ADM Investor Services, Inc.

Weekly Futures Market Summary

May 16, 2022

by the ADMIS Research Team

BONDS:

To recap last week's fundamental developments, it can be said that inflation remains a problem but might be moderating. However, markets disagree on the argument that inflation is peaking. The failure to extend the rally from earlier last week is partially the result of a relief rally in equities, a much weaker than expected Michigan sentiment reading and a softer than feared US import prices reading. On the other hand, Reuters reported the largest bond fund outflows in 4 weeks. Even though treasuries forged fresh new lows for the move early this week, there are plenty of residual supportive fundamental developments operating in the market. While not a direct impact on US treasury prices, China released very disappointing industrial production readings and appears to have extended the lockdown of Shanghai by indicating Shanghai could be back to normal by June 1st. Last week, China hinted at reducing some lockdown area later this week.

In a very minor supportive development, seeing Finland in Sweden potentially apply for membership in NATO ruffles the feathers of the Russian leader and therefore fosters minimal flight to quality interest in US bonds and notes. In retrospect, with the rally last week forged in the face of the monthly inflation report cycle, the treasury markets are considering the potential inflation has peaked. While international equity markets were mixed, the threat of risk off economic anxiety from additional weakness in equities ahead remains significant. In looking ahead to US scheduled data, the bull camp should see some buying interest in the event the New York Empire State manufacturing index for May falls sharply as expected.

A positive impact on treasuries will bring the net long term treasury International Capital Flows report for the month of March, and we suspect international inflows to US treasuries will rise. Furthermore, TICS reports ahead are likely produce even greater inflows in April and May given a series of multiyear upside breakouts in yields in those months. The Commitments of Traders report for the week ending May 10th showed Bonds Non-Commercial & Non-Reportable traders are net long 15,038 contracts after net buying 8,489 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders reduced their net short position by 3,116 contracts to a net short 254,786 contracts.

CURRENCIES:

As in many other markets late last week, the currency markets showed corrective action against pre-existing trends. However, while the euro and Swiss franc are massively oversold, their fundamentals offer little sign of bottoms. In fact, with Europe continuing to move toward less Russian oil use and targeted the end of May as a complete ban deadline, Europe is facing the potential of paying significantly higher

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premiums for energy than the rest of the world. Therefore, European consumers will see their spendable income contract significantly ahead. In conclusion, the outlook for the European economy is for increased potential for a recession and more downside action.

While the dollar index extended the lower track at the start of this week following a poor close on Friday, the bull case remains substantial. However, bullish fundamentals from the prospect of aggressive US interest rate hikes have tapered along with the expected pace of US inflation and growth. Even more disappointing to the bull camp is the dollar's lack of recovery off soft and disappointing Chinese industrial production readings. Therefore, we expect the dollar to slide lower following Monday's US Empire State manufacturing report. The May 10th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders are net long 37,176 contracts after net buying 1,506 contracts.

While the euro showed a slight and anemic extension of last Friday's bounce early this week, ECB comments suggesting Euro weakness threatens their inflation targeting keeps the bulls at bay. Another limiting force for the euro is ongoing fear that European energy prices will be markedly above energy costs for most of the world because of the attempt to isolate Russia. From a technical perspective, the euro is also presented with the underside of a significant consolidation pattern from the beginning of May. The Commitments of Traders report for the week ending May 10th showed Euro Non-Commercial & Non-Reportable traders added 17,071 contracts to their already long position and are now net long 36,362. With the Yen forging a consolidation pattern in early May and posting gains from last week's spike low, the charts have probably moderated a significant oversold pattern. If the trade were not concerned about the Japanese economy falling into stagflation the much stronger than expected Japanese producer price index readings for April could be supportive to the Yen. However, the 78.00 level has become resistance, with a close above that level required to deflate bearish confidence.

With a fresh contract early this week forged in the wake of softness in the dollar, it is clear the downtrend in the Swiss franc has extended into another week. While we doubt Swiss consideration of joining NATO is causing the break, that argument cannot be ruled out. In the end, the Swiss franc remains under the threat of slowing from ultrahigh energy prices and the ongoing uncertainty from the war in the east. Fortunately for the bull camp, the British Pound has attempted to forge a sideways consolidation low pattern around the 1.220 level. Unfortunately for the bull camp, there are few fundamentals strong enough to alter the downward bias. Like the Pound, the Canadian dollar forged a consolidation pattern around the 77.00 level and temporarily discouraged sellers. However, Canadian manufacturing and wholesale sales figures for March are forecast to be soft while the Prime Minister has criticized the central bank for its failure to contain inflation.

STOCKS:
After the severe beating in the first 4 days of this week, a noted short covering relief rally was justified at the end of last week. Granted, many large growth stocks like Tesla, Apple, Google, and Amazon led the market higher, but the major shift in psychology from Thursday's action was more than likely the tempering of 75-basis point rate hike expectations for next month from the US Federal Reserve Chairman. Going forward, we are hard-pressed in the near term to come up with a key and sustainable theme. Global equity market action at the start of this week was split with a lack of consensus among markets.

Over the weekend, Finland and Sweden announced they would file for membership in NATO and many feel that will result in some backlash from the Russian leader. Fortunately for the bull camp, signs of moderating inflation have tempered anxiety over fears that battling inflation will ultimately result in a soft landing or even worse recession. While the markets in the near term might not transition into a "soft data is bullish" mentality, a series of soft data points this week (without being too soft) should take down economic uncertainty.

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The path of least resistance from a technical perspective remains down, while the fundamental outlook is guarded and disappointing for the bull camp. However, it is possible that downside action will be less significant and without much anxiety. E-Mini S&P positioning in the Commitments of Traders for the week ending May 10th showed Non-Commercial & Non-Reportable traders added 54,056 contracts to their already long position and are now net long 123,035. Key support and a failure level on the charts this morning is seen at 3981.75.

With a low to high bounce of 1,100 Dow points from last week's low, the extreme oversold technical condition is partially repaired. While a normal retracement of the April and May washout allows for a bounce to 32,777 without reversing the downtrend, we seriously doubt the markets capacity to rally to that level given current fundamental news flow patterns. Dow Jones $5 positioning in the Commitments of Traders for the week ending May 10th showed Non-Commercial & Non-Reportable traders are net short 23,466 contracts after net selling 4,482 contracts.

With Tesla delaying a return to pre-pandemic production levels in Shanghai and a fresh dispute between Twitter executives and Elon Musk the NASDAQ starts with a negative fundamental undertow. The May 10th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 2,465 contracts to their already long position and are now net long 11,543.

GOLD, SILVER & PLATINUM:

In retrospect, last week was extremely disappointing to the bull camp as a series of inflation readings showed hot inflation relative to history, but some analysts saw the data as a slowing of inflation and perhaps even the beginning of a peak of inflation. However, the gold and silver markets have declined persistently since the March high, despite several extremely hot inflation reports in that timeframe. Certainly, the unrelenting rally in the dollar index and rising interest rates is a bearish environment for gold and silver, and therefore the classic flight to quality buying off the inflation theme was overwhelmed.

Recently, the gold and silver trade has also come under pressure from developing signs of disinvestment in gold and silver ETFs from shrinking disposable income for retail jewelry sales and mint products. In fact, gold ETF holdings last Friday posted a 7th straight decline bringing this year's net purchases down to 7.5%. Last week, gold ETFs reduced their gold holdings by 1.1 million ounces, while silver ETF holdings were reduced by 5.5 million ounces last week. At present there does not appear to be a definitively bullish fundamental theme to offer hope to the bull camp in gold.

On the other hand, from a technical perspective the gold market is in a pattern of reducing its net spec and fund long and adjusted into the low at the start of this week, we suggest the net spec and fund long is close to the most liquidated since October 2021. The Commitments of Traders report for the week ending May 10th showed Gold Managed Money traders reduced their net long position by 9,045 contracts to a net long 73,891 contracts. Non-Commercial & Non-Reportable traders are net long 233,645 contracts after net selling 10,756 contracts. Unfortunately for the bull camp, the overall net spec and fund long in gold is large enough to retain stop loss selling capacity and the $1,800 level on the charts becomes a very key pivot point/failure zone on a close basis.

In the silver market, a partial delinking with gold has taken place but the correlation remains generally in place. Therefore, silver remains vulnerable to higher rates, higher dollar, and further weakness in gold. Fortunately for the bull camp, the aggressive liquidation following last week's positioning report has likely reduced the net spec and fund long near the lowest level since June 2019. Silver positioning in the Commitments of Traders for the week ending May 10th showed Managed Money traders were net long 1,704 contracts after decreasing their long position by 13,557 contracts. Non-Commercial & Non-Reportable traders are net long 28,071 contracts after net selling 10,335 contracts.

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As opposed to gold and silver, the palladium market appears to have solid consolidation low support (which have preceded key lows of significance since September 2021) above $900. Unfortunately for the bull camp the net outflow from palladium ETF holdings last week was 25,266 ounces bringing the year-to-date contraction to 27%! Adding to the potential of strong value down around the $900 level is the fact that palladium has a net spec and fund short of 3,429 contracts and with the $22 per ounce slide after the most recent positioning report was measured the net spec and fund short in palladium is likely nearing a "record" short positioning.

While the trade is anticipating sharp reductions in Russian palladium supply ahead, there are already signs of a tightening of supply flow out of South Africa with an 8.2% year-over-year contraction in PGM output in March, but the trade so far is unconcerned. Even if the market manages to bottom with a consolidation pattern, to trend higher probably requires proof of locked in Russian supply. Palladium positioning in the Commitments of Traders for the week ending May 10th showed Managed Money traders added 565 contracts to their already short position and are now net short 1,266. Non-Commercial & Non-Reportable traders are net short 3,429 contracts after net selling 979 contracts.

Like the rest of the precious metal markets, platinum is under pressure from several macro market forces like rising rates, strength in the dollar, fear of slowing economic activity (softer physical demand) and because the close Friday was still $75 above the perceived bottom off the late April/early May consolidation zone. However, the net spec and fund long from the positioning report is already the lowest since September 2018 and the record net spec and fund short is 3,382 contracts. As in the palladium market, platinum has forged significant bottoms around $900 twice since last September. Unfortunately for the bull camp, platinum ETF holdings last week declined by 10,331 ounces, and are now 5.8% lower on the year.

The World Platinum Investment Council (WPIC) reduced investment interest this year to 104,000 ounces from 329,000 ounces. While the PGM markets did not find support last week from news of a sharp decline in South African PGM mining activity, the WPIC reduced its production forecast for this year to 7.7 million ounces following a projection earlier this year of 8.1 million ounces, and also reduced their 2022 surplus forecast from 652,000 ounces to 627,000 ounces. Platinum positioning in the Commitments of Traders for the week ending May 10th showed Managed Money traders were net short 7,289 contracts after decreasing their short position by 3,155 contracts. Non-Commercial & Non-Reportable traders net bought 1,730 contracts and are now net long 5,718 contracts.

COPPER:

Unfortunately for the bull camp, Shanghai remains in lockdown but a story in the press early this week suggested a return to more normal conditions might not be seen until June 1st after press reports last week suggested some lockdowns would be ended later this week. Therefore, fear of slowing in the Chinese economy remains front and center in the copper market. Adding into the negative view toward copper is disappointing Chinese industrial output combined with satellite data confirming the slowest Chinese port activity levels since the 2020 lockdown! Unfortunately for the bull camp, the Peoples Bank of China left interest rates unchanged but hinted at a reduction of LPR rates. Furthermore, copper warehouse stocks continue to rise despite fresh signs of lost mine output.

So far, the markets have not anticipated a reduction in copper supply flow from Russia as the EU has kept its focus on oil, gas, and other physical items like spare parts, technology, and specifically items dealing with weapons. In conclusion, demand from China remains the primary source of pressure which has been exaggerated by extreme negative sentiment flowing from equities, ongoing lockdowns, a rising dollar and surging interest rates. The best argument of the bull camp is the significant net spec and fund short positioning. The May 10th Commitments of Traders report showed Copper Managed Money traders added 8,923 contracts to their already short position and are now net short 17,736. Non-Commercial &

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Non-Reportable traders added 9,584 contracts to their already short position and are now net short 18,511.

ENERGY COMPLEX:

While July crude oil tracked lower at the start of this week, prices did manage a fresh high for the move initially and remains near the highest levels since March 24th. On the other hand, the market is facing bearish fundamental news flow in the form of an 11% weekly rise in floating global crude oil supply, fresh demand fears from soft Chinese data, and projections that Iraq will post output targets this month and next. In an indirect negative, reports verified Chinese coal and gas power prices fell sharply last month because of factory lockdowns. Furthermore, reports that Chinese refinery rates are declining, points to softening demand for fuel in China.

Nonetheless, the energy markets continue to show the most bullish resiliency of actively traded physical commodities. In fact, the energy complex has held up in the face of significant "risk off" in equities, fears of excess interest rate hikes and daily fear of slumping Chinese energy demand. Fortunately for the bull camp, the latest COT positioning report showed the most liquidated net spec and fund long since March 2020. Crude Oil positioning in the Commitments of Traders for the week ending May 10th showed Managed Money traders are net long 248,952 contracts after net selling 5,431 contracts. Non-Commercial & Non-Reportable traders net sold 15,659 contracts and are now net long 409,687 contracts. The bull case is still solid with the most recent increase in monthly OPEC output of 153,000 barrels per day half of the agreed-upon monthly return of production to the world market.

In addition to the OPEC shortfall, the US has been liquidating its strategic petroleum reserve aggressively with a record outflow posted last week. While the US SPR retains significant volumes, oil from the SPR is leaving the country for European areas attempting to build their strategic stockpiles. Certainly, a portion of the US SPR has remained in the US, but that special flow has not fully repaired the massive year-over-year deficit of 60.4 million barrels. However, the bear camp should note the year-over-year EIA crude stocks deficit has narrowed by 19 million barrels since April 15th. Unfortunately for the bear camp, crude oil is likely poised to track higher with surging product price.

With fresh record futures price early this week and more retail pump price gains expected, the gasoline market has extended its leadership role. In fact, worldwide refineries have been unable to match demand and seasonal demand is scheduled to rise for the coming 3 months. As of the last EIA weekly report, gasoline stocks were at levels usually seen after the end of the high demand driving period. Fortunately for the bull camp, the most recent positioning report showed a relatively low net spec and fund long compared to the last 8 months. However, Chinese oil refining activity was reduced due recently because of softer demand from ongoing lockdowns.

The May 10th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 56,477 contracts after net selling 4,507 contracts. Non-Commercial & Non-Reportable traders were net long 44,109 contracts after decreasing their long position by 4,859 contracts. However, from the positioning report July gasoline has posted gains of $0.24 thereby lifting the net spec and fund long. Given the sharp gains last week in futures and retail prices, the market is vulnerable to a resumption of negative market psychology flowing from equities. Even though the diesel market was the dominating energy market from the March low into the end of April, it remains stalled and continues to consolidate after an Early May washout of $0.33.

However, both distillate and diesel stocks at the EIA continue to hold year-over-year deficits near 30 million barrels. At present, distillate stocks are 31-million barrels below the five-year average and are also at the lowest levels since early 2015. The May 10th Commitments of Traders report showed Heating Oil Managed Money traders were net long 15,785 contracts after increasing their already long position by

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2,607 contracts. Non-Commercial & Non-Reportable traders added 2,206 contracts to their already long position and are now net long 16,311 contracts.

Certainly, large portion of natural gas gains over the last couple of months were expectations of a progressive reduction of consumption of Russian gas. While the reduction in Russian gas exports has declined it has not declined at the pace expected by the market thereby causing the early May high to low washout of $2.53. While the natural gas market on the big failure day of May 10th aggressively rejected the spike down, adjusted into that low the net spec and fund short likely approached the largest short since April 2020. Natural Gas positioning in the Commitments of Traders for the week ending May 10th showed Managed Money traders net sold 8,308 contracts and are now net long 11,649 contracts. Non-Commercial & Non-Reportable traders were net short 63,406 contracts after decreasing their short position by 8,760 contracts. With evidence last week showing several Russian gas consumers turned to alternative sources, and Russians and (reportedly) Ukrainians at times shutting down flows to the West, a tightening supply situation should remain in place.

While US port inventories are building, that has facilitated strong LNG exports which has resulted in the first LNG tanker arrival in Poland. On the other hand, EIA storage of natural gas is in the injection season between strong heating demand strong and cooling demand. However, a recent much above normal temperature pattern across large portion of the US could yield a much smaller than expected injection reading later this week. It should be noted that EIA natural gas stocks remain at a 16.3% deficit to the 5-year average and a significant rebuilding of inventories is unlikely given very favorable US export potential and the very unfavorable Russian gas export potential. From a short-term technical perspective, the market is overbought from the 4-day low to high rally last week of $1.70. However, futures and options are carrying a large net spec and fund short, and Europe is consuming massive supply with a large portion going into long time storage.

BEANS:

With the extreme tightness for vegetable oils, it seems like the market will need to see more drastic measures in order to assume soybean oil is high enough priced to reduce demand. The main issue is a huge percentage of US soybean oil being used for biodiesel and that there could be temporary measures to reduce this usage. In addition, the Malaysia government is considering reduction on export taxes and also considering reducing the biodiesel mandate for the remainder of the year. November soybeans closed higher for the fourth session in a row on Friday and the buying has pushed the market up to the highest level since May 5. The market closed 27 1/2 cents higher for the week. The USDA report failed to provide much in the way of any surprises and this kept the trade choppy, but a general idea that November soybeans may want to build a weather premium due to the slow start to the crop helped to provide some support. In addition, energy prices pushed sharply higher and this helps support soybean oil.

July soybean oil traded up to the highest level since May 2. July meal closed sharply higher on the session and up to a 4-session high. The trade is seeing the increasing difficulty in originating soybeans in the latter part of the US cycle. Soybean spreads are reflecting more of that concern with July trading at a premium of $1.13 to the September. The industry will need to buy 60 days of soybeans averaging crushing 6.0 million bushels a day. Argentine soybean movement remains difficult even as harvest moves along. The Brazilian soybean movement has been somewhat better this week. The April NOPA crush comes out on Monday and getting talk in regards to the amount of oil stocks expected. For the and NOPA crush, traders see April crush near 172.37 million bushels, 169.45-177.00 million range, as compared with 160.31 million bushels last year. If the average estimate is reached, it will be a record high. Oil stocks are expected at 1.839 billion pounds, down from 1.908 billion pounds at the end of March. The range of estimates is 1.648-1.950 billion.

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The Commitments of Traders report for the week ending May 10th showed Soybeans Managed Money traders were net long 130,661 contracts after decreasing their long position by 22,592 contracts. Non-Commercial & Non-Reportable traders were net long 112,740 contracts after decreasing their long position by 23,789 contracts. For Soyoil, Managed Money traders were net long 88,376 contracts after increasing their already long position by 2,733 contracts for the week. Non-Commercial & Non-Reportable traders net bought 6,690 contracts and are now net long 116,248 contracts. For Soymeal, Managed Money traders are net long 52,314 contracts after net selling 21,437 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 15,403 contracts to a net long 97,120 contracts.

CORN:

December corn closed lower on the session Friday after trading to a new contract high. The lower close represents a key reversal which might be seen as a short-term bearish technical development. However, new contract highs on Monday negate the reversal. The market closed 28 cents higher (3.9%) for the week. Talk of good weather to get the corn crop planted over the near term helped to pressure the market. With the overbought condition, some back and fill action might be needed. The first USDA Supply/Demand report for the 2022/23 season, which was released on Thursday, was not a major surprise for the corn market. While the supply side news was bullish, the demand news carried a bearish tilt. Corn used for feed and corn exports were both revised lower, and total usage for 2022/23 crop season is down 370 million bushels from 2021/22. China is expected to import 18 million tonnes in 2022/23, down from 23 million in 2021/22 season. But with a tighter overall outlook and a recently improving demand tone, the short-term trend remains up.

As of May 8, only 22% of the US corn crop had been planted, versus 64% a year ago and a 10-year average of 52%. Iowa was 14% planted versus 84% last year and 61% on average. Illinois was 15% planted versus 71% last year and 62% on average. Minnesota was 9% planted versus 81% last year and 53% on average. If the late-planted crop runs into any weather issues down the road, particularly stress during pollination, it may be more appropriate to use the five-year average yield of 173.8 bushels per acre for this year's projections instead of the record, trendline yield that the USDA is currently using. If we plug the five-year average yield into the US balance sheet and assume the rest of the USDA data is correct, ending stocks could drop to 1.099 billion bushels and result in a stocks/usage ratio of only 7.5%. This would be the lowest stocks/usage since 2012/13.

With the late plantings in the northern and western Corn Belt, we could also not rule out the possibility that planted area will be 1 million acres below the current estimate. If this happens and we still somehow manage to reach a record yield of 177 bushels per acre, ending stocks could fall to 1.199 billion bushels with an 8.2% stocks/usage ratio. If acreage falls 1 million acres from the current estimate and we also see a five-year average yield, ending stocks could drop all the way to 941 million bushels with a 6.5% stocks/usage. This would be the lowest ratio since the record-low 5% from the 1995/96 season. The May 10th Commitments of Traders report showed Corn Managed Money traders net sold 14,956 contracts and are now net long 338,562 contracts. Non-Commercial No CIT traders net sold 27,499 contracts and are now net long 249,332 contracts. Non-Commercial & Non-Reportable traders net sold 37,872 contracts and are now net long 389,264 contracts. The long liquidation selling trend is a short-term negative force.

WHEAT:

In a surprise announcement on Friday, the India Commerce Ministry put a ban on wheat exports. This comes at a time when traders were hopeful that India could export 10 million tonnes or more onto the world market to relieve the tightness caused by the Ukraine/Russia war. India thought they had a record crop, but a record heat wave in March that extended into April may have done more damage than believed, and the surge higher in wheat prices left India taking action for its own food security concerns. Egypt had agreed to buy 500,000 tonnes of wheat from India, but new sales on the books are uncertain.

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July wheat closed slightly lower on the session Friday after the rally pushed the market up to the highest level since March 8. Talk of the short-term overbought condition of the market helped to pressure. July Kansas City wheat closed moderately higher on the day and pushed up to a new contract high of 12.92. The market gained $1.13 3/4 for the week. July Minneapolis wheat closed higher on the session and posted contract highs for six of the last seven trading sessions. European milling wheat futures posted a new contract high as traders remain concerned with crop conditions in France and the US. There is very little rain for Kansas and Oklahoma for the next five days except for some decent storms in the northern and eastern parts of Kansas and South East Nebraska.

The rest of the central and southern Plains remain mostly dry. However, the weather takes a bearish tilt after that. The 6-10 day forecast models show the above normal temperature moving to the east coast with mostly normal temperatures expected in the Plains. Above normal precipitation is expected for the central and southern Plains, with an emphasis on the Delta region. The 8-14 day forecast models show above normal precipitation for eastern Kansas, eastern Oklahoma and for much of the central part of the country.

The 5-day forecast shows enough rain in North Dakota and Minnesota to keep spring wheat plantings slow. The May 10th Commitments of Traders report showed Wheat Managed Money traders net bought 4,641 contracts and are now net long 15,547 contracts. Non-Commercial & Non-Reportable traders added 3,552 contracts to their already long position and are now net long 22,338. For KC Wheat, Managed Money traders added 2,964 contracts to their already long position and are now net long 42,913. Non-Commercial & Non-Reportable traders net bought 1,158 contracts and are now net long 41,145 contracts.

HOGS:

With the extreme oversold technical set up, the market may be in position to bounce. However, higher than normal weights and very slow export news are factors which could pressure the market as slow exports leave more meat for US consumers to absorb. June hogs closed sharply higher on the session Friday but stayed inside of Thursday's session. The market is extremely oversold technically, and the short term fundamentals remain bearish but the discount to the cash might provide some support. China imported 592,000 million tonnes of meat in April, down nearly 36% from last year. China's preliminary trade data doesn't break down meat imports by category, but the sharp reduction was due to significantly lower pork arrivals. Through the first four months of this year, imports at nearly 2.3 MMT also fell 36% from the same period last year.

The USDA estimated hog slaughter came in at 438,000 head Friday and 48,000 head for Saturday. This brought the total for last week to 2.375 million head, down from 2.414 million the previous week and 2.384 million a year ago. Estimated US pork production last week was 518.4 million pounds, down from 527.1 the previous week and up from 512.4 a year ago. The USDA pork cutout, released after the close Friday, came in at $99.77, up from $97.03 on Thursday but down from $103.01 the previous week. The CME Lean Hog Index as of May 11 was 101.04, down from 101.26 the previous session but up from 100.96 the previous week. Friday's Commitments of Traders showed managed money traders were net sellers of 8,934 contracts of lean hogs for the week ending May 10, reducing their net long to 20,608. The long liquidation selling trend is a short-term bearish force. Non-commercial & non-reportable traders were net sellers of 7,132, reducing their net long to 18,842.

CATTLE:

June cattle traded all the way down below Thursday's low before finding support and the market bounced to close higher. Talk of the oversold condition of the market and ideas that the cash market could stabilize and even move higher if packers need extra cattle helped to support. The strong recovery in the stock

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market is seen as a positive development, and packer profit margins remain well into the black which could support cash markets if there was a feeling of tighter short-term supply. However, non-Fed cattle slaughter continues and there is a lack of tightness concerns.

The USDA boxed beef cutout was up $1.23 at mid-session Friday and closed $1.75 higher at $258.95. This was up from $254.44 the previous week. Cash live cattle traded was mostly quiet on Friday, with 616 head reported in Iowa/Minnesota at 142-144, with an average of 142.96. Prices were generally lower last week in the northern states, with Nebraska averaging 144.28 versus 146.14 the previous week. Kansas averaged 139.94 versus 139.52 the previous week. As of Friday afternoon, the 5-day, 5-area weighted average prices was 142.08 versus 143.42 the previous week.

The USDA estimated cattle slaughter came in at 120,000 head Friday and 42,000 head for Saturday. This brought the total for last week to 657,000 head, unchanged from the previous week but up from 644,000 a year ago. The estimated average dressed cattle weight last week was 831 pounds, down from 832 the previous week and up from 826 a year ago. The 5-year average for that week is 807 pounds.

Estimated beef production was 544.5 million pounds, up from 530.8 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,948 contracts of live cattle for the week ending May 10, reducing their net long to 29,949. The long liquidation selling trend is a short-term bearish force. Non-commercial & non-reportable traders were net sellers of 8,628, reducing their net long to 46,706.

COCOA:

Cocoa prices remain near the bottom end of their May downdraft, due in large part to near-term demand concerns that have been a source of pressure on the market for over 2 years. With bullish supply-side developments providing support, cocoa has a good chance of extending a recovery move. July cocoa came under early pressure and fell to a new 5 1/2 month low but regained strength by midsession as it finished Friday’s outside-day trading session with a sizable gain. For the week, however, July cocoa finished with a loss of 23 points (down 0.9%) which was a fourth negative weekly result over the past 5 weeks.

Ongoing Chinese COVID restrictions have weighed on cocoa prices as they may diminish Asian near-term demand prospects. Keep in mind that Asian grindings saw their second highest first quarter reading this year, which was also their eighth largest reading for any quarter on record. A rebound in European and US equity markets, as well as the Eurocurrency and British Pound provided carryover support to the cocoa market later in the day as that can help to soothe demand concerns in Europe and North America.

In spite of Russia’s invasion of Ukraine and Chinese COVID lockdowns, this season’s global grindings remain on-track for a record high total above 5 million tonnes. This will occur at the same time that West African production issues may lead to global cocoa production having its largest 1-season decline since the 2006/07 season. A major factor in this output decline has been Ghana, where several 2021/22 production forecast have fallen below 800,000 tonnes which compares to the 1.047 million tonnes they produced during the 2020/21 season.

The May 10th Commitments of Traders report showed Cocoa Managed Money traders reduced their net long position by 19,786 contracts to a net long 5,553 contracts. CIT traders are net long 31,662 contracts after net selling 1,142 contracts. Non-Commercial No CIT traders net sold 16,641 contracts which moved them from a net long to a net short position of 2,836 contracts. Non-Commercial & Non-Reportable traders were net long 18,069 contracts after decreasing their long position by 20,732 contracts.

COFFEE:

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The coffee market gave back a good portion of those gains on Thursday and Friday, due in part to weakness in the Brazilian currency which has lost more than 10% in value since mid-April. Coffee prices are now closer to their recent lows rather than the multi-year highs from early February, and that could set the stage for a sizable upside move over the next few weeks. July coffee came under pressure early in the day, and in spite of a late rebound finished Friday's trading session with a moderate loss. For the week, however, July coffee finished with a gain of 3.45 cents (up 1.7%) which broke a 2-week losing streak and was a positive weekly reversal from Tuesday's 6 1/2 month low.

A more than 1.4% rebound in the Brazilian currency provided the coffee market with carryover support going into the weekend. However, it has been weather issues with major South American Arabica producers have helped to lift coffee prices well above their recent lows. The US Climate Prediction Center has given a 61% chance of La Nina continuing to the end of 2022. La Nina typically brings drier than normal conditions to Brazil's Center-South growing regions and heavier than normal rainfall to Colombia. This would have a negative impact on production for both countries who are the world's two largest Arabica coffee producers.

Officials at Colombia's coffee grower federation project their nation's 2022 output at 12.0 million bags, down from 12.6 million in 2021 and the lowest in 9 years. Brazil is expected to have its second lowest Arabica production of the past nine "on-year" seasons. ICE exchange coffee stocks rose by 4,590 bags on Friday, but they remain just below their April month-end total. The May 10th Commitments of Traders report showed Coffee Managed Money traders net sold 7,681 contracts and are now net long 19,299 contracts. CIT traders reduced their net long position by 1,236 contracts to a net long 38,485 contracts. Non-Commercial No CIT traders net sold 8,486 contracts and are now net long 13,372 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,567 contracts to a net long 27,336 contracts.

COTTON:

July cotton closed near unchanged on Friday after spending the day inside Thursday's range. December cotton continued its gains in the wake of the USDA report, which showed a drop in US production for 2022/23 and the lowest ending stocks since 2016/17. December cotton pushed into new contract highs today. The US crop is barely in the ground, and traders are very concerned about this year's prospects, particularly because of the ongoing drought situation in west Texas. Last week's drought monitor showed a worsening of conditions there, and the 1-5 day forecast calls for little or no rain in the region. The 6-10 and 8-14 day forecasts show normal chances of rainfall in west Texas, with above normal as you move east and below normal as you move west.

Temperatures are expected to be above normal, which will only speed the drying out of soils. From the bearish side of the picture, traders continue to worry about demand, as Covid lockdowns in China could spur more textile production bottlenecks and hurt cotton demand. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,968 contracts of cotton for the week ending May 10, reducing their net long to 70,727. Non-commercial & non-reportable traders were net sellers of 5,239, reducing their net long to 91,741.

SUGAR:

Sugar's abrupt turnaround at the end of last week recovered a sizable portion of the market's losses during its April/May pullback. Although strength in key outside markets continues to be a major factor, sugar has seen bullish supply development that can fuel an extended recovery move. July sugar followed through on Thursday's positive daily reversal as it shook off early pressure and rallied late in the day to finish Friday's trading session with a sizable gain. For the week, July sugar finished with a minimal gain of 1 tick which was a second positive weekly result in a row, and also resulted in a positive weekly reversal from late Thursday's 2 1/2 month low.

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Crude oil and RBOB gasoline extended their recovery move which in turn provided the sugar market with carryover support. Brazil's Center-South mills have shifting a portion of their crushing from sugar production over to ethanol production during the first month of their 2022/23 season. There were several Center-South mills that began their operations before the traditional start of harvesting and crushing in early April, with the vast majority of their output over that timeframe devoted to ethanol production. In fact, Archer Consulting downwardly revised their 2022/23 Center-South sugar production forecast from 33.0 million down to 31.5 million tonnes. This compares to Center-South 2021/22 production of 32.064 million and was due in part to lower cane yields as a result of drier than normal conditions.

In addition, a rebound in the Brazilian currency provided additional support to sugar prices as that eases pressure on Center-South mills to produce sugar for the global export marketplace. Sugar positioning in the Commitments of Traders for the week ending May 10th showed Managed Money traders net sold 22,278 contracts and are now net long 158,835 contracts. CIT traders reduced their net long position by 7,801 contracts to a net long 244,682 contracts. Non-Commercial No CIT traders reduced their net long position by 17,030 contracts to a net long 58,824 contracts. Non-Commercial & Non-Reportable traders net sold 20,885 contracts and are now net long 218,600 contracts.

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