ADM Investor Services, Inc.

# Weekly Futures Market Summary

**August 8, 2022**

**by the ADMIS Research Team**

## BONDS:

Certainly, the much stronger than expected US nonfarm payroll gain and decline in the US unemployment rate was justification for the pummeling of treasury prices last Friday. However, the treasury markets have been absorbing positive economic readings without significant weakness, and therefore today's action might be a sign of a fundamental shift in the bond and note markets. In other words, today's nonfarm payroll report clearly ratchets up the potential for a 75-basis point rate hike by the Fed next month, but the treasury markets now have justification to consider the ability to achieve a soft landing.

With most global equity markets trading higher to start the trading week and this week presenting an avalanche of global CPI and PPI readings, the treasury markets are likely headed toward a key trend decision junction. Certainly, global recession fears remain in place but numbers inside and outside of the US continue to post some upbeat results. A prime example of an ongoing heartbeat in the US economy came from the July US nonfarm payroll report where the gains in US jobs report blew through expectations and posted a gain of 528,000. Furthermore, the US unemployment rate ticked lower, while earnings and work week figures expanded.

Surprisingly, the monthly jobs figure contradicted US initial claims readings which came in higher than expected in 2 of the last 3 weeks! Seeing positive and negative economic readings offers hope to those anticipating a soft US landing or better, especially with the treasury markets into last week's high widely anticipating recession. Underpinning treasury prices is news that US bond funds recorded their biggest weekly inflow in 11 months last week. Seeing a significant inflow into bond funds might be a reaffirming signal that more aggressive US rate hikes will keep the potential for recession in a front and center standing. In fact, despite the much stronger than expected July US payroll reading the yield curve on Friday reached the largest inversion since August of 2000.

According to Reuters coverage, the reaction in bond prices last Friday resulted from a quick rush to price in a 75-basis point US rate hike in the next Fed meeting. With both bonds and notes holding net spec and fund short positions prior to the declines at the end of the week, the net spec and fund short in both markets was likely expanded. The August 2nd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 15,811 contracts to their already short position and are now net short 49,698. For T-Notes Non-Commercial & Non-Reportable traders were net short 307,887 contracts after increasing their already short position by 92,399 contracts.

## CURRENCIES:

Obviously, the much stronger than expected jump in US July nonfarm payroll readings and the downtick in the US unemployment rate provided the buying impetus in the dollar index last Friday. We suspect a shift up in the dollar combined with a large jump in US treasury yields will yield additional dollar buying week. In the near term, we expect the Pound, Canadian dollar and the euro to suffer more declines than the Swiss franc. However, going forward, the markets will be presented with a global sweep of CPI/PPI readings and those readings could be just as important to the currency markets as the US nonfarm payroll report.

Last week's much stronger than expected jobs report ratcheted up expectations for another 75-basis point rate hike next month. Therefore, the bounce off the 105.00 level last week in the dollar is given added credence. However, sentiment toward the dollar remains mixed with a minimally positive tilt arising from the likelihood of another US spending package with the bull camp holding a minimal edge. The Commitments of Traders report for the week ending August 2nd showed Dollar Non-Commercial & Non-Reportable traders net sold 1,169 contracts and are now net long 42,143 contracts.

The very positive US nonfarm payroll reading from last Friday likely thickened recent consolidation resistance in the euro at 1.024 with many traders potentially discouraged from the long side of the euro ahead of the German CPI reading early Wednesday morning which is expected to post a hot 0.9% month over month gain. Inflation readings from Italy and France are expected to remain steady, while Spanish CPI is expected to contract again on a month over month basis. In short, we see the potential for ongoing fear of recession in Europe because of the headwinds from inflation and from the ongoing need to raise interest rates. The Commitments of Traders report for the week ending August 2nd showed Euro Non-Commercial & Non-Reportable traders are net short 16,210 contracts after net buying 4,935 contracts.

With the breakdown/reversal on the charts last week in the Yen, the currency appears to be back under pressure from the dollar. The Yen is also being undermined by fears of a hot Japanese PPI reading on Wednesday fostering the extension of the slowing economy/rising rates conundrum. While the dollar retains a minimal bullish tilt, and the Swiss franc broke down hard last week, the currency forged a quasi-double low at 1.0395 last week and showed respect for the 1.0400 level. Expectations for the euro zone economy remain a headwind for the bull camp in the Swiss with the upside limited to the top of last week's consolidation zone.

While the Pound respected the 1.20 level last week the pattern of lower highs and lower lows gives the bear camp a technical edge. However, the fundamental track favors the bear camp with a Like-For-Like BRC retail sales reading for July contracting by a very significant 8.4% on a year over year basis. Therefore, our overall bias in the Pound is bearish. The sharp failure in the Canadian dollar last Friday in the face of a disappointing Canadian jobs report and optimistic US July jobs figures, highlights Canadian dollar vulnerability. Pushed into the market we are bearish toward the Canadian dollar, with 2 months of less jobs and ongoing extremely hawkish Canadian central bank views.

## STOCKS:

With US equities reversing course last Friday after the much better-than-expected US nonfarm payroll reading for July, it is clear the markets remain concerned that over-tightening by the Fed will trip up the US economy into recession. However, given the massive jump in jobs gained and the decline in the US unemployment rate, economic anxiety and concern for softening future earnings should be tempered which in turn should discourage massive washout days.

Global equity markets at the start of this week were higher, with the one exception the CSI 300 index which posted a minimal decline. Obviously, the markets saw long liquidation in the aftermath of a much better than expected US jobs report and that signals a trade focus on rising rates instead of signals on the health of the US economy. While gains early this week in the face of the forward movement of the latest

US spending bill suggest the bill is perceived as supportive of the economy, the magnitude of the gains are not indicative of a definitive reaction to the government package.

Seeing the markets throw off significant weakness in the direct aftermath of the US nonfarm payroll report last Friday should provide the bull camp with confidence as the jobs report rekindles hope that a recession could still be avoided. The S&P index is faced with negative headlines from a $43.8 billion loss in the 2nd quarter by Berkshire Hathaway and the Tesla CEO Elon Musk challenging the Twitter CEO to a public debate on the level of "real accounts". From a technical perspective, the S&P remains significantly net spec and fund short with the largest net spec and fund short in the last 7 years! E-Mini S&P positioning in the Commitments of Traders for the week ending August 2nd showed Non-Commercial & Non-Reportable traders are net short 263,661 contracts after net buying 7,779 contracts.

Dow futures at the start of this week sit just below an upside breakout following 6 days of sideways consolidation and a lack of upside momentum. While the Dow has stood up to fresh fears of another aggressive US rate hike next month, the bull camp should be emboldened by the sign of life in US economy from the monthly jobs report. Like other stock index futures, the Dow remains significantly net spec and fund short. The August 2nd Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net short position by 4,153 contracts to a net short 22,931 contracts.

Tech related news early this week was mixed with Baidu shares supported by a fully driverless robo-taxi license in China and ongoing tensions between Elon Musk and Twitter. However, we suggest the NASDAQ might be the least sensitive to an above expectation CPI report on Wednesday. The Commitments of Traders report for the week ending August 2nd showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net long 6,051 contracts after decreasing their long position by 17,571 contracts.

## GOLD, SILVER & PLATINUM:

In general, October gold remains in a slightly bullish chart position with the potential for significant price volatility later this week following a series of classic global inflation readings. In retrospect, gold stood up to the significant jump in treasury yields and a strengthening in the dollar in the wake of a much stronger than expected US nonfarm payroll reading for July. However, investment interest remains bearish with gold ETF holdings on Friday posting an outflow of 86,048 ounces bringing the weekly disinvestment tally up to 383,461 ounces. While silver ETF holdings dropped by 1.1 million ounces on Friday, last week silver ETFs overall saw a net inflow of 633,577 ounces.

Fortunately for the bull camp in gold, the net spec and fund position from March through July saw its net spec and fund long position fall by 75% leaving the net spec and fund long into the week of July 26th at the lowest net spec and fund long since May of 2019. Therefore, the gold market might be less vulnerable to aggressive selling in the wake of an upside breakout in the US dollar than the silver market. Gold positioning in the Commitments of Traders for the week ending August 2nd showed Managed Money traders went from a net short to a net long position of 27,899 contracts after net buying 38,373 contracts. Non-Commercial & Non-Reportable traders are net long 140,065 contracts after net buying 32,403 contracts. We remain highly skeptical of gold and silver market gains reportedly forged on either economic uncertainty or geopolitical angst, as precious metals have not shown sustained sensitivity to those readings since the March high.

On the other hand, the markets this week will be presented with a wave of global CPI and PPI readings, which if softer than expected could save the bull camp and rekindle a rally back above $1,800 in October gold and back above a recent double high in silver of $20.495. The gold market was already aware of increased Chinese production but was presented with a fresh output reading from the China Gold Association over the weekend. Apparently, Chinese gold output in the first half of this year reached 230.3 tonnes with a 12.4% gain. According to the Chinese Gold Association, demand dropped by 12.8% in the

January through June timeframe and therefore the supply and demand situation from China remains distinctly bearish.

It goes without saying that gold ETF holdings remain out-of-favor with the year-to-date gain in gold holdings falling precipitously over the past month. Fortunately for the bull camp in silver the net spec and fund long entering last week's action was net long only 2,011 contracts before the September silver contract rallied $1.80. Therefore, the magnitude of the net spec and fund long liquidation threat is mitigated. The August 2nd Commitments of Traders report showed Silver Managed Money traders net bought 9,097 contracts and are now net short 8,396 contracts. Non-Commercial & Non-Reportable traders were net long 9,409 contracts after increasing their already long position by 7,398 contracts.

While the platinum market is significantly overbought from the July August rally of $135, the net spec and fund long from last Tuesday (prior to the big rally was a mere 1,762 contracts. Therefore, the market might not be as vulnerable to Friday's reversal on the charts. Platinum positioning in the Commitments of Traders for the week ending August 2nd showed Managed Money traders reduced their net short position by 4,082 contracts to a net short 12,120 contracts. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 1,762 contracts after net buying 1,973 contracts. As in other precious metal markets, platinum ETF holdings continue to flow out, with ETF holdings Friday down 7,530 ounces, down 14,754 ounces last week and down 11% year-to-date. In a minimally supportive development, Impala Platinum Group saw a 3.6% decline in gross platinum concentrate output. In retrospect, it is difficult to ascertain the catalyst behind last week's sharp rally, but strength in gold and escalating US tensions with China are likely part of the bull story.

As in the gold market we are highly suspicious of the bull case in platinum, particularly with the market regaining the bottom of the September through June sideways consolidation range possibly indicating the market is no longer deflated. Even the technical condition is "mostly liquidated" with the net spec and fund positioning in platinum remaining net short 2,742 contracts. Like the platinum market, the palladium market has seen consistent outflows from palladium ETF holdings with holdings last week declining by 829 ounces and holdings year-to-date down 14%. The August 2nd Commitments of Traders report showed Palladium Managed Money traders net bought 852 contracts and are now net short 1,452 contracts. Non-Commercial & Non-Reportable traders are net short 2,742 contracts after net buying 1,152 contracts.

## COPPER:

While the September copper contract at the start of this week g has not taken out last Friday's recovery bounce highs, prices look to become entrenched above $3.49 off a slightly favorable supply and demand mix. The copper market appeared to shift back into the March through July downtrend following last week's high, but recovered from news that Chinese July copper imports jumped with buyers reportedly drawn in by cheap pricing. Even the supply side of the Chinese copper equation is supportive following headlines last week indicating up to 200,000 tonnes of Chinese copper had "gone missing".

While not a major-sized draw, weekly Shanghai copper stocks holdings fell 2,257 tonnes (-6.1%) and putting Chinese stocks near the lowest levels of 2022. It should also be noted that LME copper warehouse stocks last week declined 4 of 5 days and reached the lowest levels since July 1st. Even the technical side of the equation favors the bull camp with the copper spec and fund positioning holding a very large "net short". The Commitments of Traders report for the week ending August 2nd showed Copper Managed Money traders are net short 17,715 contracts after net buying 2,042 contracts. Non-Commercial & Non-Reportable traders added 570 contracts to their already short position and are now net short 26,507.

## ENERGY COMPLEX:

While July Chinese oil imports of crude oil ticked up, that bounce left imports near 4-year lows last month with Chinese oil refiners last month drawing some supply from domestic reserves. The charts in crude oil remain bearish with the recent pattern of lower highs extended and prices likely to make a lower low early this week. In retrospect, the US nonfarm payroll reading blowout (on the upside), Nigerian exports disrupted, a general global risk on vibe from equities and residual bullish oil views from Goldman Sachs, the market does have some fundamental support. Negative developments facing the market at the start of this week are the lowering of the Goldman Sachs oil price target and a rise of 3.1% in weekly global crude oil in floating storage.

On the other hand, with the most recent COT positioning report in crude oil adjusted into the low Friday probably reaching the lowest level since September 2016, the market could become mostly liquidated quickly. The Commitments of Traders report for the week ending August 2nd showed Crude Oil Managed Money traders are net long 192,435 contracts after net selling 22,661 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 8,180 contracts to a net long 334,638 contracts. While some physical commodity markets have found demand to be holding steady, evidence of declining seasonal gasoline use in the US, significant lessening of traffic congestion in Europe and China and reports that jet fuel consumption softened due to flight cancelations due to labor shortages all show the fundamental bias is down.

Obviously, energy demand destruction fears flowing from recession concerns were tempered dramatically by the stellar US jobs report, while a fresh supportive demand-side development was seen following Spain's 27.4% year-over-year jump in June crude oil imports. In a development that is difficult to determine its impact on upcoming energy prices, Russia apparently raised crude oil prices to India and China because of strong demand. On one hand, it is positive to see good demand from India and China but on the other hand, Russian oil continues to find its way onto the world market. In a longer-term supportive development, the weekly Baker Hughes rig operating count posted a decrease of 7 rigs. Furthermore, the decline in US oil rigs operating this week was the largest weekly decline since September 2021 and the drop reduced the US oil rig operating count to a 4-week low.

As indicated in our crude oil coverage, the gasoline market has been presented with softer demand evidence from normal seasonal patterns in the US, from decreased global traffic congestion readings and obviously because of expensive prices. However, a cushion for the gasoline market is the stellar US nonfarm payroll report last Friday. Going forward, the gasoline market could be presented with a major trend junction following this week's CPI and PPI reports from around the globe. Obviously, the bull camp needs signs of softer inflation to reduce demand destruction fears from rate hike threats and fear that even higher rates will throw the world into recession.

We see the technical condition in gasoline as improved from last week with September gasoline showing some respect for the $2.80 level and the net spec and fund long position, (adjusted for the 30-cent decline into last week's low), likely bringing down the spec and fund long back down from the highest levels since March. The Commitments of Traders report for the week ending August 2nd showed Gas (RBOB) Managed Money traders were net long 55,699 contracts after increasing their already long position by 5,997 contracts. Non-Commercial & Non-Reportable traders net bought 7,022 contracts and are now net long 57,300 contracts.

We continue to see the ULSD market as the market most likely to bottom before other portions of the petroleum complex. However, we also expect the ULSD market to be weaker than other segments to start the trading week. In fact, the violation of $3.25 on the charts countervails the year-over-year deficit expansion in EIA distillate and diesel stocks last week. The August 2nd Commitments of Traders report showed Heating Oil Managed Money traders added 3,380 contracts to their already long position and are now net long 26,018. Non-Commercial & Non-Reportable traders are net long 35,328 contracts after net buying 1,798 contracts.

With the natural gas market managing to consolidate and trade sideways last week in the face of a tempering of US ultrahigh temperatures, a bigger than expected EIA injection to storage and ongoing global recession talk, the $8.00 level could "eventually" become fundamental support/value. In the near term, an extension of extremely hot temperatures in the northwest of Europe should temper the downside corrective tilt to start the trading week. Furthermore, the natural gas market continues to hold a large net spec and fund short, which is significant enough to spark aggressive short covering buying if key points on the charts like $8.45 and $8.48 are taken out on the upside.
The August 2nd Commitments of Traders report showed Natural Gas Managed Money traders are net short 62,525 contracts after net selling 6,894 contracts. Non-Commercial & Non-Reportable traders are net short 87,873 contracts after net selling 4,621 contracts.

In a bearish longer-term development, last week's Baker Hughes natural gas drilling rig count increased by four to 161 rigs which is the highest reading since August 2019! According to the Russian national gas company (Gazprom) they pushed 41.3 mcm of gas into Europe on Sunday with that total slightly lower than the prior session. While some of the heat builds back up in the US later in August, this week's temperature levels are significantly less than last week, and some traders see the movement of grain cargoes out of Ukraine as a sign of softening by the Russians. However, the wide trading range last week of nearly $1.00 and a waffle around even numbers of $8.00, suggest a breakout trading system might be effective ahead.

## BEANS:

The 6-10 and 8-14 day forecast models for the last several weeks have shown above to much above normal temperatures and below normal precipitation. However, most areas of the Midwest have received good rain amounts with scattered just-in-time rain coverage. The current weather set up is similar, with a warmer and mostly drier longer-term outlook, but the 1-5 day forecast models show more rain coverage for southern Illinois and India after the northern and eastern quadrant of Iowa, southern Minnesota, Wisconsin and northern Indiana received good weekend rains. Some areas of southern and western Iowa, Nebraska, Dakotas and northern Missouri have not received much in the way of rain in the last two weeks, but dry spots seems limited, and traders seem to believe yield might come in close to the current USDA forecast.

China imports for the month of July came in at just 7.88 million tonnes, down 9.1% from a year ago and down 4.5% from the previous month. Talk of poor crush margins was seen as a reason for the decline. Soybean oil has been pressured by the huge discount of palm oil to other vegetable oils, including soybean oil. Huge stocks and advancing production of palm oil has left exports active. Argentina crush has slowed significantly and this has provided support for both products, especially meal. The Brazilian crush is also slowing. November soybeans closed slightly lower on the session Friday after choppy and two-sided trade. The market managed to close a few cents higher on the week. Exporters announced the sale of 132,000 tonnes of US soybeans sold to China, and also 132,000 tonnes of US soybeans sold to unknown destination.

Traders believe there will be enough scattered rain systems to ease stress on the soybean crop during the period of mostly hot and mostly dry weather. Datagro in Brazil sees area planted with soybean rising to 43 million hectares for the new season ahead with potential production seen at 151.8 million tonnes, 20% above this year and well above the USDA estimate of 149 million tonnes. The Commitments of Traders report for the week ending August 2nd showed Soybeans Managed Money traders net bought 11,795 contracts and are now net long 99,471 contracts. Non-Commercial & Non-Reportable traders added 9,616 contracts to their already long position and are now net long 59,118. For Soyoil, Managed Money traders were net long 22,141 contracts after increasing their already long position by 7,233 contracts. For Soymeal, Managed Money traders were net long 80,018 contracts after increasing their already long position by 6,638 contracts. Non-Commercial & Non-Reportable traders net bought 3,829 contracts and are now net long 123,044 contracts.

## CORN:

December corn closed higher on the session Friday and up for the third day in a row. More talk that scattered rains across the Midwest will help ease crop stress due to mostly hot weather helped to pressure. Good rains over the weekend helped to ease crop concerns. Concerns with European crop production, which traders believe will see a loss of at least 10 million tonnes, helped to support the market. A forecast for US rainfall this past weekend raised hopes for much needed moisture. Heavy rains hit the northern half of Iowa and southern Minnesota over the weekend with many area receiving 1.5 to 3 inches.

The Ukraine shipments and North American rainfall were seen as key bearish forces for the weekend. A United Nations index of world food costs plunged almost 9% in July, the biggest drop since 2008. Rhine water levels in Germany fell again and ships only part-loaded are having trouble. Cargo vessels cannot sail fully loaded, vessel brokers and commodity traders said on Monday. Shallow water is causing problems for shipping on the entire river in Germany. Hot and dry weather is forecast this week and no relief is in sight.

Three more vessels loaded with about 60,000 tonnes of corn departed ports in the Odesa region on Friday, in an encouraging signal that the deal brokered by Turkey and the UN is holding. European corn crops are suffering across the region due to hot and dry weather. France estimates its corn harvest at 12.66 million tonnes, 19% lower than last year. Corn positioning in the Commitments of Traders for the week ending August 2nd showed Managed Money traders were net long 129,921 contracts after increasing their already long position by 9,133 contracts for the week. Non-Commercial & Non-Reportable traders added 7,103 contracts to their already long position and are now net long 111,492.

## WHEAT:

September wheat closed lower on the session Friday after choppy and two-sided trade early in the day, and this left the market with a loss of 32 cents for the week. Talk of grain moving out of the Black Sea for export plus a surge higher in the US dollar plus continued talk of good weather for spring wheat crops in the US and in Canada helped to pressure. South Korea was a noted buyer of near 120,000 tonnes of animal feed wheat expected to be sourced from Australia. For the week, Chicago wheat was down 4%, KC down 2.9% and Minneapolis wheat down 2%.

Four more ships carrying almost 170,000 tonnes of corn moved from Ukrainian Black Sea ports on Sunday. Ukrainian officials believe that soon the country will be able to export a total of near 3 million tonnes per month. Pakistan counter-offered to pay $390/tonne for Russian wheat, following Russia's latest offer to supply 120,000 tonnes at $399.50/tonne, according to a statement from Pakistan's finance ministry. Pakistan will cancel wheat purchase if their price is not accepted. Pakistan plans to import 3 million tonnes of wheat.

Wheat positioning in the Commitments of Traders for the week ending August 2nd showed Managed Money traders net sold 4,579 contracts and are now net short 14,970 contracts. Non-Commercial & Non-Reportable traders were net short 19,567 contracts after increasing their already short position by 4,101 contracts. For KC wheat, Managed Money traders reduced their net long position by 1,049 contracts to a net long 9,992 contracts.

India could scrap a 40% duty on wheat imports and cap the amount of stocks traders can hold to try to dampen record high domestic prices in the world's second biggest producer, government and trade officials told Reuters on Monday. Domestic wheat prices ended last week at a record 24,000 rupees ($301.57) per tonne, having risen 14% from lows struck after the government surprised markets on May 14 by banning exports, ending hopes that India could fill the market gap left by the missing Ukraine grain.

## HOGS:

October hogs closed moderately higher on the session Friday and the buying pushed the market up to the highest level since April 22. The market experienced follow-through technical buying even with a sluggish pork market. October hogs collapsed Thursday and held key support. This is impressive technical action on decent volume and with uptrending open interest which pushed up to the highest level since April. The short term trend remains up and the rise in open interest is a positive force. The USDA pork cutout released after the close Friday came in at $124.03, up 90 cents from Thursday but down from $125.81 the previous week. The CME Lean Hog Index as of August 3 was 121.61, up from 120.94 the previous session and 120.58 the previous week. The USDA estimated hog slaughter came in at 460,000 head Friday and 61,000 head for Saturday. This brought the total for last week to 2.340 million head, up from 2.291 million the previous week and 2.327 million a year ago.

Estimated US pork production last week was 495.9 million pounds, up from 486.5 the previous week and up from 487.5 a year ago. China futures are down 3% this morning. For the month of July, China imported 643,000 tonnes of meat. This was down 24.7% from a year ago but up 6.6% from June. Imports for January to July were 4.1 million tonnes, down 30.9% from a year earlier. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,675 contracts of lean hogs for the week ending August 2, increasing their net long to 56,750. Non-commercial & non-reportable traders were net buyers of 6,092, increasing their net long to 45,949. The buying trend is a short-term positive force. Monthly US exports came in at 531.1 million pounds, down 5.8% from a year ago. Monthly exports represented just 23.5% of total production as compared with 33% in May 2021. China imported just 50.41 million pounds.

## CATTLE:

The cattle market remains in a solid uptrend as a significant decline in supply for the 4th quarter and the first half of 2023 has provided underlying support. October cattle closed higher on the session Friday and the buying pushed the market up to the highest level since May 4. Cash cattle inched higher last week but nothing too impressive, and beef prices have pushed lower on the week. Cash live cattle traded in light volume on Friday. The 5-day, 5-area weighted average price last week was 140.28, up from 139.82 the previous week. The USDA boxed beef cutout was down $1.18 at mid-session Friday and closed $1.66 lower at $264.62. This was down from $269.24 the previous week and was the lowest the cutout had been since July 4. However, the technical action remains impressive even with the premium of futures to the cash.

The USDA estimated cattle slaughter came in at 115,000 head Friday and 39,000 head for Saturday. This brought the total for last week to 651,000 head, down from 669,000 the previous week but up from 644,000 a year ago. The estimated average dressed cattle weight last week was 813 pounds, up from 812 the previous week and down from 820 a year ago. The 5-year average weight for that week is 820.4 pounds. Estimated beef production last week was 528.2 million pounds, up from 527.1 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 499 contracts of live cattle for the week ending August 2, increasing their net long to 38,004. Non-commercial & non-reportable traders were net buyers of 929, increasing their net long to 51,809.

## COCOA:

Cocoa prices saw little upside follow-through from last Thursday’s outside-day higher close as they continue to have trouble sustaining a recovery move. While the market has extended a choppy price pattern since late June, cocoa has seen bullish supply developments that can help prices regain upside momentum soon. December cocoa found early support, but turned back to the downside at midsession as it finished Friday’s trading session with a sizable loss. For the week, December cocoa finished with a loss of 32 points (down 1.3%) which was a second negative weekly result over the past 3 weeks.

The Eurocurrency and British Pound sustained heavy losses in the wake of July US jobs data, and that put carryover pressure on cocoa prices as that will make it more expensive for European processors to acquire new cocoa supply. A pullback in European and US equity markets also weighed on cocoa prices as the prospects for rate hikes by the Fed and ECB will diminish cocoa's demand outlook in Europe and North American over the rest of the third quarter.

Cocoa's global production during the current 2021/22 season is expected to decline by over 300,000 tonnes from the record high total during the 2020/21 season, which would be the largest year-over-year decline since the 2006/07 season. A large portion of that shortfall will be in Ghana, as recent reports indicate their government's estimates for 2021/22 production have fallen below 700,000 tonnes. In addition, Ivory Coast, Nigeria and Cameroon are also likely to have their 2021/22 cocoa production come in below 2020/21 totals.

The Commitments of Traders report for the week ending August 2nd showed Cocoa Managed Money traders are net short 31,384 contracts after net selling 7,547 contracts. CIT traders were net long 23,342 contracts after decreasing their long position by 202 contracts. Non-Commercial No CIT traders were net short 25,252 contracts after increasing their already short position by 7,893 contracts. Non-Commercial & Non-Reportable traders added 6,102 contracts to their already short position and are now net short 17,327.

## COFFEE:

While coffee is a "staple" for many consumers around the globe, concern over out-of-home consumption continues to put brakes on the market's upside momentum. Although it may see downside follow-through early this week, coffee continues to have bullish supply developments that can provide underlying support to the market. December coffee found initial support, and then came under significant pressure and could not sustain a late recovery move as they finished Friday's outside-day trading session with a sizable loss. For the week, December coffee finished with a loss of 7.40 cents (down 3.5%) which broke a 2-week winning streak and was a negative weekly reversal from Monday's 4-week high.

Concern that high inflation will lead to a pullback in restaurant and retail shop purchases continues to pressure coffee prices, as the sharp rise in many regularly-bought items has led to many consumers cutting back on their discretionary spending. Brazil's harvest has almost caught up to last year's pace, with Safras and Mercado saying that 83% of this year's crop had been harvested by last Tuesday. This compares to 84% last year and a 5-year average of 86% and with mostly dry weather forecast for their Arabica-growing regions through early next week, Brazilian producers should have more near-term coffee supply to sell. As a result, a nearly 1% rebound in the Brazilian currency provided little in the way of carryover support to coffee prices.

ICE exchange coffee stocks fell by 5,369 bags on Friday to reach a new 22 1/2 year low, and have fallen nearly 40,000 bags (down 5.6%) during the first week of August. The August 2nd Commitments of Traders report showed Coffee Managed Money traders net sold 1,358 contracts and are now net long 18,317 contracts. CIT traders were net long 37,384 contracts after increasing their already long position by 700 contracts. Non-Commercial No CIT traders net sold 1,154 contracts and are now net long 13,539 contracts. Non-Commercial & Non-Reportable traders net sold 747 contracts and are now net long 25,405 contracts.

## COTTON:

December cotton closed higher last Friday after trading to the highest level in a week. The market approached the July 29th high of 97.65 before backing off. More talk of the precarious situation for the Texas crop lent support after the weekly Drought Monitor showed no improvement in west Texas last week. The 1-5 day forecast calls for some rainfall in the Texas Panhandle, but very little in other parts of west Texas. The 6-10 and 8-14 day forecasts call for above normal temperatures and normal or below normal chances of rain in west Texas and the Panhandle.

Friday's Commitments of Traders report showed managed money traders were net sellers of 1,502 contracts of cotton for the week ending August 2, reducing their net long to 31,829. Non-commercial & non-reportable traders were net sellers of 2,262, reducing their net long to 36,641. The selling trend is short-term negative, but the managed money position has the smallest net long since August 2020, so the market is far from overbought.

## SUGAR:

The sugar market saw chaotic price action last month as carryover pressure from sluggish crude oil and gasoline prices weakened sugar prices since mid-June. In contrast, sugar prices have started out August with renewed strength as the market seems to have the supply fundamentals to fuel a recovery move. October sugar continued to build on early support throughout the day as it finished Friday's trading session with a sizable gain. For the week, October sugar finished with a gain of 40 ticks (up 2.3%) which broke a 2-week losing streak and was a positive weekly reversal from Monday's 11 1/2 month low.

A rebound in crude oil and RBOB gasoline prices provided the sugar market with early support, while the Brazilian currency regained some strength that in turn gave a boost to sugar prices going into the weekend. In Brazil, the most recent Unica supply report had Center-South ethanol sales fractionally ahead of last year during the first half of July. Sugar yields from Brazil's 2022/23 cane crop are lower than last season's levels due to the extended dry pattern that has resulted from the current La Nina weather event, which is expected to last late into the year.

This is expected to pull Brazil's Center-South sugar production and exports below last season's totals. The Indian government recently expanded its 2021/22 sugar export quota from 10.0 million tonnes to 11.2 million which would be far above last season's previous record high, but India's export quota is expected to fall back to 6 or 7 million in 2022/23. India's Ministry of Consumer Affairs has estimated that their nation's mills diverted 3.5 million tonnes of potential 2021/22 sugar production over to ethanol production.

The August 2nd Commitments of Traders report showed Sugar Managed Money traders net sold 36,332 contracts which moved them from a net long to a net short position of 22,228 contracts. CIT traders reduced their net long position by 8,498 contracts to a net long 185,882 contracts. Non-Commercial No CIT traders are net short 67,388 contracts after net selling 23,837 contracts. Non-Commercial & Non-Reportable traders net sold 32,536 contracts which moved them from a net long to a net short position of 2,029 contracts.

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