ADM Investor Services, Inc.

Weekly Futures Market Summary

March 11, 2024 **by the ADMIS Research Team**

BONDS:

With treasuries unable to make a higher high following an uptick in the US unemployment rate and a very large downward revision in last month's strong payroll reading, prices above 122-00 in June bonds might present a temporary top. Nonetheless, prices should be underpinned by nearly 2 weeks of disappointing data and corrections should be shallow. The focus of the trade this week will return to the inflation front with US consumer price index readings due out on Tuesday and expectations predicting a somewhat lofty/bearish gain of 0.4%.

While treasury prices have seemingly posted an interim top, we suspect simple long profit taking and position squaring ahead of the next critical US data point in the form of CPI Tuesday morning is impacting the trade. In retrospect, the second half of February rally and the upside extension in early March is justified by three weeks of soft US data and somewhat acceptable progress on inflation from various scheduled inflation reports. However, with the rally off the February low exceeding four points in bonds, a minimal upside surprise in CPI could be cause for a two-point correction in bonds.

Certainly, the prospect that US inflation has started to moderate has registered in the CME Fed Watch Tool which saw the probability of a June US rate cut increase by 10% last week. To start the week, the CME Fed, watch tool pegs the probability of a June cut at 57%! It should also be noted that the Bank of Japan is thought to be considering an exit from negative rates this month and for years the Japanese economy has been judged as the weakest large economy undermined by decades of malaise. Therefore. seeing Japan capable of exiting negative rates should mean the global economy is better off and retains forward motion.

As indicated last week the net spec and fund positioning in treasuries shifted to net long for the first time since May 2022 which seems to indicate significant bullish sentiment is in place and might suggest concern for the pace of the US economy is building (as it should). Bonds positioning in the Commitments of Traders for the week ending March 5th showed Non-Commercial & Non-Reportable traders reduced their net long position by 24,674 contracts to a net long 11,864 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders are net short 605,908 contracts after net selling 45,675 contracts.

CURRENCIES:

Clearly, the currency trade saw last Friday's collection of US scheduled data indicative of further slowing evidence as the dollar ranged sharply lower again. In fact, with a significant downward revision in the January nonfarm payroll reading, an increase in the unemployment rate and softer than expected early earnings, the view of slowing in the US economy is clearly validated. With the rejection of last Friday's spike low, the dollar trade balances a portion of what was an extremely oversold technical condition early this week.

However, US data is clearly on a trend of softening and an "as expected" (+0.3%) CPI report Tuesday morning would likely send the March dollar plummeting below 102.00. In short, without sticky inflation and some signs of resiliency from US data this week, the trend in the dollar should remain down. The March 5th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders added 652 contracts to their already long position and are now net long 3,966.

Fortunately for the bull camp in the euro, a widely anticipated EU rate cut is not expected until June according to an ECB official. However, at least two ECB policymakers are very dovish suggesting the need for June and July cuts! On the other hand, the speculative trade has embraced a very bearish posture toward the dollar and that should dampen corrective action in the euro early this week. Commitments of Traders report for the week ending March 5th showed Euro Non-Commercial & Non-Reportable traders net bought 6,298 contracts and are now net long 100,514 contracts.

With the dollar and euro seemingly battling over which central bank will cut rates first and a Bank of England official indicating a cut in rates is "some way off", that should leave the pound as one of the strongest actively traded currencies. While the US nonfarm payroll report last Friday garnered the market's primary focus, Canadian job gains came in twice the expected jobs gained reading and that should underpin the Canadian above 74.00. Unfortunately for the bull camp, Canadian wage growth slowed thereby creating a measure of suspicion toward last week's Canadian rally.

STOCKS:

With a sharp range up move into fresh all-time high territory, the bull camp has continued to shift its focus to the prospect of lower interest rates and perhaps to an environment where the ebb and flow of Fed policy opinions is not as important! While too much of a bad thing came in begin to drop earnings expectations, for the time being lower rates are offsetting a pattern of negative tech sector headlines.

Global equity markets at the start of this week were mostly lower except for the markets in China and Russia which posted moderate gains. While the markets have slipped into a corrective track, a pattern of slowing has surfaced which in turn has revitalized hope of a June US rate cut. In fact, despite the Fed's suggestions that they were not "ready yet" to declare inflation on a track lower to allow them to aid the economy, the evidence they need to cut will be on the table this week!

In our opinion, the S&P has forged a healthy corrective setback and is approaching uptrend channel buying support. With the net spec and fund short remaining in place at a very lofty level, the S&P likely retains purchasing power. The March 5th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders reduced their net short position by 12,873 contracts to a net short 125,208 contracts. In retrospect, soft jobs related data seemed to prompt profit-taking late in the day Friday which produces a reversal bias with weak handed longs likely to exit prior to tomorrow's likely volatility event.

With the Dow clearly the weakest component of the market from the end of last month, corporate headline news remaining squarely in the bear camp for the Dow, the bull camp will need a definitive downside breakout in treasury yields tomorrow and signs inflation is coming under control (even if the annual inflation rate is above Fed targeting) to avoid further declines. Unfortunately for the bull camp Boeing remains a drag on the index with Microsoft also facing regulatory problems arising from violations of EU privacy rules.

The March 5th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net long position by 4,626 contracts to a net long 17,322 contracts. Like the S&P, the NASDAQ is approaching long-term uptrend channel support (drawn from the October and February lows) with investors seemingly seeing AI and tech related shares as expensive. The March 5th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 11,985 contracts after net selling 6,883 contracts.

GOLD, SILVER & PLATINUM:

With outside market action remaining in favor of the bear camp early this week, the bull camp remains hopeful that this week's inflation data will further revive the prospect of a US rate cut, which in turn would continue to pressure the dollar and treasury yields lower. However, the gold market is vulnerable early this week following comments from the Indian Bullion and Jewelers Association suggesting Indian wedding season demand will soften due to record pricing. Along those lines the domestic Indian gold trade has seen prices shift into a discount relative to global markets, with Chinese premiums narrowing.

Analysts suggest ongoing strength in gold prices could attract European and US spec interest, but that could indicate the frothy stage of the market is unfolding. In another slightly bearish development, high prices have apparently stimulated scrap supply which results in a simple exchange of old gold jewelry for new in India! The action in gold and silver last week was very impressive and was the most impressive of all physical commodity markets! Obviously, very significant support from outside market forces (bitcoin, the dollar and treasury yields) played a huge role in the explosive rally.

The bull camp is also embracing increased chances of June rate cuts by more than one central bank in June as was signaled by a 10% week over week increase in the probability of a June US rate cut from the CME Fed Watch tool. However, gold prices have exploded, and Indian and Chinese buyers can show an aversion to paying all-time high prices for new positions. On the other hand, the Indian economy is growing the fastest of all large population countries and their currency recently has strengthened matching the highest level since September of last year last week.

The Chinese currency has shown little direction and remains below the 2024 high potentially tempering Chinese investor demand. Fortunately for the bull camp, expectations are for the Chinese central bank to continue buying for reserves with 2023 showing all most central banks in an acquisition mode resulting in purchases of 1,037 tonnes last year, just under the record level posted in 2022. In our opinion, there is something more than simple favorable outside market support surfacing with that force also serving to launch Bitcoin above $70,000.

It is possible that the markets think inflation remains an issue and could be rekindled by summer easing around the world. It could also be flight to quality buying building ahead of the US election season which could bring unbelievable political maneuvers, violence, and maybe even the use of force by the government. While the net spec and fund long in gold remains under the 2024 high, gold gained $86 from the report mark off into Friday high potentially putting the net spec and fund the longest since May 2023!

Gold positioning in the Commitments of Traders for the week ending March 5th showed Managed Money traders were net long 131,060 contracts after increasing their already long position by 63,018 contracts. Non-Commercial & non-reportable traders net bought 61,230 contracts and are now net long 221,626 contracts. Silver positioning in the Commitments of Traders for the week ending March 5th showed Managed Money traders net bought 19,673 contracts which moved them from a net short to a net long position of 15,530 contracts. Non-Commercial & Non-Reportable traders added 14,144 contracts to their already long position and are now net long 44,376.

Platinum positioning in the Commitments of Traders for the week ending March 5th showed Managed Money traders net sold 8,830 contracts and are now net short 20,048 contracts. Non-Commercial & Non-Reportable traders net sold 5,997 contracts and are now net long 3,180 contracts. The Commitments of Traders report for the week ending March 5th showed Palladium Managed Money traders are net short 12,333 contracts after net selling 823 contracts. Non-Commercial & Non-Reportable traders added 327 contracts to their already short position and are now net short 12,527.

COPPER:

Fortunately for the bull camp, Chinese equity markets bucked their recent trend and traded higher helping May copper reject a dip below Friday's low. In retrospect, we were not surprised to see the copper market fail to hold a new high for the move and close sharply lower Friday as a 3rd straight massive weekly inflow to Shanghai copper warehouse inventories presents a very significant and fresh threat against the recent revival of Chinese copper demand hope.

Another fresh negative from the end of last week came from Peru where they projected this year's copper output to increase from 2.76 million tonnes up to 3 million tonnes. We also see copper short-term overbought with the $0.10 rally following the COT report mark off, likely making the spec and fund long the highest since last August. The Commitments of Traders report for the week ending March 5th showed Copper Managed Money traders net sold 12,965 contracts, which moved them from a net long to a net short position of 8,598 contracts. Non-Commercial & non-reportable traders are net short 4,431 contracts after net selling 1,933 contracts.

ENERGY COMPLEX:

The crude oil market lost its upside bid last week and appears to have forged a top at the $80.00 level. In our opinion, the bull camp should worry about demand again as a lengthening string of soft US data has become a trend and economic news from China is not definitively upbeat yet. However, prices could find some support from a tightening of US oil supplies because of weakness in the dollar (increased exports) and from the spooling up of US refinery activity after extended maintenance left nearly 20% of US refinery capacity off-line for the last five weeks. Fortunately for the bull camp, the recent jump in the refinery operating rate (from 80.6% on February 9th, to last week's 84.9%) should improve demand for prompt crude.

Other supportive developments from the supply side of the equation surfaced early this week following a private service indication that global crude oil in floating storage declined by 8.1% over the last week and from suggestions Saudi Arabia will cut some supply to Asia because of oilfield maintenance. Another issue likely to provide support to crude oil in the coming weeks is the approach of Ramadan as terrorist groups in the Middle East have indicated they will strike out aggressively during the holiday period. In fact, over the weekend Houthi drones attacked both air carriers and warships potentially suggesting intensifying action ahead.

While we give the edge to the bear camp from poor chart action at the end of last week and from renewed concerns toward softening global demand, the net spec and fund positioning in crude oil remains very low and with modest downside could become mostly leveled. In a supportive longer-term development, US drilling activity last week declined for the first week in five and is now 16% below year ago levels! Crude Oil positioning in the Commitments of Traders for the week ending March 5th showed Managed Money traders are net long 183,960 contracts after net buying 9,230 contracts. Non-Commercial & non-reportable traders net long 288,567 contracts after increasing their already long position by 24,555 contracts.

Like the crude oil market, the gasoline market damaged its charts with a lower low early this week and faces bearish fundamental and technical influences to start this week. In addition to clear signs the US is ramping up its refinery activity (from 80.6% on February 9th to 84.9% last week) creating a rising supply environment some may question US demand given an obvious trend of softening US economic data. Unlike the crude oil market, the gasoline net spec and fund long position is relatively lofty (30,000 contracts above the last two years lows) potentially allowing for a retest of a late February double low zone.

On the other hand, we would not rule out a major recovery at midweek if the EIA report posts another round of strong implied gasoline demand and the report results in the year-over-year surplus in gasoline inventories to shift into a deficit! Gas (RBOB) positioning in the Commitments of Traders for the week ending March 5th showed Managed Money traders are net long 60,034 contracts after net selling 969 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,824 contracts to a net long 67,142 contracts.

The diesel market continues to hold the strongest supply and demand set up of the petroleum markets, as year-over-year deficits are in place in diesel and distillate, there have been recent signs of strengthening demand and a long string of weekly declines in inventories (almost 2 months straight). The March 5th Commitments of Traders report showed Heating Oil Managed Money traders were net long 16,952 contracts after decreasing their long position by 7,395 contracts. Non-Commercial & Non-Reportable traders net sold 1,642 contracts and are now net long 35,702 contracts.

While reports of strength in Asian LNG prices early this week provide some support which in turn solidified chart support for natural gas, fears of slower US exports from terminal problems should keep up the pressure on prices from rising US supplies. In other words, with US supplies remaining burdensome even with record or full capacity exports, demand remains a major problem for the bull camp. With the natural gas market last week seemingly coming to its senses after several weeks of what was more than likely long term short covering buying, the trade now looks to be seeking a lower value zone.

In the end, US supply continues to build and that should provide thick fundamental resistance over prices, especially with much above normal temperatures throughout the US and Europe leaving the bear camp extremely confident. While the recent net spec and fund short position in natural gas was moderated significantly with last week's rally, it was at the highest level since April of last year thereby making it very likely the recent rally was classic short covering by specs. The March 5th Commitments of Traders report showed Natural Gas Managed Money traders are net short 106,708 contracts after net buying 14,485 contracts. Non-Commercial & non-reportable traders reduced their net short position by 14,049 contracts to a net short 98,765 contracts.

BEANS:

A battle between improving short-term technical action and long-term bearish fundamentals may result in a choppy pattern this week before US spring planting weather takes over market attention. Despite a higher start to the week as the markets followed through from Friday's strong action, selling has been noted early this week after a test of 1190 on May futures. Central Brazil saw some scattered showers over the weekend, and more is expected this week.

There were 60 deliveries of beans Sunday night, 94 meal and 64 bean oil. Typically, the recirculation of deliveries, as we have seen over the last 10 days, is a sign of a weak overall market. Shorts opted to reduce exposure following Friday morning's USDA report, which was mostly neutral as the US balance sheet was left completely unchanged. Brazil production was only lowered 1 million tonnes, which still leaves the USDA on the high end of private analyst projections. CONAB will release their updated production number Tuesday.

Overall Brazil soybean harvest is expected to be around 55-60% done. Anticipation of the quarterly stocks and acreage intentions report at the end of March and the US export pace will be the most important factors for market direction over the next couple weeks. Beyond that, US planting weather will take center stage. Commitment of Traders data showed record large bean shorts at 172,000 contracts up 11,000 as of Tuesday of last week. However, without a bullish reason for funds to continue to cover shorts, we expect May soybeans will have a difficult time moving higher without a US weather problem.

Soybeans positioning in the Commitments of Traders for the week ending March 5th showed Soybeans Managed Money traders hit a new extreme short of 171,999 contracts. Managed Money traders were net short 171,999 contracts after increasing their already short position by 11,346 contracts. CIT traders added 9,142 contracts to their already long position and are now net long 116,021.

Soybeans Non-Commercial No CIT traders hit a new extreme short of 194,617 contracts. Non-Commercial No CIT traders added 16,116 contracts to their already short position and are now net short 194,617. Soybeans Non-Commercial & Non-Reportable traders hit a new extreme short of 205,494 contracts. Non-Commercial & Non-Reportable traders were net short 205,494 contracts after increasing their already short position by 9,942 contracts.

The Commitments of Traders report for the week ending March 5th showed Soyoil Managed Money traders were net short 62,473 contracts after increasing their already short position by 10,144 contracts. CIT traders added 1,730 contracts to their already long position and are now net long 130,255. Non-Commercial No CIT traders net sold 9,720 contracts and are now net short 86,636 contracts. Non-Commercial & Non-Reportable traders are net short 52,701 contracts after net selling 13,048 contracts.

The Commitments of Traders report for the week ending March 5th showed Soymeal Managed Money traders added 1,876 contracts to their already short position and are now net short 49,526. CIT traders net bought 1,174 contracts and are now net long 76,896 contracts. Non-Commercial No CIT traders were net short 69,778 contracts after decreasing their short position by 2,982 contracts. Non-Commercial & Non-Reportable traders are net short 44,003 contracts after net buying 5,761 contracts.

CORN:

The corn rally over the last 2 weeks has been a slow steady grind higher gaining 31 1/4 cents, but Commitment of Traders data did not show significant fund short covering over that period. It appears it will take a move above 449 resistance on May to trigger more aggressive buying. However, the current fundamental situation does not bode well for a sustained move above 450 at this point. CONAB will release their latest Brazil production update on Tuesday. USDA decided to leave the 2023/24 US balance sheet completely unchanged from last month and trader focus now shifts to the end of March quarterly stocks in acreage intentions report and Brazil and US weather.

Safrinha planting in Mato Grosso is essentially complete at 98% done. Commitment of Traders data as of Tuesday of last week showed managed Money short 297,000 contracts, a record for early March and up 1500 from last week. Technicals suggest the next major resistance for May corn is 449, the 50-day moving average which the market has not closed above since mid-December. A further short covering rally early this week could push prices into that area, but we don't expect a sustained move above 450 until a significant weather issue is seen in Brazil or the US Midwest.

The March 5th Commitments of Traders report showed Corn Managed Money traders are net short 296,795 contracts after net selling 1,537 contracts. CIT traders added 8,158 contracts to their already long position and are now net long 279,909. Non-Commercial No CIT traders net sold 8,465 contracts and are now net short 305,418 contracts. Non-Commercial & Non-Reportable traders were net short 260,969 contracts after decreasing their short position by 8,969 contracts.

WHEAT:

While wheat had a minor bounce after Friday's USDA report, the bearish overriding themes of weak world values and lack of a US crop threat are still in place. Russia's Grain Union says only 4% of winter grains are in bad condition. Stats Canada will release their update later this morning with all wheat acres expected at 26.7 million, compared to 27.028 million last year. Spring acreage is expected at 19.3 million acres, slightly down from 19.475 last year. Minimal rains are expected in the southern Plains this week. A 15-million-bushel reduction in US exports was the only change in the US balance sheet for 2023/24, which pushed up ending stocks 15 million bushels to 673 million, compared to pre-report estimates of 658 million.

Now that the report is behind us, traders will be focusing on US wheat weather, which is entering a crucial stage in the 2nd half of March and 1st half of April when the crop is coming out of dormancy and more vulnerable to dryness and potential frosts and freezes. This is why shorts in KC were more aggressive exiting positions last week. Commitment of Traders data showed managed Money short 66,000 contracts of Chicago wheat and 41,000 in KC. Turkey sold 150,000 tonnes of durum wheat, which is another indication of adequate global supplies.

The port of Odessa was targeted again overnight with drone attacks by Russia, but traders have grown tired of reacting to Black Sea events. Further Chinese purchase cancellations of US SRW may be seen early this week, limiting Chicago's potential for a rally. However, the cancellations Friday morning did not seem to result in aggressive selling. The longer-term fundamental picture is bearish without a major weather problem in US HRW, but it may be too early for prices to fall much further until we get past the more volatile weather timeframe over the next 30 days.

The Commitments of Traders report for the week ending March 5th showed Wheat Managed Money traders are net short 65,539 contracts after net selling 9,213 contracts. CIT traders were net long 110,660 contracts after increasing their already long position by 3,052 contracts. Non-Commercial No CIT traders are net short 88,375 contracts after net selling 14,497 contracts. Non-Commercial & Non-Reportable traders were net short 48,651 contracts after increasing their already short position by 8,526 contracts.

The Commitments of Traders report for the week ending March 5th showed KC Wheat Managed Money traders net bought 1,236 contracts and are now net short 40,886 contracts. CIT traders added 3,865 contracts to their already long position and are now net long 64,907. Non-Commercial No CIT traders reduced their net short position by 1,133 contracts to a net short 50,687 contracts. Non-Commercial & Non-Reportable traders are net short 31,626 contracts after net buying 812 contracts.

HOGS:

The bulls may receive faint encouragement by the April hogs' apparent rejection of last week's lows on Friday, but the lower slaughter pace last week suggests a slowdown in packer demand, and the large net long held by the funds leaves the market vulnerable to heavy selling if support levels are taken out. In the monthly supply/demand report on Friday, USDA raised its forecast for 2024 US pork production to 27.910 billion pounds, from 27.880 billion in February and 27.301 billion for 2023. Production is expected to decline by 535 million pounds in the second quarter, which is in keeping with the seasonal trend, but it would be the third largest decline for that period in the last 20 years. The CME Lean Hog Index as of March 6 was 81.48, up from 81.31 the previous session and 80.15 the previous week.

The USDA estimated hog slaughter came in at 442,000 head Friday and 105,000 head for Saturday. This brought the total for last week to 2.456 million head, down from 2.549 million the previous week and 2.508 million a year ago. The USDA pork cutout, released after the close Friday, came in at $90.74, up 78 cents from Thursday but down from $92.63 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,026 contracts of lean hogs for the week ending

March 5, increasing their net long to 65,090. This is their largest net long since August 2022 and is well into the upper half of the historic range. However, the buying trend is short-term supportive.

CATTLE:

April cattle's lower close on Friday lower after failing to follow through on a breakout rally earlier in the session may pressure the market early this week, but it does not alter the fundamentally bullish posture emanating from the tight supply. In the monthly supply/demand report on Friday, USDA increased its forecast for US 2024 beef production to 26.393 billion pounds from 26.253 billion pounds in the February report. This was still down from 27.032 billion for 2023. US beef production is expected to increase by 85 million pounds in the second quarter, which is smaller than the typical increase for that period, but it is the largest increase since 2019.

Production is expected to decline by 150 million pounds in the third quarter, which is a bigger decline than last year and would be only the second time in at least 20 years that production fell during that period. The USDA estimated cattle slaughter came in at 97,000 head Friday and 2,000 head for Saturday. This brought the total for last week to 583,000 head, down from 599,000 the previous week and 631,000 a year ago. The estimated average dressed cattle weight last week was 832 pounds, up from 831 pounds the previous week and 826 a year ago. The 5-year average weight for that week is 827 pounds.

Estimated beef production last week was 484.1 million pounds, down from 520.5 million a year ago. Cash live cattle were about $2 higher last week. As of Friday afternoon, the five day, five-area weighted average price was $185.12, up from $183.11 the previous week. The USDA boxed beef cutout was up 35 cents at mid-session Friday and closed 43 cents higher at $307.04. This was up from $305.28 the previous week and was the highest it had been since October 30. Friday's Commitments of Traders reports showed managed money traders net buyers of 4,543 contracts of cattle for the week ending March 5, increasing their net long to 59,364. This is their largest net long since November but well below the 100,000+ levels they held for most of last year. The buying trend is short-term positive.

COCOA:

Since mid-February, cocoa prices have twice followed sharp selloffs with recovery moves that reached new record high levels. With little relief from West African supply issues, cocoa should climb up again into record high territory again this week. May cocoa rebounded from a 1-week low but could not climb into positive territory as it finished Friday’s trading session with a sizable loss. For the week, however, May cocoa finished with a gain of 69 points (up 1.1%) which was a third positive weekly result in a row.

Updated weather forecasts call for West African growing areas to receive daily rainfall starting Wednesday and lasting through early next week. This should signal the end of West Africa’s dry season as consistent rainfall will benefit the region’s mid-crop production. There were reports that the Ivory Coast Coffee and Cocoa Board projects this year’s Ivory Coast mid-crop will be at least 20% below last year’s output, which increases the likelihood that cocoa will have a record high global production deficit this season.

There were indications that Ivory Coast and Ghana will both keep their mid-crop minimum purchase prices unchanged from their main crop levels. A large portion of both nation’s mid-crop production is diverted to domestic grinders, so the likelihood of increased smuggling to other West African nations to receive higher prices for their cocoa beans could result in a further decline in Ivory Coast and Ghana cocoa processing this year.

The March 5th Commitments of Traders report showed Cocoa Managed Money traders were net long 31,965 contracts after decreasing their long position by 363 contracts. CIT traders were net long 21,899 contracts after increasing their already long position by 1,158 contracts. Non-Commercial No CIT traders reduced their net long position by 1,456 contracts to a net long 21,303 contracts. Non-Commercial & Non-Reportable traders were net long 37,835 contracts after decreasing their long position by 1,808 contracts. Cocoa's managed money position has dropped sharply over the past few weeks, and that indicates short-covering has been a key source of support during that timeframe.

COFFEE:

Coffee's failure to sustain last Thursday's upside breakout does not bode well for prices early this week, but the market has made sizable recovery moves from spike lows in mid-January and late February. With an improving demand outlook, coffee prices should hold their ground above the early March lows. May coffee pivoted back to the downside as they finished Friday's trading session with a heavy loss. For the week, however, May coffee finished with a gain of 1.90 cents (up 1.0%) which was a second positive weekly result in row.

The Brazilian currency lost nearly 1% in value on Friday, which put additional pressure on the coffee market going into the weekend as that may encourage Brazil's farmers to market their remaining 2023/24 coffee supply to foreign customers. ICE exchange coffee stocks increased by 13,875 bags on Friday to reach 424,752 bags which is their highest reading since October.

The buildup of ICE exchange coffee stocks since posting a 24 1/2 year low in late November has pressured coffee prices as it is seen as reflecting lukewarm demand, particularly in Europe where most of those coffee stocks are located. Between early 2000 and early 2022, there were at least 1 million bags of coffee stored in ICE approved warehouses as they rose above the 5 million bag level in mid-2004. There are over 171,000 bags of coffee waiting to go through the exchange's grading process, there has been a sizable failure rate over the past few months with 10,348 of 24,233 bags on Friday failing to be approved.

Coffee positioning in the Commitments of Traders for the week ending March 5th showed Managed Money traders were net long 43,362 contracts after increasing their already long position by 697 contracts. CIT traders were net long 52,035 contracts after increasing their already long position by 1,626 contracts. Non-Commercial No CIT traders added 516 contracts to their already long position and are now net long 32,642. Non-Commercial & Non-Reportable traders were net long 53,100 contracts after increasing their already long position by 2,580 contracts. While coffee's managed money net long position has risen sharply over the past few months, it is still well below the highs seen in early 2022.

COTTON:

May cotton has continued its volatile action in the wake of the move to contract highs in late February. US old crop supplies are very tight, but world supplies are not, and the US may have priced itself out of the market. Friday's USDA supply/demand report showed US 2023/24 ending stocks at 2.50 million bales versus an average trade expectation of 2.72 million. This was below the low end of the expected range of 2.55 to 2.9 million and it was down from 2.8 million in the February update. It was also down from 4.25 million in 2022/23 and was lowest since 2013/14.

Average US yield was reduced to 822 pounds/acre from 845 in February, and this pulled production down to 12.10 million bales from 12.43 million. Demand numbers were left unchanged. World ending stocks come in at 83.34 million bales versus 83.31 million expected. This was down from 83.70 million in February but up from 82.97 million in 2022/23 and the largest since 2019/20. India's production was increased by 0.50 million bales, but their ending stocks fell 0.20 million due to increases in domestic use and exports. China's imports increased by 0.90 million bales and their domestic usage by 0.50 million.

The US Dollar Index fell to its lowest level since January 15 last week, which makes US cotton more attractively priced on the world market. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,323 contracts of cotton for the week ending March 5, increasing their net long to 96,361. This is their largest net long since October 5, 2021, and is their second largest since May 2018. The fund buying was surprising considering that the March 5 close was the lowest since February 23. The large net long leaves the market vulnerable to long liquidation.

SUGAR:

Sugar has been under pressure for several weeks as the May contract reached an 8 1/2 week low on Tuesday. The market has lifted clear of last Tuesday's low and should see upside follow-through early this week. May sugar kept within a tight inside-day trading range before finishing Friday with a moderate loss. For the week, however, May sugar finished with a gain of 0.06 cent (up 0.3%) and a positive weekly reversal.

Updated weather forecasts call for rain over Brazil's major cane-growing regions over the next week, and that combined with a pullback in the Brazilian currency kept sugar prices in negative territory late in the day. There have been reports that Brazilian firms are ramping up their production of ethanol from corn, which should reduce the ethanol output from cane crushing. Brazil's Center-South mills will start up operations for the 2024/25 season over the next few weeks and should reach full speed by mid-April.

Some forecasts call for sugar production to have a larger share of cane crushing than the 49% seen this season. On the other hand, many early forecasts are calling for Brazil's 2024/25 Center-South sugar production to come in at 40.5-41 million tonnes, which would be down from 42.2 million for 2023/24. Cane yields were declining at the end of this season, and there are extended forecasts calling for drier than normal weather over Brazil's Center-South cane-growing regions during the next few months that will have a negative impact on the 2024/25 crop.

India is expected to extend its sugar export ban until next year, and Thailand's 2024/25 sugar production may have a modest increase at best. The March WASDE report reduced the USDA's forecast for US 2023/24 sugar production from 9.352 million to 9.243 million tons (8.385 million metric tonnes) and reduced their forecast for Mexico's 2023/24 sugar production from 4.875 million down to 4.747 million tonnes. The USDA reduced 2023/24 US sugar/stocks usage from 14.2 down to 13.4, versus 14.3 during 2022/23.

The March 5th Commitments of Traders report showed Sugar Managed Money traders net sold 25,069 contracts and are now net long 45,545 contracts. CIT traders net sold 3,617 contracts and are now net long 161,070 contracts. Non-Commercial No CIT traders reduced their net long position by 20,574 contracts to a net long 1,376 contracts. Non-Commercial & Non-Reportable traders net sold 37,378 contracts and are now net long 55,899 contracts. Sugar's managed money net long position is far below levels seen late in 2023, and that can help the market to sustain a recovery move over the next few weeks.

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