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Weekly Futures Market Summary

March 25, 2024

by the ADMIS Research Team

BONDS:

While June bonds forged a higher high at the start of this week, the markets are facing headwinds from comments from the Fed's Bostic at the end of last week suggesting he now sees only one US rate cut this year which is down from the two rate cuts he previously expected. Bostic indicated residual inflation pressures combined with resilient US economic data altered his previous more dovish views. However, recent US economic data has softened, and the markets will be presented with a veritable avalanche of data early this week before the third most important inflation report of the monthly inflation report cycle is released (PCE) on Thursday.

On the other hand, trade expectations call for both core and regular PCE readings to be unchanged from the previous month's readings of 2.1% and 1.8% respectively. Fortunately for the bull camp, the charts remain slightly bullish, a terrorist attack in Russia and a potential clash between the international community and Israel over their next military objective adds a measure of flight to quality interest for treasuries early this week. A minimal headwind is likely to flow from the release of the Chicago Fed national activity index for February which is expected to rebound from a small contraction last month.

Furthermore, new home sales for February are also expected to be slightly stronger than last month, as mortgage rates fell in early March! From a technical perspective, the treasury bond market is surprisingly holding a large net spec and fund long, despite the early March to late March washout of 4 1/2 points. The March 19th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 16,278 contracts to their already long position and are now net long 20,846.

However, the net spec and fund short in treasury Notes remains very large indicating hedging against rising rates in the middle of the curve remains aggressive. The T-Note market COT report showed Non-Commercial & Non-Reportable traders added 4,185 contracts to their already short position and are now net short 504,618 contracts. Yet another potential bearish headwind is this week's treasury auctions which kick off with three and six month bills and two-year notes Monday followed by a five year auction on Tuesday and seven-year notes auctioned on Wednesday.

CURRENCIES:

The Dollar extended its March recovery move to a 5-week high before finishing last Friday with a sizable gain. With no major US data to digest, the Dollar took direction from significant weakness in other major currencies. The Pound remains under pressure after the Bank of England signaled a mid-year rate hike at yesterday's policy meeting, while the Swiss franc lost ground following yesterday's rate cut by the Swiss National Bank. Not surprisingly, the Dollar is recoiling from the sharp range up rallies from the end of last week with less dovish comments from the Fed's Bostic undermining the dollar early this week.

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Adding to the downward bias in the dollar is improving sentiment toward Asian currencies, with the Bank of Japan increasingly moving toward an exit of negative interest rates. The dollar is also undermined by increased chatter of intervention to support the yen and potentially because of the showdown between the leading presidential candidate and a New York court penalty enforcement. The March 19th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable Traders net sold 4,691 contracts and are now net long 1,683 contracts.

Despite a softer dollar in the early trade today following a slight reduction in dovish Fed influence, the euro remains pinned down near last week's spike lows and more downside is ahead. Perhaps the euro is seeing indirect pressure from fears that regulators are poised to impose a full court press on large tech international companies which in turn could cause capital to flee Europe. The March 19th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 34,949 contracts to a net long 74,479 contracts.

Fortunately for the bull camp in the Pound, the currency has recovered after two tests of the 200 day moving average in two trading sessions. Surprisingly the pound has not benefited from an upgrade of the UK by the credit rating agency Fitch who moved the UK credit rating from "negative" to "stable". Like the pound, the Canadian dollar has also posted a double low in the early trade this week, most likely from residual weakness in the dollar as weakness in Canadian retail sales readings from last week continue to remain a weight on the back of the Canadian dollar.

STOCKS:

Global markets started out with choppy action before losing strength and finding a mildly negative tone midway through Friday's trading session. Bitcoin had a sharp selloff which dampened global risk sentiment, while an antitrust suit against Apple cast a shadow across several market sectors. US equity markets came under pressure and finished with mixed results as the Nasdaq closed with a mild gain. Global equity markets at the start of this week were generally lower with down markets slightly outnumbering markets trading higher. Despite the Chinese Premier making an unusual appearance by top Chinese leadership at the Annual Chinese Development Forum and promising China will begin to treat foreign companies on a par with domestic companies, global equities are showing signs of initial weakness.

Given the heavy-handed regulatory treatment of global companies operating in China and with the government providing domestic companies with quicker paths to product launches and permitting, it will take more than "talk" for global companies to regain confidence while operating in China. With the markets mixed to start this week, it is likely that the trade was widely expecting the US to pass a funding bill the bulls have seen little benefit from the weekend passage of a budget and therefore seeing the hawkish statements from the Fed's Bostic leaves the bear camp with an edge. Yet another bearish influence is the looming breakup of the Trump business empire as a deadline for a bond payment today could result in forced liquidation of large holdings in New York and Florida. While an appellate court could delay the enforcement of an unheard of half billion dollar penalty for a victimless crime, financial markets could shudder, and Trump supporters could protest aggressively thereby concerning investors.

While the S&P has corrected from last week's latest all-time high, the correction so far has been shallow, and the index has generally discounted bearish international geopolitical and economic developments. However, all indices this week should see residual pressure from big tech issues as an emerging tide of regulatory pressure to reduce suspected monopoly power hangs over the market particularly in Europe. On the other hand, US regulatory bodies are fighting almost every buyout and merger announcement, and the FAA continues to move aggressively against Boeing and its planes already in service at major airlines. Fortunately for the bull camp in the S&P, the net spec and fund short position remains near the highest levels since August of last year and that should diffuse corrective action in place from last

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Thursday' reversal. E-Mini S&P positioning in the Commitments of Traders for the week ending March 19th showed Non-Commercial & Non-Reportable traders reduced their net short position by 35,049 contracts to a net short 114,474 contracts.

As indicated already, Boeing continues to experience harsh regulatory scrutiny, with the FAA even threatening safety checks at airlines using Boeing planes, and possibly grounding planes in operation to err on the safe side. Unlike the S&P, the Dow futures hold a net spec and fund long leaving the index vulnerable to corrective action if support levels are violated. Dow Jones \$5 positioning in the Commitments of Traders for the week ending March 19th showed Non-Commercial & Non-Reportable traders net bought 6,824 contracts and are now net long 24,633 contracts. As indicated already, regulators around the world are threatening mega tech companies with action to reduce their monopolistic control, with some regulators threatening to break up certain companies and or heavily scrutinizing mergers and buyouts. Like the Dow, the NASDAQ futures hold a net spec and fund long after adding aggressively to long positions last week and that could expand the corrective early bias today. The Commitments of Traders report for the week ending March 19th showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 7,612 contracts to their already long position and are now net long 17,450.

GOLD, SILVER & PLATINUM:

With Israel preparing for an attack of Rafah against the will of the international community, that is likely to give way to increased terrorist attacks on shipping in the Red Sea area and perhaps elsewhere in the world. In fact, a tanker was hit over the weekend, but the fire was contained. It also appears that Russia and Ukraine are stepping up attacks on energy related facilities and that could also yield sudden flight to quality lift for gold and bitcoin. Unfortunately for the bull camp, the US dollar showed significant strength at the end of last week and appears to have entered an uptrend pattern and that is likely to provide consistent headwinds for precious metal prices. Yet another pressure for gold prices came from comments from the Fed's Bostic over weekend as he suggested he saw only one interest rate cut this year!

Furthermore, with last week's trading range a wide \$76 and an aggressive reversal from a spike high posted on the highest trading volume since February of last year, last week presents an image of a top. In fact, open interest remains extremely high at 538,677 contracts and trading action is likely to remain volatile. Even though gold has corrected from last week's high, prices are above the level where the last COT positioning report was measured and therefore gold is overbought and vulnerable to stop loss selling. The March 19th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 2,093 contracts to a net long 157,467 contracts. Non-Commercial & non-Reportable traders were net long 232,720 contracts after decreasing their long position by 4,268 contracts.

Not surprisingly, the silver market is also in a corrective track and with open interest near the highest levels in several years and prices sitting nearly \$3.00 above last month's low, a retrenchment to the 200-day moving average down at \$24.04 is possible. Furthermore, the most recent COT positioning report showed silver spec and fund traders at the longest level since May 2022 which should give the bears hope of further aggressive stop loss selling. The March 19th Commitments of Traders report showed Silver Managed Money traders were net long 37,819 contracts after increasing their already long position by 11,158 contracts. Non-Commercial & non-reportable traders net bought 9,684 contracts and are now net long 64,105 contracts.

Platinum positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders were net short 3,825 contracts after increasing their already short position by 1,372 contracts. Non-Commercial & non-reportable traders reduced their net long position by 880 contracts to a net long 13,515 contracts. The March 19th Commitments of Traders report showed Palladium Managed

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Money traders net bought 297 contracts and are now net short 10,139 contracts. Non-Commercial & non-reportable traders reduced their net short position by 467 contracts to a net short 10,154 contracts.

COPPER:

Despite breaking a trend of massive weekly inflows to Shanghai copper warehouse stocks with last Friday's modest outflow, the copper trade did not return to concern of tightening copper supply inside the world's largest consuming nation. Furthermore, the International Copper Study Group pegged the world refined copper market in January to hold an 84,000 metric tonne surplus, and that likely sparked the sharp range down move last week. Further adding into the bear case is news that Chinese copper smelters have agreed to increase usage of domestic scrap at the same time they curb output.

Unfortunately for the bull camp, the copper market was vulnerable to long liquidation with the most recent net spec and fund long at the highest level since April 2022. The March 19th Commitments of Traders report showed Copper Managed Money traders were net long 39,270 contracts after increasing their already long position by 30,724 contracts. Non-Commercial & non-reportable traders net long 42,633 contracts after net buying 35,791 contracts.

ENERGY COMPLEX:

Despite a bullish commodity forecast from Goldman off expectations of better growth and lower interest rates, crude oil is merely holding within Friday's range in the early action this week. Unfortunately for the bull camp, crude oil in floating storage increased over the last week by 87,000 barrels, with supply in the Middle East and west Africa climbing and US Gulf Coast supplies up a blistering 147%. Fortunately for the bull camp floating supply in the Asian Pacific region fell by 1.8% with European inventories down by less than 1%.

Other fresh supportive developments over the last week include an ongoing shutdown of a Turkish pipeline and market chatter of favorable technical signals from the charts. With last week's corrective setback balancing the compacted mid-March run up, the crude oil market could be more sensitive to bullish items this week. In fact, Middle East developments and the terrorist attack inside Russia create fresh uncertainty from two supply regions. A portion of the international community is lining up against Israel, and a political showdown is possible if Israeli forces attack the Gaza city of Rafah.

Furthermore, both China and Russia have vetoed the US led attempt for a cease-fire directive at the UN Security Council. Furthermore, Benjamin Netanyahu has indicated they will undertake the Rafah attack alone if needed. From a longer-term perspective, the bull camp should be emboldened by news that US oil and gas rig drilling counts declined by five which puts rigs operating 18% lower than last year. In retrospect, last week's EIA report on crude oil was bullish, with a healthy decline in inventories on the week and a 3.1 million barrel increase in the year over year deficit which now stands at 36.1 million barrels.

However, US imports jumped, offsetting the highest weekly export figure since February 16th. Going forward, crude prices should draft support from another increase in the US refinery operating rate which now stands at a lofty 87.8% or 17.1% above the readings seen early last month. Crude oil should also draft support from signs of improving seasonal implied gasoline demand. With the net spec and fund long positioning likely overstated given the \$2.00 washout from the report mark off date, the crude oil market should see less stop loss selling and more bargain hunting buying at key chart support levels.

Crude Oil positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders added 50,072 contracts to their already long position and are now net long 219,965. Non-Commercial & non-reportable traders net bought 43,498 contracts and are now net long 323,685

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contracts. Unfortunately for the bull camp, outside market forces are slightly bearish early this week with the dollar showing strength and the macroeconomic outlook negative following weak global equities. We give the bear camp a very thin edge from last week's lower high pattern.

Relatively speaking, the gasoline market has held up better than the crude oil market, perhaps because of last week's larger than expected contraction in EIA gasoline inventories. While implied gasoline demand last week declined slightly, the pattern of demand has been up since the beginning of February as per normal seasonal tracking. However, in the coming weeks, average seasonal demand retrenches as spring break passes. Even though EIA gasoline inventories shifted back into a surplus versus year ago levels last week, recent Ukrainian drone attacks on Russian refiners and retaliation by Russia on Ukrainian power stations indicates both forces are targeting infrastructure capable of restricting supply of Russian gasoline and or Ukrainian natural gas.

Certainly, the May gasoline contract has developed a shelf of support around \$2.70 but unfortunately for the bull camp, the US refinery operating rate has jumped significantly potentially bringing a rebuilding of EIA gasoline inventories. Furthermore, the net spec and fund long position in gasoline remains burdensome and therefore the market is vulnerable to stop loss selling especially if key chart support at fails to hold in the May contract. Gas (RBOB) positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders are net long 76,541 contracts after net buying 9,772 contracts. Non-Commercial & non-reportable traders are net long 82,028 contracts after net buying 10,365 contracts.

The diesel market is in a much different positioning in spec and fund categories than gasoline, with a setback of nearly 7 cents from the level where the COT report was measured, putting the net long near the lowest level since June of last year! The Commitments of Traders report for the week ending March 19th showed Heating Oil Managed Money traders added 30 contracts to their already long position and are now net long 10,967. Non-Commercial & non-reportable traders net bought 753 contracts and are now net long 32,793 contracts.

The craziness of the Ukraine and Russian natural gas situation just got even more crazy with Russian missiles targeting a Ukrainian underground gas storage facility at the same time Russia continues to ship natural gas through pipelines under Ukraine. In fact, the Ukraine state gas transit company says Russian natural gas flows increased slightly from March 24th to March 25th. However, global natural gas fundamentals remain very bearish with US storage shifting to injection status last week and the US storage level reaching a very lofty 41% above five-year average levels! In a longer-term bullish development, the US gas rig drilling count fell to the lowest level since January 2022 indicating that low prices are having an impact on output.

The Natural Gas positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders are net short 87,438 contracts after net buying 10,604 contracts. Non-Commercial & non-reportable traders were net short 72,733 contracts after increasing their already short position by 1,978 contracts. Unfortunately for the bull camp the net spec and fund short in natural gas remains within the recent range which is effectively in the upper third of the range of short positioning of the last 12 months. The fundamental and technical bias is down with the May contract likely to breach \$1.75 this week.

BEANS:

As forecast, soil replenishing rains fell across eastern Nebraska, Iowa, and southern Minnesota over the weekend with more expected this week in Wisconsin and Illinois, which favors the bear camp. While these rains may be seen as just what the doctor ordered before spring planting, positioning for Thursday's key USDA quarterly stocks and acreage intention report will overshadow weather as the week moves

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forward. Brazil bean harvest is pegged at 70% complete and heavy hedge selling on rallies in US futures last week was noted.

The US attache lowered Brazil's bean production forecast to 152.6 million tonnes, below USDA's 155 million. 73% of Brazil's total bean exports in 2023 went to China. The US dollar closed last week strong and the highest in 5 weeks. The Farm Futures survey of US spring acreage expects 86.0 million acres, up 2.4 million from last year. Bloomberg's average estimate for Thursday's report for bean acres is 86.7 million acres, up from 83.6 million last year, but down from the Outlook Forum estimate of 87.5 million. The average guess for soybean stocks is 1.835 billion bushels, up from 1.687 billion in March of 2023.

Commitment of Traders data showed funds reduced their net short positions across the soybean complex through Tuesday of last week with the major change coming in soybean oil, which saw managed Money net shorts drop 19,000 contracts to 15,000 contracts short, a 16-week low. Pre-report positioning will be a major factor along with weather the 1st half of the week. Heavy precipitation across the central Midwest is a bearish factor but was in the forecast last week so not a major surprise. Market conditions are likely to remain choppy this week as we have end of month, end of quarter, a major USDA report and a shortened holiday week.

The Commitments of Traders report for the week ending March 19th showed Soybeans Managed Money traders were net short 148,339 contracts after decreasing their short position by 6,798 contracts. CIT traders net bought 1,524 contracts and are now net long 122,959 contracts. Non-Commercial No CIT traders reduced their net short position by 12,765 contracts to a net short 167,198 contracts. Non-Commercial & Non-Reportable traders are net short 173,513 contracts after net buying 11,665 contracts.

The Commitments of Traders report for the week ending March 19th showed Soybean Managed Money traders are net short 14,748 contracts after net buying 18,662 contracts. CIT traders net bought 1,638 contracts and are now net long 134,168 contracts. Non-Commercial No CIT traders net bought 10,386 contracts and are now net short 64,244 contracts. Non-Commercial & Non-Reportable traders net bought 14,726 contracts and are now net short 17,552 contracts.

The Commitments of Traders report for the week ending March 19th showed Soybean Managed Money traders were net short 46,874 contracts after decreasing their short position by 4,061 contracts. CIT traders net sold 998 contracts and are now net long 75,800 contracts. Non-Commercial No CIT traders are net short 60,032 contracts after net buying 10,793 contracts. Non-Commercial & Non-Reportable traders net bought 9,126 contracts and are now net short 32,539 contracts.

CORN:

Last week's small 11 3/4 cent weekly range on May futures is an indication the corn market has found some equilibrium before Thursday's key USDA quarterly stocks and acreage report. Good moisture has fallen in eastern Nebraska, Iowa, and southern Minnesota with more this week expected in Illinois. Follow-up rains will be needed but drought area across the Midwest will shrink. Northern Brazil rains will continue for the next several days before the regions begins to dry down again. The Farm Futures corn acreage survey was 92.4 million acres, down 2.3 million from last year.

The major feature this week will be the USDA report on Thursday morning and Bloomberg's average estimate for corn acreage is 91.8 million acres, down from last year's 94.6 million and above the Outlook Forum number of 91 million. The average guess for grain stocks is 8.445 billion bushels, up from 7.396 billion in March 2023. Corn usage has been strong, and we lean toward a bullish corn stocks number Thursday.

For the 2023/24 crop year Mexico is expected to import a record 22 million tonnes of US corn, up 5% year over year. Bullish demand will clash with improved moisture in Brazil and the US Midwest and may

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make for choppy conditions the 1st half of the week, especially with pre-report positioning a main feature. Nearby support for May is 434 and 446 is resistance. Breaks below 432 should continue to find good support but heavy Midwest precipitation will cap rallies into Thursday's report.

The Commitments of Traders report for the week ending March 19th showed Corn Managed Money traders net bought 12,940 contracts and are now net short 242,988 contracts. CIT traders are net long 282,261 contracts after net selling 4,210 contracts. Non-Commercial No CIT traders were net short 253,865 contracts after decreasing their short position by 17,968 contracts. Non-Commercial & Non-Reportable traders were net short 197,084 contracts after decreasing their short position by 16,766 contracts.

WHEAT:

Potential disruption to Russian exports got the attention of the wheat market Friday and May Chicago finally closed over the 20-day moving average giving the edge to the bull camp. The second-largest Russian grain trader, RIF, says its wheat exports have been disrupted due the countries agricultural watchdog tagging its cargoes for not meeting safety and quality standards. This is a clear political stunt as the government has been trying to gain more control over private Russian grain exporters and the company's CEO says the government is trying to pressure them into buying the company at a lowball price.

As Russia is the largest exporter of wheat, any disruption gets market attention, but in this case does not take wheat off the market so the bullish market reaction will likely be short-lived. So far, the EU has not implemented the proposed tariffs on the imports of Russian and Belarus grain. Ukraine's total grain exports through March 25 were 3.8 million tonnes, down from 4.6 million last year. Bloomberg's average estimate for wheat acres in Thursday's quarterly stocks and acreage intentions report is 47.3 million acres, down from 49.6 last season.

The average guess for Wheat stocks is 1.047 billion bushels, up from 941 million in March of 2023. Central Oklahoma saw some light rains over the weekend but the southwest third of the southern Plains will remain the driest area over the next 2 weeks. No extreme cold is seen in the forecast. The technical picture did improve with the strong close on Friday. Short covering before Thursday's report could push prices up to the next important moving average resistance level on May Chicago.

The Commitments of Traders report for the week ending March 19th showed Wheat Managed Money traders added 1,700 contracts to their already short position and are now net short 80,570. CIT traders were net long 107,539 contracts after increasing their already long position by 401 contracts. Non-Commercial No CIT traders added 6,672 contracts to their already short position and are now net short 108,398. Non-Commercial & Non-Reportable traders added 2,679 contracts to their already short position and are now net short 60,590.

The March 19th Commitments of Traders report showed KC Wheat Managed Money traders net sold 2,310 contracts and are now net short 37,857 contracts. KC Wheat CIT traders hit a new extreme long of 73,002 contracts. CIT traders added 1,213 contracts to their already long position and are now net long 73,002. Non-Commercial No CIT traders are net short 54,094 contracts after net selling 4,799 contracts. Non-Commercial & Non-Reportable traders net sold 5,425 contracts and are now net short 33,158 contracts.

HOGS:

The intermediate uptrend in April remains in place despite their lower every day last week. Pork prices continue to firm, which provides underlying support. The USDA pork cutout, released after the close

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Friday, came in at \$93.86, up \$2.99 from Thursday and up from \$92.51 the previous week. This was the highest it had been since October 2. However, heavy production could undercut the market. The USDA estimated hog slaughter came in at 485,000 head Friday and 95,000 head for Saturday. This brought the total for last week to 2.532 million head, up from 2.466 million the previous week and 2.473 million a year ago.

Estimated US pork production last week was 545.8 million pounds, up from 531.9 million the previous week and 536.5 million a year ago. The CME Lean Hog Index as of March 20 was 83.54, up from 83.21 the previous session and 82.19 the previous week. The large net long held by the funds could also be worrisome for the bulls. Friday's Commitments of Traders report showed managed money traders were net sellers of 802 contracts of lean hogs for the week ending March 19, reducing their net long to 62,877. This is in the upper 38% of the historic range. These traders were flat at the beginning of the year, and the size of the net long and the quickness of the increase have left the market vulnerable to long liquidation.

CATTLE:

The USDA Cattle on Feed Report on Friday was bearish, particularly for the deferred contracts, because placements came in above the average expectation and above the upper end of the expected range, and we look for the market to open lower at the start of this week. The report showed placements for the month of February at 109.7% of last year versus an average trade expectation of 106.2% and a range of 102.7% to 108.8%. This was the highest placements as percent of the previous year since February 2022. February marketings came in at 103.4% versus 103.9% expected (range of 102.5%-104.7%).

Cattle on feed supply as of March 1 came in at 101.3% of last year versus 100.9% expected (range 100.1%-102.7%). March 1 on-feed supply was above the average estimate but within the expected range, so it was somewhat bearish for the close-in contracts. The 90-day cattle supply was 6.656 million head, the highest since June 2020, and the 120-day supply was 4.485 million, the highest since July 2020. The higher-than-expected placements were blamed on "leap day" and the possibility that brutal wintry weather in January inspired catch-up in February.

The USDA estimated cattle slaughter came in at 109,000 head Friday and 14,000 head for Saturday. This brought the total for last week to 598,000 head, down from 601,000 the previous week and 628,000 a year ago. The estimated average dressed cattle weight last week was 839 pounds, up from 836 the previous week and 820 a year ago. The 5-year average weight for that week is 824 pounds. The fact that fed cattle weights are running ahead of a year ago could also weigh on the market. Estimated beef production last week was 500.4 million pounds, down from 513.4 million a year ago.

The USDA boxed beef cutout was down \$2.18 at mid-session Friday and closed \$3.01 lower at \$310.72. This was down from \$311.90 the previous week. Cash live cattle traded in modest volume on Friday at comparable levels to earlier in the week. The five-day, five-areas weighted average price last week was \$189.43, up from \$187.27 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 920 contracts of cattle for the week ending March 19, reducing their net long to 62,391. This is near the midpoint of the historic range, which suggests the market is neither overbought nor oversold.

COCOA:

Cocoa will start this week's trading with a gain of 2,890 points for March (up 47%) and 4,777 points for the first quarter (up 115%) which compares with a gain of 1,874 points for the previous five quarters combined. In addition, the previous seven trading sessions have had an average daily trading range of 615 points with March 19th having the smallest range of 449 points during that timeframe. May cocoa

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shook off mild early pressure and reached another new record high before finishing Friday with a very large gain. For the week, May cocoa finished with a gain of 921 points (up 115%) and a fifth positive weekly result in a row.

West Africa's increasingly tight near-term supply situation continues to be cocoa's major source of strength. The ICCO's monthly report pointed to the shortage in supply from Ivory Coast and Ghana, with those nations' port arrivals estimated to be down 28% and 35% from a year ago, respectively. The stocking of Ivorian and Ghanaian beans in Europe has reduced availability in the US, as suggested by the rising differentials in the US with beans from other origins.

There will be rainfall over West African growing regions on most days this week, and that should benefit late mid-crop cocoa production. Demand has been resilient in the face of record high prices, but there will be articles in the mainstream media in front of the Easter holiday next week on the high cost of chocolates that may weaken cocoa's near-term demand outlook.

The Commitments of Traders report for the week ending March 19th showed Cocoa Managed Money traders reduced their net long position by 6,926 contracts to a net long 26,752 contracts. CIT traders were net long 20,416 contracts after decreasing their long position by 1,101 contracts. Non-Commercial No CIT traders reduced their net long position by 6,690 contracts to a net long 17,127 contracts. Non-Commercial & Non-Reportable traders net sold 7,078 contracts and are now net long 33,868 contracts.

COFFEE:

Coffee prices continue to see choppy action, but they have now lifted clear of a spike low for a third time since the start of this year. If global risk sentiment can improve going into month-end and quarter-end, coffee should maintain upside momentum. May coffee was able to rebound from early and mid-session pullbacks before coming under significant late pressure to finish Friday with a mild loss. For the week, however, May coffee finished with a gain of 1.90 cents (up 1.0%) and a third positive weekly result over the past four weeks.

Dealers said robusta supplies remain tight in top producer Vietnam, but that the start of the harvest in Brazil next month could bring some relief. There is a growing consensus that Brazil will have larger coffee production during the 2024/25 season, which would be a third season in a row with larger output. The chairman of Illycafe predicted that coffee prices will decline during the second half of this year as there are no issues seen on the production side, but also said that global demand will have a 2% growth rate in the near future.

ICE exchange Arabica stocks increased by 7,740 bags on Friday and have reached their highest level since early June of 2023. With one week left to go, ICE exchange coffee stocks are over 214,000 bags above their February month-end total. They are on-track for their largest monthly increase since December 2022 and a second monthly increase in a row above 100,000 bags.

Coffee positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders reduced their net long position by 4,695 contracts to a net long 42,374 contracts. CIT traders are net long 51,132 contracts after net selling 1,887 contracts. Non-Commercial No CIT traders reduced their net long position by 5,560 contracts to a net long 28,469 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,748 contracts to a net long 49,830 contracts.

COTTON:

Traders have grown concerned about the potential for a drop in US cotton exports as the Southern Hemisphere crops become available, but they may also be reluctant to push too far down ahead of the

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USDA Prospective Plantings report on Thursday. The dollar closed strong last week, which does not bode well for US exports. The export sales report last week showed strong deliveries at 397,297 bales, the highest since April 27, 2023. Deliveries to China totaled 183,722 bales, the highest since January 25 at 183,741 and the second highest since August 2020. However, total sales were mediocre at 133,082 bales, and sales to China were almost nil at 2,194. US soil moisture is much better than it was a year ago, which could encourage heavier plantings this spring.

As of last week, approximately 7% of US cotton production was within an area experiencing drought versus 46% a year ago. Last year, US cotton growers planted 10.23 million acres, down from 13.75 million the previous year and the lowest since 2016/17. At the Outlook Forum in February, USDA had a forecast of 11.00 million acres. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,638 contracts of cotton for the week ending March 19, reducing their net long to 89,522. The net long is still hovering around historic highs, which leaves the market vulnerable to heavy selling if support levels are taken out.

SUGAR:

Following a rough start to the month, sugar prices will start this week on-track for a mild gain for March. There have been bearish supply developments from south Asia which have weighed on prices, but potential production issues in Brazil may help sugar maintain upside momentum going into month-end and quarter-end. May sugar once again approached the 50-day moving average and backed off from that level to finish Friday's outside-day trading session with a moderate loss. For the week, May sugar finished with a loss of 0.27 cent (down 1.2%) which broke a 2-week winning streak.

Concerns about the upcoming Brazilian cane crop has provided underlying support to the market as 2024/25 Center-South sugar production may decline in spite of having a larger share of crushing. Center-South cane growing areas only have one day without rainfall in the forecast through the middle of next week, and that could delay the start of the 2024/25 harvest. However, many analysts are increasing their 2023/24 global surplus forecasts due to better than expected late-season output from India and Thailand.

Until India's government has a better picture on their 2024/25 cane crop, they are likely to leave their sugar export ban in place. Czarnikow has projected this season's US high-duty sugar imports will reach a 6-year high of 750,000 tonnes, due in part to lower production from Mexico and from nations who are unable to fulfill their import quotas.

The March 19th Commitments of Traders report showed Sugar Managed Money traders are net long 55,508 contracts after net buying 3,337 contracts. CIT traders were net long 150,946 contracts after increasing their already long position by 9,458 contracts. Non-Commercial No CIT traders are net long 8,011 contracts after net selling 5,465 contracts. Non-Commercial & Non-Reportable traders were net long 76,505 contracts after increasing their already long position by 6,387 contracts.

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