Weekly Futures Market Summary

April 24, 2023 **by the ADMIS Research Team**

BONDS:

In retrospect, the treasury markets were primed for another sweep of disappointing US scheduled data and instead was presented with the opposite. In fact, the composite manufacturing and services components of US PMI last Friday were all better than expected and improved from the prior month. It should also be noted that euro zone business activity picked up which serves to deflate significant anxiety generated by evidence of very hot European inflation earlier in the week. Therefore, the reversal from a 4-day high in bonds was justified by last Friday's data and perhaps was largely profit-taking selling from those with gains off the bounce from the Wednesday lows.

In retrospect, we see last week's lows in treasuries as a form of value with economic sentiment suspect. However, escalating debt ceiling tensions could present an important junction for US treasuries as the trade will need to settle on treasuries as a flight to quality instrument or an asset vulnerable to a US ratings downgrade. Certainly, in the past treasuries have rallied in the face of the perpetual cycle of debt ceiling battles with the House leadership plan set for a vote allowing the debt ceiling to increase again by $1.5 trillion.

The new debt ceiling would become $31.4 trillion even with a spending reduction of 4.5 trillion! Therefore, the supply of US treasuries looks to continue to expand rapidly in a rising rate environment! However, today the treasury market will likely see support from a Chicago Fed March National Activity Index reading for March. On the other hand, the chorus of rate hike talk for next month's US Fed meeting also remains in the market thereby limiting gains from signs of slowing. In the latest positioning reports the treasury bond short continued to moderate which at last week's pace could see short covering buying dry up on a return to 132-00.

Treasury Bond positioning in the Commitments of Traders for the week ending April 18th showed Non-Commercial & Non-Reportable traders net bought 16,978 contracts and are now net short 52,396 contracts. On the other hand, the net spec and fund short in treasury notes remains massive with last week's reading only 54,000 contracts below the record or roughly 10% below the largest short ever! Treasury Note positioning showed Non-Commercial & Non-Reportable traders added 25,895 contracts to their already short position and are now net short 654,526.

CURRENCIES:

A summary of last Friday's action in the currency markets is boring as somewhat mixed but partially offsetting euro zone data left little direction while a prevailing negative view toward the dollar was countervailed by better-than-expected US PMI data. Since we expect ongoing macroeconomic concerns this week, we expect both the euro and the dollar to continue to trade within recent ranges. Therefore, we remain the most bullish toward the Swiss franc but acknowledge the potential for very significant volatility in that currency. With a 5-day low in the early trade this week, expectations of soft US data ahead, the GOP willing to expand the US deficit by $1.5 trillion and ongoing chatter of a rate hike from the Fed in the first week of May, the currency markets will be presented with a key decision on the value of the dollar during the coming 2 weeks. In the past, significant debt ceiling concerns resulting in the threat of a shutdown of the US government have resulted in flight to quality flow "toward" the dollar.

However, recent dollar action indicates the trade has reduced its confidence in the dollar and in the US economy. Furthermore, it appears international inflation is unchecked at the same time US inflation "appears" to be coming under control. Therefore, long-term conditions look to narrow the US interest rate differential if the White House is unwilling to negotiate the budget because a $1.5 trillion increase in the debt ceiling is "not enough". A move to penalize those with good credit scores to provide a transfer of wealth to homebuyers with bad credit scores further erodes standard US credit practices again and that combined with a recent jump in US credit default swap yields puts the US on track back to the financial crisis 14 years ago. The Commitments of Traders report for the week ending April 18th showed Dollar Non-Commercial & Non-Reportable traders net sold 3,058 contracts and are now net long 11,946 contracts.

With an upside breakout in the euro to a 6-day high despite two out of three disappointing German IFO readings for March, the currency trade is not concerned about slowing in the euro zone. However, the strength in the euro might be the result of disdain for the dollar, resulting in a win by default condition. The Euro positioning in the Commitments of Traders for the week ending April 18th showed Non-Commercial & Non-Reportable traders are net long 222,568 contracts after net buying 3,556 contracts.

With the Yen reversing hard from last week's late attempt to rally and the Bank of Japan indicating they will accept "quite strong inflation" before moving away from easy money policies, the path of least resistance remains down with a potential ultimate target before the end of the month of 74.00. A strong thrust to 6-day highs in the Swiss early this week extends its leadership role into another trading week. In our opinion, seeing the Bank of Japan allowing for "quite strong inflation", European inflation readings last week very hot and deterioration in the standing of the US dollar, a return to the April highs up at 1.1368 is likely.

With the deputy governor of the Bank of England indicating the bank needs to focus on tightening monetary policy to control inflation, the Pound has an edge over the dollar but not with the euro and Swiss franc. In short, weakness in the dollar should provide support to the Pound, but strength in the euro and Swiss will completely cancel out that support. We see more sideways chop in prices with the bear camp the most likely to benefit from a breakout. Seeing the Canadian dollar post a fresh 17-day low, expectations for softer Canadian retail sales and recent evidence of softer Canadian housing starts should leave the Canadian under pressure from several fundamental issues.

STOCKS:

Once again, equity markets held together rather impressively in spite of continued ongoing angst over the economy and generally unappealing and uninspiring corporate headline news flow. However, the bull camp was assisted last Friday by better-than-expected US composite manufacturing and services PMI readings (preliminary for April) with the PMI also above prior month figures. Not surprising, corporate earnings flow again prompted some skittishness among investors, but it should be noted that the net spec and fund short positions throughout stock index futures markets are heavily bearish already.

Global equity markets at the start of this week were mostly lower except for the Russian and Japanese markets. While corporate earnings from Coca-Cola will provide a fresh signal on the status of the US consumer, residual negative sentiment from last week remains in place to start the new trading week.

However, stock index futures hold significant net spec and fund short positions in a sign that investors have already registered their negative views toward many market instruments. While it is nearly impossible to project, the GOP is offering up its budget, but it is not clear if the Democrats will negotiate given the GOP $4.5 trillion cost cutting package.

As indicated already the E-Mini S&P net spec and fund short positioning has reached the highest level since 2012 and a return to the 4100 level would probably put the net spec and fund short at the largest level since the financial crisis! Clearly, current financial market and debt conditions are not of concern to either party as the GOP budget allows for another increase of the US debt ceiling of $1.5 trillion. In our opinion, the GOP offer indicates that the US debt ceiling will be raised by more than $1.5 trillion which in turn will present the markets with a judgment on the condition of US government debt. The April 18th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 20,124 contracts and are now net short 369,443 contracts.

Typically, investors do not like uncertainty, and it appears that over the coming weeks uncertainty from the likelihood of a down to the wire fight over the US debt ceiling will undermine stock prices until June. In the near term, ongoing corporate earnings flow and US scheduled data are likely to direct the market with targeting for the week down at 33,500. Dow Jones $5 positioning in the Commitments of Traders for the week ending April 18th showed Non-Commercial & Non-Reportable traders added 1,260 contracts to their already short position and are now net short 29,341. Unfortunately for the bull camp the tech trade is heavily attended and the best hope for the bull camp is for the trade to look far into the future to the benefits of further big tech layoffs. The Commitments of Traders report for the week ending April 18th showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net short 9,020 contracts after net buying 2,402 contracts.

GOLD, SILVER & PLATINUM:

At least to start out this week, gold and silver are tracking positive partially off a slight downside breakout in the dollar. With a range down move on Friday, the path of least resistance remains down in gold. In retrospect, the silver market shows significantly less liquidation potential than gold. However, last week, silver ETF holdings saw significant outflows indicating a moderation of investment interest and/or liquidation by "traders" possibly for short-term purposes. In fact, seeing silver falter last week in the wake of an extremely bullish Silver Institute assessment of supply and demand in the world silver market should be disappointing to both short-term and longer-term investor bulls.

The latest Silver Institute survey indicated record demand of 1.2 billion ounces last year and indicated that tally was likely restricted by the unrelenting lockdowns in China. Against the record demand growth of 18%, the Silver Institute also predicted last year's deficit at 237 million ounces, which was also pegged as a record. The forward forecast from the Institute projects a slightly lower 2023 deficit of 142 million ounces than in 2022 (because of the rate hike cycle), but they also concluded that consistently expanding investor interest could result in unending world supply and demand deficits. In fact, in the first quarter 2022 silver ETF holdings rose from a January low of 830 million ounces to an all-time high of 859 million ounces and then one month later plummeted to the 2022 lows in March. However, current ETF holdings of 841 million ounces is 300 million ounces above the 2016 low of 500 million ounces which indicates investors have remained upbeat since the middle of 2019.

Translating the impact of silver ETF holdings on the market, the addition of 100 million ounces back to the all-time highs is the equivalent of 20,000 futures contracts with the silver market on Friday trading 81,741 contracts. The latest positioning report showed the net spec and fund long in silver at 41,275 ounces, which a return to the 2020 pre-pandemic net long of 104,000 contracts would mean the net addition of 80,000 futures longs! The April 18th Commitments of Traders report showed Silver Managed Money traders were net long 21,753 contracts after increasing their already long position by 2,522 contracts. Non-Commercial & Non-Reportable traders net-long 41,275 contracts after increasing their already long position by 2,691 contracts. However, to see investors go "all in" on silver would require a very strong economic outlook or extreme flight to quality interest. With silver ETF holdings last week declining by 7.2 million ounces, it is clear investment sentiment at present is in a state of rebalancing. Therefore, on a return to $24.00 we suggest traders consider implementing far out of the money long dated September bull call spreads.

With the negative chart action at the end of last week, more fears of recession than growth and a split view on inflation (abating in the US and building in Europe?), the bull camp currently has fewer bullish arguments than was present at the April highs. Nonetheless, we see the uptrend from last September's low resuming after further balancing of the nearly longest net spec and fund long position in silver in 13 months. Gold positioning in the Commitments of Traders for the week ending April 18th showed Managed Money traders are net long 134,253 contracts after net selling 3,310 contracts. Non-Commercial & Non-Reportable traders net-long 241,735 contracts after increasing their already long position by 1,726 contracts. Last week gold ETF holdings declined by 38,851 ounces. Depending on the magnitude of risk-off this week and the prevalence of rate hike chatter, June gold could retest $1,950 which in our opinion would be a significant buying opportunity.

While the massive range up extension on Friday in platinum was impressive in its own regard, seeing the sharp gains in the face of lower gold action and negative global economic sentiment is even more impressive. Even though it might be premature we think the upward track in platinum can extend with buyers potentially entering the long side because of signs that platinum is set to regain a larger portion of its discount to palladium. With the substitution of palladium by platinum, in manufacturing the recovery in the Chinese economy is likely very important to the platinum bull camp. Obviously, the platinum market is approaching overbought territory with the market adding nearly $90 from the measurement of spec and fund long positions last week. The April 18th Commitments of Traders report showed Platinum Managed Money traders net bought 12,757 contracts and are now net long 18,378 contracts. Non-Commercial & Non-Reportable traders were net long 29,137 contracts after increasing their already long position by 10,234 contracts.

Last week platinum ETF holdings increased by 117,223 ounces with the year-to-date gain reaching 6%. In the end, the path of least resistance is up but volatility is likely to expand with the prospects of a hard setback expanded if last week's negative economic sentiment extends and worsens. With the potential of significant physical and investment rotation into platinum from palladium, the sideways track in palladium in the face of significant gains in platinum would seem to confirm spread trading and to a lesser degree physical substitution. Fortunately for the bull camp, the palladium market is holding a significant net spec and fund short (1,100 contracts below the record. The Commitments of Traders report for the week ending April 18th showed Palladium Managed Money traders reduced their net short position by 1,470 contracts to a net short 4,679 contracts. Non-Commercial & Non-Reportable traders are net short 6,048 contracts after net buying 1,403 contracts. More sideways chop with a slightly negative bias.

COPPER:

Despite a very supportive headline touting a 36% jump in Chinese electric vehicle registrations resulting in electric vehicles reaching 23% of all vehicle sales in China the copper market at the start of this week is not benefiting from Chinese copper demand hop. Given the downside breakout last week and declining open interest, we see the downside track continuing but losing momentum at the April low of $3.9355. Tight supply should continue to defuse losses off the macro condition with LME copper stocks 2,705 tonnes away from 17 1/2-year lows. It should also be noted that Shanghai weekly copper warehouse stocks were down for the 8th straight week last week.

Unfortunately for the bull camp LME copper warehouse stocks posted a 2,000-tonne inflow on Monday and pulling LME copper warehouse stocks up from the vicinity of 2-decade lows. While the market is not "mostly sold-out" yet from the spec and fund long positioning, the decline of nearly $0.09 following the

COT report should mean a bottom is in the offing after more declines. Copper positioning in the Commitments of Traders for the week ending April 18th showed Managed Money traders added 13,786 contracts to their already long position and are now net long 19,768. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 14,569 contracts after net buying 14,918 contracts.

ENERGY COMPLEX:

While June crude futures have posted a double low early this week with the Friday low at $76.72, the bias in the market remains down with prices extending declines despite evidence of expanding weekly road and air traffic in North America, Europe, and Asian-Pacific regions. However, negative macroeconomic sentiment (fear for deteriorating energy demand) and the potential for less refinery demand for crude because of softening crack margins the bear camp picks up where it left off last week. It goes without saying that tech signals continue to project prices lower unless big picture macroeconomic sentiment improves and is confirmed by consistent gains in global equity prices.

Even though June crude oil rejected the 6th straight lower low last Friday, fears of tighter supply continue to be trumped by fears of demand deterioration. In fact, there was news last week that Kazakhstan ramped up its oil exports significantly in the first quarter with significant more supply flow to China! However, the supply-side of the equation could increase support in the market after Putin reportedly interacted with the Saudi Crown Prince with the conversation reportedly focused on the "price cap". In a very minimal negative last week, US oil and gas drilling activity posted the first increase since the beginning of the month and given strong earnings by the largest oilfield services firm in the world non-OPEC oil production might continue to offset a large portion of the OPEC+ reduction.

While the most recent COT positioning report likely overstates the magnitude of the net spec and fund long (given the post report slide of $3.30), the spec long in crude remains near the highest level since November. The Commitments of Traders report for the week ending April 18th showed Crude Oil Managed Money traders added 13,948 contracts to their already long position and are now net long 212,441. Non-Commercial & Non-Reportable traders are net long 321,556 contracts after net buying 24,190 contracts. In the end, demand fears are likely to extend this week and the June crude oil contract is likely poised to fill the gap from early April.

Like the crude oil market, the gasoline market recoiled from last week's sharp range down move with a bounce of $0.08 but the most recent net spec and fund long is likely understated with the close Friday $0.11 below the level where the last positioning report was measured. The April 18th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 64,969 contracts after net buying 2,402 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,502 contracts to a net long 60,471 contracts. Unfortunately for the bull camp, the COT report suggests the market is not "mostly liquidated" yet. It should be noted that last week's EIA gasoline stocks build was the first build in 9 weeks which is not surprising given the typical slide in seasonal gasoline demand. The most recent EIA implied gasoline demand reading was the lowest since early February!

Even though reports from Europe indicate the oversupplied diesel market is moderating, both distillate and diesel stocks hold surplus readings versus year ago levels. Fortunately for the bull camp, the net spec and fund long in diesel (adjusted for the downside slide of $0.08 after the report was measured) puts the net spec and fund long down to 7-month lows. Heating Oil positioning in the Commitments of Traders for the week ending April 18th showed Managed Money traders were net long 13,917 contracts after decreasing their long position by 3,330 contracts. Non-Commercial & Non-Reportable traders net long 25,030 contracts after net selling 6,066 contracts.

With the recent net spec and fund short positioning narrowing and prices posting a low to high bounce of $0.40, the bear camp looks to have the technical edge into the new trading week. The April 18th Commitments of Traders report showed Natural Gas Managed Money traders added 8,771 contracts to their already short position and are now net short 19,233. Non-Commercial & Non-Reportable traders net bought 624 contracts and are now net short 112,648 contracts.

However, the net spec and fund short in natural gas remains substantial and could defuse heavy selling. Last week, the Baker Hughes natural gas rig drilling count increased by two but is an insignificant change. With North American and European temperatures returning to seasonal norms, the speculative buying interest from last week is likely to reverse and prices could touch the top of the gap at $2.143. With weather normalizing and temperatures showing signs of returning to seasonal averages in the US and Europe and given the negative macroeconomic condition in the markets we see natural gas sliding in the week ahead.

BEANS:

July soybeans closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since March 31. News that at least two cargoes of Brazil soybeans have been sold into the US helped drive the market lower. Brazil soybeans are trading at a $2 per bushel discount to the US market and this has added to the outlook for poor exports. With tight old crop supply, the market is still seeing old crop futures at an inversion and the big Brazil discount may attract more imports to the US. Ideas that US planting progress will proceed in the weeks ahead was also seen as a bearish force.

While the cool weather is still a concern for plantings in the Midwest, there is not much rain in the five day forecast, and the 6-10 day models show below normal temperatures but also below to near normal precipitation. The 8-14 day forecast models show slightly below normal temperatures and below normal precipitation for the entire Midwest. Extra dry weather for the April 30 to May 6 timeframe is seen as a bearish force. Brazil is harvesting a record soybean crop and farmers are selling as much as they can for immediate shipment because they don't have enough space for storage. Net weekly export sales of soybeans fell to 103,000 tonnes in the week ended April 13 from 431,000 tons a week earlier and from expectations for 250,000-425,000 tonnes.

The Buenos Aires Grain Exchange cut its crop estimate yet again to 22.5 million tonnes, almost 50% less than a year earlier and this even failed to provide much support. The Commitments of Traders report for the week ending April 18th showed Soybeans Managed Money traders are net long 134,782 contracts after net buying 9,760 contracts for the week. Non-Commercial & Non-Reportable traders added 10,611 contracts to their already long position and are now net long 127,644. For Soyoil, Managed Money traders are net short 15,743 contracts after net selling 3,177 contracts. For meal, Managed Money traders were net long 105,682 contracts after increasing their already long position by 10,002 contracts. Non-Commercial & Non-Reportable traders are net long 143,181 contracts after net buying 12,297 contracts.

CORN:

The lack of a significant rain-making system in the Midwest for the next two weeks helped to spark more selling. July corn closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since March 24. The close below 616 1/4 is a bearish technical development for the market. Continued weakness in corn prices in Brazil is seen as a bearish force as producers are harvesting a record crop, and this is coming on the heels of the soybean record crop so storage space is very limited.

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Ukrainian farmers have planted about 1 million hectares of spring grains as of Friday, according to their Agriculture Ministry. This compares with 1.53 million hectares planted as of April 22 a year earlier. China is expected to see a steady expansion in grain production this year amid the country's continuous efforts to ensure safe supply of grain and major farm produce. The country's grain output is expected to reach 694 million tonnes in 2023, with the output of rice and wheat remaining stable and that of corn and soybean increasing, according to a report released by the Ministry of Agriculture and Rural Affairs. The April 18th Commitments of Traders report showed Corn Managed Money traders are net long 49,434 contracts after net buying 22,322 contracts for the week. Non-Commercial & Non-Reportable traders are net long 16,205 contracts after net buying 4,518 contracts.

WHEAT:

July wheat closed moderately lower on the session Friday and the selling pushed the market down to the lowest level since March 24. Talk of rain for the Kansas region over the near term plus a sluggish export pace are factors which kept sellers active. The 1-5 day forecast models show near 1 inch of rain for the southern two thirds of Kansas with 1 to 2 inches for much of Oklahoma. The 6-10 day forecast models show much below normal temperatures for the region and normal to below normal precipitation. The 8-14 day forecast models are mostly dry with cool weather.

For the Canadian wheat crop, traders expect planted area at 26.4 million acres, 25.5-28.4 range, as compared with 25.2 million acres planted in 2022. Traders expect production near 34.327 million tonnes from 33.824 million in 2022. Argentina's wheat planting area for the 2023/24 season is seen expanding to 6.7 million hectares, a 600,000 hectare increase, according to a report from the Buenos Aires Grains Exchange. This season's planting area represents a 4.7% higher than the average for the previous five seasons.

Russia wheat production is expected to slide from earlier forecast for 86 million tonnes, according to IKAR. A cut in outlook linked to problems in eastern Russia and Volga region. IKAR estimates Russia's wheat-export surplus at 41 million tonnes. The April 18th Commitments of Traders report showed Wheat Managed Money traders net bought 1,264 contracts and are now net short 102,983 contracts. This is near the largest net short position since January of 2018.

Non-Commercial & Non-Reportable traders are net short 71,716 contracts after net selling 4,115 contracts. KC Wheat positioning in the Commitments of Traders for the week ending April 18th showed Managed Money traders are net long 10,591 contracts after net buying 1,362 contracts for the week. Non-Commercial & Non-Reportable traders were net long 1,311 contracts after increasing their already long position by 146 contracts.

HOGS:

June Hogs experienced a key reversal on Friday, which suggests a short-term low may be in place. With stochastics readings at 18.4 and 19.2, the market is extremely oversold. A key momentum indicator (the Relative Strength Index/RSI) is suggesting a bottom is close at hand. When the market posted a new contract low on March 23, RSI was at 14.6; when it posted another new low on April 6, RSI was at 25.3; and when it posted another one on Friday, RSI was at 32.8. The triple divergence indicates a loss in downside momentum. The USDA pork cutout released after the close Friday came in at $79.23, up $2.45 from Thursday and up from $77.27 the previous week. This was the highest the cutout had been since March 27. There is a seasonal tendency for pork prices to increase during the spring, but so far this year, values have only stabilized, which could mean that there is plenty of upside potential ahead. The US hog inventory as of March 1 was well off the highs of a few years ago, and it was only slightly higher than last year. If pork exports hold steady or at least are not down significantly from last year, the hog market may see higher trade over the near term.

In the April USDA supply/demand update, US pork exports for 2022 were revised higher from the March report, and 2023 exports were forecast to be higher than 2022. June is still trading at a decent premium to the cash market. If the cash market would turn higher, the market seems to have the supply fundamentals to work higher. The USDA estimated hog slaughter came in at 469,000 head Friday and 85,000 head for Saturday. This brought the total for last week to 2.459 million head, up from 2.429 million the previous week and 2.376 million a year ago. Estimated US pork production last week was 533.7 million pounds, up from 527.1 million the previous week and 511.2 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 20 contracts of lean hogs for the week ending April 18, increasing their new short to 24,570, a new record. Non-commercial & non-reportable traders were net sellers of 268, increasing their net short to 22,696.

CATTLE:

The cattle market managed to hold shallow support on the break Thursday, and the hook reversal is a positive technical development. The stiff discount of June cattle to the cash market is a positive force. Beef production was down 7.4% from a year ago last week and this is a bullish force. The USDA Cattle on Feed Report showed placements for the month of February at 99.4% versus trade expectations of 95.6% and a range of 92.5% to 99.0%. Marketings came in at 98.9% of last year as compared with the average estimate of 98.8% and a range of 97.2% to 99.8%. Cattle on Feed supply as of April 1st came in at 95.6% of last year versus average trade estimate of 94.9% with a range of 94.3% to 95.4%. The report news was bearish as placements came in well above trade expectations and even above the range of expectations. With the big discount of June cattle to the cash market, however, corrective breaks might continue to be shallow. Cash live cattle traded in moderate to low volume on Friday close to unchanged from Thursday, which was about $1.50 lower than the previous week. As of Friday afternoon, the five-day, five-area weighted average prices was $178.39, down from $179.87 the previous week.

The USDA estimated cattle slaughter came in at 108,000 head Friday and 12,000 head for Saturday. This brought the total for last week to 622,000 head, up from 613,000 the previous week but down from 664,000 a year ago. The estimated average dressed cattle weight last week was 821 pounds, down from 822 pounds the previous week 831 a year ago. The 5-year average weight for that week is 816 pounds. Estimated beef production last week was 509.7 million pounds, down from 550.6 million a year ago. The USDA boxed beef cutout was down 22 cents at mid-session Friday and closed 39 cents lower at $306.60. This was up from $302.62 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 12,320 contracts of live cattle for the week ending April 18, increasing their net long to 104,341. Non-commercial & non-reportable traders were net buyers of 11,184, increasing their net long to 116,841.

COCOA:

While two of the 3 major regions saw year-over-year grinding increases, a disappointing result from North America showed that near-term demand concerns have not been fully resolved. While the market continues to have a bullish longer-term supply/demand outlook, cocoa remains vulnerable to a near-term pullback this week. July cocoa bounced back from early pressure to reach a new multi-year high before finishing Friday’s outside-day trading session with a moderate gain. For the week, July cocoa finished with a gain of 86 points (up 3.0%) and a fifth positive weekly result over the past 6 weeks.

A rebound in European and US equity markets provided cocoa with carryover support as that may help to improve the second quarter demand outlook. While Europe’s first quarter grindings totals showed a modest year-over-year gain, Asia saw their seventeenth quarter in a row with grindings coming in above 200,000 tonnes (a timeframe that included the Covid pandemic) with the last four quarterly results among the 8 largest readings on record.

In addition, Ivory Coast and Brazilian first quarter grindings were well above last year's total. As a result, cocoa's bullish longer-term demand outlook remains intact, which helped the market regain upside momentum going into the weekend. West African near-term supplies remain tight, with this season's Ivory Coast port arrivals running behind last season's pace, and that continued to underpin cocoa prices going into the weekend.

The Commitments of Traders report for the week ending April 18th showed Cocoa Managed Money traders were net long 53,476 contracts after increasing their already long position by 1,086 contracts. CIT traders are net long 27,363 contracts after net buying 423 contracts. Non-Commercial No CIT traders are net long 37,234 contracts after net buying 81 contracts. Non-Commercial & Non-Reportable traders were net long 61,550 contracts after decreasing their long position by 601 contracts.

COFFEE:

Coffee's April rally appears to have run out of near-term steam as focus is shifting back to the supply side of the market. Unless a "risk on" mood redevelops in global markets early this week, coffee prices are likely to remain under pressure. July coffee continued its pullback from 6-month highs as they reached a 1-week low before finishing Friday's trading session with a third sizable daily decline in a row. For the week, July coffee finished with a minimal loss of 0.05 cent, which broke a 2-week winning streak and was a negative weekly reversal.

Global risk sentiment remains subdued, which weighed on coffee prices as that may weaken near-term demand prospects. In addition, the likelihood that Brazil's upcoming Arabica crop will come above the previous season's output total also weighed on coffee prices. The 2023/24 season is an "off-year" for Brazil's Arabica production which normally results in smaller output from the previous crop.

However, Brazil's 2022/23 production was negatively impacted by back-to-back La Nina weather events which resulted in drier than normal conditions for Brazilian coffee trees. While their weather only shifted back to neutral conditions last month, that may be long enough to provide some benefit to the 2023/24 crop before harvest reaches full speed next month. ICE exchange coffee stocks were unchanged on Friday, they are more than 43,000 bags below their March month-end total and remain on-track for a third monthly decline in a row.

Coffee positioning in the Commitments of Traders for the week ending April 18th showed Managed Money traders were net long 33,557 contracts after increasing their already long position by 11,785 contracts. CIT traders net bought 1,822 contracts and are now net long 55,621 contracts. Non-Commercial No CIT traders were net long 20,262 contracts after increasing their already long position by 9,355 contracts. Non-Commercial & Non-Reportable traders added 12,875 contracts to their already long position and are now net long 36,308 contracts.

COTTON:

July cotton closed around unchanged on Friday after spending the session in the bottom portion of Thursday's big range-down move. The dollar was lower, crude oil was higher, and the stock market was higher, all of which should be supportive to cotton. The market saw pressure late last week on increased chances of rain in West Texas, an area that suffered debilitating drought last year and has only seen moderate improvement this year. The trend appears to be turning wetter, which could put additional pressure on cotton this week. The 6-10 and 8-14-day forecasts now have above average chances of rain for the region, up from normal to above normal recently.

There are some hopes that improving economic numbers out of China will support more buying on their part. China has been the biggest buyer of US cotton exports so far this marketing year. Friday's Commitments of Traders report showed managed money traders were net buyers of 7,424 contracts of cotton for the week ending April 18, reducing their net short to 7,349. Non-commercial, no CIT traders were net buyers of 9,050, reducing their net short to 13,721. Non-commercial & non-reportable traders were net buyers of 12,357 contracts, taking them from a net short position to a net long of 7,749.

SUGAR:

Last Friday's pullback resulted in sugar posting a fourth negative daily key reversal so far this month. With the market still extremely overbought going into the early stages of Brazil's Center-South cane harvest, there is an increased chance that sugar prices could see extended downside follow-through early this week. July sugar opened strong and reached a new 11-year high, and then turned back to the downside as they finished Friday's trading session with a sizable loss. For the week, however, July sugar finished with a gain of 88 ticks (up 3.8%) and a fifth positive weekly result in a row.

The USDA forecast China's upcoming 2023/24 sugar production would see an 11% increase from this season's output, which weighed on sugar prices as that may limit their imports during the second half of this year. Brazil's 2023/24 Center-South cane harvest is underway which will bring fresh supply to the global export marketplace. While there were delays over the past few weeks, Center-South cane-growing regions have mostly dry weather in the forecast through late next week which should help harvesting and crushing return to full speed. In spite of having mild rebounds on Friday, crude oil and RBOB gasoline both posted heavy weekly losses that may encourage Brazil's Center-South to keep sugar's share of crushing in-line with last season's comparable levels.

Sugar positioning in the Commitments of Traders for the week ending April 18th showed Managed Money traders are net long 226,058 contracts after net buying 5,805 contracts. CIT traders were net long 157,836 contracts after increasing their already long position by 8,429 contracts. Non-Commercial No CIT traders added 2,601 contracts to their already long position and are now net long 157,747. Non-Commercial & Non-Reportable traders added 3,129 contracts to their already long position and are now net long 298,540.

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