ADM Investor Services, Inc.

Weekly Futures Market Summary

January 29, 2024 **by the ADMIS Research Team**

BONDS:

Like several other financial markets, treasury bonds last Friday displayed a lack of direction with the primary Fed inflation tool (PCE) posting a neutral reading. However, it is possible that favorable US spending readings and fresh concerns that a surging US budget deficit will increase the size of US treasury auctions. In fact, the size of US treasury auctions has already jumped and caused concern toward US debt, and there is talk of foreign buyers demanding a premium to hold US debt.

With a three-day high early this week, it is likely that treasuries are experiencing flight to quality buying from the ordered liquidation of Chinese property giant Evergrande Group as that fosters fears of a Chinese financial contagion. It should also be noted that Chinese holdings of US treasuries have continued to plummet in recent months with the trade split on the causes, with a portion thinking China needs capital to support its struggling economy and another portion of the trade thinking the withdrawal is a strategic move to undermine the US.

While not a major influence favoring the bull camp, the escalation of tensions in the Middle East and the death of three US military personnel probably has the attention of the treasury trade with respect to flight to quality. In a negative forward threat, the markets are expecting US treasury auction supply to expand further and with recent auctions showing signs of softening foreign interest, the added supply could put an upward bias on yields.

However, the treasury markets could see short covering dry up on further gains as recent COT positioning reports showed further leveling of what was historically large net spec and fund short positioning last year.
The January 23rd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 7,225 contracts to a net short 59,977 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 88,685 contracts and are now net short 663,979 contracts.

CURRENCIES:

In retrospect, the dollar was unable to make a definitive directional move last week despite bullish tailwinds from US scheduled data Furthermore, the dollar was unable to see definitive and sustained downside action despite US scheduled data turning off softer in the second half of the trading week. Therefore, the currency markets clearly lack a definitive leadership currency but also appear to be skeptical of the US economy. While the charts favor the bull camp in the dollar, the charts are more indicative of a consolidating pattern rather than a bullish pattern.

As in many other financial markets, the dollar trade has aggressively reduced the prospects of an early/January US rate cut and it is possible upcoming Fed dialogue will reduce the prospects of a March rate cut. Therefore, continued declines in the prospects of lower US rates are likely to add to a slight increase in flight to quality buying of the dollar because of renewed real estate sector problems in China. Unfortunately for dollar bulls, the index has not responded to good US economic data and Monday's New York Empire State index is likely to offer a soft reading. Dollar positioning in the Commitments of Traders for the week ending January 23rd showed Non-Commercial & Non-Reportable traders were net long 2,366 contracts after increasing their already long position by 1,076 contracts.

With the trade continuing to project the next move by the ECB to be a rate cut, the trade remains unclear on when the bank will act. In fact, according to one ECB official the bank will need softer wage growth to cut rates while another official indicated a projected cut in March might not be enough! With the fundamental case neutral to slightly bearish and negative chart action (a fresh lower low and lower high) projects a slide to the lowest level since the middle of December. However, in December the break below 1.08 in the euro brought in significant trading volume and a surge in open interest as if that level was a value zone.

The Commitments of Traders report for the week ending January 23rd showed Euro Non-Commercial & Non-Reportable traders net sold 18,609 contracts and are now net long 124,188 contracts. While the Pound entered a slightly bullish chart pattern on January 17th, sharply declining inflation expectations from the public signal the potential for a dovish tilt by the BOE on Thursday. With little in the way of leadership action presenting in other currencies, the Canadian dollar should see a measure of win by default early this week. From a technical perspective, the Canadian has consistently rejected trades below its 200-day moving average.

STOCKS:

We think the equity markets today were somewhat exhausted from the breakneck gains in the beginning of January, especially with the potential for an early US rate cut deteriorating over the last several weeks. However, corporate earnings news earlier in the week tended to favor the bear camp with sharp declines in Intel and Tesla, countervailed by favorable earnings from American Express and Colgate Palmolive. Global equity markets at the start of this week were mixed with weakness in China extending into the new trading week.

While the Goldilocks mentality created by mixed US data and signs of softening US inflation is a significant underpin for the bull camp, uncertainty toward China following a property company liquidation and escalating fighting in the Middle East could dampen investor interest. However, with a midweek US central bank rate decision/and the press conference the aggressively deflated prospects of an early rate cut could see a final letdown.

While the charts in the S&P remain constructive with higher lows and higher highs, the markets are presented with a midweek junction potentially offering significant guidance on the direction and timing of US rate cuts. On the other hand, surging Microsoft market valuations from exploding AI revenue projections provides a significant internal bullish theme for the markets.

Another support from the tech sector is the expectation the US administration will announce massive subsidies for advanced chip manufacturers. It should be noted that sellers are accumulating positions in the S&P, as if aggressive traders think a top is near. E-Mini S&P positioning in the Commitments of Traders for the week ending January 23rd showed Non-Commercial & Non-Reportable traders are net short 119,032 contracts after net selling 22,692 contracts.

While the Dow will likely be held back by ongoing declining rate cut expectations, that bearish storyline has been heavily factored already. On the other hand, the Dow should garner significant support/lift surging Microsoft valuations and from the addition of very positive AI forward revenue expectations for the entire AI sector. The Dow should also derive support from the possible US government announcement of support for advanced chip manufacturers. The Commitments of Traders report for the week ending January 23rd showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 3,936 contracts to their already long position and are now net long 21,547.

We are surprised to see the NASDAQ post a lower low in the early action this week given the bullish AI buzz and news of government subsidies for high-tech US chip manufacturers. Therefore, the NASDAQ could see divergence with the rest of the market. Nasdaq Mini positioning in the Commitments of Traders for the week ending January 23rd showed Non-Commercial & Non-Reportable traders net sold 1,696 contracts and are now net long 37,699 contracts.

GOLD, SILVER & PLATINUM:

With a three-day high and a developing pattern of higher highs and higher lows, the technical picture for gold has improved. However, with a stronger Dollar to start out the week, the positive start in gold and silver might indicate the metals are embracing flight to quality uncertainty from China which saw a major property company forced by a Hong Kong Court to liquidate its assets. The markets continue to see chatter regarding rate cuts from the ECB and stories suggesting the Fed is already acting which signal a pivot.

Investment interest in gold remains negative with gold ETF holdings last week dropping by 338,377 ounces. However, despite a single day outflow from silver ETF holdings of 1.3 million ounces on Friday, for the week silver holdings increased by 14.2 million ounces. Fortunately for the bull camp in the gold and silver markets, last week's US inflation data was only modestly higher, and the trade quickly shaped the results into dovish news instead of hawkish views. While the CME Fed Funds Watch tool pegs the probability of a rate cut in this week's FOMC meeting at only 3.1%, the odds of a 25-basis point cut in the March FOMC meeting are less than 50-50 at 46.2%.

Even though gold and silver have not responded consistently to flight to quality events, aggression in the Middle East continues to increase with Yemeni terrorists backed by Iranians attacking more ships and launching a drone which killed three US military personnel. Another flight to quality issue surfaced over the weekend following a congressional request for the FBI to investigate Gaza cease-fire protests in the US for possible links to Russia.

In another supportive development from last week, Chinese physical gold premiums versus global market prices surged reportedly because of Chinese government stimulus announcements, but it is also possible Chinese investors are seeking refuge from a failure of Evergande especially with real estate reportedly 30% of the Chinese economy. While the net spec and fund long in gold remains elevated it has been moderated slightly, the market remains vulnerable to stop loss selling especially if the 200-day moving average is violated.

The Commitments of Traders report for the week ending January 23rd showed Gold Managed Money traders are net long 76,615 contracts after net selling 24,019 contracts. Non-Commercial & non-reportable traders net sold 15,280 contracts and are now net long 195,688 contracts. The January 23rd Commitments of Traders report showed Silver Managed Money traders net sold 9,195 contracts which moved them from a net long to a net short position of 3,165 contracts. Non-Commercial & non-reportable traders reduced their net long position by 10,477 contracts to a net long 30,246 contracts.

Platinum positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders went from a net long to a net short position of 6,824 contracts after net selling 7,505 contracts. Non-Commercial & non-reportable traders net long 14,734 contracts after decreasing their long position by 2,983 contracts. The Commitments of Traders report for the week ending January 23rd showed Palladium Managed Money traders hit a new extreme short of 11,219 contracts. Managed Money traders net sold 451 contracts and are now net short 11,219 contracts. Non-Commercial & non-Reportable traders were net short 11,104 contracts after increasing their already short position by 132 contracts.

COPPER:

The charts in the copper market are damaged with the soft close on Friday and more importantly with the lower low to start the new trading week. In fact, with the copper market short-term overbought from a 5-day $0.18 rally, fresh financial contagion fears in China from the forced liquidation of major property developer Evergrande the outlook for Chinese copper demand is wounded. However, Chinese copper smelters are considering early maintenance because profit margins are extremely tight with treatment charges nearing record lows which in turn typically means lower copper concentrate loadings in March. In other words, signs of tightness in Chinese copper have been offset by the news of a failure in the Chinese property sector.

However, the copper market remains net spec and fund short with this week's latest readings clearly overstating the net short because of the nine-cent rally after the report was measured. The Commitments of Traders report for the week ending January 23rd showed Copper Managed Money traders net sold 5,530 contracts and are now net short 30,839 contracts. Non-Commercial & non-reportable traders are net short 27,384 contracts after net selling 4,917 contracts. Fortunately for the bull camp the Chinese have made several stimulus moves over the last two weeks and a portion of the market now expects more action from the Chinese government because of the fresh real estate problems. Unfortunately for the bull camp, there is a developing pattern of inflows to weekly Shanghai copper warehouse stocks.

ENERGY COMPLEX:

With an attack on an oil tanker in the Red Sea, the first US casualties, an 18% decline in weekly crude oil in floating storage, reports of a 1.1% year-over-year increase in Indian December crude oil imports, and perhaps most significantly increasing involvement of Iran the latest new high for the move in crude oil is fully justified. In another "feather ruffling" development, Nancy Pelosi from the US House of Representatives indicated an investigation of pro-Palestinian protests in the US should be investigated by the FBI for Russian collusion. The Congresswoman indicated protest funding channels needed to be investigated for signs of Russian financing.

From a technical perspective, the upside extension and new high for the move today leaves the bull camp in control, especially with the net spec and fund long positioning in crude (despite recent sharp price gains) remains very modest. Crude Oil positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders were net long 134,140 contracts after increasing their already long position by 43,980 contracts. Non-Commercial & non-reportable traders were net long 228,343 contracts after increasing their already long position by 17,311 contracts. The weekly Baker Hughes rig report showed an increase in activity for a second straight week with the addition of two oil rigs, bringing the total rig operating count to 499.

It should be noted that US refinery maintenance is surfacing, and a German refinery was shut down at the end of last week which could stem the recent sharp declines in EIA oil inventories. With the range up through the 200-day moving average last Thursday, the knifing through the $78.00 level and bullish confirmation of the rally with rising open interest and increased trading volume, the next upside target is $80.00. In fact, if the US and Iran exchange fire directly with each other, the fear of escalation has been realized and the market has 1 million barrels per day of oil at risk of being locked in!

The gasoline market continues to surge alongside crude oil and diesel despite less supportive fundamentals. However, the attack on a Red Sea oil tanker and exploding shipping costs adds to the outside market lift for gasoline. Furthermore, increased refinery maintenance, gradual improvement in the US economic outlook and mild US weather (more driving) gives the bull camp several sources of support. In addition to a shutdown of a German refinery, Russia has reduced its gasoline exports because of issues at a domestic refinery and therefore global product supplies could see minimal tightening.

It should also be noted that a member of the US Congress has called for an investigation of violent pro-Palestinian protests in the US, looking for possible Russian funding of the violence and that could result in a restriction of very important Russian fuel exports. Unfortunately for the bull camp, US gasoline inventories in US are the most burdensome in the petroleum markets and therefore the gasoline trade needs very positive leadership from crude oil. In fact, participation in the upward track in gasoline is already less impressive with the gains last week forged on declining open interest and softening trading volume.

Another negative technical issue for gasoline is an ongoing relatively overbought net spec and fund long position. Gas (RBOB) positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders net bought 7,725 contracts and are now net long 66,945 contracts. Non-Commercial & non-reportable traders are net long 81,394 contracts after net buying 7,293 contracts.

Not to be left out, the diesel market also ranged sharply higher and has managed the rally in the face of a warming trend throughout the US and Europe. The net spec and fund long in diesel has come down consistently over the last several weeks but clearly vaulted higher last week with the post COT report rally of $0.17. Heating Oil positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders were net long 16,854 contracts after decreasing their long position by 5,844 contracts. Non-Commercial & non-reportable traders reduced their net long position by 9,097 contracts to a net long 40,725 contracts.

While the natural gas market managed to reject a return to contract lows last week, very mild US and European temperatures throughout the coming week should push down heating degree days and throttle natural gas prices downward. In another bearish development, US supply is likely to backup onshore after a Freeport LNG export facility saw damage from extreme cold especially with the company indicating it could take as long as one month to repair the facility. Furthermore, the natural gas spec short was probably lowered slightly given last week's bounce.

Natural Gas positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders are net short 37,426 contracts after net selling 30,057 contracts. Non-Commercial & non-reportable traders were net short 58,096 contracts after increasing their already short position by 19,875 contracts. This week's Baker Hughes oil rig drilling counts showed one less gas rig operating than last week with the total at 119. In another example of a US politician acting without thinking of repercussions, there is a proposed ordinance in Chicago banning the use of gas for heating and cooking in newly constructed buildings. It should be noted that Chicago/Illinois continue to get power from coal fired generating facilities which means a reduction in the use of a relatively cleaner energy source in favor of a very dirty fuel source.

BEANS:

While this week will be hot/dry in Argentina, relief showers are on tap for next week and that gives the edge to the bear camp to start the week. AgRural says Brazil harvest is 11% done compared to 5% last year. Weakness in Brazil soy premiums was a negative factor last week and we hear rumors a US crusher bought Brazil beans due to the advantageous price. Oil world says global veg oil production will be up 3.2 million tonnes this year, but consumption will rise 7.5 million tonnes.

Unfortunately for the bulls, Friday morning's sale of 100,000 tonnes of meal to Unknown did not offer any support and meal ended sharply lower on the day, its lowest close since July 7 of last year. It is becoming increasingly clear bean oil must carry the day as strong crush rates generate excess meal. Speculative funds added over 15,000 to their net short position through Tuesday last week.

The Commitments of Traders report for the week ending January 23rd showed Soybeans Managed Money traders added 15,045 contracts to their already short position and are now net short 91,842. CIT traders are net long 115,608 contracts after net selling 3,917 contracts. Non-Commercial No CIT traders added 11,610 contracts to their already short position and are now net short 116,137. Non-Commercial & Non-Reportable traders were net short 122,782 contracts after increasing their already short position by 10,343 contracts.

The Commitments of Traders report for the week ending January 23rd showed Soyoil Managed Money traders net bought 2,306 contracts and are now net short 44,705 contracts. CIT traders net sold 1,351 contracts and are now net long 129,607 contracts. Non-Commercial No CIT traders reduced their net short position by 5,934 contracts to a net short 66,640 contracts. Non-Commercial & non-reportable traders are net short 23,931 contracts after net buying 5,004 contracts.

The January 23rd Commitments of Traders report showed Soymeal Managed Money traders added 14,937 contracts to their already short position and are now net short 19,016. CIT traders were net long 106,530 contracts after increasing their already long position by 2,543 contracts. Non-Commercial No CIT traders added 11,959 contracts to their already short position and are now net short 52,429. Non-Commercial & non-reportable traders went from a net long to a net short position of 6,680 contracts after net selling 14,824 contracts.

CORN:

The return of moisture for Argentina next week, after this week's expected hot/dry conditions, may come just in time to avoid any significant crop losses and that gives the edge to the bear camp. Brazil's Safrinha crop is 11% planted and 1st crop corn is 15.3% harvested, compared to 12.1% a year ago. Brazil's weather is expected to be largely favorable over the next 2 weeks. Last week, a mere 9 1/4 cent March trading range for the week was the smallest since early 2020.

Speculative funds added 4,700 contracts to their net short position through Tuesday of last week, which now stands at 265,285 contracts short. The Biden Administration is expected to approve year-round sales of E-15 ethanol sales, which may offer the market some minor support, but overall, the only bullish story is the major net short by the funds and whether they can be triggered to begin short covering. It will likely take a move above nearby resistance at 4.62 on March to make the funds nervous.

The Commitments of Traders report for the week ending January 23rd showed Corn Managed Money traders were net short 265,285 contracts after increasing their already short position by 4,743 contracts. CIT traders reduced their net long position by 1,383 contracts to a net long 250,376 contracts. Non-Commercial No CIT traders added 5,281 contracts to their already short position and are now net short 271,081. Non-Commercial & Non-Reportable traders net bought 1,117 contracts and are now net short 262,937 contracts.

WHEAT:

Rains in the southern HRW belt and stagnant world prices has the bear camp at the wheel to start the week. The far southern Plains saw good rains across Oklahoma and northern Texas over the weekend, as did the SRW areas in Illinois, Indiana, Ohio and Kentucky. Friday's announcement that China has approved Argentine wheat for import for the first time was a negative factor after a $0.44 rally off the lows on March Chicago.

The bull camp is still hoping for a short-term opportunity for US exports off the Pacific Northwest Coast as grain shipments through the Suez Canal are down to 2.4 million tonnes for January compared to 6.4 million at this time last year. Recently, Egypt had said they were working on a hedge program for their frequent wheat purchases, but over the weekend announced the recent price drop has put their hedge ideas on hold. Geopolitical risks in the Red Sea, Black Sea and Middle East would seem to lean bullish, however, the market's reaction would say otherwise. Buyers have so far not stepped up on this pullback.

Wheat positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders are net short 64,541 contracts after net buying 4,034 contracts. CIT traders were net long 81,944 contracts after decreasing their long position by 2,010 contracts. Non-Commercial No CIT traders reduced their net short position by 4,781 contracts to a net short 67,166 contracts. Non-Commercial & Non-Reportable traders were net short 52,812 contracts after decreasing their short position by 3,491 contracts.

The January 23rd Commitments of Traders report showed KC Wheat Managed Money traders are net short 38,340 contracts after net buying 312 contracts. CIT traders net sold 360 contracts and are now net long 58,635 contracts. Non-Commercial No CIT traders are net short 42,666 contracts after net buying 2,620 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 3,199 contracts to a net short 29,285 contracts.

HOGS:

April hogs were sharply higher on Friday, as they continued to benefit from strong cash pork prices and a more favorable environment for commodities in general, but they could be running up against key technical resistance. With Friday's move, the market achieved the 0.618 retracement of the decline from the contract high in October 2022 to this month's contract low. At Friday's high, prices had increased 8% in just four sessions and were up 17% from the January 2 low.

The USDA estimated hog slaughter came in at 490,000 head Friday and 294,000 head for Saturday. This brought the total for last week to 2.719 million head, up from 2.630 million the previous week and 2.546 million a year ago. Estimated US pork production last week was 592.3 million pounds, up from 571 million the previous week and 553.1 million a year ago. The CME Lean Hog Index as of January 24 was 69.67, up from 69.39 the previous session and 67.87 the previous week.

The USDA pork cutout came in at $88.49 on Friday, up 35 cents from Thursday and up from $87.25 the previous week. China's national average spot pig price today was up 3.4% from Friday and 6.9% for the month. The strong market is in sharp contrast to expectations that more herd liquidation would be coming that would pressure pig prices. Dalian live hog futures are up 3% so far this year.

Last week China reported that its pig herd was 434.22 million head at the end of 2023, down 4.1% from the previous year. The sow herd fell 5.7% to 41.42 million head. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,290 contracts of lean hogs for the week ending January 23, which took them from a net short position to a net long of 2,483. The buying trend is short-term positive.

CATTLE:

April live cattle built on last Thursday's breakout rally to trade to their highest level since November 9 on Friday, and strong cash cattle and beef markets and could continue to support the market this week. Heavy snow and extreme cold had supported the market on concerns about weight gain, and feedlots are now confronted with muddy conditions, which is also detrimental. Cash live cattle were roughly $2 higher last week. As of Friday afternoon, the five-day, five-area weighted average price was $175.26, up from $173.55 the previous week.

The USDA boxed beef cutout closed $1.85 higher on Friday at $300.53. This was up from $295.50 the previous week. The USDA estimated cattle slaughter came in at 121,000 head Friday and 5,000 head for Saturday. This brought the total for last week to 618,000 head, up from 617,000 the previous week but down from 653,208 a year ago. The estimated average dressed cattle weight last week was 847 pounds, down from 851 the previous week but up from 827 a year ago.

The 5-year average weight for that week is 834 pounds. Estimated US beef production last week was 522.5 million pounds, down from 538.8 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,174 contracts of live cattle for the week ending January 23, increasing their net long to 17,167. This is down significantly from the 100,000+ they were net long in September. The buying trend is short-term positive.

COCOA:

Cocoa's daily trading range on Friday was a fraction of the size seen from Tuesday through Thursday and was at least 100 points below the daily highs seen during those 3 sessions. With the market staying well clear of those highs despite receiving bullish supply news on Friday, cocoa is showing more signs that a near-term top may be in. March cocoa held within a comparatively small inside-day trading range as it finished Friday's trading session with a what was still a sizable gain.

For the week, March cocoa finished with a gain of 89 points (up 1.9%) which was a fourth positive weekly result in a row. The International Cocoa Organization (ICCO) made their annual review of global cocoa stocks on Thursday as they reduced their 2022/23 ending stocks forecast by 110,000 tonnes down to 1.690 million. This compares with 2021/22 ending stocks of 1.796 million and 2020/21 ending stocks of 1.818 million tonnes. During the 2022/23 season, European stocks fell by 71,000 tonnes while North American stocks fell by 45,000 tonnes.

This may imply a larger 2022/23 global production deficit than the 99,000 tonnes that the ICCO currently has forecast, and that boosted cocoa prices late last week. West African supply issues are a key factor with cocoa projected to have a third global production deficit in a row this season. Bloomberg reported that Ghana's cocoa arrivals through January 12th were 30% below the comparable total from last year, and that continues to a major source of strength for the cocoa market early this year.

Cocoa positioning in the Commitments of Traders for the week ending January 23rd showed Managed Money traders were net long 70,661 contracts after increasing their already long position by 6,960 contracts. CIT traders added 172 contracts to their already long position and are now net long 28,057. Non-Commercial No CIT traders were net long 51,064 contracts after increasing their already long position by 5,030 contracts. Non-Commercial & Non-Reportable traders added 6,709 contracts to their already long position and are now net long 72,083.

COFFEE:

Coffee prices have seen volatile two-sided action over the past two weeks, but they will start today's trading on course for a fourth monthly gain in a row. With an improving demand outlook providing support, coffee prices can maintain upside momentum through month-end. March coffee was able to shake off early pressure as they went on to finish Friday's trading session with a sizable gain. For the week, March coffee finished with a gain of 8.70 cents (up 4.7%) and a second positive weekly result in a row.

The December US core PCE saw its lowest year-over-year result since March 2021 on Friday which was more evidence of lower inflation levels that should help to strengthen restaurant and retail shop coffee consumption. Shipments of coffee from Asia to Europe continue to see bottlenecks with the Red Sea/Suez Canal corridor, which also provided support to the coffee market last week. There are reports that Brazilian ports continue to have a shortage of shipping containers, and that will restrict the flow of Brazil's coffee exports during the first quarter.

Brazil's major Arabica growing areas have rainfall in the forecast during early February that should benefit their upcoming 2024/25 crop. ICE exchange coffee stock fell by 5,130 bags on Friday, while there are now 73,708 bags waiting to go through the exchange's grading process. With three days left in January, however, ICE exchange coffee stocks have now dropped back below their December month-end total.

The January 23rd Commitments of Traders report showed Coffee Managed Money traders were net long 46,141 contracts after increasing their already long position by 3,413 contracts. CIT traders net sold 1,774 contracts and are now net long 53,013 contracts. Non-Commercial No CIT traders are net long 33,365 contracts after net buying 4,112 contracts. Non-Commercial & Non-Reportable traders added 3,024 contracts to their already long position and are now net long 55,078.

COTTON:

March cotton edged higher at the start of this week following Friday's sharp reversal lower. The market has found support in recent weeks on strong US export sales reports, but last week's report was a disappointment, and traders may be worried that exports will slow down as the Chinese New Year holiday approaches. Traders are also concerned that the rally this month has priced the US out of the world market. Thursday's export sales report showed 142,000 bales of cotton were exported during the week ending January 18.

They had been above 200,000 for the previous five weeks, and they had reached a marketing year high of 257,695 on January 11. Friday's Commitments of Traders report showed managed money traders were net buyers of 26,518 contracts of cotton for the week ending January 23, taking them from a net short position to a net long of 24,502. This is their largest net long since October 31 but well off the record 109,000 from 2018. The consistent rally in US equity market provided underlying support, and cotton may need to see further gains to avoid a selloff.

SUGAR:

Sugar prices had a downbeat finish to last week's trading, but they continue to hold their ground above the 50-day moving average and remain on track for a sizable monthly gain. With a bullish shift in the Brazilian supply outlook, sugar prices may regain upside momentum this week. March sugar continued to have downside follow-through on Thursday's negative reversal as it finished Friday's trading session with a moderate loss. For the week, however, March sugar finished with a gain of 0.20 cent (up 0.8%) which was a fourth positive weekly result in a row.

Brazil's record high Center-South production this season was a source of pressure on the sugar market late this week following Unica's first half January supply report that showed cane crush 152% above last year while sugar production was 148% above last year. While port congestion has result in shipping delays, Brazil's sugar exports are on a record high pace that should offset lower exports from India and Thailand.

There has been a significant increase in Brazilian ethanol demand with January on course to be a sixth month in a row with sales coming in above the previous year's level. Center-South mills have shifted a portion of their crushing from sugar production to ethanol production, and that should continue over the next few months. Another cyclone is expected to hit Australia's major cane-growing region which will reduce their upcoming production and exports, and that has also underpinned sugar prices going into month-end.

The January 23rd Commitments of Traders report showed Sugar Managed Money traders are net long 28,921 contracts after net buying 14,133 contracts. CIT traders were net long 129,676 contracts after decreasing their long position by 2,320 contracts. Non-Commercial No CIT traders are net short 2,227 contracts after net buying 8,381 contracts. Non-Commercial & Non-Reportable traders net bought 16,023 contracts and are now net long 76,990 contracts.

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