Weekly Futures Market Summary

October 31, 2022

by the ADMIS Research Team

BONDS:

After significant gains in the first 4 trading sessions last week, treasuries fell back last Friday in the wake of a lack of a "definitive downtick" in the US PCE report. In fact, despite the reading coming in below expectations, the absolute level of the PCE remains in the inflationary category. When better than expected personal income, personal spending, and Michigan consumer sentiment index readings from October are considered the bear camp had several reasons to press prices early this week. In retrospect, last week's 5-point bond market rally was largely constructed on reduced probability of a 75-basis point rate hike in December. However, the focus of the trade early this week has likely shifted back to the question of the November rate hike size which is widely expected to be a 75-basis point hike.

Therefore, the critical take away from the Fed statements this week will be any Fed commentary regarding the status of their battle against inflation. In other words, the trade will be looking for minor clues that the inflation curve is flattening or is arcing downward. Overnight global economic data from Japan, Australia, China, Germany, Switzerland, and Spain depicted weakness thereby providing minimal cushion for bond and note prices early on this week. With a minimally negative early track early this week and expectations for improvement in Chicago purchasing managers and the Fed manufacturing business index, we see December bonds retesting 4-day lows. In a longer-term negative, Goldman Sachs economists are projecting the US Federal Reserve will raise rates to 5% by March which is an upward adjustment of 25-basis points from their previous Fed funds forecasted rate.

It should be noted that other economists have recently projected the Fed funds rate above 5 1/2% with the Fed likely attempting to move policy a notch beyond neutral! Obviously last week's recovery in bond and note prices moderated a portion of the significant oversold condition from the massive early October washouts. In other words, the spec short positions in both bonds and notes were reduced last week potentially facilitating a return this week to the October lows! For the week ending October 25th the Bond market showed Non-Commercial & Non-Reportable traders reduced their net short position by 12,731 contracts to a net short 63,221 contracts. For T-Notes Non-Commercial & Non-Reportable traders reduced their net short position by 95,981 contracts to a net short 349,321 contracts.

CURRENCIES:

Last Friday's slate of US scheduled economic data extended the view that the US economy continues to stand up to the very aggressive tightening regime of the US Federal Reserve. In fact, seeing positive personal income, personal spending and a strong University of Michigan consumer sentiment reading for

October could tip the scales in favor of a jumbo rate hike in December. The bull camp can also suggest today's US inflation data was slightly moderated but still at elevated absolute levels which rekindle buying interest in the dollar. Not surprisingly, the currency trade has revived its bullish tilt toward the dollar into what is widely expected to be another jumbo US rate hike decision from the US Federal Reserve. In a minor early supportive Dollar development this week, US scheduled data could add to the short covering/fresh buying condition in place.

However, the major pivot force and likely November trend setting issue this week will likely be Fed wording on the status of the inflation battle. In other words, the mere mentioning of the Fed gaining an edge against inflation could dramatically reverse the current bullish track as in the Dollar as that would revitalize ideas of a 50-basis point rate hike in December. We think the Fed will not take the risk of dovish commentary as that could untether inflation expectations again. Dollar positioning in the Commitments of Traders for the week ending October 25th showed Non-Commercial & Non-Reportable traders reduced their net long position by 2,662 contracts to a net long 34,369 contracts.

In addition to a significant overbought condition following the mid-October low to high bounce 380 points, the euro was undermined by a jump in EU/Russian tensions from a Russian halt of Black Sea shipping which in turn could cause the EU to ratchet up Price Cap efforts and that could lead Putin to restrict energy flow to the West. Fortunately for the bull camp German retail sales and Italian GDP readings came in positive this morning thereby increasing the validity of support. On the other hand, euro zone inflation expectations have surged to new record highs which likely pressure the euro as the trade sees European rate hikes dramatically increasing recession prospects. The October 25th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders net bought 30,015 contracts and are now net long 101,425 contracts.

With the Yen correcting a massive oversold condition from the October spike low, further downside retrenchment is expected with Japanese economic information overnight supportive, with large retailer sales and industrial production on a year-over-year basis providing a cushion against a direct slide to support. While Swiss retail sales readings for September were slightly disappointing to expectations, the readings did post a noted gain and the Swiss has not tracked domestic data for daily action.

With GBP consumer credit, net lending, and mortgage approvals all coming in softer than expected, the Pound could have been under aggressive pressure today. Perhaps the Pound is supported by talk that the UK Prime Minister could freeze foreign aid for 2 years which in turn could temper UK government fiscal concerns. As opposed to other nondollar currencies, the Pound appears to have fundamental and technical support. With the downside failure this morning the Canadian appears to have drifted back into an inverse relationship with the dollar. Apparently, economic views in Canada are deteriorating with the likely extension of rising rates to battle inflation increasing the risk of significant slowing.

STOCKS:

The rally in the equity markets last Friday was very surprising considering that many financial markets seem to rekindle fear of a jumbo US interest rate hike in December after scheduled inflation related data was released. However, extremely impressive oil company profits and some views that last Friday's inflation readings moderated attracted investors after significant corrective action on Wednesday and Thursday. It should be noted that stock index futures continue to maintain net spec and fund short positions which should leave the potential for stop loss buying in place this week.

Global equity markets were mostly lower with the markets in Tokyo and Sydney diverging to post modest gains. Apparently, Russia has pulled out of a UN deal to allow the transport of grain and other materials through the Black Sea corridor and China's Covid situation is beginning to impact some large manufacturing companies. However, more than 30% of the S&P 500 companies will report earnings this week, there will be a Fed rate decision on Wednesday and a monthly payroll report on Friday and that should increase volatility throughout the markets. With a massive range up strong close at the end of last week and the S&P remaining near last week's highs early this week, the bull camp starts with a technical edge.

However, fears of a loss of Apple iPhone production from Chinese Covid restrictions and rumors of massive layoffs at Twitter should keep bullish interest off balance early this week. With last week's low to high bounce of 167 index points and the October recovery of 424 index points the market is short-term overbought. On the other hand, the bearishness among the speculative traders in early October reached the highest levels since 2012. E-Mini S&P positioning in the Commitments of Traders for the week ending October 25th showed Non-Commercial & Non-Reportable traders reduced their net short position by 8,385 contracts to a net short 228,001 contracts.

With the massive low to high rally/trading range of 1,116 points in the December Dow futures, the market is obviously short-term technically overbought into this week's action. Therefore, the potential for significant volatility this week is high especially with an avalanche of important headlines expected to flow from earnings, rate decisions and the US payroll report at the end of the week. In our opinion, the Dow has priced some moderation of Fed hawkishness for the December rate decision. The October 25th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net short position by 1,909 contracts to a net short 18,830 contracts.

In retrospect, the NASDAQ has clearly underperformed relative to the rest of the market because of ongoing fear of slumping online ad revenues and additional fresh pressure is presented this morning from the potential for a 30% loss of iPhone production in China due to Covid. Yet another potential negative for the NASDAQ is rumors that Twitter will lay off 20% of its workforce. Fortunately for the bull camp the net spec and fund positioning remained net short. Nasdaq Mini positioning in the Commitments of Traders for the week ending October 25th showed Non-Commercial & Non-Reportable traders reduced their net short position by 280 contracts to a net short 10,136 contracts.

GOLD, SILVER & PLATINUM:

With gold and silver tracking lower in the face of a significant flare-up of tensions involving Russia, flight to quality interest is absent again early this week. Outside market influences for the gold and silver markets continue to favor the bear camp with the dollar showing signs of a shift back into an uptrend, treasuries potentially topping out last Friday and the lack of definitive demand stories out of India into the festival demand window. It is also clear that US scheduled data at the end of last week sparked some renewed speculation of a jumbo rate hike in December. While the markets have widely factored in a November 75 basis point rate hike on Wednesday, the Fed could offer up hawkish dialogue ratcheting up the odds of a 75-basis point December hike. Unfortunately for the bull camp, international demand for gold and silver remains suspect with the infection problem in China reducing their purchasing interest as the economy encounters increased headwinds.

Last week, gold ETF holdings declined by 359,046 ounces and are down 2.7% year-to-date. From a technical perspective, the net spec and fund long positioning in gold sits near the lowest level since the middle of 2019 and a return to this month's low probably reduces the net long enough to mitigate large, compacted stop loss selling washouts. The October 25th Commitments of Traders report showed Gold Managed Money traders were net short 33,134 contracts after increasing their already short position by 12,501 contracts. Non-Commercial & Non-Reportable traders are net long 72,480 contracts after net selling 10,873 contracts. Other short-term technical indicators have shifted back in favor of the bear camp in gold with patterns of investment outflow from both gold and silver ETFs rounding out the negative demand outlook.

Even the silver market has rolled over and its short-term technical signals have also shifted into fresh sell modes. At present, silver looks to remain slightly disjointed with daily action in gold, with its industrial demand focus potentially discouraging sellers. Last week silver ETF holdings saw outflows of 1.63 million ounces pushing the year-to-date contraction to 14%. While silver net spec and fund long positioning is not at the lowest level since 2019 like gold positioning, the net spec and fund in silver long is extremely low in general after shifting into a net spec and fund short several weeks ago. The October 25th Commitments of Traders report showed Silver Managed Money traders were net short 6,062 contracts after decreasing their short position by 1,537 contracts. Non-Commercial & Non-Reportable traders are net long 9,416 contracts after net buying 737 contracts.

Even though December palladium is bucking the metals downtrend with small gains early this week, the PGM complex should be disappointed with surprisingly soft Chinese PMI data for October. In fact, trade chatter suggests the data was even worse than released thereby leaving China news a negative for most physical commodity markets. However, the recent positioning report showed Palladium shifting back into a net short and a downside breakout could result in the market becoming "mostly sold-out". The October 25th Commitments of Traders report showed Palladium Managed Money traders were net short 891 contracts after increasing their already short position by 682 contracts. Non-Commercial & Non-Reportable traders were net short 2,228 contracts after increasing their already short position by 784 contracts.
As indicated already, the platinum market continues to show significantly more bullish sensitivity than palladium as short-term technical indicators remain in buy modes. In retrospect, the January platinum contract has recoiled sharply from that trendline in 5 of the last 9 trading sessions! However, the net spec and fund long in platinum is building with the recent long reading the highest since April! The Commitments of Traders report for the week ending October 25th showed Platinum Managed Money traders net bought 4,744 contracts and are now net long 7,972 contracts. Non-Commercial & Non-Reportable traders are net long 15,055 contracts after net buying 3,443 contracts.

COPPER:

Last week, we saw little justification for the $0.20 rally in December copper in the face of daily worsening of the Chinese Covid lockdown situation. In addition to an expanding Covid lockdown threat, Chinese manufacturing and nonmanufacturing PMI readings for October overnight came in much weaker than expected which obviously tempers Chinese copper demand prospects. Fortunately for the bull camp, LME copper warehouse stocks last week posted another week of noted declines (down more than 11,000 tonnes) and the weekly Shanghai copper warehouse stocks figure fell by 29% over a single week. On the other hand, overall physical copper within the Chinese supply chain remains extremely tight thereby increasing risk to those pressing the short side below the middle point of the last 30 days range.

Another supply-side supportive development is the potential for a fresh local community strike in Peru expected to disrupt copper production. Yet another supply-side support for prices this week is a 2.6% decline in Chilean copper production in September from year ago levels. Fortunately for the bull camp, the copper market remains net spec and fund short which could moderate this week's downward tilt. The October 25th Commitments of Traders report showed Copper Managed Money traders were net short 3,152 contracts after decreasing their short position by 2,342 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 3,600 contracts to a net short 14,907 contracts.

ENERGY COMPLEX:

Apparently, the Russian exit from the UN Food/Black Sea shipping agreement has not provided support to energy prices early this week, perhaps because rising Chinese energy demand fears are present following poor PMI readings and additional Covid lockdowns. Tempering the bearish Chinese demand threat is news of further declines in Chinese on shore crude inventories in the second half of 2022. Bearish influences to start the trading week are the beginning of the latest OPEC+ production cut back, a

2.7% week over week increase in crude oil in floating storage and expectations for a surging US dollar from a hawkish Fed meeting on Wednesday.

Unfortunately for the bull camp, Russia increased its seaborne exports to Asia significantly in the first 20 days of October in a development is likely part of their effort to increase product exports. At least part of the Chinese incentive to increase fuel exports is economic with the refinery and oil industry in general gaining some stimulus. Into last week's lows, the net spec and fund long in crude oil was likely near the lowest levels since the beginning of September 2016! Crude Oil positioning in the Commitments of Traders for the week ending October 25th showed Managed Money traders added 5,879 contracts to their already long position and are now net long 181,929. Non-Commercial & Non-Reportable traders net sold 8,184 contracts and are now net long 314,256 contracts.

Some countries are showing signs that high prices are beginning to hit local consumption with Indian September crude oil imports down by a significant 6.7%. There are also signs of a surplus of supertankers in the Persian Gulf with excess tankers versus actual tankers needed jumping 16% from the prior week! As in the copper market, oil traders should be watchful of a sudden washout in prices off significant Chinese energy demand fears arising from progressively more aggressive activity restrictions.

After leading the complex higher last week the gasoline market enters the new trading week overbought with short-term technical indicators close to shifting into sell modes. Undermining the market going forward are indications from Petro China indicating their refinery exports will concentrate on gasoline and aviation fuel from recent expanded crude oil import quotas. With Chinese domestic demand also under threat from a significant Covid flare-up, we see the risk of fresh longs significant to start the new trading week. However, US gasoline demand according to Bloomberg is returning to typical seasonal levels but remains 360,000 barrels per day below the average levels seen in the 5 years prior to the US lockdown in 2020.

While the net spec and fund long position in gasoline is understated given the rally last week, the positioning is nearly in the middle of the last 18 months range. Gas (RBOB) positioning in the Commitments of Traders for the week ending October 25th showed Managed Money traders are net long 55,687 contracts after net buying 5,589 contracts. Non-Commercial & Non-Reportable traders added 6,191 contracts to their already long position and are now net long 51,264.

While China has not specifically promised surging exports of diesel fuel seeing Chinese refineries ratchet up activity and granted additional crude import quotas leaves the threat of oversupply hanging in diesel the marketplace. In fact, given the $0.38 rally off the mid-October low the latest positioning report likely understates the size of the net spec and fund long. Heating Oil positioning in the Commitments of Traders for the week ending October 25th showed Managed Money traders are net long 23,954 contracts after net selling 4,497 contracts. Non-Commercial & Non-Reportable traders net sold 5,891 contracts and are now net long 38,450 contracts.

The rally in natural gas prices early this week is taking place in the face of bearish near-term European weather, German storage reportedly at 99% targeting and confirmation from Russia that gas flows through Ukraine continue to be steady. However, there has been a forecast of a cold winter in the UK and the Russian pulled out of a UN food shipping deal over the weekend which could result in aggressive efforts to invoke a price cap on Russia gas which the Russians have indicated will result in a halt of all shipments. The weather outlook for Europe is favors the bear camp with unseasonable hot temperatures in portions with temperatures in southern Europe running 10 Celsius above normal. However, there is a cold front moving into the Northwest US by the middle of the week with some storms potentially sparking talk of an early start to winter.

The net spec and fund short in natural gas has reached the lowest level since the beginning of US lockdowns in 2020. However, with the natural gas market from the COT report into the low last Friday falling $0.62 the market probably reached a very significant oversold condition last week. Natural Gas positioning in the Commitments of Traders for the week ending October 25th showed Managed Money traders are net short 85,221 contracts after net buying 2,410 contracts. Non-Commercial & Non-Reportable traders added 6,854 contracts to their already short position and are now net short 133,849. In retrospect, last week's smallish weekly US injection should have provided more support to the market but a backup of tankers off Spain, mild European temperatures ahead and fear of slumping Chinese demand following additional lockdowns leaves the preponderance of fundamentals bearish.

BEANS:

Russia suspended its participation in the export corridor deal over the weekend after drone strikes against its naval fleet, claiming without evidence that one of the drones might have come from a grain ship that's part of the Black Sea initiative. Ukraine strongly denied the accusations. The UN announced late Sunday that it had agreed with Ukraine and Turkey to have vessels carrying food from Ukrainian ports sail early this week. This news helped to market sell off from early highs. January soybeans close moderately higher on the session Friday and up nearly 20 cents from the early lows. This is bullish technical action and the weekend news from the Black Sea should help support today.

Strength in the dollar and a selloff in energy prices helped to pressure the market early Friday but a strong rally in the meal market and a bullish tilt to the stock market helped to provide support. Weather looks favorable in South America. A sharp break in open interest might suggest a long liquidation selling trend, but a test of the lows for the week held on Friday and the market rallied into the close. Severe dryness on the crop in Argentina may force even more farmers to soybean plantings. The situation is so dire that the government needs to restrict shipments of wheat to ensure wheat-flour supplies at home. Now farmers on the Pampas, Argentina's key growing region, are facing one of the toughest starts in recent memory to planting the country's biggest cash crops: soy and corn. Argentina is the No. 1 supplier of soy meal and soy oil for cooking and biofuels.

Normally soy planting starts right around now, with three quarters of fieldwork done by the end of November. But many farms are too dry. The US renewable diesel push is prompting farmers to plant a different type of soybeans, a move that's forcing the Chicago exchange to consider changes to one of its futures contracts. Growers are turning to seeds that yield more vegetable oil, key to making the green fuel. Renewable diesel production could jump by eight-fold in the four years to 2024 as countries around the world seek to fight climate change, according to the US Energy Information Administration. With all of the negative supply news and with the potential transportation difficulties ahead, it is impressive that the market has not made a new low for the move since October 6. Demand for US biodiesel has helped provide underlying support, and the short-term export news seems to be improving.

Exporters announced the sale of 126,000 tonnes of US soybeans sold to China, and 198,000 tonnes of US soybeans sold to Spain. The Commitments of Traders report for the week ending October 25th showed Soybeans Managed Money traders added 8,549 contracts to their already long position and are now net long 75,411. Non-Commercial & Non-Reportable traders were net long 39,416 contracts after increasing their already long position by 20,687 contracts. For Soyoil, Managed Money traders added 20,187 contracts to their already long position and are now net long 95,161. Non-Commercial & Non-Reportable traders were net long 106,377 contracts after increasing their already long position by 14,827 contracts. For meal, Managed Money traders added 15,233 contracts to their already long position and are now net long 86,030.

CORN:

Over the weekend, Russia suspended the UN brokered Black Sea grain deal indicating a major Ukrainian drone strike attack on its fleet and Crimea. This is likely to support increased buying over the short term.

Ukraine's infrastructure ministry indicated that a total of 218 vessels are effectively blocked due to Russia's decision to suspend its participation in the grain deal. The ministry said 95 loaded vessels that had left Ukrainian ports were awaiting inspection for shipment to the final customer, and 101 empty ones awaited inspection at the entrance to Ukrainian ports. On Sunday, Ships loaded with grain were beginning to leave Ukraine, as the United Nations and Turkey work to salvage the agreement to keep seaborne exports flowing even after Russia's weekend announcement that it was suspending its involvement in the deal. The uncertainty is supportive.

Since the agreement started on July 22, more than 9 million tonnes of grains have been exported. December corn closed lower on the session Friday but well up from the early lows. Weakness in the energy complex plus further strength in the US dollar were seen as negative forces. Export demand remains weak and traders are also nervous with poor profit margins for ethanol producers, and the fact that meal is cheap relative to corn. The weekly export sales report showed that for the week ending October 20, net corn sales came in at just 263,999 tonnes from trade expectations for 350,000 to 1.075 million. Cumulative sales have reached just 25.8% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 37.1%.

Argentina corn planting has made its slowest start to a season ever. That means the corn will arrive on global markets later than usual as farmers plead for rains to produce a late crop. According to Conab, 35.8% of the Brazilian crop of corn had been sown by October 22nd, against 30.9% in the previous week but below the 37.6% from the same period last year. EU compound-feed production is expected to decline 3.5% y/y to 145 million tonnes this year. The spread of animal diseases and economic impact of the war in Ukraine are pushing down demand. The Commitments of Traders report for the week ending October 25th showed Corn Managed Money traders added 10,113 contracts to their already long position and are now net long 264,374. Non-Commercial & Non-Reportable traders were net long 257,722 contracts after increasing their already long position by 22,261 contracts.

WHEAT:

Ships were moving out of Ukraine early this week, but this is uncertain with increased fighting in Ukraine. On Saturday, Russia suspended the UN brokered Black Sea grain deal indicating a major Ukrainian drone strike attack on its fleet and Crimea. This is likely to support increased buying over the short term. Ukraine's infrastructure ministry indicated that a total of 218 vessels are effectively blocked due to Russia's decision to suspend its participation in the grain deal. The ministry said 95 loaded vessels that had left Ukrainian ports were awaiting inspection for shipment to the final customer, and 101 empty ones awaited inspection at the entrance to Ukrainian ports. Since the agreement started on July 22, more than 9 million tonnes of grains have been exported.

The wheat market experienced the lowest close since September 8th on Friday as beneficial rain in Texas and Oklahoma was thought to be a factor to improve the crop conditions before dormancy. The 5-day forecast for the plains is dry, but the 6-10 day shows above normal precipitation. In addition, some rain in Argentina may have also helped to pressure the market. With the severe drought in Argentina and the poor crop, Brazil will need to import more wheat from other places than Argentina. Traders believe exports to Brazil will jump from the US, Canada and Russia. Normally, Brazil gets near 6 million tonnes of wheat from Argentina. December wheat closed moderately lower on the session Friday but managed to bounce off of the lows, which is also a key support area.

Open interest remains in a steep uptrend which might suggest fund traders are building a larger net short position. A further rally in the US dollar added to the negative tone. Pakistan bought 385,000 tonnes of wheat at their tender. The Commitments of Traders report for the week ending October 25th showed Wheat Managed Money traders were net short 36,052 contracts after increasing their already short position by 14,001 contracts in just one week. This leaves the market oversold and in position to see increased buying if resistance levels are violated. For KC Wheat, Managed Money traders net sold 1,644 contracts and are now net long 24,626 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,897 contracts to a net long 20,638 contracts.

HOGS:

The jump in pork values late last week was enough to ease concerns for a sharp break in the cash market and may at least temporarily support futures. December hogs closed moderately higher on the session Friday with an inside trading day. Ideas that the break Thursday was just too far, too fast helped to trigger a bounce. In addition, pork values bounced and slaughter is not picking up as fast as expected. The USDA pork cutout released after the close Friday came in at $99.35, up $2.52 from Thursday but down from $99.45 the previous week. The CME Lean Hog Index as of October 26 was 94.15 down from 94.47 the previous session but up from 93.76 the previous week. The USDA estimated hog slaughter came in at 487,000 head Friday and 122,000 head for Saturday. This brought the total for last week to 2.557 million head, down from 2.571 million the previous week but up from 2.552 million a year ago.

While the pork market may bounce some before slaughter really picks up steam, the technical action is negative and the market is still in an overbought condition. Friday's Commitments of Traders report showed managed money traders were net buyers of 19,646 contracts of lean hogs for the week ending October 25, increasing their net long to 55,433. Non-commercial & non-reportable traders were net buyer of 14,152 contracts, increasing their net long to 38,673. Estimated US pork production last week was 545.7 million pounds, down from 547.7 million the previous week and Down 0.6% from a year ago. December basis on Oct 26 was 5.55, down 0.44 on the day. Last year basis was 9.07 and the 5 year average is 7.06.

CATTLE:

The cattle market remains very overbought and vulnerable to a correction. However, beef production was lower last week and the cash market is in a steady uptrend. In addition, the beef price has pushed up to the highest level since August 25th and this might support a continued uptrend in the cash market. December cattle closed moderately lower on the session last Friday after choppy and two-sided trade with a small range. The market remains in an overbought condition, and is also still under the negative technical influence of Tuesday's key reversal. The USDA boxed beef cutout was up 73 cents at mid-session Friday and closed 77 cents higher at $263.26. This was up from $253.71 the previous week. This is the highest since August 25. The cash live cattle market moved higher for the fourth week in a row last week. As of Friday afternoon, the five-day, five-area weighted average price was 151.90, up from 150.09 the previous week and 144.78 on September 30.

The estimated average dressed cattle weight last week was 831 pounds, up from 830 the previous week and down from 834 a year ago. The 5-year average weight for that week is 831 pounds. Estimated beef production last week was 554.0 million pounds, down from 555.4 million a year ago. The USDA estimated cattle slaughter came in at 124,000 head Friday and 32,000 head for Saturday. This brought the total for last week to 668,000 head, down from 673,000 the previous week but unchanged a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 28,423 contracts of live cattle for the week ending The October 25, increasing their net long to 65,722. Non-commercial & non-reportable traders were net buyers of 23,010, increasing their net long to 76,841 contracts.

COCOA:

Cocoa prices have seen coiling action over the past few weeks, but continue to hold their ground above their mid-October lows. If global risk sentiment continues to improve, cocoa should be able to sustain an upside move. December cocoa bounced back from a midsession pullback, but that was not enough to keep the market in positive territory as it finished Friday’s trading with a modest loss. For the week, December cocoa finished with a loss of 4 points (down 0.2%) which was a third negative weekly result in a row.

A rebound in European and US equity markets as well as a recovery move in the British Pound provided cocoa with carryover support, as continued strength in those outside markets can help to shore up demand prospects in Europe and North America. Along with the Eurocurrency, those markets are likely to see significant price volatility coming into and just after Wednesday's FOMC meeting results, so their carryover support to the cocoa market may be limited early this week.

Recent rainfall over West African growing areas may improve the prospects for the region's late main-crop production, and that pressured the cocoa market going into the weekend. Heavy rainfall over the past few months has been a key factor with the slow start to the 2022/23 West African main crop harvest, with Ivory Coast port arrivals well behind last season's pace. Last week's port arrivals total was ahead of the comparable period last year, and another reading this week above the 2021 total could put additional pressure on cocoa prices early this week.

The October 25th Commitments of Traders report showed Cocoa Managed Money traders net sold 16,632 contracts and are now net short 38,524 contracts. CIT traders reduced their net long position by 6,245 contracts to a net long 12,167 contracts. Non-Commercial No CIT traders added 7,710 contracts to their already short position and are now net short 26,283. Non-Commercial & Non-Reportable traders are net short 21,137 contracts after net selling 13,606 contracts.

COFFEE:

Coffee prices have maintained downside momentum and have lost 22% in value (down 48 cents) over the past 2 1/2 weeks. The market is technically oversold and well into bargain price territory, which should have coffee close to putting in a longer-term low. December coffee was able to bounce back from initial pressure before turning sharply to the downside and reaching a new 15-month low as they finished Friday's trading session with a heavy loss and a thirteenth negative daily result in a row. For the week, December coffee finished with a loss of 21.10 cents (down 11.1%) which was a fourth negative weekly result in a row.
Concern that inflation levels remain high enough to diminish out-of-home demand prospects is a major source of pressure on the coffee market.

Europe is a key demand region for restaurant and retail shop coffee consumption, so having the latest German, French and Italian CPI reading come in well above trade forecasts gave an additional boost to demand concerns. Recent rainfall over Brazil's major Arabica growing regions is expected to improve the outlook for their upcoming 2023/24 Arabica crop, and that also pressured coffee prices going into the weekend. Vietnam's statistics office said that their nation's coffee exports over the first 10 months of this year were 10.6% ahead of last year's pace, but October exports will come in 19.5% below last year's total.

ICE exchange coffee stocks fell by 670 bags on Friday, and with one session to go in October are more than 41,000 bags below their September month-end total and at a 23 1/2 year low. The October 25th Commitments of Traders report showed Coffee Managed Money traders net sold 9,024 contracts and are now net long 3,048 contracts. CIT traders are net long 35,482 contracts after net selling 1,106 contracts. Non-Commercial No CIT traders net sold 8,190 contracts which moved them from a net long to a net short position of 3,084 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,183 contracts to a net long 8,333 contracts.

COTTON:

December cotton sold off sharply again on Friday and traded to its lowest level since January 2021 and closed limit down. The market closed 9% lower on the week and was down for the seventh week in a row. Harvest pressure and lack of mill demand have been blamed for the selloff. Traders remain concerned about demand with the possibility of a global recession looming over the market.

Concerns about Chinese demand loom as well with the "Zero Covid" policy expected to continue. News of cancellations of US cotton sold to China has added to the negative tone. Friday's Commitments of Traders showed managed money traders were net sellers of 8,752 contracts of cotton for the week ending October 25, reducing their net long to 13,280. Non-commercial, no CIT traders were net sellers of 8,917, increasing their net short to 14,606. The market remains in a steep downtrend and there is still no technical sign of a low.

SUGAR:

Sugar prices have retraced most of their early October rally and are on-track for a negative monthly result. Unless the market has signs of improving ethanol demand, sugar may be heading for a retest of its mid-September lows. March sugar bounced back from early and midsession pressure, but could not climb out of negative territory as it finished Friday’s trading session with a moderate loss and a tenth negative daily result in a row. For the week, March sugar finished with a loss of 80 ticks (down 4.4%) which was a second negative weekly result in a row.

Sharp selloffs in crude oil and RBOB gasoline were sources of carryover pressure on the sugar market as that should weaken ethanol demand in Brazil. Over the past few months, there has been a significant shift in crushing from ethanol production over to sugar production, with sugar’s share of crushing during the first half of October 9.1% above the comparable period last year. Sugar prices may be impacted from Sunday’s Brazilian Presidential runoff results as incumbent President Bolsonaro facilitated caps on state fuel taxes that eroded ethanol’s price advantage to gasoline.

After Friday’s close, India’s government extended their sugar export curbs through October of 2023 but did not specify a total export quota for the 2022/23 season. Many expect that India will announce an initial export tranche of 5 to 6 million this week with an additional export trance announced later in the season. While this should be at least 3 million tonnes, the potential for record high production this season may encourage India’s government to expand the second tranche to 4 or 5 million tonnes.

The October 25th Commitments of Traders report showed Sugar Managed Money traders were net long 84,997 contracts after decreasing their long position by 22,071 contracts. CIT traders net sold 2,901 contracts and are now net long 193,098 contracts. Non-Commercial No CIT traders net sold 11,715 contracts and are now net long 27,892 contracts. Non-Commercial & Non-Reportable traders net sold 28,508 contracts and are now net long 127,147 contracts.

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