ADM Investor Services, Inc.

Weekly Futures Market Summary

March 14, 2022

by the ADMIS Research Team

BONDS:

In general, the treasury markets were locked within a trading range late last week as scheduled data was supportive while rumors of favorable peace talk developments applied pressure. While Michigan sentiment was softer than expected, Canada posted a very significant drop in its unemployment rate. However, the bear camp should enter the new trading week with confidence considering next week's CPI report and the FOMC meeting.

In fact, with another critical inflation report (PPI) scheduled for release on Tuesday and the Fed decision the next day, we suspect prices will adjust downward despite periodic flight to quality lift from the war. According to the media, the Fed Chairman favors a 25-basis point hike now and more substantial rate hikes later. Issues that could reverse the downward bias directly ahead are significant US/Chinese trade tensions (if China helps Russia "workaround" sanctions), slack auction demand (because of the potential for flat price risk) and an early 2 1/2 year high in two-year yields the bear camp has plenty of ammunition.

Bond positioning in the Commitments of Traders for the week ending March 8th showed Non-Commercial & Non-Reportable traders went from a net short to a net long position of 27,948 contracts after net buying 46,985 contracts. With the treasury note market this morning 2 points below the level where the COT report was measured the net short is obviously understated in the COT report. In fact, we suspect the net spec and fund short in notes is now at the largest level since November 2018. In the T-Notes market Non-Commercial & Non-Reportable traders net sold 11,394 contracts and are now net short 531,318 contracts.

CURRENCIES:

In retrospect, the dollar had fundamental and technical favor from the Ukraine war over the past several weeks. Therefore, any sign of favorable talks and/or a cease-fire could pressure the dollar and in turn spark significant short covering in oversold currencies like the Pound and Yen. On the other hand, the dollar should be underpinned given hot inflation readings last week, expectations for a hot CPI reading and most importantly because of the high likelihood of a US rate hike this week.

While the dollar forged a 4-day high early this week, the index recoiled sharply from that high as if the 99.00 level is expensive for now.

However, the dollar should draft ongoing support from a widely anticipated US rate hike Wednesday, but the currency index might fall once the hike has been posted. Because of the war, the dollar should see natural cushion but with the dollar trading below the level where the COT report was measured, we suspect the net long position is overstated. The Commitments of Traders report for the week ending March 8th showed Dollar Non-Commercial & Non-Reportable traders are net long 37,866 contracts after net selling 1,510 contracts.

We are highly suspicious of the higher trade in the euro early this week, as the situation in Eastern Europe remains negative and the euro should see weakness because of the looming US rate hike. However, a 1-month low in the Chinese currency and the potential for further declines in the Russian currency might provide the euro with indirect support. The March 8th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 10,939 contracts to a net long 87,052 contracts.

With the Yen extending last week's large washout and in the process, reaching the lowest levels since 2017, the trade is rushing to factor in the Bank of Japan's inability to raise rates in the face of international rate hikes. Like the Yen, the Swiss franc extended its downside breakout from last week and to determine downside targeting requires weekly charts. Obviously, the Swiss franc is viewed negatively because of its proximity to Europe and to the negative economic impact from the war front.

With the Pound returning to significant consolidation low pricing from October 2020, the recovery currency (the Pound behaves like an equity market instrument) looks to be pinned down to the 1.30 area later this week. While the Canadian dollar started out lower this week and is likely overbought from the previous three day's gains, last week's Canadian jobs report should underpin the currency. In fact, the jobless rate in Canada reached the lowest level since 2019 and like the dollar the Canadian dollar should benefit from uncertainty from Ukraine.

STOCKS:
All things considered, the volatility in the equity markets late last week was somewhat low considering rumors that Russian/Ukraine talks might be posting some progress. Apparently, the stock market initially was not buying into the prospect of fruitful talks as that should have launched prices significantly higher. Beyond the hope for talks the market saw lift from a buyback by Applied Materials, strength in semiconductor shares and simple relief that the situation in the Ukraine did not deteriorate as much as was feared earlier in the week.

Global equities at the start of this week were mostly higher with weakness in the Chinese markets perhaps due to surging infection counts. While US markets are higher, prices are generally pinned down to recent consolidation support and there are plenty of bearish themes stacked up for the coming sessions. Obviously, fresh reports of carnage in the capitol city, the potential for a backlash against China (if they assist Russia) and the likelihood of a US rate hike Wednesday leaves the bear camp with plenty of ammunition. Another fresh negative from the weekend is the Russian missile attack on a city close to the Polish border.

Sentiment feels vulnerable to significant risk off conditions ahead as Russia pushes on and rate hike pressure looms. About the most positive thing that can be said about this week's probable interest rate hike is the fact it is widely anticipated already. E-Mini S&P positioning in the Commitments of Traders for the week ending March 8th showed Non-Commercial & Non-Reportable traders net sold 29,333 contracts and are now net long 141,199 contracts. Unfortunately for the bull camp, the net spec and fund long in the E-Mini S&P has probably increased with the S&P sitting 100 points above the level where the report was measured.

The Dow has started out on a positive track this week with a rejection of 33,000 and signs that the worsening of the war has become less important to the US equity markets. Dow Jones $5 positioning in the Commitments of Traders for the week ending March 8th showed Non-Commercial & Non-Reportable traders were net short 13,542 contracts after decreasing their short position by 1,643 contracts.

With Elon Musk warning of a significant inflation risk for his car and space companies, a number of negatives flowing from Meta and negative macroeconomic conditions the NASDAQ looks to have a spike down low at the start of this week. The March 8th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders went from a net short to a net long position of 15,478 contracts after net buying 26,276 contracts.

GOLD, SILVER & PLATINUM:

The gold and silver markets started off under moderate pressure this week in a risk off commodity session tempered only by initial strength in US equities. Clearly, there will be no compromise short of a complete takeover of the Ukraine. Apparently, the Russian military machine will grind through the capitol city with bombardment likely to leave the city unrecognizable. Therefore, uncertainty and volatility in gold and silver is likely to mirror the action seen last week which posted a gold range of $118. Countervailing flight to quality bullishness from the war will be fear of a surging US dollar and a US hike in interest rates later this week. In fact, the dollar index looks to return to parity (100.00) and the most recent COT positioning report showed the gold market with the longest net spec and fund long since March 2020.

In a positive development, gold ETF's increase their holdings last week by 1.79 million ounces bringing the year-to-date gain up to 5.6%. Gold positioning in the Commitments of Traders for the week ending March 8th showed Managed Money traders are net long 175,694 contracts after net buying 7,591 contracts. Non-Commercial & Non-Reportable traders added 34,864 contracts to their already long position and are now net long 352,783. Similarly, the net spec and fund long in silver also has a net spec and fund long nearing the highest level since March 2020. The Commitments of Traders report for the week ending March 8th showed Silver Managed Money traders added 6,525 contracts to their already long position and are now net long 49,248. Non-Commercial & Non-Reportable traders were net long 72,382 contracts after increasing their already long position by 12,777 contracts.

We see the palladium market as the physical commodity market most impacted by the war, and therefore this week should produce volatility on the order seen last week (a $720 trading range). Obviously, seeing 40% of the world supply of palladium held inside Russia for an extended period will result in significant supply chain disruptions for the global automotive industry and that could propel palladium prices to surprising levels. However, over the weekend Russia's Nornickel indicated they have found "alternative routes for the export of their palladium supplies". In short, June Palladium is unlikely to finish the coming week near $2,800 with the potential for a sub $2500 price and new record highs above $3,425. With the most recent COT positioning report still showing a net spec and fund long of only 569 contracts stop loss selling could be modest. In fact, the June palladium market last week finished $172 below the level where the COT report was measured, and therefore palladium probably enters this week with a net spec and fund short again.

Palladium positioning in the Commitments of Traders for the week ending March 8th showed Managed Money traders net bought 642 contracts and are now net long 895 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 569 contracts after net buying 987 contracts. Critical pivot point pricing is seen at $2,600 and at on the upside at $2,690. Pushed into the market, we favor the bear camp. The platinum market will "follow" the palladium market and could see a distinct positive correlation with equities this week. Unfortunately for the bull camp, the net spec and fund long positioning in platinum leaves it vulnerable, but like palladium, the platinum market finished last week $87 below the level where the COT report was measured! The Commitments of Traders report for the week ending March 8th showed Platinum Managed Money traders are net long 26,076 contracts after net buying 10,913 contracts. Non-Commercial & Non-Reportable traders were net long 37,443 contracts after increasing their already long position by 10,459 contracts.

COPPER:

Unfortunately for the bull camp, copper is not a flight to quality instrument and this week's geopolitical developments are likely to undermine copper prices and copper demand expectations. Other negatives include word late last week that Peru is likely to see significant year-over-year growth in copper production this year, ongoing moderate daily LME copper warehouse stock builds (with 3,800 tonnes added on Monday), the potential for trade sanctions against China and obviously what is widely expected to be the beginning of a trend of higher interest rates.

Fortunately for the bull camp, the net spec and fund long in copper is benign with the positioning adjusted for the $0.06 slide after the report considered minimally long and therefore subject to less stop loss selling by the longs this week. The March 8th Commitments of Traders report showed Copper Managed Money traders were net long 42,249 contracts after increasing their already long position by 11,260 contracts. Non-Commercial & Non-Reportable traders were net long 40,510 contracts after increasing their already long position by 10,793 contracts.

ENERGY COMPLEX:

Despite a Russian missile attack of a Ukrainian training facility close to the Polish border over the weekend the market forged a 3-day low and looks destined to probe under $100. Apparently, the trade is concerned there could be "progress in the talks" today but we seriously doubt that outcome.

However, there are reports that Russian oil companies are offering very favorable terms like financing and discounted prices with the Chinese potentially helping the Russians with purchases. While the energy markets have adopted supply-side fears from the ongoing prospect of more boycotts of Russian oil, the trade might be walking a thin line with respect to "energy demand destruction" from high pricing and from fears of a global recession from the war.

Surprisingly, the most recent positioning report in crude oil showed the net spec and fund long position near the lowest levels since March 2020 and given the setback from the report mark off date, the net spec and fund long could be the lowest in 2 years. The March 8th Commitments of Traders report showed Crude Oil Managed Money traders reduced their net long position by 3,256 contracts to a net long 277,534 contracts. Non-Commercial & Non-Reportable traders added 9,638 contracts to their already long position and are now net long 484,943.

Late last week, President Biden reportedly solicited Saudi Arabia, Iraq, Iran, UAE, and perhaps even Venezuela for more supply, and that in turn has upset US oil companies. The big question for the crude oil market is whether the market factored in a larger than reality blockage of Russian energy with the test of $130. However, suggestions from Russian officials that any military supply flow from the West into Ukraine would be "a viable target" for the Russian army keeps talk of additional sanctions in play. Reportedly, the West has provided more than 20,000 shoulder fired missiles, and that could be the Russians biggest obstacle in their desire for a complete takeover of Ukraine.

At the end of last week, the Baker Hughes oil rig operating count showed the US adding 8 rigs with a total count operating of 527 which in turn is the highest since April 2020. While supply can take from 12 to 18 months from drilling to output, the US rig operating count has grinding higher for over 2 years! If crude oil prices were not $21 a barrel below the highs at the close last week, we would give a distinct edge to the bear camp. In looking ahead this week traders should begin to watch action in equities for any sign of demand destruction conditions in the global economy.

With political pressure mounting on the US administration from surging retail gasoline prices, we suspect the Biden Administration and Congressional Democrats will begin to discuss a pause in gasoline/road taxes. However, slashing the price from historic highs to slightly less than historic highs might not result in gasoline prices continuing last week's washout. With the most recent COT positioning report showing gasoline to be holding the lowest net long since December and the gasoline market from the COT report mark off to the low this morning sitting $0.57 below the level where the COT report was calculated the net spec and fund long should be overstated.

The Commitments of Traders report for the week ending March 8th showed Gas (RBOB) Managed Money traders reduced their net long position by 12,666 contracts to a net long 61,551 contracts. Non-Commercial & Non-Reportable traders are net long 53,216 contracts after net selling 19,752 contracts. As in the crude oil market, the junction between fear of more serious supply tightness and demand destruction looms and longs should seek some put option coverage. Despite the diesel market having the "tightest" global supply condition of the actively traded petroleum markets, and despite a massive washout last week, prices have started out lower.

In fact, the ULSD market saw a high to low slide last week of $1.24 and therefore the trade might have extracted a significant portion of the "war premium". However, as indicated for several weeks, the distillate/diesel markets are the "tightest" of the petroleum complex and prices seemed to reject a spike down to $3.00 last week. The March 8th Commitments of Traders report showed Heating Oil Managed Money traders were net long 12,804 contracts after decreasing their long position by 10,889 contracts. Non-Commercial & Non-Reportable traders were net long 13,096 contracts after decreasing their long position by 14,826 contracts.

The natural gas market appears to be shifting bearish after missing the significant rallies seen in petroleum markets from the Western embargo of Russian energy supplies. Adding into the negative bias this morning are reports that Russian gas continues to flow on the Yamal-Europe pipeline, and we suspect that flow will continue if payment is received. In retrospect, the Yamal pipeline was shut down for 2 months with supplies from that pipeline system ultimately destined for Germany which is heavily dependent on Russia gas.

Modest negatives were also seen this morning from warmer than normal temperatures in the Midwest and East Coast of the US and from sliding European cash prices. However, last week, the EIA storage report showed a deficit to the five-year average of 16% thereby leaving supplies in the US tighter than during the prewinter rally. The rally was reportedly built on expectations for extremely tight supply during the winter. With the May natural gas contract from the last positioning report into the close Friday $0.18 above the level where the COT report was measured, we suspect the short positioning is "overstated".

The March 8th Commitments of Traders report showed Natural Gas Managed Money traders were net short 15,426 contracts after increasing their already short position by 13,030 contracts. Non-Commercial & Non-Reportable traders added 7,592 contracts to their already short position and are now net short 97,196. However, it should be noted that the natural gas market enters the new week with US supply tightening from a ramping up of LNG exports.

BEANS:

Like many physical commodities, soybeans are likely to see significant volatility this week as the situation in Ukraine serves to drive wheat and corn prices into wild gyrations. In fact, the United Nations Food Agency on Friday warned of a 20% jump in global food prices because of the war. Certainly, Wheat and corn price gyrations will spill over into soybeans this week especially with the corn and wheat planting window in Ukraine looming and ideas that planting will not take place. However, the soybean market has its own bull case with global buyers concerned about availability between the South American harvest and the new crop in the US. In the most recent weekly report, the US sold 165 million bushels (4.3 million tonnes) of old crop corn and soybean supply and saw near record movement! Apparently, China bought 1 million tonnes while unknown buyers purchased 575,000 tonnes. It should be noted that the USDA increased its 2021-2022 exports up by 400 million bushels (56.9 million tons).

Even new crop sales are impressive with sales through March 3rd of 7.6 million tonnes. Traders think the unknown buyers last week were Chinese buyers and therefore China bought nearly 2 million tonnes. In fact, Brazil export demand has been strong which justifies concern of availability later this year. With the net spec and fund long in beans near the highest levels since June of last year and the November soybean contract from the report mark off into the high last week trading $0.27 higher, the net spec and fund long could be the highest since April of last year. The March 8th Commitments of Traders report showed Soybeans Managed Money traders net sold 4,007 contracts and are now net long 171,714 contracts. CIT traders net bought 4,913 contracts and are now net long 194,374 contracts. Non-Commercial No CIT traders net sold 10,777 contracts and are now net long 129,222 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,336 contracts to a net long 165,088 contracts.

While some will argue that the soybean oil market has the most bullish fundamentals of the soybean complex, the May contract last week reached a moderately overbought condition with a spike high which was ultimately reversed. With the rally after the COT report was marked off, the net spec and fund long is likely at ten-month highs. The Commitments of Traders report for the week ending March 8th showed Soybean oil Managed Money traders were net long 85,669 contracts after increasing their already long position by 4,238 contracts. CIT traders reduced their net long position by 6,169 contracts to a net long 118,969 contracts. Non-Commercial No CIT traders net bought 10,914 contracts and are now net long 57,500 contracts. Non-Commercial & Non-Reportable traders are net long 107,235 contracts after net buying 8,493 contracts.

Therefore, it is possible that May Bean oil prices above $77.33 are expensive, with traders thinking high prices will likely pinch demand. The March 8th Commitments of Traders report showed Soymeal Managed Money traders added 1,798 contracts to their already long position and are now net long 96,627. CIT traders were net long 130,126 contracts after increasing their already long position by 1,468 contracts. Non-Commercial No CIT traders are net long 67,330 contracts after net buying 3,782 contracts. Non-Commercial & Non-Reportable traders net bought 10,268 contracts and are now net long 146,163 contracts.

CORN:

While the Ukrainian president is pushing for farmers to plant, the United Nations predicts that 30% of corn and sunflower fields will not be planted this year. In our opinion, projecting 70% will be planted is highly suspect. In fact, we think the biggest impediment to Ukraine corn production will be the absence of "farmers" anywhere near their fields. In other words, new crop corn could have $1.00 or more to gain on old crop as the world's 4th largest exporter is basically erased for this year's output. Those who think Ukraine acres will be planted, must think the Russians will take the entire country before the end of April, or that Ukrainian resistance will hold Russian forces back and Ukrainian farmers near the warfront will plant with explosions in the background.

With the December corn contract breaking out to fresh contract highs overnight, the new crop continues to price-in the potential for significant supply tightening before the end of this year. In fact, old crop sales are as expected while new crop sales have started to pick up. New crop corn sales are 1.9 million tonnes only slightly above year ago levels and therefore forward buying of corn from a Ukraine production loss has only just begun in the December corn contract. It is already heavily documented that Ukrainian plantings are unlikely at this time, but until the end of April/early May there is hope that some planting will be seen. On the other hand, excessive moisture in many areas of the Ukraine combined with a massive military campaign should render large areas unplantable.

While the most recent COT report likely understates the net spec and fund long, we doubt the spec position is near record levels and therefore residual buying is possible. The March 8th Commitments of Traders report showed Corn Managed Money traders were net long 368,784 contracts after increasing their already long position by 19,562 contracts. CIT traders are net long 442,534 contracts after net selling 1,475 contracts. Non-Commercial No CIT traders are net long 324,098 contracts after net buying 30,335 contracts. Non-Commercial & Non-Reportable traders added 20,281 contracts to their already long position and are now net long 435,805.

WHEAT:

May wheat was lower at the start of this week, possibly rattled by the negative tone across equity and some commodity markets off news of new lockdown measures in China. The market is seeing extreme volatility, but with the interruption of exports from the Black Sea region, increasing concerns about a poor crop in China, and extremely dry conditions for the central and southern US Plains, the market found some support last week after a three-day break. Friday's Commitments of Traders report showed managed money traders were net buyers of 27,244 contracts of Chicago wheat for the week ending March 8, which moved them from a net short position to a net long of 20,208.

These traders were net sellers of 775 contracts of KC Wheat, reducing their net long to 44,706. If there is any movement towards a cease-fire in the Ukraine/Russia war, the wheat market would likely see further sharp declines, but at this point that possibility is elusive. There also appears to be enough uncertainty regarding the Ukraine Chinese and US crops to keep the market supported on breaks. Serbia has become the latest nation to announce an export ban on certain food commodities, including wheat.

Pakistan's Finance Ministry confirmed there is an acute shortage of wheat in that country with stock levels down to 3.3 million tonnes, which they say is barely enough to last to the end of April. They intended to import 2 million tonnes from Russia. Iraq issued a tender to buy 50,000 tonnes of wheat from all origins. Ukraine's deputy Ag minister said on Sunday that spring grain sowing is expected to start in the coming days. Reminder, Ukraine grows winter wheat, which is already in the ground and will be harvested in July. The 6-10-day US forecast calls for normal to above normal precipitation across the US winter wheat belt.

HOGS:

April hogs closed sharply higher on Friday, above Thursday's high and near the upper end of last week's range, as talk of a seasonal decline in the slaughter pace into the spring lent support. There was also talk of the short-term oversold condition of the market, with the possibility that the market had already priced-in an expected decline in consumer demand that would result from higher food and energy costs. The USDA pork cutout, released after the close Friday, came in at $100.79, down $1.75 from Thursday and down from $102.44 the previous week. This was the lowest the cutout had been since February 10. The USDA estimated hog slaughter came in at 476,000 head Friday and 97,000 head for Saturday.

This brought the total for last week to 2.475 million head, up from 2.419 million the previous week but down from 2.583 million a year ago. Estimated US pork production last week was 529.8 million pounds, down from 543.2 million the previous week and 555.4 million a year ago. The CME Lean Hog Index as of March 9 was 99.91, up from 99.26 the previous session and 99.70 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,487 contracts of lean hogs for the week ending March 8, reducing their net long to 66,019. Slaughter has returned to a more normal pace in recent weeks after a slow January and February, and this has raised concerns about burdensome supply. Slow stochastics have crossed positive from oversold territory, which is a supportive technical indicator.

CATTLE:

April cattle closed sharply higher on Friday, taking back most of the losses of the previous session. Ideas that the long liquidation selling pressures on the market could subside soon lent support. Traders see the inflationary tone of the market as an offset to concerns about a drop in consumer demand due to a reduction consumer disposable income that would result from high food and energy costs. However, news of further lockdowns in China could raise concerns about US beef export demand, as China has become a major buyer over the past couple of years. The beef market showed some resilience on Friday, with the USDA cutout up 77 cents on the day at $254.71. This was up from $254.33 the previous week and was the highest it had been since March 2.

Cash live cattle trade settled down on Friday after trending lower earlier in the week. The market was quiet with only 266 head reported in Iowa/Minnesota at 140, which was probably not enough for an adequate test. As of Friday afternoon, the five-day, five-area weekly average price was 138.32, down from 140.61 the previous week. The USDA estimated cattle slaughter came in at 111,000 head Friday and 34,000 head for Saturday. This brought the total for last week to 644,000 head, down from 654,000 the previous week and 649,000 a year ago.

The estimated average dressed cattle weight last week was 843 pounds, unchanged from the previous week and up from 830 a year ago. The 5-year average weight for that week is 823 pounds. Estimated beef production last week was 553.1 million pounds, up from 551.4 million a year ago. The market has already seen a significant correction off the February 10 key reversal top. For the second quarter of this year, beef production is expected to be down 1.6% from a year ago which may provide some support, and by the fourth quarter of this year, beef production is expected to be down 4.6% from a year ago.

COCOA:

Cocoa prices barely avoided a negative weekly reversal, but they have fallen 90 points (down 3.3%) from last Thursday's 3-week high. Although near-term demand prospects remain an area of concern, cocoa should find support from a bullish West African supply outlook. May cocoa started out on the defensive and remained under pressure all day as they finished Friday's trading session with a sizable loss. For the week, May cocoa finished unchanged.

While European equity markets finished the week on an upbeat note, a sharp selloff in the Eurocurrency and a new 16-month low in the British Pound were sources of carryover pressure on the cocoa market, as extended currency weakness could make it more difficult for European grinders to acquire near-term supply. With more than 200 points in gains since their early March lows, cocoa prices were also vulnerable to profit-taking and additional long liquidation late on Friday. US equity markets saw a late pullback after cocoa's close, and that may put additional carryover pressure on the cocoa market early this week.

While Ghana's potential production decline of over 20% from last season has received the market's focus, the other major West African producers (Ivory Coast, Nigeria and Cameroon) are showing signs of lower 2021/22 as well. Ecuador is expected to reach another new record high in production, but this season's output increase should be much smaller than seen during the previous 3 seasons while Indonesia is unlikely to reach 200,000 tonnes in output for a second season in a row.

Cocoa positioning in the Commitments of Traders for the week ending March 8th showed Managed Money traders were net long 23,915 contracts after increasing their already long position by 8,953 contracts. CIT traders were net long 37,399 contracts after increasing their already long position by 1,879 contracts. Non-Commercial No CIT traders went from a net short to a net long position of 2,745 contracts after net buying 7,004 contracts. Non-Commercial & Non-Reportable traders are net long 34,386 contracts after net buying 7,695 contracts.

COFFEE:
Coffee prices continue to have trouble sustaining upside momentum as they have not put together 3 positive daily results in a row since early February. Six of the past 7 sessions have posted daily lows within a 2.30 cent range, however, so a potential breakout below that area may produce one final downside leg for coffee's February/March pullback. May coffee was unable to shake off early pressure, but continued to hold its ground above the early March lows as it finished Friday's trading session with a moderate loss. For the week, May coffee finished with a loss of 2.30 cents which was a fourth negative weekly result in a row.

A recent increase in ICE exchange coffee stocks weighed on coffee prices late last week as that may indicate some easing of global export bottlenecks. ICE exchange warehouse stocks rose by 5,712 bags on Friday which was an eight daily increase over the past 10 sessions as they are more than 38,000 bags above their February month-end total. In addition, a pullback in the Brazilian currency was an additional source of pressure on the coffee market as that may ease pressure on Brazil's farmers to market their remaining near-term supply to foreign customers.

The Brazilian trade group Cecafe said that their nation's February coffee exports came in at 3.1 million bags, which was more than 14% below last year's total but a slight uptick from their January export total. The US National Coffee Association said that 66% of their survey participants drink coffee on a daily basis, which is the highest reading in 5 years which bodes well for North American demand.

The Commitments of Traders report for the week ending March 8th showed Coffee Managed Money traders were net long 39,109 contracts after decreasing their long position by 11,717 contracts. CIT traders are net long 41,829 contracts after net selling 2,172 contracts. Non-Commercial No CIT traders net sold 10,006 contracts and are now net long 33,740 contracts. Non-Commercial & Non-Reportable traders were net long 52,904 contracts after decreasing their long position by 13,266 contracts.

COTTON:

May cotton gave back a good portion of Friday's gains as several commodity and equity markets were down off news of Shenzhen, China being in lockdown due to Covid. This is their "Silicon Valley," and Chinese tech stocks were down sharply. Cotton closed sharply higher on Friday after trading to its highest price level since March 2, encouraged by hopes for more Chinese buying, so the lockdown news is concerning.

China's state planner said on Friday that it had issued a quota for 400,000 tonnes of cotton imports with a sliding tariff rate. This was the first batch for 2022 and was for private traders only. The weekly export sales reports show China being the largest buyer of US cotton so far for the 2021/22 marketing year at 4.140 million bales, 32% of the 13.284 million total for the US. The next largest buyer is Turkey at 1.818 million.

The ongoing drought in Texas is another bullish factor. Thursday's US Drought Monitor reported that exceptional drought had been expanded to cover more of the Oklahoma and Texas Panhandles. Severe drought was expanded over western Oklahoma along with a new pocket of exceptional drought. A full category worsening of drought conditions took place over west Texas.

The 6-10 and 8-14-day forecasts call for below normal precipitation across west Texas. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,283 contracts of cotton for the week ending March 8, reducing their net long to 70,206. The current net long is in the top 35% of the historical range, leaving the market moderately overbought.

SUGAR:

After starting out March with a sizable rally, sugar prices saw choppy and volatile action last week as they took direction from the turbulence in key outside markets. With the start of the 2022/23 Center-South season in a few weeks, bullish developments from Brazil can help sugar prices see upside follow-through early this week. May sugar was able to bounce back from a 1-week low to finish Friday's trading session with a moderate gain. For the week, however, May sugar finished with a 1oss of 11 ticks (down 0.6%) and a negative weekly reversal from Monday's 3 1/2 month high.

A pullback in the Brazilian currency put carryover pressure on the sugar market, as a weaker currency encourages Brazil's Center-South mills to produce more sugar for export. However, indications that global ethanol demand should improve during the second quarter provided a boost to sugar prices going into the weekend. After holding firm in the face of soaring energy prices, Brazil's Petrobras raised their domestic gasoline prices by nearly 20%.

This should give a strong boost to Brazilian domestic ethanol demand, which has been sluggish with Center-South domestic ethanol sales coming in below the previous year's total for more than 5 months. A recent surge in new export deals has led some analyst to raise their forecasts for India's 2021/22 sugar exports up to 7.5 million to 8.0 million tonnes, which would be a record high. If energy prices remain near multi-year high levels, India's mills will ramp up their ethanol production capacity which in turn should lower this season's sugar output.

Sugar positioning in the Commitments of Traders for the week ending March 8th showed Managed Money traders added 80,476 contracts to their already long position and are now net long 139,963. CIT traders are net long 202,828 contracts after net buying 6,769 contracts. Non-Commercial No CIT traders are net long 99,091 contracts after net buying 63,497 contracts. Non-Commercial & Non-Reportable traders were net long 204,113 contracts after increasing their already long position by 95,069 contracts.

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