to their already short position and are now net short 155,830.

While the Dow has shown very little corrective action this morning (despite weakness in global shares), early signs of lower treasury yields, and confidence building news from Berkshire Hathaway, the bias is still up unless Fed news shifts from neutral to slightly hawkish. The Commitments of Traders report for the week ending February 20th showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net long 18,891 contracts after net selling 4,218 contracts.

While some traders will point out the new high and lower close reversal last Friday in the NASDAQ and continuing concerns of a significantly overvalued Nvidia's shares, the NASDAQ should continue to be seen as the engine of the bull camp. Nonetheless, the NASDAQ could be temporarily vulnerable to positive US data. The Commitments of Traders report for the week ending February 20th showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 34,358 contracts after net selling 3,375 contracts.

GOLD, SILVER & PLATINUM:

The action in gold early this week should be concerning to the bull camp as the dollar remains vulnerable on its charts with five straight days of lower highs. While not a major supportive development treasury prices have added to last week's late rebound during early trading this week. With a lack of global economic data, generally lower equities and a veritable avalanche of US scheduled data ahead this week some gold longs might be taking profits and moving to the sidelines temporarily. However, with a wide trading range rejection of a dip to $2,025 Friday, April gold increases the credibility of $2,025 as consolidation low support zone.

While some traders Friday bought gold off speculation of a slide in the dollar, we suspect there were pre-weekend flight to quality buyers betting on a Middle East event. However, Asian, and Chinese gold premiums continue to rise in what could be the first classic fundamental sign of an improvement in demand from the world's largest consumer. At the end of last week, Chinese premiums reached as high as $55 per ounce over benchmark prices, significantly less than $104 per ounce the previous week. Therefore, it is possible that recovering physical demand is returning among key consumers and potentially elsewhere if the US economy can pull the world through a soft landing.

Fortunately for the bull camp the net spec and fund long position gold has declined 65,000 contracts since the beginning of the year! The February 20th Commitments of Traders report showed Gold Managed Money traders are net long 64,348 contracts after net buying 17,948 contracts. Non-Commercial & non-Reportable traders net long 161,068 contracts after net buying 8,636 contracts. The gold trade this week will face a US treasury auction wave, US GDP, and Chinese manufacturing and nonmanufacturing PMI readings for February on Thursday. However, expectations for rate cuts around the world have declined with confidence toward US economy improving and the dollar likely to grind lower.

The February 20th Commitments of Traders report showed Silver Managed Money traders net bought 14,995 contracts which moved them from a net short to a net long position of 5,363 contracts. Non-Commercial & Non-Reportable traders net long 35,535 contracts after increasing their already long position by 9,883 contracts. The February 20th Commitments of Traders report showed Platinum Managed Money traders reduced their net short position by 8,482 contracts to a net short 5,683 contracts. Non-Commercial & Non-Reportable traders were net long 14,344 contracts after increasing their already long position by 7,326 contracts. Palladium positioning in the Commitments of Traders for the week ending February 20th showed Managed Money traders reduced their net short position by 1,027 contracts to a net short 12,099 contracts. Non-Commercial & Non-Reportable traders net short 12,535 contracts after decreasing their short position by 603 contracts.

COPPER:

The copper market lost momentum late last week after regaining the $3.90 level on a rally inspired by a significant improvement in sentiment toward the Chinese economy. While some factors behind the improved outlook for China are anecdotal (surging traffic numbers and surging air travel) should help to countervail the very negative 109% explosion in Shanghai copper warehouse stocks at the end of last week. Unfortunately for the bull camp, we suspect the five-cent rally after the positioning report was measured, likely liquidated nearly all the spec and fund shorts which could now set the stage for a temporary correction.

The Commitments of Traders report for the week ending February 20th showed Copper Managed Money traders net bought 33,502 contracts and are now net short 8,807 contracts. Non-Commercial & non-reportable traders were net short 17,945 contracts after decreasing their short position by 12,707 contracts. In addition to softer Chinese equity market action early this week, the copper market is likely to see some pressure from inflow to LME copper warehouse stocks of 4,925 tonnes especially with that increase in inventories following the massive weekly inflow to Shanghai copper warehouse stocks on Friday.

ENERGY COMPLEX:

With a negative technical trade to end last week's action, followed up by negative technical action early this week, the bull camp is lucky to have had improving energy demand expectations surface last week, especially with classic supply fundamentals in the US pointing to a rebuilding of crude oil inventories. However, the liquidation bias should be mitigated by a 7.5% decline in global crude oil in floating storage with inventories this week reaching the lowest since October. Furthermore, this week's floating storage readings showed Asian Pacific stocks down 3.6% and US Gulf Coast down 84%! Another supportive signal from the weekly global crude in floating storage estimate is a large buildup of supply in the Middle East as supplies back up from the terrorist threat in the Red Sea. On the other hand, we expect this week's EIA report will show US production returning to record levels from the severe cold disruptions, and with nearly 20% of US refinery capacity idled, we suspect EIA crude oil stocks will continue to build.

However, in a strange anomaly, a pattern of four straight weekly builds in EIA crude storage has resulted in an expansion of the year-over-year deficit to 36 million barrels. The bull camp is also fortunate in the capacity to hold onto the theme of an expanded conflict in the Middle East, as a significant increase in US and UK military action in the region has seemingly reduced emerging threats and reduces the terrorist capacity to attack. While not at a 12-year low anymore, the net spec and long in crude should be mostly liquidated increasing the prospects April crude will respect $75.00 later this week. The Commitments of Traders report for the week ending February 20th showed Crude Oil Managed Money traders were net long 134,150 contracts after increasing their already long position by 18,492 contracts. Non-Commercial & non-reportable traders added 20,947 contracts to their already long position and are now net long 238,272.

While the gasoline market at times last week was the most vulnerable petroleum market, the trade has respected the $2.50 level in each of the last five sessions lending that level as solid support or value. Unfortunately for the bull camp gasoline inventories are the most burdensome of key EIA inventories and despite an extremely low refinery operating rate stocks have only declined 6 million barrels since early January. Unfortunately for the bull camp, the net spec and fund long position in gasoline market leaves it the most vulnerable to a stop loss selling threat of the petroleum markets.

Gas (RBOB) positioning in the Commitments of Traders for the week ending February 20th showed Managed Money traders are net long 61,425 contracts after net selling 715 contracts. Non-Commercial & non-reportable traders net long 72,831 contracts after decreasing their long position by 3,179 contracts. As indicated already key support is at $2.5051 at $2.4930. The Commitments of Traders report for the week ending February 20th showed Heating Oil Managed Money traders were net long 22,371 contracts after decreasing their long position by 4,218 contracts. Non-Commercial & non-reportable traders net long 38,684 contracts after decreasing their long position by 7,746 contracts.

Clearly, the corrective bounce from last week has been aggressively reversed, with European and US weather patently bearish and a (+22%) massive surplus to five-year average storage levels in the US likely set to result in fresh contract lows. In fact, the natural gas market retains last week's short at 117,000 contracts compared to the net spec and fund short of 150,000 contracts one year ago indicating the market is not mostly sold out yet.

Natural Gas positioning in the Commitments of Traders for the week ending February 20th showed Managed Money traders were net short 158,673 contracts after increasing their already short position by 30,257 contracts. Non-Commercial & non-reportable traders are net short 117,909 contracts after net selling 16,634 contracts. In a longer-term supportive development Bloomberg indicated Chinese LNG import capacity is expected to rise sharply this year and is expected to reach 170 million tons per year. Furthermore, local Chinese city gas distributors have started purchasing LNG outside of normal government channels.

BEANS:

March 1st notice day liquidation is ongoing and likely to keep pressure on prices for the next couple of days. A bleak technical outlook and bearish fundamentals will be hard to shake, although we may see some kind of relief bounce after March liquidation runs its course midweek. AgRural estimates Brazil harvest at 40% done with Mato Grosso at 76% done compared to 72% average. They also lowered their Brazilian bean crop estimate to 147.7 million tonnes compared to 150.1 million in their previous forecast.

As we move into March, Brazil bean exports typically ramp up as harvest supplies are plentiful and US exports suffer and that is likely to continue this year. China remains focused on reducing foreign crop import needs via GMO planting and their sow herd continues to shrink, down 6.9% from last year, which reduces their soymeal demand. Another worrisome item for the bull camp, US crush margins are fading and with bean export demand weak, US domestic usage cannot afford to take a step back.

Managed Money increased their shorts 2,000 contracts to just under 137,000 contracts in beans, and increased shorts 3,000 contracts in meal to 31,000 short and 53,000 short bean oil, a jump of 17,000 from the previous week. Additional pressure is coming from reports US chicken producer Perdue Farms is importing Brazil beans into the US East Coast to process for feed at prices nearly $50 per tonne less than the US Gulf. It appears to us the path of least resistance is lower, although we could see a relief rally after the first notice day liquidation and end of the month selling ends midweek.

The Commitments of Traders report for the week ending February 20th showed Soybeans Managed Money traders are net short 136,677 contracts after net selling 2,177 contracts. CIT traders net sold 2,192 contracts and are now net long 117,736 contracts. Non-Commercial No CIT traders net bought 1,504 contracts and are now net short 160,680 contracts. Non-Commercial & Non-Reportable traders are net short 166,616 contracts after net selling 126 contracts.

The February 20th Commitments of Traders report showed Soyoil Managed Money traders are net short 52,841 contracts after net selling 17,401 contracts. CIT traders net long 132,107 contracts after decreasing their long position by 2,494 contracts. Non-Commercial No CIT traders are net short 77,046 contracts after net selling 8,666 contracts. Non-Commercial & Non-Reportable traders added 9,806 contracts to their already short position and are now net short 37,659.

The Commitments of Traders report for the week ending February 20th showed Soymeal Managed Money traders are net short 30,684 contracts after net selling 3,092 contracts. CIT traders were net long 83,225 contracts after decreasing their long position by 10,663 contracts. Non-Commercial No CIT traders net bought 4,244 contracts and are now net short 54,873 contracts. Non-Commercial & Non-Reportable traders were net short 25,573 contracts after increasing their already short position by 314 contracts.

CORN:

The freefall in corn continues to start the week and pressure from March liquidation and the extremely weak technical picture will be the feature for at least the 1st half of this week. Typically, prices see a rebound after 1st notice day pressure ends and this week will probably be no different. As expected, fund net shorts set an all-time record last week at 341,000 contracts, up 27,000 from the previous week and that was as of Tuesday of last week, so shorts are even larger now. Commercials, on the other hand, are net long a record 58,000 contracts. AgRural says center-south planting in Brazil is 73% complete and conditions are seen generally favorable. Today is the 12th day out of the last 13 sessions that March futures have scored a new contract low.

US corn is competitive off the Pacific Northwest Coast, and we expect demand to bounce back this week from the poor export sales number last week. At the current prices, US farmers are likely to lock the bin door and sit on their stored corn waiting for a spring/early summer rally. It is our opinion prices have fallen far enough and shorts should come away from their positions on the weakness early this week as the downside looks limited from here. Record fund shorts and record long commercial longs, fears a warm winter will result in a hot summer and expected US corn acreage down 3-4 million should slow the recent slide in the days ahead. We look for a period of consolidation and/or chart basing to start after 1st notice lay liquidation ends midweek.

Corn positioning in the Commitments of Traders for the week ending February 20th showed Corn Managed Money traders hit a new extreme short of 340,732 contracts. Managed Money traders added 26,391 contracts to their already short position and are now net short 340,732. CIT traders were net long 290,248 contracts after decreasing their long position by 1,098 contracts. Corn Non-Commercial No CIT traders hit a new extreme short of 341,926 contracts. Non-Commercial No CIT traders were net short 341,926 contracts after increasing their already short position by 19,145 contracts. Corn Non-Commercial & Non-Reportable traders hit a new extreme short of 306,772 contracts. Non-Commercial & Non-Reportable traders net sold 16,384 contracts and are now net short 306,772 contracts.

WHEAT:

A disappointing start to the week for the bull camp as price action continues to be very poor with only limited follow-through from the reversal higher last week. The fundamental outlook is weakening and pressure may continue for the next few days as end of month selling and 1st notice day liquidation for March contracts is ongoing. With US winter wheat area in drought only 12% and good/excellent conditions in HRW well above last year, KC wheat may be the weak link that holds Chicago prices down.

Russian and World prices are far below the US and, although the next major weather item may be talk of a potential frost, a large HRW crop would add additional bearish pressure that could take prices lower than expected. Typically, prices see a bounce after 1st notice day liquidation and that may be the case later this week. Without a threat to the US crop, sellers should be active on rallies.

Wheat positioning in the Commitments of Traders for the week ending February 20th showed Managed Money traders were net short 68,524 contracts after increasing their already short position by 12,852 contracts. CIT traders reduced their net long position by 897 contracts to a net long 98,629 contracts.

Non-Commercial No CIT traders are net short 75,218 contracts after net selling 14,525 contracts. Non-Commercial & Non-Reportable traders are net short 50,597 contracts after net selling 15,580 contracts.

KC Wheat positioning in the Commitments of Traders for the week ending February 20th showed Managed Money traders net sold 5,499 contracts and are now net short 41,907 contracts. CIT traders were net long 64,986 contracts after increasing their already long position by 1,957 contracts. Non-Commercial No CIT traders were net short 52,648 contracts after increasing their already short position by 4,677 contracts. Non-Commercial & Non-Reportable traders net sold 4,477 contracts and are now net short 35,163 contracts.

HOGS:

April hogs settled close to unchanged Friday after spending the session in the upper half of Thursday's breakout range. The market could see further gains this week if the slaughter pace stays strong. The USDA estimated hog slaughter came in at 482,000 head Friday and 136,000 head Saturday. This brought the total for last week to 2.578 million head, up from 2.559 million the previous week and 2.361 million a year ago. Estimated US pork production last week was 558.9 million pounds, up from 556.0 million the previous week and 510.2 million a year ago. Friday's export sales report had US pork sales for the week ending February 15 at 28,902 tonnes, down from 33,691 on February 8 and 39,220 on February 1.

The February 8 and February 1 numbers were revised down from 74,569 tonnes and 71,855, respectively, but the USDA had warned that revisions would be made. Cumulative sales for 2024 have reached 456,300 tonnes, up from 444,100 a year ago but below the five-year average of 542,100. The largest buyer this week was Mexico at 13,206 tonnes, followed by Japan at 4,220 and Canada at 2,777. China bought 601 tonnes. Business clearly slowed down during the Lunar New Year holidays. The CME Lean Hog Index as of February 21 was 78.78, up from 77.97 the previous session and 75.12 the previous week. The USDA pork cutout came in at $90.06 on Friday, down 86 cents from Thursday but up from $89.58 the previous week.

Friday's Commitments of Traders report showed managed money traders were net buyers of 14,382 contracts of lean hogs for the week ending February 20, increasing their net long to 48,173. This is their largest net long since January 2023. The net long reached peaks of 77,000 in 2022 and 89,000 in 2021, and the current position illustrates a capacity for more fund buying if circumstances allow. China's Ministry of Agriculture and Rural Affairs said that the nation had 40.67 million sows at the end of January, down 1.8% from December and down 6.9% from January 2023. The number of pigs slaughtered by enterprises jumped by 28.6% from a year before to 37.25 million, but this was a 36.4% drop from December. This indicates that China is making progress in reducing their burdensome supply.

CATTLE:

Friday's USDA Cattle on Feed Report showed placements for the month of January at 92.6% of last year versus an average trade expectation of 88% and a range of expectations from 81.6% to 94.0%. Marketings for January came in at 99.9% of last year versus 99.8% expected (range 98.6%-100.3%). February 1 on feed supply was 100.4% of last year versus 100.1% expected (range of 99.4% to 101.0%). The report was bearish, particularly for the deferred months, as January placements came in well above expectations (though still down from last year).

The on-feed number was only slightly higher than expected, which is less bearish for the closer-in contracts. However, the disappointment with the placements number will likely dominate market action in the early going today. The USDA estimated cattle slaughter came in at 119,000 head Friday and 2,000 head for Saturday. This brought the total for last week to 593,000 head, down from 608,000 the previous week and 613,681 a year ago. The estimated average dressed cattle weight last week was 831 pounds, down from 835 the previous week but up from 827 a year ago. The 5-year average weight for that week is 830 pounds.

Estimated beef production last week was 491.8 million pounds, down from 506.1 million a year ago. The USDA boxed beef cutout was 82 cents higher on Friday at $300.61. This was up from $296.20 the previous week and was the highest it had been since January 23. Cash live cattle traded in heavy volume on Friday at higher prices than the previous week. As of Friday afternoon, the five-day, five-area weighted average price was $182.75, up from $180.19 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 8,061 contracts of cattle for the week ending February 20, increasing their net long to 50,533. This is their largest net long since November 7 but still well below the 100,000+ net long they held for most of 2023.

COCOA:

Cocoa prices have increased 2,094 points over the first 8 weeks of 2024, which compares to a 1,653-point increase over the 12 months of 2023. Last week’s price action saw three daily price ranges of 300 points or larger followed by last Friday’s mammoth 631-point trading range. Although extreme intra-day volatility often precedes a longer-term shift in trend, cocoa still has a very bullish supply outlook that can fuel additional price gains during the first quarter. May cocoa shook off initial pressure and reached a third new record high in as many days before finishing Friday’s wide-sweeping trading session with a massive gain.

For the week, May cocoa finished with a gain of 915 points (up 17.1%) which was the seventh positive weekly result over the past 8 weeks and the largest weekly gain in recent memory. West African production issues have the cocoa market looking at a sizable global production deficit this season that continues to fuel cocoa’s upsurge this year. A report last week that Ghana’s 2023/24 full-season production may come in below 550,000 tonnes ramped up supply anxiety in the market that underpinned cocoa prices. Recent strength in European and US equity markets can help to offset demand concerns from record high prices, and that has also provided the market with support as that may help to soothe near-term chocolate demand concerns.

The February 20th Commitments of Traders report showed Cocoa Managed Money traders were net long 42,773 contracts after decreasing their long position by 3,763 contracts. CIT traders net sold 1,033 contracts and are now net long 20,849 contracts. Non-Commercial No CIT traders reduced their net long position by 2,060 contracts to a net long 26,972 contracts. Non-Commercial & Non-Reportable traders are net long 43,336 contracts after net selling 4,681 contracts. This indicates that spec short-covering has been a source of strength for the cocoa market over the past few weeks.

COFFEE:

Coffee prices turned sharply to the downside late last week as they were pressured by bearish supply/demand developments. With major producers looking at increased output, it may be the demand side of the market that has a better chance of putting some brakes on coffee’s selloff. May coffee extended their downside breakout to a 1-month low with a second sizable loss in a row during Friday’s trading session. For the week, May coffee finished with a loss of 6.40 cents (down 3.4%) which was a third negative weekly result over the past four weeks. A weaker currency gives Brazil’s coffee farmers more incentive to market their coffee supply to foreign customers, so the Brazilian currency pullback to a 2-week low on Friday pressured the coffee market.

Recent rainfall should benefit Brazil’s upcoming 2024/25 Arabica crop, which also weighed on coffee prices as that followed an estimate from StoneX calling for larger Brazilian output next season.

Colombia's annualized production pace increased for five months in a row and reached a 15-month high in January which also pressured prices. ICE exchange coffee stocks increased by 8,330 bags on Friday to reach a 3-month high as only 1,280 out of 9,610 bags failed the exchange's grading process. There are 127,421 bags waiting to be graded (mostly from Brazil), so it is likely that ICE exchange coffee stocks will continue to rise going into early March.

Coffee positioning in the Commitments of Traders for the week ending February 20th showed Managed Money traders are net long 45,829 contracts after net selling 4,710 contracts. CIT traders reduced their net long position by 815 contracts to a net long 54,519 contracts. Non-Commercial No CIT traders are net long 34,206 contracts after net selling 3,856 contracts. Non-Commercial & Non-Reportable traders net sold 5,106 contracts and are now net long 54,067 contracts. Even with a weekly decline, coffee's managed money position remains high and could fuel additional long liquidation early this week.

COTTON:

May cotton is consolidating its rally from the November low to the contract high from earlier this month. US exports have slowed from the surprisingly strong pace earlier this year, but supplies are reportedly tight after the poor crop last season. Friday's export sales report showed US cotton sales for the week ending February 15 at 130,468 bales for the 2023/24 (current) marketing year and 58,108 for 2024/25 for a total of 188,576. This was up from 168,209 the previous week but was the second lowest since December 28. This was the largest new-crop sale since October. Cumulative sales for 2023/24 have reached 90% of the USDA forecast for the marketing year versus a five-year average of 89% for this point in the season. The largest buyer this week was Bangladesh at 50,579 bales, followed by Turkey at 49,465 and Mexico at 25,108. China bought only 6,905 bales.

This is the first time in weeks they were not the biggest buyer, probably due to the Lunar New Year holidays. Friday's Commitments of Traders report showed managed money traders were net buyers of 14,520 contracts of cotton for the week ending February 20, increasing their net long to 86,079. This is their largest net long since October 2021 and represents a significant jump in a relatively short period of time. As recently as January 16 they were net short 2,016. This leaves the market vulnerable to heavy selling of the funds start to bail. The net long reached a peak of 96,743 in 2021, and the record is 108,778 from 2018. Soil moisture improvements in US growing regions could get the 2024 crop off to a strong start, and the market has done a good job bidding for acreage this year.

SUGAR:

Sugar prices avoided a new low for their February pullback on Friday, but they finished last week with their first close below the 50-day moving average since January 22nd. Even with India continuing to ban their exports, sugar prices have been unable to benefit and may have trouble finding their footing this week. May sugar was unable to shake off early pressure as it finished Friday's trading session with a sizable loss. For the week, May sugar finished with a loss of 0.77 cent (down 3.4%) and a second negative weekly result in a row.

While Brazil's ethanol demand has been improving, the Brazilian currency fell to a 2-week low on Friday. A weaker currency may encourage Center-South mills to shift some of their crushing from ethanol production back to sugar production, and that weighed on sugar prices last week. Brazil remains on-track for record high Center-South sugar production this season which continues to weigh on sugar prices late this week.

This season's harvesting and crushing should be winding down this month with operations for the 2024/25 season not reaching full speed until mid-April. As a result, recent rainfall should benefit cane that will be harvested next season. While there is uncertainty whether Center-South sugar production will reach a new record high next season, there is unlikely to be a sizable decline in their sugar output from this season.

The Commitments of Traders report for the week ending February 20th showed Sugar Managed Money traders were net long 56,937 contracts after decreasing their long position by 3,057 contracts. CIT traders net bought 30,972 contracts and are now net long 172,628 contracts. Non-Commercial No CIT traders net sold 8,548 contracts and are now net long 4,559 contracts. Non-Commercial & Non-Reportable traders net sold 22,706 contracts and are now net long 76,587 contracts. While sugar's net spec long position is near the smallest level since late 2022, it remains large enough to fuel additional long liquidation this week.

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