Weekly Futures Market Summary

February 27, 2023 **by the ADMIS Research Team**

BONDS:

Treasuries have held within a fairly tight trading range to start to this week's action, but continue to hold their ground above last Friday's 3 1/2 month lows. In addition to a significant improvement in consumer spending, January US new home sales and a private survey of US consumer sentiment were higher than expected while the PCE inflation readings added to expectations that the Fed will end up raising rates higher than the expectations that were in place last week. On the other hand, treasury prices have fallen aggressively despite recession signals from the inverted Treasury yield curve, and following a significant jump in the New York Fed's recession predictions from 47.3% to 57.1%. Recent Fed commentary have held a generally hawkish tone that continues to weigh on Treasury prices.

While the Fed's Bullard said that a soft landing is feasible in the US, the Fed's Mester said that the Fed will need to go above 5% and stay there for a while. In addition, the Fed's Collins said that recent US data confirms the case for more rate hikes while the Fed's Jefferson said that wage growth is running too high to be consistent with 2% inflation. The Commitments of Traders report has started releasing its reports that had been postponed from previous weeks. On Friday they released the January 31 numbers: The January 31st Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders added 14,418 contracts to their already short position and are now net short 173,078. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 12,819 contracts and are now net short 543,348 contracts.

CURRENCIES:

The Dollar held within a fairly tight range at the start of this week before it fell back from a 7 1/2 week high into negative territory. There was a mild rebound in global risk sentiment which fueled safe-haven outflows from the Dollar. While the dollar failed to show definitive strength early last week, the index ultimately gathered momentum and finished last week strong. In retrospect, positive US scheduled data and fresh signs of ongoing inflation pressures will justify ongoing strength in the dollar as we think the Fed will be pushed slightly closer to a 50-basis point rate hike at the March FOMC meeting.

The Euro survived a retest of its 2023 low from early January and is grinding out a modest gain early this week. ECB President Lagarde said that the ECB would have a 50 basis point hike next month, and that further rate hikes would be data dependent. A set of Euro zone sentiment readings posted mixed results, but a mild rebound in risk appetites has lifted the Euro. However, the Euro needs more signs of a Euro zone rebound to maintain a recovery move.

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The Yen reached a 2-month low early this week as it started out within a fairly tight range. While Japanese inflation readings have been on the rise, new BOJ Governor Ueda said that the BOJ will need to see a sharp increase in trend inflation to shift towards monetary tightening, and that will continue to weigh on the Yen going into month-end. The Yen will also be pressured by safe-haven outflows early this week.

The Swiss franc rebounded from a 2 1/2 month low as it was in jeopardy of posting a ninth negative daily result in a row. While there have been recent positive Swiss economic data results, they have not been enough to put any brakes on the Swiss franc's February pullback. The Swiss franc is likely to slide further to the downside early this week, and may have to wait on Tuesday's Swiss GDP result to regain upside momentum.

The Pound was able to build on early strength and posted a moderate gain following reports that the UK and EU are close to agreeing to a new Northern Ireland Brexit deal. While the Pound should benefit from stronger global risk sentiment, the Bank of England are still likely to finish their rate hikes sooner than the FOMC. As a result, the Pound is unlikely to lift well clear of its February lows going into month-end.

The Canadian dollar is staying well clear of last Friday's spike low but continued to hold within a tight trading range early this week. The Bank of Canada has sent out dovish signals since the start of this year, while trade forecasts are calling for Tuesday's Canadian GDP result to have a sizable downtick from the previous reading. However, the Canadian dollar should benefit from improving global risk sentiment early this week.

STOCKS:

Global markets have had a relatively quiet start to the week as they regained a mildly positive tone. Asian shares finished Monday with modest losses, but European stock markets posted sizable gains and US equity indices are seeing moderate gains. Over the weekend, Berkshire Hathaway reported lower than expected earnings which may dampen sentiment in many market sectors. While the Japanese leading economic index had a surprise downtick, Euro zone consumer confidence came in higher than trade forecasts.

The Emini S&P 500 managed to hold key support late last week and also managed to hold support at the 100-day moving average. Hot inflation numbers helped to pressure the market late last week as traders fear a rougher landing if the Fed has to push rates higher. With 2-year notes at 4.8%, investors are also beginning to see some alternatives to the stock market. For now, the market acts like a short-term low may be close at hand. E-Mini S&P positioning in the Commitments of Traders for the week ending January 31st showed Non-Commercial & Non-Reportable traders are net short 211,792 contracts after net selling 24,813 contracts.

The Emini Dow fell to the lowest level since November on the break Friday and the market also closed below the 100-day moving average for the first time since October 21. This is weak technical action and the market is seeing selling pressures from talk that rates will need to be higher for a longer period of time to fight inflation. The Commitments of Traders report for the week ending January 31st showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net short position by 138 contracts to a net short 12,081 contracts. The January 31st Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net short 34,173 contracts after net buying 3,379 contracts.

GOLD, SILVER & PLATINUM:

Gold fell to its lowest level since December 22 early this week as the market fell on expectations that the Fed will continue its tight policy. Scheduled data on Friday suggested more tightening ahead. The Personal Consumption Expenditures price index rose 5.4% in January from a year earlier versus a 5.3%

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number in December. The month-on-month gain was 0.6% versus 0.2% in December. Goods fell 0.7% from the previous month, but services increased 0.5%. Consumer spending increased 1.8% last month, the biggest increase since March 2021.

News at the start of this week was bearish from the fundamental side as well, with China's net gold imports via Hong Kong reported at 22.24 tonnes in January, down from 42.16 (-47%) in December. Strong economic numbers could be positive for silver industrial demand, but the market followed gold lower on Friday and overnight, reacting negatively to the strong price data with March silver trading to its lowest level since November 4. Bloomberg reports that ETFs cut their holdings by 17,046 ounces in the last session and by 347,017 last week. It was the 11th straight day of declines. Silver holdings fell 3.194 million in the last session, a 1.7% decline.

The CFTC has started to release its backlog of Commitments of Traders report. The most recent data was as of January 31, and it showed managed money traders were net buyers of 4,909 for the week, increasing their net long to 111,540. This was their highest since last April. The market has sold off considerably since February 2, so we suspect that net long is quite lower by now. Managed money traders were also buyers of 3,923 contracts of silver, bringing their net long to 24,846 contracts, which was not setting any records. Their net long could be down considerably given how far the market has fallen since that date.

April platinum moved higher early this week after trading to its lowest level since October 21. Like gold and silver, the market was pressured last week by higher-than-expected PCE and retail sales data that suggested the Fed would keep its tight monetary policy for a while. The January 31 Commitments of Traders data released on Friday showed managed money traders were net sellers of 5,848 contracts of platinum, reducing their net long to 7,364. Given the sharp selloff since that date, we suspect the net position could be close to flat by now.

ETF traders reduced their platinum holdings by 343 ounces in their last session and were down 4,959 for the week. The market may have gotten a bit oversold, but the bias is still down. Palladium holdings were down 649 ounces in the last session and down 1,597 for the week. They were still up 6.4% for the year. Managed money traders were net sellers of 1,153 contracts for the week ending January 31, increasing their net short to 3,611, a new record. The market is $50 lower since that date, so we can infer that the net short is even more extreme.

COPPER:

After early downside follow-through, copper prices climbed into positive territory at the start of this week. In addition to risk-off anxiety flowing from a hard washout in equities, copper probably saw fresh selling on Friday after the pattern Shanghai copper warehouse stock inflows was extended for a ninth week in a row. LME copper stocks had a modest increase this morning; it was the fifth build in the past 10 sessions. Chinese equity markets had a lukewarm start to the week, but a moderate risk-on mood in European and US equity markets provided copper with some fresh support. The dollar has fallen back from an early 7 1/2 week high, and this has also underpinned copper prices.

ENERGY COMPLEX:

Lukewarm domestic demand continues to weigh on crude oil prices, as are ongoing concerns with the status of China's economy. Over the weekend, Russia cut the flow of crude oil from the Druzhba pipeline, which provides oil to Poland. They will reduce their March crude oil exports from their western ports by 25% from their February levels. Friday's Baker Hughes US oil rig count showed a decline of 7 rigs last week to 600. This was only 1 rig above the 5-month low from February 3. US crude oil production reached a 2 1/2-year high at the start of February, and it held at that level in the past two weekly EIA

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readings, and there have been no outflows from the Strategic Petroleum Reserve. US crude oil stocks have risen 58.4 million barrels since the end of 2022 (up 13.8%). Canadian oil rigs fell by 5 to 158 last week, but the previous week's total, 168, was their highest in three years. There are reports that more than 1 million barrels per day of Asian refining capacity will be shut down for maintenance during the second quarter.

Both product markets were outperforming crude oil as the start of this week, and ULSD has been the strongest member of the petroleum complex. US distillate stocks reached a 1-year high in the latest EIA report, but they remain more than 18 million barrels below their 5-year average. RBOB continues to see lukewarm driving demand, and the wintry weather across many areas of the US over the past few weeks has not helped. Implied gasoline demand has been below 9 million barrels per day since Christmas, and refinery utilization has been well below 90%, which is more evidence of lukewarm domestic demand.

Natural gas prices have been able to follow through on last week's key reversal and could be on track for a fourth positive day in a row. The 6-to-10 and 8-to-14-day forecasts are showing below normal to well below normal temperatures across large portions of the US, which should boost demand. There are reports that the Freeport LNG export terminal continues to ramp up operations, and that should provide a boost to US export demand. Last Friday's Baker Hughes report showed US gas rigs unchanged from the previous week, but they are just two rigs away from reaching a 9-month low. Near-term demand is on the rise, which could help underpin prices early this week. With the market within striking distance of a positive monthly key reversal, natural gas could benefit from end-of-month short-covering.

BEANS:

While May soybeans have traded lower for three sessions in a row, it appears the market will need to absorb further losses in soybean production from Argentina. There is very little rain in the forecast for the next two weeks and areas which did not receive rain just recently, could be back in stressful conditions very quickly. The Buenos Aires Grain Exchange slashed its soybean production estimate to the lowest in 14 years. Traders seem to believe that there will be enough supply from Brazil to offset the smaller crop from Argentina. Weakness in the corn market and a surge higher in the US dollar were seen as bearish forces.

May soybean meal closed higher on the session Friday with an outside day up which is a positive technical development. The Outlook Forum data carried a supportive tilt. The data showed US 2023/24 soybean planted area at 87.5 million acres and production at 4.510 billion bushels. This was right on trade expectations but up from 4.276 billion in 2022/23. Ending stocks came in at 290 million bushels versus expectations for 297 million. This was up from 225 million in 2022/23. If yield comes in 3% below trend, ending stocks could drop to 153 million bushels, resulting in a stocks/usage ratio of 3.4%. This would be the lowest since 2013/14 and the second lowest on record.

The Buenos Aires Grain Exchange lowered their 2022/23 Argentine soybean production forecast to 33.5 million tonnes from 38 million tonnes previously. In February, the USDA pegged the crop at 41 million tonnes, up from 45.5 million in January. Argentina farmers will hold a protest this week to demand better taxation and also foreign exchange rates and financial support conditions for producers. The focus would be on asking for export taxes to be eliminated and financial aid. Brazil officials will decide on the mandatory blend of biodiesel in diesel in March. The current 10% mandatory blend will remain in force throughout March and the percentage from April onwards will be defined at the meeting.

The weekly export sales report showed that for the week ending February 16, net soybean sales came in at 544,915 tonnes for the current marketing year and 11,700 for the next marketing year for a total of 556,615. Cumulative soybean sales have reached 89.7% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 82.9%. Net meal sales came in at 65,574 tonnes for the current marketing year and none for the next marketing year. Cumulative meal sales have reached 60.8%

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of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 64.4%. Net oil sales came in at -785 tonnes (cancelations) for the current marketing year and none for the next marketing year. Cumulative oil sales have reached 14.1% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 59.7%.

The Commitments of Traders report has started releasing its reports that had been postponed from previous weeks. On Friday they released the January 31 numbers: Soybean positioning in the Commitments of Traders for the week ending January 31st showed Managed Money traders net bought 29,243 contracts and were net long 175,504 contracts. Non-Commercial & Non-Reportable traders are net long 135,921 contracts after net buying 27,481 contracts. Soyoil positioning showed Managed Money traders are net long 31,224 contracts after net selling 4,737 contracts for the week. For Soymeal, Managed Money traders were net long 140,943 contracts after net buying 5,440 contracts. Non-Commercial & Non-Reportable traders are net long 172,239 contracts after net buying 4,020 contracts.

CORN:

Scattered showers continue for much of Brazil's growing regions this week which may continue to cause delays for soybean harvest and safrinha corn planting, putting the corn at risk when the dry season begins in two months. Soybean harvest is thought to be near 30% complete from 41.8% last year. Dry conditions continue to be a concern for corn in Argentina as there is almost no rain in the forecast of the next two weeks. May corn closed sharply lower on the session Friday and the market is now down as much as 33 1/2 cents in just four trading sessions. A surge higher in the US dollar and technical selling were seen as bearish forces. The Buenos Aires Grain Exchange lowered their Argentine corn production forecast to 41 million tonnes from a previous estimate of 44.5 million. In its February WASDE report, the USDA lowered the Argentine corn production forecast to 47 million tonnes from 52 million in January.

The USDA Outlook Forum data carried a bearish tilt, with US 2023/24 ending stocks projected at 1.887 billion bushels, up from 1.267 billion in 2022/23. This was based on a trendline yield of 181.5 bushels per acre. But even if yield were to come in 3% below trend, ending stocks would still increase to 1.432 billion bushels. The Export Sales Report showed that for the week ending February 16, net corn sales came in at 823,177 tonnes for the current marketing year and 25,548 for the next marketing year for a total of 848,725. Cumulative sales have reached 58.6% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 71.3%. The Commitments of Traders report for the week ending January 31st showed Corn Managed Money traders net bought 18,127 contracts and were net long 219,924 contracts. Non-Commercial & Non-Reportable traders were net long 201,550 contracts after increasing their already long position by 20,417 contracts.

WHEAT:

May wheat closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since September 2021. The downside break-out is bearish and leaves 687 1/2 as a longer-term technical target. July Kansas City wheat also closed sharply lower on the day and the market is down as much as 71 1/4 cents in just four trading sessions. Rain in the US and a sharp rally in the US dollar were seen as bearish forces. A winter storm brought heavy snow from northern Colorado through northern Nebraska and heavier rain in the southeast. The southwest plains were dry with strong winds, which may increase stress for winter wheat by drawing more moisture out of the soil. A storm Sunday into Monday will move on a more favorable track for widespread precipitation through the region. The 6-10 day and 8-14 day models show above normal precipitation for the central and southern Plains. The weekly export sales report showed that for the week ending February 16, net wheat sales came in at 338,828 tonnes for the current marketing year and 80,000 for the next marketing year for a total of 418,828.

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Cumulative sales have reached 79.9% of the USDA forecast for the 2022/2023 marketing year versus a 5 year average of 85.7%. Egypt's state buyer bought 240,000 tonnes of wheat late last week bringing its total purchases of the grain for the 2022-23 season so far to at least 5.08 million tonnes. It was the fourth straight tender where Egypt bought exclusively Russian supply. The Commitments of Traders report for the week ending January 31st showed Wheat Managed Money traders are net short 63,628 contracts after net buying 10,305 contracts for the week. Non-Commercial & Non-Reportable traders are net short 41,213 contracts after net buying 13,263 contracts. For KC Wheat, Managed Money traders net bought 8,171 contracts which moved them from a net short to a net long position of 1,339 contracts. Non-Commercial & Non-Reportable traders were net short 4,705 contracts after decreasing their short position by 6,786 contracts.

HOGS:

The hog market has seen choppy and two-sided trade recently, as traders are fearful of increasing supply at a time of the year when we normally see seasonal strength. First quarter pork production usually comes in well below the fourth quarter of the previous year, but this year it is expected to be higher. It is also expected to be higher than a year ago. US export sales last week were decent, and pork production came in below year ago the previous week, and this lent some support. In the monthly cold storage report on Friday, frozen pork stocks at the end of January came in at 517.7 million pounds, up 19.2% from last year and up 13.4% from the previous month. Stocks normally increased 13% for the month so the increase was normal.

The USDA pork cutout released after the close Friday came in at $84.16, up 84 cents from Thursday and up from $80.25 the previous week. The CME Lean Hog Index as of February 22 was 77.73, up from 77.53 the previous session and 75.85 the previous week. The USDA estimated hog slaughter came in at 467,000 head Friday and 167,000 head for Saturday. This brought the total for last week to 2.375 million head, down from 2.505 million the previous week and 2.492 million a year ago. Estimated US pork production last week was 543.9 million pounds, up from 534.5 million the previous week but down from 549.4 million a year ago.

US pork export sales for the week ending February 16 came in at 51,916 tonnes, up from 44,952 the previous week and the highest since December 15 and the second highest since March 25, 2021. Cumulative sales for 2023 have reached 444,064 tonnes, up from 421,260 a year ago but down from 609,073 at this point in 2021. The five-year average is 514,903. The largest buyer this week was Mexico at 25,041 tonnes, followed by China at 12,084. Mexico has the most commitments for 2023 at 154,419 tonnes, followed by Japan at 61,910, China at 58,833, and Canada at 54,686.

CATTLE:

June cattle posted contract highs for the fourth session in a row last Friday before closing lower on the session, forming a sweeping key reversal from an overbought condition. Some long liquidation ahead of the Cattle on Feed report might be a factor in the selling. The report showed placements for the month of January at 96.4% of last year versus trade expectations for 97.1%, with a range of expectations from 95.5% to 99.7%. Marketings came in at 104.2% versus 103.9% expected (range 102.7%-104.9%). On feed supply as of February 1t came in at 95.9% versus 96.5% expected (range 95.7%-99.5%). With placements coming in below trade expectations and marketings a bit higher than expected, the report was viewed as supportive. The sharp drop in weights is keeping beef production low, and the placements are low enough to keep a supply outlook tight for the first half of the year.

The USDA estimated cattle slaughter came in at 122,000 head Friday and 18,000 head for Saturday. This brought the total for last week to 618,000 head, down from 627,000 the previous week and 651,000 a

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year ago. Estimated beef production last week was 509.8 million pounds, down from 562.9 million a year ago. The USDA boxed beef cutout was up 40 cents at mid-session Friday but closed 63 cents lower at $287.28. This was still up from $281.04 the previous week. The monthly cold storage report showed frozen US beef stocks at the end of January at 532.7 million pounds, up 1.3% from a year ago but down 2.1% from the previous month. Beef stocks normally increase 2% in January, so the 2.1% decline is considered a bullish development.

US beef export sales for the week ending February 16 came in at 15,443 tonnes for 2023 delivery and 95 tonnes for 2024 for a total of 15,515. This was down from 28,172 the previous week and the lowest since January 5. Cumulative sales for 2023 have reached 284,713 tonnes, down from 348,511 a year ago and the lowest since 2020. The five-year average is 280,087. The largest buyer this week was China at 4,316 tonnes, followed by South Korea at 2,814 and Japan at 2,193. South Korea has the most commitments for 2023 at 79,076 tonnes, followed by Japan at 64,340 and China at 53,852. News that Brazil has halted beef exports to China due to mad cow disease has lent support to the cattle market as it is still uncertain how long the ban will last or how serious the outbreak is.

COCOA:

After reaching a 1-year high following the holiday weekend, cocoa prices finished last week with 3 straight negative daily results. Increasing near-term demand concerns may lead to additional long liquidation early this week, but cocoa is showing few signs that a near-term top has been put in. May cocoa was unable to hold onto mild early strength as it fell to a 1-week low before finishing Friday's trading session with a moderate loss. For the week, May cocoa finished with a loss of 23 points (down 0.8%) which was a third negative weekly result over the past four weeks as well as a negative key weekly reversal. High inflation levels will weaken demand for discretionary items such as chocolate, so a higher than expected reading for US core PCE put early pressure on cocoa prices. In addition, the negative shift in global risk sentiment following US data fueled additional long liquidation and profit-taking in the cocoa market. There has been an easing of concern over tight near-term West African supply following the move by Ivory Coast's Coffee and Cocoa Board to restrict purchases of additional cocoa beans by major exporters once they have reached their buying limit.

The catalyst for that move has been tight near-term cocoa supplies, with recent Ivory Coast port arrivals totals coming in well below the previous year's comparable total. Yields for this season's main crop have below normal due in part to a lack of adequate fertilizer and pesticide use. While there is some optimism in the market over the region's upcoming mid-crop cocoa production due to recent rainfall, the harvesting of those beans will not reach full speed until early April. The Commitments of Traders report has started releasing its reports that had been postponed from previous weeks. On Friday they released the January 31 numbers: The Commitments of Traders report for the week ending January 31st showed Cocoa Managed Money traders are net long 3,731 contracts after net buying 2,436 contracts. CIT traders reduced their net long position by 509 contracts to a net long 22,995 contracts. Non-Commercial No CIT traders net bought 2,136 contracts and are now net short 2,724 contracts. Non-Commercial & Non-Reportable traders net bought 59 contracts and are now net long 12,610 contracts.

COFFEE:

The coffee market remains on-course for a second positive monthly result in a row, but appears to have lost upside momentum late last week. Unless it can find fresh bullish supply news, coffee is likely to finish February on a downbeat note. May coffee was unable to find any footing as it extended a near-term pullback by finishing Friday's trading session with a moderate loss. For the week, however, May coffee finished with a gain of 1.95 cents (up 1.0%) which was a sixth positive weekly result in a row. In many areas of the world, a large portion of coffee consumption occurs at restaurants and retail sales, so persistently high inflation levels have eroded coffee's global demand outlook.

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A more than 1% pullback in the Brazilian currency also put carryover pressure on the coffee market as extended weakness in their currency will encourage Brazilian producers to market their near-term supply to foreign customers. The prospects that ICE exchange coffee stocks may start to rise again also weighed on coffee prices. ICE exchange coffee stocks fell by 9,417 bags on Friday and are more than 61,000 below their January month-end total, but there are more than 10,000 bags of coffee waiting to be graded. After a sluggish start to the season, Central American producing nations are expected to have an increase in their coffee exports during the next few months with Honduran January exports coming in above last year's total.

As a result, this should help to partially offset this season's decline in Brazilian and Colombian coffee exports due to the negative impact on their production from the La Nina weather event. The Commitments of Traders report has started releasing its reports that had been postponed from previous weeks. On Friday they released the January 31 numbers: Coffee positioning in the Commitments of Traders for the week ending January 31st showed Managed Money traders reduced their net short position by 24,364 contracts to a net short 12,420 contracts. CIT traders net bought 7,534 contracts and are now net long 51,408 contracts. Non-Commercial No CIT traders reduced their net short position by 19,932 contracts to a net short 20,088 contracts. Non-Commercial & Non-Reportable traders net bought 24,490 contracts and are now net short 6,128 contracts.

COTTON:

May cotton surged more than 3% on Friday and the market moved back into the recent consolidation. The market turned up from an extreme oversold technical condition and from low open interest. The strong US dollar and weakness in the stock market failed to pressure the market as traders see good short-term demand for cotton with strong export sales in recent weeks. US Cotton export sales for the week ending February 16 came in at 425,322 bales for the 2022/23 (current) marketing year and 11,880 for 2023/24 for a total of 437,202. This was up from 240,851 the previous week and the highest since last May. Cumulative sales for 2022/23 have reached 10.358 million bales, down from 12.582 million a year ago and the lowest since 2015/16. Sales have reached 92% of the USDA forecast for the marketing year versus a five-year average of 89%. The largest buyer this week was Vietnam at 131,204 bales, followed by Pakistan at 95,629, Turkey at 86,152, and China at 46,241.

China has the most commitments for 2022/23 at 2.193 million bales, followed by Pakistan at 1.971 million, Turkey a 1.468 million, and Vietnam at 1.135 million. Traders are optimistic about short-term demand given the reopening of the China economy and the outlook for a sharp drop in planted area for the coming season. The initial estimate for US cotton plantings by the USDA showed acreage at just 10.9 million acres, down 20.8% from this past season. The Commitments of Traders report for the week ending January 31st showed Cotton Managed Money traders added 1,101 contracts to their already long position and are now net long 8,223. Non-Commercial & Non-Reportable traders are net long 17,836 contracts after net buying 2,210 contracts.

SUGAR:

Sugar reached a six-year high at the start of February and spent the next 3 1/2 weeks in a wide-sweeping coiling pattern. Many analysts are still projecting sugar to show a global production surplus for 2022/23, and that leaves the sugar market vulnerable to sizable downside move. May sugar had an abrupt change in fortune as it fell sharply from an early 3-week high before finishing Friday's wide-sweeping outside-day session with a sizable loss. For the week, May sugar finished with a loss of 13 ticks (down 0.7%) which was a second negative weekly result in a row.

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A pullback in the Brazilian currency weighed on sugar prices as it may encourage Brazilian mills to produce more sugar for the export market. Brazil's Petrobras has increased its wholesale gasoline prices, but this likely came too late for Center-South mills to shift their crushing activity from sugar to ethanol, at least until their operations resume next month. The International Sugar Organization (ISO) revised their 2022/23 global production surplus forecast from 6.2 million down to 4.2 million tonnes. While the ISO reduced their 2022/23 global production estimate by 1.7 million tonnes, their forecast of 180.4 million tonnes would still be a record high.

The sugar market has drawn strength from India where a drop in harvested cane yields caused many analysts to cut their 2022/23 production forecasts. India's government also said that they would not allow any additional sugar exports this season beyond an initial tranche of 6.1 million tonnes, which compares to 11.73 million last season. While India is one of the largest sugar producing nations, a limit of 6.1 million tonnes would mean that they will account for less than 10% of global exports. In contrast, Brazil could have a 42% share of exports this season, with Thailand a 16% share and Australia a 5% share. All three nations are expected to have production increases in 2022/23, and that could result in global exports posting a record high.

The Commitments of Traders report has started releasing its reports that had been postponed from previous weeks. On Friday they released the January 31 numbers: Sugar positioning in the Commitments of Traders for the week ending January 31st showed Managed Money traders were net long 240,012 contracts after increasing their already long position by 67,869 contracts. CIT traders were net long 178,412 contracts after increasing their already long position by 4,795 contracts. Non-Commercial No CIT traders added 56,866 contracts to their already long position and are now net long 171,972. Non-Commercial & Non-Reportable traders net bought 70,833 contracts and are now net long 301,027 contracts.

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