ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Treasury bond prices forged a double bottom trade last Friday following early pressure from two out of three favorable PMI readings for October. However, a downside reversal in equities and a significant setback from the highs in the gold market gave bargain-hunting buyers incentive. On the other hand, the Fed's Chairman indicated the bank is on track to begin reducing purchases of assets while he thinks inflation will abate early next year.

Reports of renewed infection problems in China, the EU, and the UK provide a measure of flight to quality support under bond and note prices to start out this week. However, the beleaguered Chinese real estate firm Evergrande has apparently restarted some operations to get back to stability and that robs bonds and notes of another flight to quality buying argument. Furthermore, given acknowledgment of extending inflation by the US Federal Reserve Chairman and the US Treasury Secretary treasury prices should see overhead resistance thickened by the fundamental setup.

The threat of inflation is stoked further by comments from the European Central Bank last week, indicating price pressures have become too significant to ignore. Directly ahead, surging crude oil and gold price action is likely discouraging bargain-hunting buying of Bonds and Notes and in turn has also thickened resistance in December Bonds and in December Notes. With the spec and fund short positioning in Bonds moderating last week that could provide fresh selling interest on rallies above 159-00.

The Commitments of Traders report for the week ending October 19th showed Bonds Non-Commercial & Non-Reportable traders net bought 6,111 contracts and are now net short 97,816 contracts. Notes added significantly to their net spec short last week and that could allow for some stop loss follow through buying on a trade above 130-29. T-Notes positioning showed Non-Commercial & Non-Reportable traders were net short 321,998 contracts after increasing their already short position by 180,247 contracts.

CURRENCIES:
Just because the dollar index has built a formidable consolidation low zone around the 93.50 level does not mean the currency index has bottomed! In fact, very definitive uniform uptrend action in the Swiss

Pound and Canadian suggest the dollar could be vulnerable this week. Certainly, tapering dialogue from the US Federal Reserve chairman and higher interest rate forecast for the latter part of 2022 by another Fed member provides the dollar with a measure of fundamental support.

The dollar is likely garnering support from inflationary dialogue from two different US officials. However, a portion of the trade thinks other foreign central banks are closer to "hiking rates" with the US Fed indicating tapering is not the same as raising interest rates. The Commitments of Traders report for the week ending October 19th showed Dollar Non-Commercial & Non-Reportable traders were net long 42,722 contracts after increasing their already long position by 41 contracts.

As in the dollar index, the euro has forged what appears to be a critical pivot point on its charts around the recent series of lows. Certainly, traders are raising their expectations for a European rate hike, but high infection rates in Europe make that move unlikely in the near term. Pushed into the market we favor the downside with the December euro likely to breach the 1.160 level in the coming sessions. The Commitments of Traders report for the week ending October 19th showed Euro Non-Commercial & Non-Reportable traders added 10,418 contracts to their already long position and are now net long 17,985.

We think the Yen has become technically oversold and fundamentally overdone in the near term. However, the bull camp lacks fundamental arguments for anything but a temporary short covering bounce. With a failure to hold a higher high early this week and a significant range down failure, the Swiss appears to be poised to test 1.0860. We would note that the dollar is not showing definitive strength and therefore we suspect the Swiss will be able to remain within proximity to 1.09.

With the December Pound retesting Friday's mini failure lows at 1.3735 at the start of this week and a series of lower highs unfolding on the charts, we see a retest of 1.3725. We see the Canadian dollar consolidation as evidence of an ongoing bullish posture. However, the trade has pulled forward its expectations for a Canadian rate hike and that combined with 35 days of uptrend action leaves the bull camp with an edge. However, a key pivot point/failure price is 80.70.

STOCKS:

While the S&P and Dow futures forged new all-time highs early in last Friday’s trading session, the markets fell back and chopped around both sides of unchanged through midsession. We suspect the markets were undermined because of tapering talk from the US Federal Reserve chairman and from higher treasury yields in the morning trade. However, the treasury market rebounded aggressively from its lows and should have resulted in equities returning to all-time high ground quickly.

Global equity markets at the start of this week were higher with the exceptions the markets in France and Japan. Despite concerns of surging infections in China, the EU, and the UK, US equities are generally favorable to start the new trading week. So far, the S&P is up 5.5% for October and that combined with "positive momentum” signals from the charts extends bullish control into the new trading week.

While the S&P has not forged a new high early today, prices remain near last Friday's all-time high and a close at current levels would be a new all-time high close. The S&P does look to miss out on buyout news lift as PayPal this morning has confirmed it is not interested in buying Pinterest. The net spec and fund long in the E-mini-S&P remains small relative to history with the index not heavily bought out until the net spec and fund long reaches 250,000 contracts! E-Mini S&P positioning in the Commitments of Traders for the week ending October 19th showed Non-Commercial & Non-Reportable traders reduced their net long position by 53,011 contracts to a net long 81,504 contracts.

As in the S&P, the Dow Jones futures sit at levels that would post all-time highs if sustained into the close. However, key earnings from GM and Ford are not scheduled until midweek but investors and analysts think that Ford will fare better than GM. The October 19th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net long 8,188 contracts after increasing their already long position by 5,028 contracts. The NASDAQ charts remain the most bearish of the actively traded futures contracts, with a series of lower highs and lower lows forged in the face of new highs in the S&P and Dow futures!

Seeing Tesla halt the manufacturer of its latest car, news that PayPal is not looking to purchase Pinterest and seeing fresh hacking news in the headlines the NASDAQ looks to remain out-of-favor. Fortunately for the bull camp the most recent positioning report showed the NASDAQ to be "net spec and fund short". The October 19th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 7,607 contracts to their already short position and are now net short 11,123.

GOLD, SILVER & PLATINUM:

While the gold market has not made a higher high compared to Friday's action, prices are holding in positive territory early this week and are printing trades above the psychologically important $1,800. Obviously, a setback in US Treasury yields combined with a temporary swoon in the Dollar provided gold and silver with outside market support to end last week. In fact, the Dollar forged a lower low and that could underpin gold and silver prices.

On the other hand, ongoing strength in Bitcoin appears to be benefiting gold as classic inflation signs are surfacing in numbers especially with the Fed Chairman last Friday indicating that inflation could stay higher for longer than initially forecast. Fortunately for the bull camp, the net spec and fund long positioning in gold remains relatively mundane leaving the market with plenty of speculative buying capacity.

Gold positioning in the Commitments of Traders for the week ending October 19th showed Managed Money traders were net long 69,281 contracts after decreasing their long position by 536 contracts. Non-Commercial & Non-Reportable traders were net long 226,195 contracts after increasing their already long position by 12,093 contracts. To start the new trading week, a critical 15-month-old downtrend channel resistance line comes in and without that line regained on a close basis an entrenched downtrend since the August 2020 high remains in place.

The US economic report slate in the coming week is relatively benign thereby leaving the key driving force for gold prices the direction of US treasuries. In retrospect, small investors remain negative toward gold with gold ETF holdings falling consistently over the last two weeks. The October 19th Commitments of Traders report showed Silver Managed Money traders net bought 14,636 contracts and are now net long 19,608 contracts. Non-Commercial & Non-Reportable traders were net long 45,254 contracts after increasing their already long position by 15,997 contracts.

We leave the edge with the bear camp in the palladium market as last week's initial washout failed to spark bargain-hunting buying. However, a pattern of inflows to both palladium and platinum ETFs recently should be noted as that factor has not been a focal point of the trade lately. As of the end of last week, palladium ETF holdings were 6.8% higher on the year with overall holdings of 535,419 ounces. On the other hand, macroeconomic conditions are disappointing for the bull camp with scheduled data typically offsetting and the US daily infection count still problematic around 77,000.

However, it is possible that palladium and platinum derived support from the US initial claims reading last week as that measure posted the lowest unemployment claims week of the pandemic! As indicated in palladium commentary, platinum ETFs have continued to build in a market with little in the way of classic fundamental news flow. Unfortunately for the bull camp, the year-to-date change in platinum ETF holdings is a decline of 1.6% leaving palladium with greater investment demand.

COPPER:

With a major failure at the end of last week and little in the way of chart support until $4.40, December copper looks to be controlled by the bear camp. However, both Shanghai and LME copper warehouse stocks continue to decline (Shanghai stocks at the lowest since 2009) and the threat of a short squeeze on the London exchange should not be discounted. However, the LME has launched an investigation into on-warrant positions and perhaps the short squeeze scenario will be avoided. In the meantime, volatility in the copper market is likely to expand significantly.

It should be noted that weekend concerns for worsening infection counts in China the EU, and UK put copper demand concerns in the headlines to start the week. Fortunately for the bull camp, the net spec and fund long positioning copper is benign and moderate liquidation pressure could balance positioning in copper quickly. Copper positioning in the Commitments of Traders for the week ending October 19th showed Managed Money traders net bought 18,466 contracts and are now net long 54,030 contracts. Non-Commercial & Non-Reportable traders added 19,549 contracts to their already long position and are now net long 45,716.

ENERGY COMPLEX:

With a firm contract high close at the end of last week and a fresh higher high for the more early this week, the bull camp extends its control. While we are not sure that La Nina talk is providing significant lift to energies, those headlines have fostered renewed "cold winter" weather expectations. Bullish sentiment remains high to start the trading week with forecasts of $90 Brent crude oil pricing this week in the headlines. However, a more salient bullish argument came from news that Saudi Arabia and OPEC plus would be very cautious with raising production beyond the already agreed to amounts despite surging prices. In retrospect, the energy markets last week saw signs of ongoing tightening of US inventories and generally positive jobs related data from the US which in turn helps rekindle demand optimism.

While it might be premature, it is possible that crude oil is beginning to track in sync with bitcoin and gold with fund buyers seeking inflation protection in long crude oil positions. Surprisingly, the net spec and fund long positioning in crude oil is not overdone compared to the last 4 years trade and therefore buying power remains in the offing. The Commitments of Traders report for the week ending October 19th showed Crude Oil Managed Money traders added 20,231 contracts to their already long position and are now net long 346,836. Non-Commercial & Non-Reportable traders are net long 555,458 contracts after net buying 16,652 contracts.

Obviously, the energy markets are benefiting from a combination of tight supply and improving demand psychology and given prices are approaching $85 per barrel, positive action in US equities might become critical to the bull's daily case. In a minor negative supply development from Friday, Schlumberger beat third-quarter profit estimates off increased oilfield activity and for some that might be seen as a negative future supply issue. From a technical perspective, the crude oil market has forged a very uniform uptrend channel rally for the past two months. The US Baker Hughes oil rig count last week fell by 2 rigs which has kept drilling activity near the highest levels since April 2020.

While the gasoline market remains stalled below last week's high, it has also entrenched support above $2.40 for five trading sessions, and therefore it is possible that the market has reached an interim inflection point. Underpinning the gasoline market going forward is last week's surprise decline in gas stocks and the significant jump in the year-over-year US gasoline stocks deficit. Into the new trading week, the US EIA gasoline deficit to year ago levels is back above 9 million barrels which in turn suggest the bull camp is traversing the slack seasonal demand period in solid fashion.

On the other hand, the latest US refinery operating rate showed 15.3% of US refinery capacity off-line and that should make it difficult to rebuild gas stocks and reverse the August through present uptrend channel. Fortunately for the bull camp, the gasoline market holds a relatively benign net spec and fund long positioning thereby leaving buying fuel waiting on the sidelines. The October 19th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 68,354 contracts after increasing their already long position by 7,889 contracts. Non-Commercial & Non-Reportable traders were net long 57,288 contracts after increasing their already long position by 193 contracts.

The ULSD market has lost upside momentum with a 7-day sideways consolidation within a wide range bound by $2.60 and $2.50. Apparently, La Nina cold winter weather forecasts for Asia have not sparked a breakout up as has been seen in crude oil and Natural gas early this week. At the end of last week, Amsterdam, Rotterdam and Antwerp jet fuel and gas oil stocks increased leaving the bull camp without fresh ammunition. Furthermore, the latest positioning report showed a significant overbought condition for the diesel market suggesting volatility could be very high in the week ahead. The October 19th Commitments of Traders report showed Heating Oil Managed Money traders net sold 6,579 contracts and are now net long 43,135 contracts. Non-Commercial & Non-Reportable traders net sold 15,085 contracts and are now net long 52,323 contracts.

While near-term US weather is bearish, the fear of cold in the northern hemisphere winter and Asia has been given fresh credence by a prediction by China that La Nina might put cold weather into China and Japan and other mid-Eastern Pacific Ocean areas. It is also possible that natural gas will draft support from surging Brent and WTI pricing, as that raises the breakeven point for the substitution of natural gas in power production. From a technical perspective, the most recent COT report showed the specs maintaining their short stance in the market and that should help the market respect the $5.55 level going forward and given the La Nina talk, a run to $6.00 may occur. The Commitments of Traders report for the week ending October 19th showed Natural Gas Managed Money traders were net long 4,336 contracts after decreasing their long position by 22,990 contracts. Non-Commercial & Non-Reportable traders were net short 85,390 contracts after decreasing their short position by 4,442 contracts. This week's Baker Hughes US gas rig drilling count increased by one, but that count remains below the 100 level.

BEANS:

While the longer-term fundamentals for soybeans are still in question, the short-term supply and demand factors are still in the bear camp. Managed money fund traders remain in a long liquidation selling mode, there appears to be plenty of soybean supply and there is plenty of incentive to expect a sharp increase in crushing which will boost soybean oil and meal supply. While soybean export demand has been strong in the last few weeks, cumulative sales are still behind the pace to reach the current USDA projection.

The Brazil crop is off to a fast start thanks to good weather recently, and more moisture in the short term forecast. The market managed to close slightly higher on the week, but the sluggish export outlook plus talk that we could see increased acreage for next year has helped to pressure. More weakness in December oil was seen as a bearish force as the higher energy market failed to support. Vegetable oil prices are likely near a short-term peak as supply tightness issues should ease as production rises.

Soybeans positioning in the Commitments of Traders for the week ending October 19th showed Managed Money traders are net long 18,165 contracts after net selling 10,903 contracts in just one week which is a long liquidation selling trend. CIT traders net sold 3,869 contracts and are now net long 176,655 contracts. Non-Commercial No CIT traders were net short 14,946 contracts after increasing their already short position by 2,649 contracts for the week.

For Soyoil, Managed Money traders net bought 9,227 contracts and are now net long 82,211 contracts. Non-Commercial & Non-Reportable traders are net long 93,831 contracts after net buying 11,718 contracts. For Soymeal, Managed Money traders are net short 32,159 contracts after net buying 8,165 contracts for the week. Non-Commercial & Non-Reportable traders net bought 14,251 contracts and are now net long 17,427 contracts.

CORN:

December corn closed moderately higher on the session last Friday and this left the market with a gain of 12 1/4 cents for the week. Weakness in the US dollar plus solid gains for the crude oil helped to provide support on the early break. Agricultural markets are carrying a bullish tilt, as inflationary expectations are on the rise. Global demand remains very strong and the emergence of China as a major world importer is a bullish longer-term force. Major adjustments higher in energy prices helped cause fertilizer prices to triple, and this is likely to cause US producers to make a major shift away from corn acres to soybeans. With the current set up, it would not be surprising to see 3 to 5 million acres shift away from corn.

With the export sales pace off to a fast start, and a surge in profitability for ethanol plants, we expect revisions higher in exports and for corn used to produce ethanol, and this could force tightening ending stocks for the 2021/22 season as usage is adjusted higher by 200-400 million bushels. This could push ending stocks down to near 1.1-1.3 billion bushels which could be the tightest since the 2012/13 season. The October 19th Commitments of Traders report showed Corn Managed Money traders reduced their net long position by 8,363 contracts for the week to a net long 219,568 contracts. Non-Commercial & Non-Reportable traders net sold 2,093 contracts and are now net long 228,230 contracts.

WHEAT:
The wheat market remains in a short-term uptrend as tightening supply from key exporters, plus a more urgent tone from end-users to own a little more wheat than normal due to inflation, has the market well supported. Talk that Australia's near record crop is quickly filling up shipping slots added to the positive tone. Spring wheat hit $10 a bushel for the first time since 2012 Friday after extreme drought cut this year's production by 44% from 2020. The market has posted contract highs for 10 of the past 14 trading sessions.

December wheat closed sharply higher on the session Friday and this left the market with a gain of 22 cents for the week. Minneapolis wheat surged higher to a peak of $10.18, with a gain of 44 1/4 cents for the week. December Kansas City wheat also closed sharply higher on the day and also posted a new contract high on Friday and again this morning. Newly planted hard red winter wheat has seen decent moisture so far and there is some moisture this week for the eastern Plains. However, the 6-10 day forecast shows below normal precipitation and so does the 8-14 day model.

In addition, some forecasts call for a developing drought in the US southern Plains. The three-month U.S. weather forecast calling for drought in key growing areas could put the crop at risk in places like Kansas. This year's production of U.S. spring wheat is expected to be the smallest in a decade. Talk that weather extremes appear to be increasing has added to the crop uncertainties ahead. Russian wheat exports have decline 12% so far this season to 14.7 million tonnes.

The October 19th Commitments of Traders report showed Wheat Managed Money traders were net short 17,738 contracts after increasing their already short position by 9,192 contracts in just one week. This leaves the market vulnerable to increased buying if resistance levels are violated. Non-Commercial & Non-Reportable traders added 8,031 contracts to their already short position and are now net short 27,072. For KC Wheat, Managed Money traders net sold 896 contracts and are now net long 47,390 contracts. Non-Commercial & Non-Reportable traders are net long 41,826 contracts after net selling 1,414 contracts.

HOGS:
The higher close for December hogs after trading down to the lowest level since September 22 on Friday is a positive technical development. A surge higher in cash and futures in China plus some stability in the

US pork market plus a positive tilt to the monthly cold storage report are all seen as positive forces coming into this morning. Slaughter for the week last week down 2.6% from a year ago with production down 4.7% from a year ago. Frozen pork stocks at the end of September reached 466.41 million pounds, up slightly from the year ago and up 2.7% from the previous month. Pork stocks normally increase 4.1% for the month so the 2.7% gain may be seen as a slight positive. Talk of the oversold condition of the market plus talk that the futures are trading at a larger than normal discount to the cash market helped support the bounce.

The CME Lean Hog Index as of October 20 was 84.83, down from 85.89 the previous session and 88.82 a week before. The USDA pork cutout, released after the close Friday, came in at $96.56, up 34 cents from Thursday but down from $99.08 the previous week. The USDA estimated hog slaughter came in at 476,000 head Friday and 229,000 head for Saturday. This brought the total for last week to 2.606 million head, down from 2.625 million the previous week and 2.676 million a year ago. Estimated US pork production for the week ending October 23 came in at 553.1 million pounds, down from 554.5 the previous week and down from 580.4 a year ago.

Friday's Commitments of Traders report showed managed money traders were net sellers of 6,232 contracts of lean hogs for the week ending October 19, reducing their net long to 62,400. Non-commercial, no CIT traders were net sellers of 7,299, reducing their net long to 40,155. Non-commercial & non-reportable traders were net sellers of 6,138, reducing their net long to 59,437. China's national average spot pig price as of October 25 was up 12.9% from the previous day. For the month prices are up 52.8% but still down 54.1% year to date. Dalian live hog futures as of October 25 were up 6.7% from the previous day (limit-up). For the month, prices are up 23.9%.

CATTLE:
The Cattle on Feed Report was considered bullish as September placements came in at just 97.1%, which is very bullish against trade expectations and was even outside the range of estimates. Traders expected see placements near 101.4% of last year, 97.5-104 range. This means smaller than expected supply 90-120 days out and is bullish for February cattle. Marketings were 96.9% which was also below trade expectations which is a slight negative. This brought the on-feed number as of October 1st to 98.6% which is well below expectations for 99.4%, and at the low end of expectations. Overall, the report was positive.

December cattle closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since October 7th. The USDA boxed beef cutout was up 98 cents at mid-session Friday and closed $1.16 higher at $281.82. This was up from $280.24 the previous week. Cash live cattle were mostly quiet on Friday, with 160 head reported in Kansas at 124. As of Friday afternoon, the five-day, five-area weighted average price of 124.31, up from 123.83 the previous week.

For the monthly cold storage report, frozen beef stocks at the end of September came in at 435.3 million pounds, down 6% from a year ago but up 4.9% from the previous month. Normally, beef stocks increase 3.4% for the month so the 4.9% increase is considered a bit negative. The USDA estimated cattle slaughter came in at 112,000 head Friday and 67,000 head for Saturday. This brought the total for last week to 661,000 head, up from 646,000 the previous week and 645,000 a year ago. Average estimated dressed cattle weights for the week ending October 23 came in at 832 pounds, up from 830 from the previous week and down from 844 a year ago. The 5-year average weekly weight for that week is 832.6.

Estimated beef production for the same week came in at 548.9 million pounds, up from 543.3 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 9,258 contracts of live cattle for the week ending October 19, increasing their net long to 44,727. Non-commercial, no CIT traders were net buyers of 5,619 increasing their net long to 27,575. Non-commercial & non-reportable traders combined were net buyers of 5,246 contracts, increasing their net long to 50,694.

COCOA:

While cocoa prices remain well below their early October highs, their 2-day winning streak to finish last week has lifted the market well clear of last Wednesday's 2-month low. It may be difficult to shake off the pattern of volatile price action that started at mid-year, but cocoa is showing early signs that a near-term low may be in. December cocoa came under early pressure, but turned sharply to the upside at midsession as it finished Friday's trading session with a sizable gain. For the week, December cocoa finished with a loss of 24 points (down 0.9%) which was a second negative weekly result in a row.

A mild gain in the Eurocurrency helped cocoa to regain upside momentum as that can make it easier for Euro zone grinders to acquire near-term supplies. Moderate gains in major European equity markets helped to strength cocoa's positive longer-term demand outlook, and that continues to provide underlying support to the market. There have only been 2 weeks of readings so far, but this season's Ivory Coast port arrivals have been well below the comparable total from last year. A sizable cut in their 2021/22 main crop minimum farmgate price will have farmers and co-ops less eager to market their near-term cocoa supplies. In addition, wet weather over West African growing areas may lead to delays in harvesting, drying and transporting cocoa beans to port facilities.

If the latest weekly Ivory Coast port arrivals total comes in below 2020 levels, however, it may be evidence that supports early forecasts that 2021/22 West African cocoa production will come in below last season's levels. The October 19th Commitments of Traders report showed Cocoa Managed Money traders net sold 20,263 contracts and are now net long 6,410 contracts. CIT traders are net long 37,684 contracts after net buying 2,330 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 10,672 contracts after net selling 16,667 contracts. Non-Commercial & Non-Reportable traders were net long 19,787 contracts after decreasing their long position by 18,336 contracts.

COFFEE:

Downside follow-through from last Thursday's outside-day session has taken coffee well below the mid-October highs, but the market remains firmly within a longer-term uptrend. With a bullish supply outlook and improving global demand, coffee should remain fairly well supported on a near-term pullback. December coffee bounced back from an early pullback, but fell back on the defensive late in the day as they reached a 1 1/2 week low before finishing Friday's trading session with a moderate loss.

For the week, December coffee finished with a loss of 3.55 cents (down 1.7%) which was a second negative weekly result over the past 3 weeks.

The Brazilian currency reached a new 6-month low early in the day and had lost more than 4% in value for the week, which weighed on the coffee market as that should make Brazil's farmer more aggressive with marketing their near-term supply. The Brazilian Real climbed back into positive territory after coffee's close, however, and that could provide early support this week. Daily rainfall in the forecast for Brazilian growing areas next week was another source of pressure on coffee prices going into the weekend, as that should benefit flowering for their upcoming 2022/23 "on-year" Arabica. Keep in mind that those coffee trees have seen drier than normal conditions since last year, with a La Nina weather event bring back those conditions late this year, with many trees also sustaining damage from frosts in July.

ICE exchange coffee stocks increased by 1,955 bags on Friday, but they remain more than 177,000 bags below their September month-end total. The Commitments of Traders report for the week ending October 19th showed Coffee Managed Money traders were net long 51,847 contracts after decreasing their long position by 359 contracts. CIT traders added 470 contracts to their already long position and are now net long 55,520. Non-Commercial No CIT traders are net long 45,340 contracts after net selling 2,278 contracts. Non-Commercial & Non-Reportable traders were net long 67,621 contracts after decreasing their long position by 2,137 contracts.

COTTON:

December cotton closed higher on Friday after spending the day inside Thursday's outside range down. There were reports of increased buying from China after the selloff on Thursday. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,018 contracts of cotton for the week ending October 19, reducing their net long to 81,427. This is a long liquidation selling trend and a potential bearish force ahead if support levels are violated. Non-commercial, no CIT traders were net sellers of 9,561, reducing their net long to 83,803.

Non-commercial & non-reportable traders were net sellers of 8,524, reducing their net long to 121,974. The 1-5 day forecast calls for moderate to heavy rainfall over eastern Texas and Oklahoma, the Delta and the southeastern US. This could delay harvest and damage open bolls. West Texas, the biggest producing area, looks dry. As of October 17, 28% of the US crop had been harvested versus a five-year average of 34%. Traders will be awaiting this afternoon's report to see how much progress was made over the past week and how much remains to be harvested.

SUGAR:

Sugar prices remain well below their 2021 highs, but they appear to have found their footing following a mid-October downside breakout. With energy prices and a bullish supply outlook providing underlying support, sugar may be able to regain and sustain upside momentum early this week. March sugar continued to hold within a fairly tight consolidation zone as it built on midsession strength to finish Friday's trading session with a moderate gain. For the week, however, March sugar finished with a loss of 72 ticks (down 3.6%) and a second negative weekly result in a row.

A rebound in energy prices provided the sugar market with carryover support as that should help to improve ethanol demand in both Brazil and India. While Center-South domestic ethanol sales have come in below last year's total for the past 2 months, crude oil prices are well above levels seen during the 2018/19 and 2019/20 seasons which sugar's share of crushing was below 36%. This compares to 45.8% so far this season, which is lower than 2020/21 full season level and shows that some crushing is starting to shift from sugar production over to ethanol production.

Indications that India's mills have ramped up their ethanol production gave additional support to sugar prices, as that may indicate that India may fall short of early trade forecasts calling for 6 million tonnes of sugar exports this season. An analyst at Englehart Commodity Trading Partners forecast India's 2022/23 (next season's) sugar exports to fall to as low as 2 to 3 million tonnes, which compares to 7.2 million during the just completed 2020/21 season if India's ethanol demand continues to rise.

The Commitments of Traders report for the week ending October 19th showed Sugar Managed Money traders reduced their net long position by 43,355 contracts to a net long 177,932 contracts. CIT traders net sold 657 contracts and are now net long 187,342 contracts. Non-Commercial No CIT traders reduced their net long position by 33,515 contracts to a net long 126,148 contracts. Non-Commercial & Non-Reportable traders were net long 235,821 contracts after decreasing their long position by 55,979 contracts.

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