ADM Investor Services, Inc.

Weekly Futures Market Summary

April 29, 2024 **by the ADMIS Research Team**

BONDS:

In retrospect, last week's inflation data appeared to reduce or push back US rate cut timing again. However, some economists digging through the PCE report data suggests that the hot quarterly number was the result of conditions in January which in turn could mean inflation has stalled. Unfortunately for the bull camp, this week's US treasury auction demand was seen as good but in the aftermath of each auction futures prices declined. Therefore, demand for ever-increasing US treasury supply remains tenuous at best. It seems as if the markets are shifting sentiment in favor of the bull camp, with Reuters suggesting last week's US inflation readings were not concerning which allows for a slightly less hawkish expectation for this week's FOMC meeting.

However, weekend credit market chatter and various articles have dredged up the yield curve subject again, with suggestions that the inverted yield curve will correct because of rising longer-term rates potentially because of excess US treasury supply and lingering inflation concern. It is also possible that the pressure on yields (downside pressure on prices) will be reduced as the treasury department is expected to leave the amount of treasury supply offered in the next round of refunding equal to the most recent quantity. In other words, after three straight quarterly increases to auction supply, the treasury will not raise quantities in the next auction.

However, the treasury department will give some refunding size details for the next two quarters Monday and again on Wednesday and we are highly suspicious of their ability to finance surging US debt without incrementally higher supply offerings. More than likely the treasury department will do what it can to disguise the exploding US deficit into the election. Unfortunately, holding supply static will likely result in future auctions exploding! With the nonfarm payroll report looming on Friday and expectations calling for a gain of 243,000 the impact on treasuries could be mixed as expectations call for number 66,000 below last month's major upside surprise.

It should be noted that the unusual net spec and fund "long positioning" in bonds remained in place last week in the last COT report which suggests a measure of economic concern remains in place, with that concern potentially erased with another big jobs number. The Commitments of Traders report for the week ending April 23rd showed Bonds Non-Commercial & Non-Reportable traders were net long 15,085 contracts after decreasing their long position by 11,264 contracts. For T-Notes Non-Commercial & Non-Reportable traders net sold 16,311 contracts and are now net short 527,837 contracts.

CURRENCIES:

With the dollar forging a very wide trading range last Friday as it rejected a 10 day low and closed higher, the charts have shifted from patently bearish to slightly positive. However, the bull camp in the dollar should be very discouraged with the inability to see the dollar surge following signs inflation remains sticky and the prospect of lower US rates continues to plummet. While it is possible that a portion of early weakness in the US dollar was a result of Bank of Japan intervention to support the Yen, intervention can attract vigilantes seeking to test the resolve of intervening central bankers.

However, we suspect the dollar will find support later in the week from another round of positive US jobs data. In the near-term, lower US treasury yields and expectations of neutral commentary from the US Fed could leave the dollar in a lower high and lower low pattern. Dollar positioning in the Commitments of Traders for the week ending April 23rd showed Non-Commercial & Non-Reportable traders added 818 contracts to their already long position and are now net long 2,104.

Even though the euro might be benefiting from Bank of Japan dollar selling/Yen buying, the euro bulls might also benefit from win by default buying from expectations of a coming bounce in US Treasury prices. However, the euro is likely to be held back by a disappointing euro zone economic sentiment indicator, industrial confidence and services sentiment readings for April that were released at the start of the week. The April 23rd Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders net sold 19,800 contracts and are now net long 1,684 contracts.

With the dollar showing signs of weakness, the euro held back by soft data, and bullish charts, the pound looks to be a leadership currency capable of extending last week's aggressive gains. While the Canadian dollar also looks to be a leadership currency this week, we see gains more measured than in the pound. We do not expect a quick return to a downtrend channel resistance line drawn from the late December and early April highs. However, with the Canadian approaching the underside of a 45-day consolidation zone, it will be important to respect key support.

STOCKS:

The equity markets managed to weave through potential disaster late last week in the form of evidence of sticky inflation largely because of stellar earnings from Google and Microsoft. In fact, Google announced a dividend for the first time ever and given proof of profitable AI technology, the has clearly NASDAQ regained its footing after nearly 30 days of weakness. Global equity markets at the start of the week were higher except for the markets in Russia and Spain which traded fractionally lower.

While the higher high was not significant, the charts have clearly shifted positive with a very important renewal of optimism toward AI profitability. In other words, with two big tech companies posting strong earnings associated with AI last week, a key component of the February and March rallies has returned. It is also possible that reports of cease-fire talks in Cairo could help lower tensions in the Middle East which in turn would probably result in renewed investment in equities.

As indicated already, bullish sentiment has returned to the markets with revived hopes of historic AI profits. Furthermore, treasury markets appear to be signaling a slight moderation of interest rate fears, but that force could shift negatively at any given minute. At least at the start of this week, the markets are seeing a softening of US treasury yields, perhaps because of hope of dovish dialogue from this week's FOMC meeting. However, the S&P is overbought from a positioning perspective at the highest level since January 2022. The April 23rd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders reduced their net long position by 2,727 contracts to a net long 156,988 contracts.

With the revitalization of big earnings hopes from tech firms with AI prospects the Dow appears to have become a laggard. Fortunately for the bull camp bullishness has returned to the landscape thereby likely resulting in a rising tide lifting all boats. However, it is possible that a slump in treasury yields could provide the bulls in the Dow futures Index with some added assistance. The Commitments of Traders report for the week ending April 23rd showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 9,009 contracts and are now net long 7,727 contracts.

As indicated already the recently reacquired bullish tone has been ignited by evidence that large companies have already managed to profit from very expensive implementation costs of AI. In a slight fresh positive for the tech sector over the weekend, Tesla has apparently managed to satisfy Chinese regulatory requirements for self-driving vehicles in China which adds to the positive big tech/AI environment. Fortunately for the bull camp the net spec and fund long in the NASDAQ relatively low leaving the market with substantial speculative buying fuel. Nasdaq Mini positioning in the Commitments of Traders for the week ending April 23rd showed Non-Commercial & Non-Reportable traders reduced their net long position by 321 contracts to a net long 17,881 contracts.

GOLD, SILVER & PLATINUM:

While the net spec and fund long in gold (adjusted for the $30 rally into Friday's high) suggest the market is heavily overbought, we suspect technical signals will take a backseat to classic flight to quality headline news flow. However, with the post COT report rally, the net spec and fund long in gold is likely the longest in two years, and therefore any sign of a cease-fire between Israel and Hamas could result in a massive correction.

Gold positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders net bought 3,296 contracts and are now net long 176,157 contracts. Non-Commercial & non-reportable traders net sold 37 contracts and are now net long 252,606 contracts. Clearly, the market can correct aggressively and therefore traders should consider placing stops on futures positions and or purchasing put spreads protection to attempt to ride through wild swings. In our opinion, the cease-fire talks in Cairo will be the linchpin of this week's trend.

It goes without saying that the silver market will continue to follow gold price action which we think will remain mostly centered on flight to quality action and not on the dollar, inflation, or interest rates. With the silver market gaining $0.39 into the high Friday, the net spec and fund long in silver may have reached the highest level since the early days of the Covid breakout. The April 23rd Commitments of Traders report showed Silver Managed Money traders were net long 39,955 contracts after decreasing their long position by 1,007 contracts. Non-Commercial & non-reportable traders net-long 74,869 contracts after increasing their already long position by 2,056 contracts. Like gold, the silver market is vulnerable to significant downside.

The Commitments of Traders report for the week ending April 23rd showed Platinum Managed Money traders went from a net long to a net short position of 4,801 contracts after net selling 15,818 contracts. Non-Commercial & non-reportable traders net sold 10,622 contracts and are now net long 15,673 contracts. Palladium positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders added 214 contracts to their already short position and are now net short 9,708. Non-Commercial & non-reportable traders are net short 9,130 contracts after net selling 148 contracts.

COPPER:

Apparently, seeing a decline in Chinese industrial profits in March had little if any impact on copper prices at the start of this week as the July contract managed another higher high for the move and in turn reached the highest level since April 18th. However, Chinese and Hong Kong equities managed gains and Chinese property shares rose off hope of stimulus from the Peoples Bank of China. With a very strong close last Friday (the highest since April 18th of 2022), it is not surprising that the net spec and fund long positioning in copper (adjusted for the post COT report rally of $0.16) is likely at the highest level since February 2021.

Copper positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders were net long 67,210 contracts after increasing their already long position by 14,260 contracts. Non-Commercial & non-reportable traders added 7,261 contracts to their already long position and are now net long 63,214. Obviously, the copper market has been ignited by fresh demand hopes following a significant decline in Shanghai copper warehouse stocks last week of 4.2%, and by improved demand expectations given a return to risk on sentiment in global equity markets.

ENERGY COMPLEX:

With a range down probe at the start of this week mostly rejected, the trade has partially discounted cease-fire talks in Egypt. However, the crude oil market was presented with bearish news of a Petro China quarter over quarter production gain of 3.3 million barrels. While the energy markets are likely to see residual support from ongoing Israeli airstrikes against Hamas, the weekend presented several classic bearish supply and demand developments. First, Indian March crude oil imports dropped by 1.1% versus year ago levels, and strong demand from India has been a key component of the bull case.

From the supply side of the equation, the Mexican national oil company Pemex reversed crude oil export cuts for next month after recently indicating they would attempt to refine all domestic produced oil in country. Furthermore, the Russian economic development Ministry indicated 2024 crude oil exports were likely to be higher than 2023 by 10 million metric tonnes. In other words, Russian oil exports were pegged at 240 million metric tonnes this year compared to 230 million last year. However, crude oil should see support from a 17% week over week decline in global crude oil in floating storage and from ongoing attacks on Ukraine and Russia energy infrastructure.

While last week's net spec and fund long position was 92,000 contracts below the last three-year high net spec and fund long, the market into the Friday high gained $1.10 indicating the net spec and fund long report this week understates the magnitude of the net long. Nonetheless, the crude oil market retains speculative buying capacity if fundamentals remain supportive. Crude Oil positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders are net long 179,646 contracts after net selling 24,251 contracts. Non-Commercial & non-reportable. Last week US oil rigs operating were reduced to the lowest level since November 2023 resulting in the rig count falling in five of the last six weeks.

While tensions between Israel and Iran could flare-up at any second, reports have a Hamas delegation visiting Egypt seeking a cease-fire. The Israelis are indicating they needed to eradicate Hamas, and it is possible they will intensify attacks to complete their mission before international pressure for a cease-fire becomes intense. In our opinion, without an Iranian attack against Israel for their increased aerial bombardment of southern Gaza, the situation in the Middle East may be poised to de-escalate. Therefore, we suggest traders consider purchasing bear put spreads in July crude oil (which offers enough time value).

With the gasoline market showing a return to a leadership role, the focus of the trade may be embracing positive seasonal demand hopes but we think gasoline will see negative headwinds from the diesel market. Yet another bearish development came from China where refiners apparently boosted product exports to 14-month highs! Furthermore, the gasoline contract is easily the most overbought (relatively speaking), especially with the June contract after the COT report was measured gaining 5 1/2 cents into Friday's high. The April 23rd Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 72,962 contracts after net selling 6,563 contracts. Non-Commercial & non-reportable traders net sold 6,001 contracts and are now net long 85,255 contracts. Adjusting for the post report rally, the gasoline contract might have the largest net spec and fund long since January 2021!

While the seasonal demand pattern points up, the gasoline supply in the US remains at a surplus to year ago levels. As indicated already, the diesel market looks to be a headwind for crude oil and gasoline with supply and demand discouraging buyers. Fortunately for the bull camp, the net spec and fund long in diesel is the least overbought in the complex. Traders could consider bear put spreads in the July contract on rallies early this week. The Commitments of Traders report for the week ending April 23rd showed Heating Oil Managed Money traders added 142 contracts to their already long position and are now net long 3,360. Non-Commercial & non-reportable traders were net long 23,125 contracts after decreasing their long position by 2,118 contracts.

Despite significant short and long-term oversold conditions, the fundamental path of least resistance in natural gas remains down. Last week's "above the range" of expectations weekly injection to EIA gas in storage combined with mild shoulder season weather in the US and Europe leaves the bear camp in control. From a longer-term perspective, natural gas prices could bottom out after a plunge to even cheaper levels as there are signs that demand for US supply is robust and is likely to expand. The bull camp might see fleeting support from a Bloomberg story overnight suggesting the Texas electric grid will see capacity issues in the long summer season ahead.

However, the US has had trouble maintaining capacity export flow and needs additional export terminal capacity to begin to eat away a wall of US supply. However, with potential of adding US export capacity by June or July that should help the trade discount a large surplus to 5-year average inventories. Unfortunately for the bull camp, the net spec and fund short in natural gas is not extreme even with the slide after last week's report. The April 23rd Commitments of Traders report showed Natural Gas Managed Money traders net bought 25,998 contracts and are now net short 88,391 contracts. Non-Commercial & non-reportable traders are net short 115,910 contracts after net selling 6,685 contracts. More new contract lows are expected ahead.

BEANS:

After opening steady at the start of this week, bean prices are slightly higher, and we give a slight edge to the bull camp after the significant open interest decline Friday across the complex. Beans, meal, and bean oil combined open interest Friday dropped nearly 65,000 contracts, much of which was liquidation of May contracts before 1st notice day tomorrow, relieving some of the bearish pressure on the market. Initial support may be coming from the strike due to start on Monday by the Argentine Oilseed Workers Union, which is set to last for 72 hours. This certainly will be the last strike this harvest season in Argentina.

According to the UN commodity trade statistics database, US's share of total China bean imports in 2023 was slightly less than 25%, down from 51% in 2009. Cargill Brazil's President says the soybean crop should not be too much less than last season, which would be bearish if he is correct, as the Brazil bean crop in 2022/23 was 162 million tonnes compared to USDA's current estimate of 155 million and CONAB just below 147 million. Heavy rains across portions of the corn belt over the weekend, with more to come this week, and temperatures are expected to warm to above normal levels.

This week's heaviest rains look to be focused on Iowa, Eastern Kansas, and northern Missouri but most areas except for the far western corn belt and Southwest Plains will see some precipitation, limiting planting progress. 1st notice day for May contracts is Tuesday and longs must liquidate by the close on Monday to avoid delivery risk. Commitment of Trader's data showed funds bought nearly 30,000 contracts of meal last week, resulting in a net long of 20,000 contracts, their 1st net long since January.

If prices begin to falter, the newly established net longs may provide selling fuel for a market break. Chinese scientists say they have found a way to avert fatal rust disease utilizing a rust resistant gene. Asian Rust is highly prevalent in South America. Fundamentals suggest beans will be the weak link of the grain complex, at least until there is a threat to the crop. But short-term, the bullish technical upside reversal of April 19 is still the dominant technical feature and that may keep some technical support under the market.

The Commitments of Traders report for the week ending April 23rd showed Soybeans Managed Money traders net bought 18,861 contracts and are now net short 149,014 contracts. CIT traders net sold 902 contracts and are now net long 115,602 contracts. Non-Commercial No CIT traders were net short 164,023 contracts after decreasing their short position by 17,219 contracts. Non-Commercial & Non-Reportable traders were net short 166,858 contracts after decreasing their short position by 23,760 contracts.

The April 23rd Commitments of Traders report showed Soyoil Managed Money traders were net short 49,528 contracts after decreasing their short position by 3,767 contracts. CIT traders are net long 122,128 contracts after net selling 4,458 contracts. Non-Commercial No CIT traders net bought 7,546 contracts and are now net short 67,727 contracts. Non-Commercial & Non-Reportable traders were net short 41,950 contracts after decreasing their short position by 1,374 contracts.

The April 23rd Commitments of Traders report showed Soymeal Managed Money traders went from a net short to a net long position of 19,681 contracts after net buying 30,224 contracts. CIT traders net bought 4,871 contracts and are now net long 98,763 contracts. Non-Commercial No CIT traders reduced their net short position by 25,575 contracts to a net short 12,882 contracts. Non-Commercial & Non-Reportable traders

CORN:

July corn has had an $0.08 trading range since the close of Monday a week ago and prices Friday closed only a couple cents lower despite open interest dropping nearly 40,000 contracts. Corn is expected to benefit from good export demand and the possibility of some corn acres switching to beans if wet weather continues across the Midwest. It was a wet weekend in many areas of the Midwest, and the heaviest rains this week will be across Iowa, Eastern Kansas and northern Missouri. The far western corn belt and the Southwest Plains are least favored for precipitation but temperatures across the entire Midwest will be warming to above normal. Bird flu was detected in Colorado, adding to the list of infected states.

China's COFCO says the season's corn acreage in the Northeast part of the country, where 50% of the crop is grown, will be down 3% as beans are favored for the more lucrative government subsidies. An update to Biden's GREET Climate Model is possible this week which will clarify what it will take for corn ethanol to qualify for Sustainable Aviation Fuel subsidies. The US continues to have a freight advantage off the Pacific Northwest Coast, keeping us competitive and that should continue to provide underlying support to the market. In addition, Brazil's safrinha crop areas are too dry and rain chances are limited over the next 10 days. Our continued theme is price breaks will be supported and the February low is unlikely to be taken out until the US crop is made.

Corn positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders were net short 238,546 contracts after decreasing their short position by 41,024 contracts. CIT traders reduced their net long position by 71 contracts to a net long 278,309 contracts. Non-Commercial No CIT traders were net short 239,706 contracts after decreasing their short position by 40,776 contracts. Non-Commercial & non-reportable traders are net short 199,667 contracts after net buying 42,906 contracts.

WHEAT:

Wheat is starting this week with a weaker tone after hitting longer-term moving average resistance Friday and technical indicators reaching overbought levels. Southern Russian and eastern Ukraine dryness and Southwest US Plains moisture shortages were the catalyst for the rally last week and while there are few chances for rain in Southwest Kansas over the next 10 days, there are some chances for southern Russia late this week, which may take away part of the bullish weather story. Wheat prices are in the timeframe where weather is expected to create additional volatility, but we think wheat's days of being the consistent “weak link” of the grains are over for now.

However, July Chicago prices reached longer-term 200-day moving average resistance late last week and the potential rains in Southwest Russia later this week are likely to result in a pullback. Commitment of Trader's data showed managed Money covered 20,000 contracts of their short position through Tuesday of last week. The price rally Wednesday, Thursday and Friday was certainly driven by fund short covering as well.

The April 23rd Commitments of Traders report showed Wheat Managed Money traders were net short 76,184 contracts after decreasing their short position by 20,219 contracts. CIT traders reduced their net long position by 483 contracts to a net long 116,226 contracts. Non-Commercial No CIT traders net bought 16,200 contracts and are now net short 105,808 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 13,188 contracts to a net short 53,086 contracts.

KC Wheat positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders net bought 1,023 contracts and are now net short 48,208 contracts. CIT traders are net long 72,753 contracts after net buying 1,510 contracts. Non-Commercial No CIT traders reduced their net short position by 5,341 contracts to a net short 60,382 contracts. Non-Commercial & Non-Reportable traders net bought 6,651 contracts and are now net short 39,008 contracts.

HOGS:

June hogs fell to their lowest level since April 18 on Friday after a failure to even test the April 10 contract high last week reinforced the dominance of the reversal top signal. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,742 contracts of lean hogs for the week ending April 23, increasing their net long to 92,387. The is close to a record, which leaves the market vulnerable to heavy selling if support levels are taken out.

The USDA estimated hog slaughter came in at 2.379 million head last week, down from 2.487 million the previous week and 2.380 million a year ago. Estimated US pork production last week was 513.3 million pounds, down from 536.0 million the previous week and 515.0 million a year ago. The USDA pork cutout, released after the close Friday, came in at $97.11, up $1.17 from Thursday but down from $99.17 the previous week. The CME Lean Hog Index as of April 24 was 91.43, down from 91.64 the previous session and 91.46 the previous week.

CATTLE:

June live cattle could test the 200-day moving average Monday, but upside potential looks limited with heavy cattle weights boosting beef production and a seasonal tendency for more cattle to become available. We are approaching a strong seasonal period for beef demand as well, but strong production provides an offset. The USDA estimated cattle slaughter came in at 613,000 head last week, down from 620,000 the previous week and 627,000 a year ago. The estimated average dressed cattle weight was 848 pounds, up from 847 the previous week and 816 a year ago. The 5-year average weight for that week is 817 pounds. Estimated beef production last week was 518.6 million pounds, up from 510.4 million a year ago.

The USDA boxed beef cutout was up $1.50 at mid-session Friday and closed 22 cents higher at $297.14. This was up from $295.67 the previous week. Cash live cattle traded in moderate volume for Friday at slightly higher prices than Thursday. As of Friday afternoon, the five-day, five area weighted average price was $183.95, up from $182.58 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,353 contracts of live cattle for the week ending April 23, increasing their net long to 35,654. This is still near the low end of the historic range and does not present a burdensome position. Colorado became the ninth state to report a dairy herd infected with bird flu on Friday. Tests of milk last week suggested the outbreak is more widespread than previously thought.

COCOA:

The cocoa market has seen two weeks in a row with wide-sweeping price action and massive daily trading ranges, but they spent all of last week below the mid-April high for the move. Although there has been little change to a very bullish supply outlook, cocoa prices remain vulnerable to further downside price action this week. July cocoa gave up early gains as it went on to post a sizable loss for Friday's trading session. For the week, July cocoa finished with a loss of 867 points (down 7.6%) which broke a nine-week winning streak.

A shift towards wetter weather over West African growing areas should provide some benefit for the region's upcoming production, and that weighed on cocoa prices going into the weekend. Ivory Coast and Ghana are still expected to have sizable decline in their cocoa production from last season, but increased precipitation should lead to increased mid-crop output this year.

A pullback in the Euro put carryover pressure on the cocoa market as that could make it more difficult for European grinders to acquire near-term supplies. First quarter grindings from the major demand regions were stronger than expected, due in part to processers working down their cocoa stocks. Those processers will have to build those stocks back up at some point in the future, which they expect will be when global production has recovered and cocoa prices are much lower.

The April 23rd Commitments of Traders report showed Cocoa Managed Money traders net sold 2,192 contracts and are now net long 13,944 contracts. CIT traders were net long 19,037 contracts after decreasing their long position by 519 contracts. Non-Commercial No CIT traders net sold 485 contracts and are now net long 10,614 contracts. Non-Commercial & Non-Reportable traders are net long 25,858 contracts after net selling 2,433 contracts. A moderate weekly decline in cocoa's net spec long position may indicate that recent short-covering support has eased.

COFFEE:

The coffee market will finish April with a sizable price gain as it continues to find support from supply issues in Vietnam and Indonesia. With a 2-day recovery move running out of steam on Friday, however, coffee prices are likely to finish the month on a downbeat note. July coffee pivoted back to the downside after a midsession rebound as they finished Friday's trading session with a sizable loss. For the week, July coffee finished with a loss of 7.85 cents (down 3.4%) which broke a 5-week winning streak. Brazil and Colombia are both expected to see increased Arabica production later this year, and that continued to be a source of pressure on coffee prices late last week.

Drier than normal conditions should result in Vietnam's upcoming 2024/25 crop to come in below this season's output. Vietnamese farmers continue to hold onto their remaining supply from this season in anticipation of higher prices, and that continue to provide underlying support to the coffee market. ICE exchange coffee stocks fell by 4,835 bags on Friday, but with two days left in April are more than 61,000 above their March month-end total. They are more than 405,000 bags above their 2023 year-end total (up

161%), with this year's buildup of ICE exchange coffee stocks also weighing on prices as that indicates lukewarm demand.

The Commitments of Traders report for the week ending April 23rd showed Coffee Managed Money traders reduced their net long position by 3,628 contracts to a net long 68,183 contracts. CIT traders net sold 74 contracts and are now net long 52,507 contracts. Non-Commercial No CIT traders were net long 50,705 contracts after decreasing their long position by 2,728 contracts. Non-Commercial & Non-Reportable traders are net long 77,116 contracts after net selling 2,468 contracts. Coffee's managed money net long remains close to a record high that could provide additional fuel for a wave of long liquidation going into month-end.

COTTON:

July cotton has traded in a relatively narrow range over the past few sessions and has managed to hold the April 18 five-month low. Supportive fundamentals are few, except that the market may be interested in building some sort of weather premium heading into the US growing season, even if soil moisture conditions are good. Last week's drought monitor showed 9% of US cotton production was in an area experiencing drought versus 39% a year ago and 55% two years ago.

Export sales held up surprisingly well last week, coming in at their highest level since February 1. A technical reversal higher in the dollar on Friday could spell trouble for US export prospects if it is the start of a new leg higher for the currency. Recoveries in the stock and crude oil markets last week are supportive to cotton demand. ICE certified stocks increased another 3,283 bales on April 26 to reach 181,430. This is up from 985 bales on February 27 and is their highest since July 2017.

Friday's Commitments of Traders report showed managed money traders were net sellers of 26,641 contracts of cotton for the week ending April 23, reducing their net long to 9,501. This is a huge drop from the net long of 94,000 posted on February 27 and indicates that the funds have mostly liquidated their net long. The drop this week came mostly on additional selling, as longs fell 10,779 and shorts increased 15,862. The selling trend is short-term negative. The 6-10 and 8-14-day forecasts call for above to much above temperatures across cotton growing regions, with normal to above-normal chances of rain. The heat may become a concern if moisture comes up short.

SUGAR:

While last Thursday and Friday saw volatile wide-sweeping price action, the sugar market will start this week at the bottom end of its April downtrend. Until the market receives fresh bullish supply news, sugar prices may have trouble sustaining upside momentum this week. July sugar held within an inside-day range despite whipsaw intra-day action as it could not hold onto early strength and finished Friday's session with a mild loss. For the week, July sugar finished with a loss of 0.41 cent (down 2.1%) and a fourth negative weekly result in a row. The Brazilian trade group Unica released their Center-South supply report for the first half of April which is also the first report for the new 2024/25 season.

Unica said that the first-half Center-South cane crush came in at 15.81 million tonnes, which was 14.1% above last year's total and was slightly below trade forecasts. However, Center-South sugar production over that timeframe was 710,000 tonnes which was 31.0% above last year. Sugar's share of crushing was 43.6% which compares to 38.0% over the same period last year and indicates that mills have emphasized sugar production at the start of the new season. Center-South domestic ethanol sales during the first of April were 31.5% below last year's comparable total, and that puts monthly ethanol sales on-track for their first year-over-year decline since July 2023.

Sugar positioning in the Commitments of Traders for the week ending April 23rd showed Managed Money traders net sold 23,254 contracts and are now net long 11,664 contracts. CIT traders are net long 163,473 contracts after net selling 1,377 contracts. Non-Commercial No CIT traders are net short 28,025 contracts after net selling 17,473 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 14,136 contracts to a net long 14,530 contracts. Sugar's managed money net long position is at the smallest level since late 2022, and that may help the market to sustain a recovery move when it can regain upside momentum.

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