ADM Investor Services, Inc.

# Weekly Futures Market Summary

**by the ADMIS Research Team**
**October 18, 2021**

**BONDS:**
Last Friday's European data included lower than forecast results for Italian CPI and the Euro zone trade surplus. US retail sales came in higher than expected, which offset lower than forecast results for the Empire State survey and a private survey of consumer sentiment. Treasuries remained on the defensive and posted sizable losses for 1ast Friday's trading session. Treasury prices found early pressure again at the start of this week and as with last Friday's session, they have not been able to shake that off.

The longer-end of the yield curve outperformed shorter durations as 10-year notes slumped to a 5 1/2 month low while 5-year notes have reached an 18-month low. While global risk sentiment has taken a negative shift following lukewarm Chinese GDP and industrial production results, the prospect for rising global rates has kept Treasuries on the defensive. In addition to a growing consensus that Fed tapering will begin this year, comments from a Bank of England official increased the chances of a UK rate hike next month which also weighed on Bonds and Notes.

There may also be additional long liquidation in front of the latest TIC report, but keep in mind that Monday's release will cover August holdings which was before Treasury prices started their longer-term move to the downside. The Commitments of Traders report for the week ending October 12th showed Bonds Non-Commercial & Non-Reportable traders net bought 20,443 contracts and are now net short 103,927 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders reduced their net short position by 31,452 contracts to a net short 141,751 contracts.

**CURRENCIES:**
The Dollar held within an inside-day range as it finished last Friday's trading session close to unchanged levels. A better than expected US retail sales result provided the Dollar with support and helped to offset safe-haven outflows. On the other hand, the Japanese Yen was pressured by safe-haven outflows and fell to a new multi-year low. The Dollar was able to break out of a near-term consolidation zone with moderate gains early in this week's action, but it remains well below last Tuesday's multi-year high.

Lukewarm Chinese GDP and industrial production readings led to fresh safe-haven inflows to the Dollar early this week. The growing consensus of Fed tapering by the end of this year also boosted the Dollar, but the market could not avoid disappointing US industrial production results. The Dollar should benefit from the negative shift in global risk sentiment early this week.

After a positive finish to last week's trading, the Euro fell back on the defensive early this week. While Euro zone inflation has increased, it has not reached levels that would encourage the European Central Bank to consider tapering. The ECB's Visco said that their policy will remain accommodative and will look through price pressures, which is in sharp contrast to recent comments from Fed and Bank of England officials. The Euro will need to see a significant positive turnaround in global risk sentiment to regain upside momentum.

While the Yen only found mild pressure early in this week’s action, it is closing in on a new 4-year low. Japanese officials are starting to voice concern over the Yen's September/October downdraft while new Japanese Prime Minister Kishida said that he has no plan to change the Japanese sales tax, both of which may help the Yen to find its footing. The Yen may need to see significant safe-haven inflows in order to avoid reaching multi-year lows this week.

The Swiss franc has seen coiling price action over the past week and continues to have trouble sustaining upside momentum. The Euro/Swiss cross remains in close proximity to an 11-month low, and that increases the chances for SNB intervention to weaken the Swiss franc. Recent Swiss data results have been generally positive, but that has not been enough to underpin the Swiss franc as it may remain on the defensive this week.

The Pound found mild pressure at the start of this week and held within a fairly tight trading range close to last Friday's 4 1/2 week high. The BOE's Bailey said that the Bank of England will have to act on inflation, which has set the stage for a UK rate hike as soon as next month. With no major UK data until later this week, the Pound should also be a major beneficiary if global risk sentiment takes a positive shift as an increasing hawkish Bank of England should help to underpin the Pound above its 50-day moving average.

The Canadian dollar was unable to hold initial support and followed through on last Friday's negative daily reversal. Surging crude oil prices should help to underpin the Canadian dollar early this week, and the Bank of Canada's Business Outlook survey provided additional support as their economic guidance had a generally positive tone. The Canadian dollar should remain fairly well supported early this week.

**STOCKS:**
Global markets were able to shake off early pressure and have a mostly positive risk tone during Friday's trading session. Better than expected earnings from Charles Schwab and Goldman Sachs provided a boost to risk appetites. Bitcoin climbed above $60,000 which also gave a boost to global risk sentiment. US equity markets were able to build on early strength and extended their recovery move with moderate gains. Global markets had a mildly positive start to the week, but took a negative shift coming into North American trading action. Third quarter Chinese GDP and September Chinese industrial production came in lower than forecasts while September Chinese retail sales came in above trade forecasts. Asian shares generally finished in negative territory and were led by modest losses in the

Shanghai Composite and Japanese Nikkei indices. European shares posted moderate early losses and were led to the downside by the German DAX and Italian MIB indices.

It is hard to look past the third quarter Chinese GDP and September Chinese industrial production number which came in well below expectations. With energy issues and news that new construction starts in September slumped for a sixth straight month, it is difficult be optimistic on the China economy in the months just ahead. Expensive energy should eat into corporate earnings worldwide and this leaves a major headwind to expect new all-time highs soon for the stock market. In the long run, inflationary pressures are also a negative to earnings. E-Mini S&P positioning in the Commitments of Traders for the week ending October 12th showed Non-Commercial & Non-Reportable traders net bought 41,014 contracts for the week and are now net long 134,515 contracts..

High coal and energy prices are hurting the China economy and in the US, the inflationary tone has spread to a tight US job market and strikes for more pay. This, along with supply/chain issues could be seen as significant bearish forces. The October 12th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 4,147 contracts which moved them from a net short to a net long position of 3,160 contracts. The Commitments of Traders report for the week ending October 12th showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 2,898 contracts and are now net short 3,516 contracts.

**GOLD, SILVER & PLATINUM:**
After a 2-day rally, the precious metals turned sharply to the downside on Friday, and they remained on the defensive with mild losses early this week. Continued strength in bitcoin, which climbed above the $62,000 level for the first time since April, has been a notable source of pressure on the precious metals. The dollar was stronger, and Treasury rates increased, adding additional pressure. Lukewarm Chinese data overnight and growing market acceptance that Fed tapering will begin by the end of this year have weighed on the markets as well.

Comments from a Bank of England official over the weekend that they will have to act to contain inflation hint at an upcoming UK rate hike that also pressured the precious metals. The Commitments of Traders report on Friday showed managed money traders were net buyers of 1,976 contracts of gold for the week ending October 12, increasing their net long to 69,817. These traders were also net buyers of 342 contracts of silver, increasing their net long to 4,972. ETFs were net sellers of 125,272 ounces of gold on Friday, but they were buyers of 4.7 million ounces of silver.

Platinum and palladium were under moderate pressure early this week which follows a steep selloff in palladium on Friday. Disappointing Chinese GDP data have been a source of pressure on the markets, as they do not bode well for Chinese vehicle sales during the fourth quarter. September US domestic auto inventories will be released this week. The August number was a seasonally adjusted 124,700 vehicles, the lowest since records began in 1993 and the sixth month in a row with a record low. By comparison, in August 2019 there were 629,600 in inventory, and in August 2015 there were 1.245 million.

The current low numbers are indicative of the slowdown in automobile production that has resulted from the shortage of computer chips. They also illustrate the pent-up demand that could drive auto production and palladium consumption once the chip shortage eases. Friday's Commitments of Traders report showed managed money traders were net buyers of 438 contracts of palladium for the week ending October 12, reducing their net short to 2,101. In platinum, managed money traders were net buyers of 8,137, which moved them from a net short position to a net long of 595 contracts. This is an aggressive buying trend.

**COPPER:**
Copper reached a new five-month high, but it gave back those gains early this week. A new 12-year low for weekly Shanghai exchange copper stocks provided a boost to prices on Friday, as did another decline in daily LME copper stocks. LME stocks fell again on Monday for a 20th draw in the past 21 sessions as they have reached their lowest levels since June. The market had discounted negative action in Chinese equity markets following lukewarm GDP and industrial production, as that news is being countered by concerns that power shortages could restrict Chinese smelter operations.

Friday's Commitments of Traders report showed managed money traders were net buyers of 9,158 contracts of copper for the week ending October 12, increasing their net long to 35,564. This shows an aggressive buying pace and is a short-term bullish force. While short term technical indicators are overbought, open interest and the COT data suggest that the market is nowhere near overbought territory. With the threat of Chinese power shortages having the potential to reduce global supply, copper could remain well supported on pullbacks.

**ENERGY COMPLEX:**
Crude oil drove further into new high ground at the start of this week, but it also faces a bearish supply outlook going forward that leaves it vulnerable to a pullback. Crude oil and the products received a boost from reports that OPEC Plus output cuts in September were 115% of what they had agreed to (In other words, their total output was even less than what they agreed to). This follows reports last week that 10 of the 19 OPEC plus nations did not (or could not) meet their output quotas during August. Prospects for improving global demand have provided underlying support this month, but there were reports that China's September refinery throughput last month reached a 16-month low due to power shortages.

We can expect the surge in crude oil prices above $80 per barrel to stimulate drilling and exploration in the US, which could bring added production in the coming months. After falling below 200 at the height of the lockdown in 2020, the Baker Hughes US oil rig operating count recently reached 433, which is double year-ago levels. The lag time between drilling and production varies, reportedly ranging from three months to as much as a year. This suggests that US production will continue to rise. If US oil production climbs above 11.5 million barrels per day (for the first time since May 2020), it would likely get the attention of the market.

However, with the shift away from fossil fuels, a return to record levels above 13 million barrels per day seems unlikely, and drilling investment is likely to be less robust than in previous price shocks. Friday's Commitments of Traders report showed managed money traders were net buyers of 10,448 contracts of crude oil for the week ending October 12, increasing their net long to 326,605. Non-commercial & non-reportable traders were net buyers of 7,634, increasing their net long to 538,806. The buying trend is supportive.

The OPEC Plus production shortfall news was a source of support for both ULSD and RBOB. News that Chinese exports of gasoline and diesel during September were well below year-ago levels has also provided a boost to product prices. European power plants may use distillates for their electricity production due to severe natural gas shortages, which supports ULSD. The latest readings for US implied gasoline and distillate demand were well below their recent highs, but that may be due in part to a drop in refinery utilization.

As news headlines over tight global energy supplies rattle the market, we may see US refineries ramp up their operations. Friday's The Commitments of Traders report showed managed money traders were net sellers of 496 contracts of RBOB for the week ending October 12, reducing their net long to 60,465. Non-commercial & non-reportable traders were net sellers of 903, reducing their net long to 57,095. For USLD, managed money traders were net buyers of 1,816, increasing their net long to 49,714. Non-commercial & non-reportable traders were net sellers of 1,082, reducing their net long to 67,408.

Natural gas started the week with a gap-lower opening and a move to its lowest level in 3 1/2 weeks. Reports that Russia may increase its natural gas exports to western Europe as it prepares to start the Nord Stream 2 pipeline have pressured prices. We believe natural gas could still face tight supply and increasing demand over the coming winter. Unlike crude oil, the US natural gas rig count has not recovered in any significant manner since bottoming out in 2020. The number of US natural gas rigs in operation was 99 as of October 8, half of where they were in 2018 and only 10% of the record. The natural gas market was late in responding to the recovery in demand, and it may have overreacted in reducing output during the pandemic, possibly because natural gas storage in the US periodically approached capacity.

Natural gas storage was 8% below the five-year average this summer. That deficit has since narrowed to 5%, and it is expected to narrow further until US heating demand begins in earnest next month. European gas supplies are currently running 18% below average, justifying concern for supply this winter. The US will transition from injection season to the withdrawal season around November 1. A colder than normal winter in the US and Europe could to draw supplies down. Friday's Commitments of Traders report showed managed money traders were net sellers of 5,429 contracts of natural gas for the week ending October 12, reducing their net long to 27,326. Non-commercial & non-reportable traders were net buyers of 4,904, reducing their net short to 89,832.

**BEANS:**

The soybean market looks vulnerable to more selling short-term. November soybeans close sharply higher on the session Friday, but down 25 1/4 cents for the week. Very active buying from China is suspected with the huge daily purchases from unknown destination helping to support. Outside market forces were also quite positive. Exporters announced the sale of 132,000 tonnes of US soybeans to China. Exporters also announced the sale of 326,750 tonnes of US soybeans to unknown destination and 396,000 tonnes of US soybeans to unknown destination.

A dry forecast for the next five days plus better weather in Brazil are seen as short-term negative forces. With fertilizer prices tripling over the past few months, there is increased concern that planted area could jump by near 3 million acres next year as producers shy away from corn and even wheat. If planted area jumps by 3 million acres, and we use a 52 yield, and the same usage as this year ending stocks could come in near 586 million bushels. This compares with expectations for 320 million bushels this year and 256 million for the 2020/2021 season.

For the NOPA crush report for the month of September, total crush came in at 153.8 million bushels, down 3.2% from August and down 4.8% from September 2020. Traders expected crush near 155.07 million bushels with a range of 148-162.8 million bushels. Oil stocks as of September 30 increased to 1.684 billion pounds as compared with trade expectations for 1.663 billion. The weekly export sales report for the week ending October 7, showed net soybean sales came in at 1,147,834 tonnes from trade expectations for 600,000 to 1.4 million tonnes. Cumulative soybean sales have reached 46.4% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 50.7%.

Net meal sales came in at 365,418 tonnes for the current marketing year and 651 for the next marketing year for a total of 366,069. Cumulative meal sales have reached 31.5% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 28.3%. Net oil sales came in at 19,782 tonnes. The October 12th Commitments of Traders report showed Soybeans managed money traders reduced their net long position by 20,385 contracts to a net long 29,068 contracts. Non-Commercial No CIT traders were net short 12,297 contracts after increasing their already short position by 12,039 contracts. For Soyoil, managed money traders are net long 72,984 contracts after net selling 2,194 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,943 contracts to a net long 82,113 contracts. For meal, managed money traders are net short 40,324 contracts after net selling 8,260 contracts for the week.

**CORN:**

The corn market continues to consolidate, and will need to absorb increased harvest pressure this week. In September, China imported 3.53 million tons, up 227% from last year. Year-to-date imports reached 24.93 million tonnes, up 274.5% from last year's pace. December corn closed sharply higher on the session Friday, but the rally still left the market down 4 3/4 cents for the week. The bullish weekly ethanol production report plus positive news from outside market forces were seen as supportive factors. Ethanol blending margins are wide and profitable and this could boost consumption and production of ethanol at the same time. This would add to the corn usage for ethanol.

While the short-term trend for old crop corn will be dictated by demand signals and the second half of harvest, December 2022 corn is likely to see a steady flow of positive news. Soaring fertilizer prices could lead US farmers to switch about 3-5 million acres from corn to soybeans. As recently as 2019/20, planted area was 89.7 million acres. The year before that it was 88.9 million. If 88.9 million acres were planted next year with a record yield of 177.4 bushels per acre and the same usage as this year, ending stocks come in at 1.13 billion bushels with a 7.6% stocks/usage ratio.

This would be the third tightest ratio on record going back to at least 1960. The weekly export sales report showed that for the week ending October 7, net corn sales came in at 1,039,883 tonnes for the current marketing year and 3,579 for the next marketing year for a total of 1,043,462. Traders were looking for sales near 700,000 to 1.6 million. Cumulative sales have reached 43.5% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 32.4%.

The October 12th Commitments of Traders report showed managed money traders are net long 227,931 contracts after net selling 22,665 contracts for the week. The long liquidation selling trend is a bearish short-term factor. Non-Commercial & Non-Reportable traders were net long 230,323 contracts after decreasing their long position by 21,844 contracts. The 5 day forecast shows no rain for the mid-west and the 6-10 day shows normal rainfall.

**WHEAT:**

The wheat market remains in a steady uptrend after correcting the overbought condition early last week. End-users are buying a little more wheat than normal as an inflationary tone to commodity markets is helping to expand the end-user pipeline. China September wheat imports reached 640,000 tons, down 40.4% from last year as high prices slowed imports. Year to date imports reached 7.59 million tonnes, up 25.3% from last year's pace. Russia's wheat export customs duty will increase to $61.30/tonne next week, up from $58.70, the Agriculture Ministry said Friday. Russia wheat exports for the January to August timeframe reached 19.316 million tonnes, down 1.6% from the previous year's pace.

Export prices for Russian wheat rose to a nine-year high, the SovEcon analytical firm reported on Monday. Pakistan is tendering to buy 90,000 tonnes of wheat. Milling wheat futures in Europe reached another new contract high and a nine year high Friday with rumors that lower quality French wheat is moving to China with talk that shipments could reach over two million tonnes. This helped to support wheat prices and is a positive factor for the corn market as well. China plans to auction 1 million tonnes of wheat from state reserves on October 20. This seems to be an attempt to get prices lower as tightness in feed grain has been an issue.

December wheat close sharply higher on the session Friday which left the market unchanged for the week. Talk of a little bit better weekly export sales news and continued strength in the European milling wheat futures contract helped to support. The weekly export sales Report showed that for the week ending October 7, net wheat sales came in at 567,598 tonnes from trade expectations for 250,000 to 500,000 tonnes. Cumulative sales have reached 50.3% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 53.0%. Paris wheat reached a nine-year high as world stockpiles are seen contracting more than expected.

Fertilizer prices have tripled to a new all-time high and this could help shift acres away from wheat and corn and to oilseeds. The Commitments of Traders report for the week ending October 12th showed Wheat Managed Money traders net sold 13,758 contracts which moved them from a net long to a net short position of 8,546 contracts. This leaves the market vulnerable to short-covering support is there are reasons for the market to trade higher. Non-Commercial & Non-Reportable traders net sold 11,731 contracts and are now net short 19,041 contracts. For KC wheat, managed money traders are net long 48,286 contracts after net selling 1,660 contracts for the week. Non-Commercial & Non-Reportable traders are net long 43,240 contracts after net selling 1,918 contracts.

**HOGS:**

The hog market is still probing for a short-term low, as the wide discount of futures to the cash market should help it find some support. Supply news from China remains bearish as their third-quarter pork production surged to its highest level in three years, coming in at 12.02 million tonnes, up 43% from last year. Their pork output jumped 38% in the first three quarters of 2021. China imported 3.14 million tonnes in the first nine months of the year, down 4.3% from a year ago. The USDA pork cutout released after the close Friday came in at $99.08, down $5.28 from Thursday and down from $104.73 the previous week. This was the lowest the cutout had been since March 16.

The CME Lean Hog Index as of October 13 was 88.82, down from 89.73 the previous session and 92.59 a week before.US pork export sales for the week ending October 7 came in at 33,482 tonnes, up from 22,157 the previous week and above the average of the previous four weeks at 30,659. Japan was the largest buyer at 11,818 tonnes, followed by Mexico at 8,176 tonnes and China at 4,278. Cumulative sales for 2021 have reached 1.601 million tonnes, down from 1.768 million a year ago but the second highest on record. The five-year average is 1.253 million. Mexico has the most commitments for 2021 at 553,785 tonnes, followed by China at 338,358 and Japan at 193,027. A year ago, China's commitments were 678,519 tonnes.

The USDA estimated hog slaughter came in at 477,000 head Friday and 256,000 head for Saturday. This brought the total for last week to 2.637 million head, up from 2.597 million the previous week but down 1.8% from a year ago. Estimated US pork production for the week came in at 557.0 million pounds, up from 547.1 the previous week but 4% from a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,514 contracts of lean hogs for the week ending October 12, reducing their net long to 68,632. This is a long liquidation selling trend and is a bearish short-term force. China's national average spot pig price as of October 18 was up 5.0% from the previous day. Prices are up 27% for the month but down 62% year to date. Dalian live hog futures were up 5.0% today and up 14% for the month.

**CATTLE:**

December cattle remains in a positive short-term uptrend. The market traded to its highest level since September 7 on Friday. Optimism on the potential for strong consumer demand in the wake of the sharp rally in the stock market lent support. However, with the market holding a stiff premium to the cash market, steady positive news and a continued uptrend in the cash market could be necessary to support new buying in the futures. The USDA estimated cattle slaughter came in at 107,000 head on Friday and 59,000 head for Saturday. This brought the total for last week to 646,000 head, down from 657,000 the previous week and down 2% from a year ago. Average estimated dressed cattle weights last week came in at 830 pounds, unchanged from the previous week and down from 845 a year ago. The weight data is bullish and suggests producers are current with marketings. The 5-year average weekly weight for last week is 831.4.

Estimated beef production came in at 535.1 million pounds, down 3.5% from last year. US beef export sales for the week ending October 7 came in at 15,449 tonnes, down from 16,129 the previous week and the lowest since September 2. The average of the previous four weeks is 17,443. Cumulative sales for 2021 have reached 912,328 tonnes, up from 784,030 a year ago and the highest for this week on record. The five-year average is 721,722. The largest buyer this week was Japan at 4,400 tonnes, followed by China at 3,437 and South Korea at 2,393. South Korea has the most commitments for 2021 at 250,479 tonnes, followed by Japan at 233,761 and China at 145,563. A year ago, China's commitments were 38,777.

Cash live cattle were quiet on Friday. There were 350 head reported in Nebraska at 124 versus an average of 122.91 the previous week. As of Friday afternoon, the 5-day, 5-area weighted average price was 123.84, up from 122.96 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 10,312 contracts of live cattle for the week ending October 12, increasing their net long to 35,469. Non-commercial & non-reportable traders were net buyers of 7,632, increasing their net long to 45,448.

**COCOA:**
Cocoa prices were finally able to find their footing going into the weekend, but have not fallen well below their early October highs. With positive demand-side news not enough to provide underlying support, cocoa will need to find bullish supply news in order to regain and sustain upside momentum. December cocoa found early pressure, but were able to regain strength late in the day as it finished Friday’s trading session with a moderate gain and a daily positive reversal from a 2-week low. For the week, December cocoa finished with a loss of 143 points which was the largest weekly loss in 11 months.

Stronger equity markets in Europe and the US helped to strengthen cocoa’s longer-term demand outlook which gave a boost to cocoa prices going into the weekend. The Cocoa Association of Asia released Asian third quarter cocoa grindings earlier on Friday which came in at 210,970 tonnes. This was 4.1% above last year’s total, the twelfth quarter in a row above 200,000 tonnes and the seventh highest quarter result on recovery. However, Asian grindings were on the lower end of trade forecasts and a 4.5% decline from their second quarter reading.

Although all 3 major regions (Europe, Asia and North America) saw third quarter grindings come in above last year’s total, the third quarter of 2020 saw global economic activity weakened by the COVID pandemic. Although Europe saw their second highest quarterly grind on record, both the Asian and North American grinds were below second quarter results. As a result, what was a set of decent quarterly grindings results could result in a sustained recovery move. The West African 2021/22 main crop harvest is well under way, but a decision by the Ivory Coast Coffee and Cocoa Board to cut this season’s minimum farmgate price by 15% could reduce their early port arrivals totals.

There is daily rainfall in the forecast for West African growing areas through early next week and while that may lead to delays in harvesting, drying and transporting cocoa beans, this should benefit the region’s late main crop production. The October 12th Commitments of Traders report showed Cocoa Managed Money traders were net long 26,673 contracts after decreasing their long position by 4,224 contracts. CIT traders are net long 35,354 contracts after net buying 1,435 contracts. Non-Commercial No CIT traders reduced their net long position by 4,789 contracts to a net long 5,995 contracts. Non-Commercial & Non-Reportable traders are net long 38,123 contracts after net selling 2,477 contracts.

**COFFEE:**

Coffee prices fell more than 11.50 cents from Tuesday's 2 1/2 month high as the market has been unable to shake off a coiling price pattern in place since early August. While unable to sustain upside momentum for more than 2 weeks at a time, coffee continues to have bullish supply/demand developments that provide the market with underlying support. December coffee was unable to hold onto early strength as it came under significant pressure at midsession before finishing Friday's trading session with a sizable loss. For the week, December coffee finished with a gain of 2.05 cents which was a third positive weekly result over the past 4 weeks.

Updated forecasts are calling for rain over Brazilian growing regions, which pressured the market as that should provide some relief to coffee trees from extensive dry conditions since last year, and could benefit flowering for their upcoming 2022/23 "on-year" crop. As a result, this fueled a wave of profit-taking and additional long liquidation going into the weekend. Keep in mind, however, that the US Climate Prediction Center (CPC) said that La Nina weather event conditions have developed and should last through early next year. A La Nina normally brings drier than normal conditions to Brazil's Arabica growing regions as their coffee trees are still recovering from frosts in July, so their 2022/23 and 2023/24 production should still come in much lower than expected.

The Green Coffee Association said that US green coffee stocks at the end of September came in at 6.023 million bags, which was more than 107,000 below their August month-end total and their first monthly decline since June. ICE exchange coffee stocks (most of which are held in Euro zone warehouses) fell by 1,394 bags on Friday and halfway through October have seen their largest monthly decline since August of 2020. The Commitments of Traders report for the week ending October 12th showed Coffee Managed Money traders net bought 6,564 contracts and are now net long 52,206 contracts. CIT traders were net long 55,050 contracts after increasing their already long position by 370 contracts. Non-Commercial No CIT traders were net long 47,618 contracts after increasing their already long position by 3,678 contracts. Non-Commercial & Non-Reportable traders net bought 5,270 contracts and are now net long 69,758 contracts.

**COTTON:**

December cotton closed higher last Friday, but well below the highs from earlier in the session. The market was limit up at times, but sold off in the wake of the disappointing export sales report. The report showed US cotton export sales for the week ending October 7 at 146,653 bales for the 2021/22 (current) marketing year and 10,648 for 2022/23, for a total of 157,301 bales. This was down from 301,657 bales the previous week and 571,393 the week before that. It was the lowest since August 26.

The average of the previous four weeks is 375,812 bales. Cumulative sales for 2021/22 have reached 7.617 million bales, down from 8.233 million a year ago and below the five-year average of 7.844 million. Sales have reached 52% of the USDA's forecast for the marketing year versus a five-year average of 55%. The largest buyer this week was Mexico at 67,987 bales, followed by Turkey at 57,557 and China at 12,114. China has the most commitments for 2021/22 at 2.091 million bales, followed by Pakistan at 1.154 million and Turkey at 952,100.

China's commitments are down from 3.210 million a year ago but are their second largest since 2012. The five-year average is 1.737 million. Friday's Commitments of Traders report showed managed money traders were net sellers of 9,298 contracts of cotton for the week ending October 12, reducing their net long to 87,445 contracts. The selling trend is a short-term bearish force. Non-commercial, no CIT traders were net sellers of 9,798, reducing their net long to 93,364.

**SUGAR:**

Since pulling back from a retest of its contract high in mid-September, sugar prices have been in a coiling pattern. With crude oil prices climbing some $3 a barrel during the second half of September and another $7 during the first half of October, Brazil's Center-South mills have an incentive to shift to more ethanol production which in turn should boost sugar prices. March sugar was able to build on early strength as it finished Friday's trading session with a moderate gain. For the week, however, March sugar finished with a loss of 49 ticks and a negative weekly reversal from Monday's 6-week high.

A more than 1% rebound in Brazil's currency provided sugar with carryover support while stronger energy prices also boosted the sugar market. The market has been pressured by a strong finish to this year's Indian monsoon that is expected to benefit their 2021/22 cane crop, a 5 ½-month low in the Brazilian currency and lukewarm Brazilian ethanol demand that saw Central-South domestic sales falling below year-ago levels over the past two months. Brazil's Center-South mills have kept sugar's share of crushing close to last season's levels.

The latest Unica report showed that during the second half of September, sugar share was 42.46% versus 46.21% during the same period last year. At the end of September, Brazil's 2021/22 Center-South sugar production was 9.23% behind last season's pace. We expect this deficit to get larger, as many Center-South mills are wrapping up their operations earlier than normal. Extensive dry conditions and frost in July have negatively impacted this season's cane crop, while a La Nina weather event threatens to bring drier than normal conditions that would hurt next season's crop.

India will not offer subsidies for their sugar exports this season. Their mills are expected to ramp-up ethanol production to meet government targets. This suggests their 2021/22 sugar exports are unlikely to meet early trade forecasts of 6 million tonnes. The October 12th Commitments of Traders report showed Sugar Managed Money traders are net long 221,287 contracts after net selling 1,222 contracts. CIT traders were net long 187,999 contracts after decreasing their long position by 875 contracts. Non-Commercial No CIT traders are net long 159,663 contracts after net selling 3,182 contracts. Non-Commercial & Non-Reportable traders net bought 483 contracts and are now net long 291,800 contracts.

Please contact us at + 1 877 690 7303 or via email at sales@admis.com for questions or comments on this report or would like more information about our ADMIS research.