ADM Investor Services, Inc.

# Weekly Futures Market Summary

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**by the ADMIS Research Team**

**BONDS:**

The bullish resiliency of the bond market won out again last Friday as the ultimate takeaway from the US employment situation report should have been bearish to prices. However, a significant washout in equities at midsession rekindled flight to quality interest in treasuries despite an extremely hot ISM services prices paid reading for November. The ISM services prices paid increase is an inflationary threat that should have undermined bonds and notes. We are surprised to see March bond prices falling off last week's spike high given the number of concerning Covid omicron infections being reported around the globe. However, treasury bonds were significantly overbought from a 7-day low to high rally of seven points and a certain measure of technical balancing in the form of "chop" is likely.

Surprisingly, China has so far not revealed the status of omicron infections in their country. Furthermore, we expect treasuries to have some upcoming flight to quality buying interest off news of ongoing turmoil in the Chinese real estate sector. In fact, Evergrande is once again under suspicion and other Chinese real estate companies are showing difficulties over the past several weeks. In looking forward, action in equities and news from Washington on the new variant is likely to be the dominating focus. In an indirect supportive development, Chinese officials have indicated they will cut reserve ratios in a timely way, but that news is offset by the Fed's Bullard who wants faster policy tightening because of a possible inflation shock. In fact, some economists feel that the softer job gain in November will not discourage the Fed from a faster tapering with some thinking the November jobs number will be revised sharply higher.

In conclusion, dialogue from the Fed is counter to market conditions and data flows. With March bonds from the COT report mark off into the high last week rallying 2 points, the net spec and fund long adjusted for that action is likely at the largest net long since March 2020! In other words, long-term speculative pets on rising interest rates have been largely liquidated, leaving the market with less stop loss buying capacity. The Commitments of Traders report for the week ending November 30th showed Bonds Non-Commercial & Non-Reportable traders went from a net long to a net short position of 15,038 contracts after net selling 19,379 contracts. For T-Notes Non-Commercial & Non-Reportable traders reduced their net short position by 86,485 contracts to a net short 480,245 contracts.

**CURRENCIES:**
The action in the currency markets last Friday was surprising as the dollar was strong while the euro, Swiss franc, and Yen were strong. However, a measure of flight to quality interest in the dollar from the headline under shoot nonfarm payroll reading combined with saber rattling by Russia toward Ukraine leaves the dollar in favor. The path of least resistance in the dollar is up but the fundamental justification for the rally is lacking as US monthly nonfarm jobs readings were patently disappointing (from the headline result).

However, the dollar is benefiting from flight to quality buying interest from the omicron situation, but also from chatter in the market regarding a quicker pace of Fed tapering than has been offered by most official Fed comments. The November 30th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 705 contracts and are now net long 40,406 contracts. The bias is up, but bullish control is limited.

The euro is falling from favor because of the perception it will be very difficult to control the spread of a highly infectious Covid variant. It is also likely that the euro is under pressure from a weaker than expected Sentix investor confidence reading for December. Lastly, the euro should remain off balance and soft because the environment for recovery currencies is negative. Euro positioning in the Commitments of Traders for the week ending November 30th showed Non-Commercial & Non-Reportable traders net sold 5,285 contracts and are now net long 5,188 contracts.

The flight to quality status of the Yen has moderated and/or temporarily stalled. However, the prospect of market anxiety remains very significant with the reports that the omicron is significantly more infectious than prior variance. With the violation of recent consolidation lows at 1.0846 and Switzerland sitting at the crossroads of Europe, the threat of selling of the Swiss from the virus is high.

The downtrend pattern on the Pound charts is very uniform and distinct with a thin measure of consolidation support noted around the 1.320 level. In fact, open interest in the Pound continues to rise on the washout as if the trade is attacking the currency. However, a private UK construction PMI reading for November showed a significant gain relative to expectations and that could help recent lows hold.

In retrospect, the Canadian jobs report was a blockbuster bullish development for the Canadian dollar. In fact, with the Canadian economy significantly smaller population wise than the US, the gain in jobs of 153,700 and a significant decline in the unemployment rate from 6.7 down to 6% should be enough to solidify 78.00 as a fundamental value zone.

**STOCKS:**
After showing positive early action, the stock market reversed course and fell sharply last Friday. The markets were initially undermined because the headline nonfarm payroll number disappointed. However, other employment related data countervailed the headline reading and subsequent US scheduled data from ISM, factory orders and prices paid from the ISM should have provided support to the market. Unfortunately for the bull camp, Goldman predicted the US Federal Reserve will end up doubling the rate of tapering initially forecast, and may have fueled end-of-week long liquidation across equity markets. Global equity markets at the start of this week were mixed with markets in Japan, China,

Russia, Australia, and Hong Kong trading fractions lower and the rest of the world trading less than 1% higher.

While not usually a major market influence, the equity markets were presented with a total US vehicle sales report at the end of last week of 12.9 million units and that compares to the prior month of 13.1 million units. With the Chinese government over the weekend seemingly attempting to defuse fears that Chinese stocks will all be forced to list domestically (delisting internationally) the tech sector is partially relieved. On the other hand, the equity market is clearly fighting a bearish flow of US Federal Reserve news, as quicker tapering is becoming a daily line of discussion by market participants.

Fortunately for the bull camp, the S&P has managed to reject the sub 4500 level on 3 occasions and is trading moderately above that level to start the new trading week. However, the rally was somewhat suspect and tentative. It should be noted that several brokerages have indicated the current correction is a buying opportunity which seems to discount the potential severe turmoil off the virus. With early health experts suggesting omicron is highly transmissible and infections of the new variant reported in more than 15 US states, the infectiousness could be determined quickly. In short virus, jobs, and Fed news all favors the bear camp. The November 30th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 46,768 contracts and are now net long 199,604 contracts.

While the delisting of Didi created significant negative buzz for the tech sector, US large cap stocks are facing their own difficulties from a slower than expected US jobs recovery and the prospect of a return to isolation/restricted activity. In short, big/brick-and-mortar companies are under a liquidation watch especially if US scheduled data continues to depict softening of the economic pace. The Commitments of Traders report for the week ending November 30th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 7,850 contracts which moved them from a net long to a net short position of 2,476 contracts.

The loss of large-cap/brick-and-mortar companies is the gain of NASDAQ/tech companies. However, Chinese regulatory action toward tech companies like Didi leaves some investors concerned. From a technical perspective, the NASDAQ rejected a slide below its 200-day moving average on two occasions last week and the index appears to have made a significant bottom and managed that on an increase in trading volume over the prior 6 trading sessions! Nasdaq Mini positioning in the Commitments of Traders for the week ending November 30th showed Non-Commercial & Non-Reportable traders are net long 24,256 contracts after net buying 3,202 contracts.

**GOLD, SILVER & PLATINUM:**
The gold market did forge a fresh 3 day high early this week but relinquished those gains in the face of a strong dollar and a partial risk off global equity market vibe. Apparently, news that the Perth Mint November gold sales almost doubled and noted early gains in crude oil are of little benefit to the bull camp in gold. It should also be noted that Perth Mint sales of silver increased in November to 1.53 million ounces from only 1.35 million ounces in October. The gold and silver trade is at least partially off balance because of the Goldman Sachs forecast predicting the US Federal Reserve will be forced to "double" its tapering rate in the months and quarters ahead.

In retrospect, it appears that the gold market found speculative buying off the disappointing US headline nonfarm payroll report reading. However, it is also possible that gold drafted fresh buying interest from the significant reversal of a strong dollar rally. On the other hand, global infections continue to post worrisome readings and there have been forecasts of stagflation in some smaller economies. Furthermore, the trade retains a slightly hawkish interpretation of current Fed policy with some economists thinking the subpar US payroll reading for November will be revised sharply higher. Despite a significant rally last Friday, the February gold contract has remained below its 200-day moving average for eight straight trading sessions and the late November and early December downtrend pattern on the charts remains in place.

Unfortunately for the bull camp, the net spec and fund long in gold adjusted for the action after the report was measured, suggest this week's long position reading is understated. The November 30th Commitments of Traders report showed Gold Managed Money traders are net long 104,992 contracts after net selling 13,737 contracts. Non-Commercial & Non-Reportable traders net sold 12,325 contracts and are now net long 268,460 contracts. Perhaps the biggest bull force for gold heading into the new trading week is the falling yield condition in the US Treasury markets. In fact, US treasury yields are approaching the lowest levels since September!

Fortunately for the bull camp in silver, the December silver contract aggressively rejected the $22.00 level at the end of last week and adjusted for the $0.70 slide into Friday's low the net spec and fund long has probably been brought down to the lowest levels since October. The Commitments of Traders report for the week ending November 30th showed Silver Managed Money traders reduced their net long position by 2,309 contracts to a net long 27,578 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 5,745 contracts to a net long 53,164 contracts. Going forward, we see silver loosely following gold and at times outperforming gold in the face of significant risk on in global equities.

With the March palladium contract respecting/rejecting the $1,700 level on five occasions last week, that level appears to offer some measure of technical value. The market might also be drafting support from a 10,676-ounce single day inflow into palladium ETF holdings last Thursday. Palladium ETF holdings are now 12% higher year-to-date. Fortunately for the bull camp, the net spec and fund positioning in palladium remains net spec and fund short, with the latest reading only 307 contracts above its "record short" position. The November 30th Commitments of Traders report showed Palladium Managed Money traders net sold 1,567 contracts and are now net short 2,738 contracts. Non-Commercial & Non-Reportable traders are net short 3,360 contracts after net selling 1,395 contracts.

With a downside breakout and the lowest trade since September 21st in January platinum, the latest positioning report probably overstates the size of the net spec and fund long. The Commitments of Traders report for the week ending November 30th showed Platinum Managed Money traders are net long 35 contracts after net selling 5,825 contracts. Non-Commercial & Non-Reportable traders were net long 14,606 contracts after decreasing their long position by 5,922 contracts.

**COPPER:**

Like many physical commodity markets, the copper market continues to fail to regain its 200-day moving average and has spent a significant amount of trading time below that level since November 26th. The market might be undermined because of a forecast on Bloomberg projecting that global mined supply of copper will rise in each of the next 2 years and because of reports that Chinese regional copper supply was building. However, the latest Shanghai copper warehouse stocks decline, produced the lowest stock levels since May 2009 leaving supply side fundamentals supportive. Surprisingly, there has been little in the way of news on the number of omicron infections in China and with infections throughout the world leaping, we suspect the same is taking place inside China.

Therefore, the threat of demand destruction headlines is increased especially with China last week showing a softer expansion of service sector activity last month. Furthermore, the property sector in China is under duress and with the charts bearish it could be difficult for March copper to hold above $4.25. Fortunately for the bull camp, the net spec and fund long in copper is near the lowest levels since June. The Commitments of Traders report for the week ending November 30th showed Copper Managed Money traders net sold 6,131 contracts and are now net long 13,382 contracts. Non-Commercial & Non-Reportable traders were net long 16,032 contracts after decreasing their long position by 5,485 contracts.

**ENERGY COMPLEX:**

Energy prices were tracking sharply higher at the start of this week off chatter that the omicron virus might not present severe health problems. The markets are also drafting lift from the looming beginning of Iranian talks and from comforting Saudi confidence that demand will hold up in the face of the latest variant. Furthermore, crude oil in floating storage declined by 15% in the past week with Asian-Pacific stock levels down by 18% and Europe stocks down by 15%. In yet another partial technical bullish development the United States oil fund (USO) saw the largest daily inflow since August 2020 last Friday which could indicate surging oil investor interest in "picking a bottom". We see the ability to raise prices into Asia by the Saudis as a sign that Asian demand remains strong.

In a negative development, Chinese crude oil stocks have apparently increased after 13 weeks of declines, with the total decline in stocks from that slide totaling 75.5 million barrels. However, Chinese Unipec reportedly purchased 10 million barrels of Brazilian oil for delivery at the end of January early February and that should countervail the rising inventory news. Going forward, the race between increased seasonal demand and deteriorating Covid related demand is on, with the bear camp holding a slight edge due to below normal heating degree days in the US and Europe. On the other hand, the latest Covid variant could dominate over most internal market fundamentals.

Last Friday's Baker Hughes rig operating count was unchanged. While Iran has suggested that the nuclear talks are moving slowly but good progress is being made that could be erroneous. With a significant decline in the net spec and fund long positioning in the latest COT report and prices falling roughly $6.00 (into the low Thursday) after that report was measured the $65.00 level could be some form of fundamental and technical value. The Commitments of Traders report for the week ending November 30th showed Crude Oil Managed Money traders were net long 257,631 contracts after decreasing their long position by 45,171 contracts. Non-Commercial & Non-Reportable traders net sold 22,381 contracts and are now net long 482,625 contracts.

Like the crude oil market, the gasoline market managed to reject the spike down move last Thursday but remains within a downtrend formation. With European crack margins soft to end last week, troublesome US daily infection readings and suggestions from the US President that retail gasoline prices are now "falling", the bear camp has several themes operating in its favor. On the other hand, the most recent spec and fund long positioning in gasoline fell in the recent COT report and with the market falling $0.06 after the report was measured, the spec and fund long positioning in RBOB is probably the lowest since September 21st.

The November 30th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 58,962 contracts after decreasing their long position by 12,750 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,070 contracts to a net long 49,940 contracts. As in other petroleum complex markets, the gasoline market appeared to find technical and fundamental value around the $1.90 level last week. Unfortunately for the bull camp, the January gasoline contract has closed below its 200-day moving average in each of the last 4 trading sessions.

While there has been a slight emergence of below normal temperatures in the far western US out to December 18th, the brunt of the US is expected to have above normal temperatures and that should continue to thicken overhead resistance in the ULSD market. The ULSD contract adjusted into the low last Thursday probably has the lowest net spec and fund long since April and likely has the lowest (relative) net spec and fund long of the petroleum complex. Heating Oil positioning in the Commitments of Traders for the week ending November 30th showed Managed Money traders are net long 14,394 contracts after net selling 7,796 contracts. Non-Commercial & Non-Reportable traders net sold 4,660 contracts and are now net long 27,474 contracts. However, the ULSD contract has also closed below its 200-day moving average in the four prior trading sessions.

With a severe gap down washout to start the new trading week, a violation of the psychological $4.00 level, falling gas/electric prices in Japan and mild/warm temperatures in the US, more declines are likely. On the other hand, further significant losses in natural gas prices could soon result in the highest net spec and fund short positioning since March 2020! The November 30th Commitments of Traders report showed Natural Gas Managed Money traders net sold 5,438 contracts and are now net short 7,087 contracts. Non-Commercial & Non-Reportable traders are net short 93,539 contracts after net buying 3,447 contracts. As indicated already, US temperatures out to midmonth show a very large portion of the US posting above normal temperatures which in turn is likely to put 2021/2022 winter heating degree days even further below normal levels.

Even the European weather forecast is bearish with milder weather forecasts despite cold at the beginning of the week. This week's Baker Hughes rig operating count showed no additions or subtractions in the US. The path of least resistance is pointing down in natural gas with mild temperatures, negative technical signals and bearish big picture forces favoring the bear camp. In fact, until open interest falls from 1.24 million down to 1.15 million contracts, more liquidation is possible. It could take a series of closes above the 200-day moving average at $4.130 (unlikely for now) to signal and upside reversal.

**BEANS:**
The Argentina forecast is still mostly dry for the next two weeks but there is a little more coverage for week two. A drier trend in South America may have helped support the market Friday as traders are nervous with only scattered rains in the two week forecast for Argentina. While demand factors remain mostly positive, it may still take a weather issue in South America in order to expect any tightness for the season. January soybeans closed sharply higher on the session Friday and experienced the highest close since November 23. The market managed to close 14 1/2 cents higher on the week. A recovery and stability in energy markets helped to support soybean oil, while the meal market continues to find strength from strong domestic cash market.

The Brazil government kept its biodiesel mixture at 10% for 2022 instead of raising it to 13%/14% which was planned. This triggered a sharp break in soybean oil which might make oil more competitive on the world vegetable oil market. In addition, this could spark smaller than expected crush in Brazil which could tighten meal supply. For the USDA supply/demand report this week, traders see slight revisions lower for Brazil and Argentina soybean production. However, traders expect US ending stocks to come in near 352 million bushels, 325-411 million range, as compared with 340 million bushels last month. World ending stocks are expected near 104.13 million tonnes, 103.00-105.20 million range, as compared with 103.78 million tonnes last month.

Exporters announced the sale of 122,000 tonnes of US soybeans sold to unknown destination. In November, Brazil exported 2.587 million tonnes of soybean, down 21.5% from October, but up 80.2% from November last year. This year (Jan-Nov) Brazilian soybean exports have totaled 84.164 million tonnes, up 0.78% from the same period last year. The Commitments of Traders report for the week ending November 30th showed Soybeans Managed Money traders were net long 33,425 contracts after decreasing their long position by 15,931 contracts in just one week.

Non-Commercial & Non-Reportable traders reduced their net long position by 18,499 contracts to a net long 17,661 contracts. For Soyoil, Managed Money traders net sold 17,994 contracts for the week and are now net long 64,360 contracts. Non-Commercial & Non-Reportable traders were net long 57,491 contracts after decreasing their long position by 25,463 contracts. For Meal, Managed Money traders are net long 37,681 contracts after net selling 15,878 contracts. Soymeal CIT traders hit a new extreme long of 116,170 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 20,519 contracts to a net long 84,087 contracts.

**CORN:**
The outlook for the next two weeks has very little rain for parts of southern Brazil, Paraguay and much of Argentina as La Nina dryness conditions are persistent. While soil moisture in lots of areas is drying up, traders still believe that a shift to a wetter weather pattern would help. For now, however, until that occurs, the market should be well supported. For the USDA supply/demand report, traders see ending stocks coming in near 1.487 billion bushels, 1.420-1.576 billion range, as compared with the November USDA estimate of 1.493 billion bushels. Traders expect a slight increase in Brazil corn production for the report and a slight decline for Argentina. World ending stocks are expected near 304.47 million tonnes, 302.21-306.20 million range, as compared with 304.42 million tonnes last month. March corn closed

sharply higher on the session Friday and up for the third day in a row. Even with the strong recovery, the market closed 7 3/4 cents lower on the week.

China's corn output increased 4.6% in 2021 from the previous year to stand at 272.6 million tonnes, the statistics bureau said today. 2021 corn planting acreage was up 5% from the previous year. The corn market seems to have the demand fundamentals to remain very sensitive to weather and outside market developments. Corn used in last week's ethanol production was estimated at 105.07 million bushels. Corn usage needs to average 99.7 million bushels per week to meet the USDA's forecast for 2021/22. Some corn crops in Rio Grande do Sul have thought to be damaged by low rainfall. In November, Brazil exported 2.4 million tonnes of corn, up 41% from October but down 51% down from a year ago. In the current season (Feb-Nov), Brazil has exported 14.72 million tonnes of corn, down 48% from that last season. Corn positioning in the Commitments of Traders for the week ending November 30th showed Managed Money traders net sold 51,422 contracts for the week and are now net long 315,269 contracts. Non-Commercial & Non-Reportable traders were net long 335,678 contracts after decreasing their long position by 47,004 contracts.

**WHEAT:**
March wheat closed sharply lower on the session Friday, and the chart pattern is a bit bearish. The break left the market down 36 1/2 cents for the week. Russia is considering export quotas, there is more rain in the Australia forecast and end-user buyers are still active in the international tender market. This is mostly positive news, so the sharply lower close is a concern for the bulls. While the durum wheat crop was low, Statistics Canada pegged all wheat production at 21.7 million tonnes which was unchanged from their previous estimate but came in higher than the average trade estimate at 21.2 million tonnes.

Russia is discussing setting its wheat-export quota that runs from mid-February through June at 9 million tonnes. The figure was proposed by their Agriculture ministry, which also suggested a total grains quota of 14 million tonnes for the period. Russia has been taking steps to slow sales abroad to curb domestic food inflation. It's also introduced a floating tax on grain exports, though the measures have had limited impact. Russia imposed a grains export quota of 17.5 million tonnes from Feb. 15 through June 30 this year. Wheat shipments for the 2021-22 season amounted to 18.8 million tonnes as of Dec. 2, down 18% from a year earlier.

For the USDA supply/demand report, traders see ending stocks near 589 million bushels, 573-632 range, as compared with 583 million bushels in November. World ending stocks are expected near 276.30 million tonnes, 273.50-279.00 range, as compared with 275.80 million tonnes in November. The November 30th Commitments of Traders report showed Wheat Managed Money traders reduced their net long position by 11,763 contracts to a net long 6,200 contracts. CIT traders are net long 120,363 contracts after net selling 3,453 contracts. For KC Wheat, Managed Money traders are net long 62,368 contracts after net selling 3,241 contracts. Non-Commercial & Non-Reportable traders were net long 53,180 contracts after decreasing their long position by 2,187 contracts.

**HOGS:**
Choppy trade may continue over the near-term after February hogs closed moderately lower on the session Friday. The sharp turn higher in the pork product market led by hams and bellies helped to support the solid gains Thursday. Supply has a tendency to peak for the year in early December and if

pork product prices are showing a tendency to bottom out, futures could be probing for a low. However, the USDA pork cutout, released after the close Friday, came in at $78.97, down $6.88 from Thursday and down from $81.68 the previous week. This was the lowest the cutout had been since February 3rd and could be an indication that the cash market has still not found a low. The market traded below key support at 79.37 three times last week but closed well above the support level. The CME Lean Hog Index as of December 1 was 70.86, up from 70.27 the previous session but down from 72.56 the previous week.

The USDA estimated hog slaughter came in at 479,000 head Friday and 265,000 head for Saturday. This brought the total for last week to 2.667 million head, up from 2.261 million the previous week (Thanksgiving) but down from 2.786 million a year ago. Estimated US pork production for the week ending December 4 came in at 576.7 million pounds, up from 487.9 the previous week and down from 612.4 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 897 contracts of lean hogs for the week ending November 30, increasing their net long to 56,373. Non-commercial & non-reportable were net buyers of 2,581, increasing their net long to 43,567.

**CATTLE:**

The strong export pace remains a positive force for the market, as it should keep supply tight into the first quarter. US beef cumulative export sales for 2021 have reached 1.043 million tonnes, up from 903,200 a year ago and the highest on record for this point in the year. China has purchased 184,300 tonnes from the US this year, compared to 58,000 tonnes at this point last year and 9,600 two years ago. The USDA boxed beef cutout was up $1.92 at mid-session Friday and closed $2.34 higher at $274.36. This was down from $280.01 the previous week. The cash live cattle market was quiet on Friday, with 142 head reported in the five areas at an average price of 140.90.

The 5-day, 5-area weighted average price as of Friday afternoon was 140.46, up from 138.17 the previous week. The technical action is bearish with the appearance of a bear flag over the last four trading sessions. There are still plenty of potential bearish demand developments with the new virus variant but so far the market has priced in some disruptions in the food service industry. If the impact of the virus is less of an economic issue, the tone for the cash market could stay positive and consumer demand could be stronger than trade expectations.

Cash markets rallied sharply last week which provided some support, but beef prices are well down from a week ago and some traders are taking a wait and see attitude on consumer demand for high-priced beef cuts. Tightening supply and relatively low weights helped to support the rally, but some traders are nervous that demand could take a hit from the new virus. A warm and dry forecast for the central and southern plains for the next 10 days is seen as a slightly negative force. Average estimated dressed cattle weights for the week ending December 4 came in at 834 pounds, up from 833 from the previous week and down from 841 a year ago.

The 5-year average weekly weight for that week is 835.4. Estimated beef production for the same week came in at 562.5 million pounds, up from 561.6 million a year ago. The USDA estimated cattle slaughter came in at 119,000 head Friday and 69,000 head for Saturday. This brought the total for last week to 676,000 head, up from 566,000 the previous week (Thanksgiving) and up from 669,000 a year ago.

Friday's Commitments of Traders showed managed money traders were net buyers of 9,484 contracts of live cattle for the week ending November 30, increasing their net long to 78,517. Non-commercial & non-reportable traders were net buyers of 9,197, increasing their net long to 80,818.

**COCOA:**

Cocoa prices were able to shake off a negative shift in global risk sentiment to extend their winning streak to 3 sessions. While near-term demand remains a front and center issue, cocoa is showing more signs that a longer-term low may be in. March cocoa built on early strength and shook off midsession and late pullbacks to finish Friday’s trading session with a moderate gain. For the week, March cocoa finished with a gain of 71 points (up 3.0%) which was a third positive weekly result over the past 4 weeks as well as a positive weekly reversal from Wednesday’s 4 1/2 month low.

While European and US equity markets had a sluggish finish to the week, a rebound in the Eurocurrency provided cocoa with carryover support as that could make it easier for Euro zone grinders to acquire near-term supplies. Cases of the Omicron COVID variant have reported in Europe and North America over the past 1 1/2 weeks, and that raises the prospect that extended lockdowns and restrictions may be re-imposed. If that occurs, it would likely result in a significant reduction in chocolate purchases in those areas.

Forecasts for major West African producers to see their 2021/22 output decline more than 10% from last year continues to provide underlying support to the market. West African normally starts its “dry” season at this time of the year which usually lasts until March. While those conditions should help with harvesting, drying and transporting cocoa beans, they will also have a negative impact on West Africa’s late main crop and midcrop cocoa production.

The November 30th Commitments of Traders report showed Cocoa Managed Money traders net sold 26,887 contracts which moved them from a net long to a net short position of 24,370 contracts. CIT traders reduced their net long position by 3,546 contracts to a net long 22,037 contracts. Non-Commercial No CIT traders added 19,081 contracts to their already short position and are now net short 27,548. Non-Commercial & Non-Reportable traders net sold 26,657 contracts which moved them from a net long to a net short position of 15,790 contracts.

**COFFEE:**

Coffee prices have held up relatively well to near-term demand concerns as larger at-home consumption was able to offset a large portion of the lost restaurant and retail shop demand during the COVID pandemic. As a result, significant supply issues from many of the world’s major-producing nations have kept coffee within striking distance of new multi-year highs. March coffee was able to break out of a near-term consolidation zone to the upside as it finished Friday’s trading session with a sizable gain. For the week, March coffee finished with a gain of 0.40 cent (up 0.2%) which was a fourth positive weekly result in a row.

Front month London Robusta coffee reached their highest levels since August 2011, and that provided early support to New York Arabica coffee futures. In addition to their supply issues, Major Arabica-coffee producing nations are dealing with a global shortage of shipping container which provided additional support to the coffee market. Brazil has dealt with drier than normal conditions since last year, severe frosts in July and have a La Nina weather event through the first quarter of 2022. As a result, Brazil is wildly expected to have production problems for the 2022/23 and 2023/24 seasons, which gave coffee prices a further boost going into the weekend. Costa Rica's November coffee exports came in more than 22% below last year's total, with their 2021/22 production expected to come in 6% below last season's total.

ICE exchange coffee stocks rose by 5,587 bags on Friday, but they remain below the 1.6 million level and on-track for a sixth monthly decline in a row. Coffee positioning in the Commitments of Traders for the week ending November 30th showed Managed Money traders reduced their net long position by 859 contracts to a net long 57,455 contracts. CIT traders net sold 1,524 contracts and are now net long 56,303 contracts. Non-Commercial No CIT traders are net long 47,573 contracts after net selling 828 contracts. Non-Commercial & Non-Reportable traders net sold 1,844 contracts and are now net long 67,885 contracts.

**COTTON:**

March cotton closed higher on Friday for the first positive daily result since the session before Thanksgiving. There were reports of mills taking advantage of the recent price break and putting in orders to buy. However, the market gave up most of its gains by end of the session, and the market closed just slightly higher on the day. The break last week took the market almost to the 0.382 retracement of the April-November rally. Talk of a bumper crop in northwest China this year has added to the more negative tone for the market this year.

Friday's Commitments of Traders report showed managed money traders were net sellers of 6,050 contracts of cotton for the week ending November 30, reducing their net long to 77,743. Non-commercial, no CIT traders were net sellers of 8,985 contracts, reducing their net long to 77,409. Non-commercial & non-reportable traders were net sellers of 14,295, reducing their net long to 110,684.

**SUGAR:**

Since the US Thanksgiving holiday, sugar prices have moved sharply to the downside as they reached a four-month low on December 2. With the market well below its November highs, sugar could see a significant recovery over the next few weeks. March sugar had trouble holding onto early strength, but held its ground above Thursday's 4-month low as they finished Friday's trading session with a moderate gain. For the week, however, March sugar finished with a loss of 60 ticks (down 3.1%) which was a third negative weekly result in a row.

While energy prices gave back sizable gains and fell into negative territory, that carryover pressure was offset by the Brazilian currency which finished last week with a mild recovery move. The Omicron variant has dampened near-term demand prospects, but keep in mind that sugar should still have a bullish supply outlook this season even if energy prices stay well below their recent highs. Brazil's Center-South sugar production is expected to decline more than 6 million tonnes from last season, a deficit that will not be offset by other producing nations.

Of the top sugar-producing nations, only Thailand is expected to see a sharp increase in exports during the 2021/22 season. While India and the EU may see higher production, their sugar exports are likely to fall short of their 2020/21 totals. Brazil's Center-South domestic ethanol sales have come in under last year's total for the past 4 months, but their mills are shifting more of their crushing over to ethanol production. India has brought forward their 20% gasoline blending target for ethanol to 2025, which should result in their mills ramping up their ethanol production and their sugar exports falling well below last season's 7.2 million tonnes.

The November 30th Commitments of Traders report showed Sugar Managed Money traders were net long 178,233 contracts after decreasing their long position by 50,752 contracts. CIT traders net sold 2,225 contracts and are now net long 192,490 contracts. Non-Commercial No CIT traders net sold 46,791 contracts and are now net long 111,098 contracts. Non-Commercial & Non-Reportable traders were net long 230,365 contracts after decreasing their long position by 70,158 contracts.

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