ADM Investor Services, Inc.

Weekly Futures Market Summary

March 4, 2024 **by the ADMIS Research Team**

BONDS:

With treasury prices holding near last Friday's 12 day high and upside breakout, the trade appears to have rekindled June rate cut hopes from several global central banks. Therefore, looming economic data in the form of several global inflation readings and a US monthly jobs report at the end of the week is likely to entrench the bull case especially as US data has clearly softened. In fact, last Friday's US PMI and University of Michigan survey of consumer sentiment depicted weakness thereby extending a developing pattern of weak US data which began two weeks ago.

However, an equally important impact on rate cut prospects is inflation and the trade will see a wave of PPI and CPI reports from around the globe this week. Expectations for euro zone producer prices (released on Tuesday) predict another contraction following last month's 0.8% decline! The Friday monthly US payroll is expected to show a gain in jobs of only 200,000 versus a gain of 353,000 in January. Leading indicators for the US jobs report are the ADP job count which is expected to increase versus last month, and the Job Openings and Labor Turnover which is expected to show another decline in job openings of 125,000.

Unfortunately for the bull camp a long-held net spec and fund short in bonds (since May 202) has shifted into a net spec and fund long! In fact, with the post COT report rally we suspect the net long is at the highest level since the very beginning of the pandemic! Bonds positioning in the Commitments of Traders for the week ending February 27th showed Non-Commercial & Non-Reportable traders went from a net short to a net long position of 36,538 contracts after net buying 68,452 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 560,233 contracts after decreasing their short position by 53,416 contracts.

CURRENCIES:

While there is an emerging view of global slowing, the trade seems to be penalizing the dollar the most perhaps from disappointment that US growth has obviously tapered off. In fact, a lack of significant bullish reaction in the dollar to positive US data two weeks ago, suggests the dollar is generally out-of-favor and could remain so unless US jobs news for February show some residual strength. The February 27th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net bought 197 contracts and are now net long 3,314 contracts

Apparently the trade remains fond of the euro as recent scheduled data from the euro zone has not prevented a resurgence of ECB rate cut hopes for June. An indirect positive for the euro came from a much hotter than expected Swiss consumer price index reading for last month overnight and from a slightly favorable Spanish February employment report earlier today. The February 27th Commitments of

Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 94,216 contracts after net buying 2,302 contracts.

The Pound remains out-of-favor with a pattern of lower highs and lower lows settling into place over the prior two weeks. Unfortunately for the bull camp, the British finance minister has discounted prospects of major tax cuts in the upcoming budget as tax cuts generally stimulate economic activity. With the trade expecting a mostly steady GBP BRC Like-for-Like retail sales reading for February this morning, support should firm for the Pound, but the currency simply looks to chop within a range defined as 1.2687 and 1.260 until UK PMI data is released. While last week's Canadian factory PMI should provide support for the Canadian early this week, an anemic bounce from last week's lows in the wake of positive Canadian data highlights a lack of bullish sentiment.

STOCKS:

Global equity markets were generally higher at the start of this week with weakness seen in Japan, Australia, and Paris. With a generally positive bias from last week (and particularly from the strong Friday close) the bulls should extend their control into another trading week. Clearly, the revival of global rate cuts has added to a bullish environment created by the undying expectations of massive global profits from AI. However, last week investors pursued value stocks off what appears to be a bargain hunting buying trend.

Despite new highs on Friday, the S&P retains short covering buying capacity with the net spec and fund short as of last Tuesday remaining lofty. The February 27th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders reduced their net short position by 17,749 contracts to a net short 138,081 contracts. However, traders should brace for increased volatility as the trade has once again ramped up the focus on central bank policy decisions several months into the future. While the S&P is short-term overbought, we see the uptrend extending.

With negative divergence in the Dow last Friday versus the S&P and Nasdaq, it appears that bargain hunting buyers are not that interested in big capitalize company shares. Certainly, Dow futures posted a four-day high Friday, but other market measures posted record highs! Furthermore, concentrated investors interest is on AI company shares could mean bulls in Dow futures will need significant upside price gains in treasuries to embrace a June rate cut and allow the Dow to catch up to the S&P.

The Commitments of Traders report for the week ending February 27th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 3,057 contracts and are now net long 21,948 contracts. As indicated already, the bullish buzz in the market continues to emanate from AI related companies and therefore the NASDAQ is likely to remain the key bullish catalyst for the markets. Nasdaq Mini positioning in the Commitments of Traders for the week ending February 27th showed Non-Commercial & Non-Reportable traders are net long 18,868 contracts after net selling 15,490 contracts.

GOLD, SILVER & PLATINUM:

Apparently, expectations for a June US interest rate cut have returned which in turn fueled the most significant gold and silver rallies since early December. However, the CME Fed Watch tool did not show a significant increase in the probability of a June rate cut from just below 50% early last week to only 52.8% after the close Friday. Therefore, the gold and silver markets are anticipating the continuation of soft US and international data which has already resulted in widespread talk of euro zone, Japanese, and Canadian rate cuts in June.

Surprisingly, the gold market managed the gains at the end of last week despite a temporary eight day high in the dollar, but the dollar ultimately closed weaker which in turn sets the gold and silver bulls up in a confident position to start the new trading week. Looking ahead to the US nonfarm payroll report on Friday, market expectations call for a number significantly lower than the stellar reading for January. In our opinion, the Friday report will need to see nonfarm payrolls under 200,000 to dramatically expand US slowing fears and push up rate cut hopes. In short, speculators are jumping in ahead of an emerging pattern of softer US data despite debatable inflation signals.

It should be noted that the coming week will present an avalanche of global inflation readings which should keep the June rate cut issue in the windshield of the markets. The Commitments of Traders report for the week ending February 27th showed Gold Managed Money traders net long 68,042 contracts after increasing their already long position by 3,694 contracts. Non-Commercial & non-reportable traders are net long 160,396 contracts after net selling 672 contracts. Fortunately for the bull camp, the net spec and fund long positioning in gold recently dropped back into the middle of the last two years range as the net long positioning in this week's report is clearly understated given that April gold rallied $57 from the report mark off. Therefore, the gold market likely retains speculative buying fuel.

In a surprising development, May silver joined the gold rally Friday with the most significant rally since early December. For the bull camp, the net spec and fund long in silver sits near seven-month lows, leaving silver with residual buying capacity. Silver positioning in the Commitments of Traders for the week ending February 27th showed Managed Money traders net sold 9,506 contracts which moved them from a net long to a net short position of 4,143 contracts. Non-Commercial & non-reportable traders net sold 5,303 contracts and are now net long 30,232 contracts. The February 27th Commitments of Traders report showed Platinum Managed Money traders added 5,535 contracts to their already short position and are now net short 11,218. Non-Commercial & non-reportable traders are net long 9,177 contracts after net selling 5,167 contracts. The February 27th Commitments of Traders report showed Palladium Managed Money traders net bought 589 contracts and are now net short 11,510 contracts. Non-Commercial & non-reportable traders net bought 335 contracts and are now net short 12,200 contracts.

COPPER:

The bulls received good news at the end of last week with headlines that the world's largest copper producer (Codelco) indicating their 2023 output was the lowest in 25-years. Keep in mind, the major bull argument of the October through early December rally was expectations of ongoing tightening of aboveground global supply! However, the bull camp was dealt a significant blow by a veritable explosion in Shanghai copper warehouse stocks over the last two weeks. Fortunately for the bull camp, general sentiment toward China has improved, thereby helping the copper trade discount headwinds from building Chinese domestic supplies.

A Chinese national party meeting starts on Tuesday with some in the trade thinking a massive stimulus plan could be announced and we think that was the primary source of the bounce off last Friday's low. Overnight a private Chinese Caixin Services PMI reading for February came in slightly stronger than expected providing fresh bullish interest for copper to start the new trading week. China will release their monthly import and export figures at the end of the week and given the significant buildup in Shanghai copper stocks last month, that data is likely to be bearish to copper prices.

However, the most recent positioning showed a moderate spec and fund net short position, thereby tempering the threat of massive stop loss selling by the bulls. The Commitments of Traders report for the week ending February 27th showed Copper Managed Money traders went from a net short to a net long position of 4,367 contracts after net buying 13,174 contracts. Non-Commercial & non-reportable traders are net short 2,498 contracts after net buying 15,447 contracts.

ENERGY COMPLEX:

While bullish fundamentals in crude oil have been somewhat mixed, the bulls have clearly extended their late February control. In our opinion, it feels like hope is being built in for a wave of global central bank rate cuts which seem to have sparked improved demand for physical commodities. On the other hand, news that OPEC+ will extend production restraint, hope for a massive Chinese stimulus package announcement tomorrow, residual signs of dollar weakness, indications US refinery activity will begin to recover from extended maintenance, and reports of increased global diesel demand provides the bull camp with classic fundamental fuel today. According to Bloomberg, except for a disruption of US refinery activity from a winter storm in 2021, US refinery activity is at the lowest level on a seasonal basis since 2011. It is also likely that a portion of recent gains were long-term value buying with the net spec and fund long positioning in crude oil remaining near the lowest levels of the last decade. The Commitments of Traders report for the week ending February 27th showed Crude Oil Managed Money traders were net long 174,730 contracts after increasing their already long position by 40,580 contracts. Non-Commercial & non-reportable traders net bought 25,740 contracts and are now net long 264,012 contracts.

With EIA crude oil stocks building five straight weeks (adding 27 million barrels) and EIA product stocks showing very minimal declines, the extremely low US refinery operating rate still offers a slight headwind to crude and has not provided tailwinds for the products yet. While there were negotiations for a peace deal/cease-fire last week, crude oil ultimately forged an upside breakout suggesting the focus of the trade wasn't locked onto the Middle East situation. In the end, we see the strong upward action in crude oil last week driven by upbeat demand expectations and without soft and or Goldilocks inflation data from around the world and Goldilocks to slightly soft economic data, the improved energy demand argument will be questioned. On the other hand, the bull camp has revived hope of tightening supply from OPEC plus extending its production restraint and perhaps from anticipation of a massive Chinese stimulus package. It should be noted that China will release commodity import and export data at the end of the week and the Chinese crude oil import readings will need to be solid after last week's low to high rally of $5.00.

As indicated already, the prolonged period of very low US refinery activity has failed to bring down US product stocks in a material fashion. While EIA gasoline stocks have fallen in four of the last five weeks, inventories remain 5 million barrels above year ago levels and implied gasoline demand has been below last year and five-year average levels in five of the last six weeks! While some refiners plan to extend their maintenance period further, others are restarting because of the anticipated rise in seasonal gasoline demand. However, the gasoline market was already overbought with its net spec and fund long position lofty last week and the market over the last two weeks posting gains of $0.15. Therefore, we think a very significant amount of bullish information has already been factored into gasoline prices. The Commitments of Traders report for the week ending February 27th showed Gas (RBOB) Managed Money traders are net long 61,003 contracts after net selling 422 contracts. Non-Commercial & non-reportable traders net long 69,966 contracts after decreasing their long position by 2,865 contracts.
Since we are surprised in the strong upside action in crude and gasoline last week, we are even more surprised with the rally in diesel. Granted both distillate and diesel inventories have decline 7 straight weeks, and both products hold year-over-year deficits, but those deficits are immaterial in size. Nonetheless, the upward bias in overall petroleum prices should drag diesel higher. The Commitments of Traders report for the week ending February 27th showed Heating Oil Managed Money traders are net long 24,347 contracts after net buying 1,976 contracts. Non-Commercial & non-reportable traders are net long 37,344 contracts after net selling 1,340 contracts.

In retrospect, the rally off the February low was likely the result of balancing a significant oversold technical and fundamental condition as fundamentals have not shifted in favor of the bull camp. In fact, predictions calling for more record US gas production, ongoing mild temperatures, and predictions of expanded supply in southeast Asia and Iran the early gains this week are misguided. In fact, the fundamental condition continues to worsen with a US surplus to five-year average inventory levels running above 26%, total northern hemisphere heating degree days running well below normal and some minor recent problems with US export flow giving the bear camp a lot of ammunition.

However, open interest has fallen dramatically, and the natural gas market holds a material net spec and fund short which could slow the pace of an upcoming corrective slide. The February 27th Commitments of Traders report showed Natural Gas Managed Money traders net bought 37,480 contracts and are now net short 121,193 contracts. Non-Commercial & non-reportable traders are net short 112,814 contracts after net buying 5,095 contracts. We see a slight downward bias until Chinese import data and results from a Chinese party meeting tomorrow provide fresh signals on the direction of Chinese energy demand.

BEANS:

Last week's weekly reversal higher has given technical buyers some ammunition to start the week. Brazil port premiums are rising but the US is still not competitive. The March USDA supply and demand report will be out Friday and that will keep the focus on large supplies later this week. The March report is when USDA is more likely to be more aggressive in adjusting South American production and we expect them to shave 3 to 4 million tonnes off their Brazil estimate. An independent research firm updated their Brazil production number to 143.92 million tonnes, down 5.5 million from their previous estimate. Mato Grosso harvest is 85% complete. There were 225 bean deliveries over the weekend, and once again commercial grain firm, Bunge, stopped the majority.

USDA Jan crush released Friday afternoon was 194.8 million bushels crushed compared to a pre-report average estimate of 196.6, but still well above January of last year at 191.1. Bean Oil stocks were well above guesses at 2.289 billion pounds, compared to the average guess of 1.994 billion and slightly above January year ago at 2.252 billion. Managed Money increased their short which is now at just over 160,000 contracts net short as of Tuesday of last week. An additional headwind this week may come from reports Chevron is idling a biodiesel plant in Ralston, Iowa, and another in Wisconsin due to poor market conditions due to weak mandated volumes under the Renewable Fuel Standard from the EPA. Cheaper supplies in South America remain the biggest problem for US prices and until there is a threat to US growing weather, rally power will be limited, but a technical bounce is due after the weekly chart upside reversal Friday.

The February 27th Commitments of Traders report showed Soybeans Managed Money traders were net short 160,653 contracts after increasing their already short position by 23,976 contracts. CIT traders reduced their net long position by 10,857 contracts to a net long 106,879 contracts. Soybeans Non-Commercial No CIT traders hit a new extreme short of 178,501 contracts. Non-Commercial No CIT traders were net short 178,501 contracts after increasing their already short position by 17,821 contracts. Soybeans Non-Commercial & Non-Reportable traders hit a new extreme short of 195,552 contracts. Non-Commercial & Non-Reportable traders are net short 195,552 contracts after net selling 28,936 contracts.

The Commitments of Traders report for the week ending February 27th showed Soyoil Managed Money traders are net short 52,329 contracts after net buying 512 contracts. CIT traders were net long 128,525 contracts after decreasing their long position by 3,582 contracts. Non-Commercial No CIT traders were net short 76,916 contracts after decreasing their short position by 130 contracts. Non-Commercial & Non-Reportable traders net sold 1,994 contracts and are now net short 39,653 contracts.

Soymeal positioning in the Commitments of Traders for the week ending February 27th showed Managed Money traders were net short 47,650 contracts after increasing their already short position by 16,966 contracts. CIT traders net sold 7,503 contracts and are now net long 75,722 contracts. Non-Commercial No CIT traders were net short 72,760 contracts after increasing their already short position by 17,887 contracts. Non-Commercial & Non-Reportable traders are net short 49,764 contracts after net selling 24,191 contracts.

CORN:

The technical recovery is likely to continue this week into Friday's USDA supply and demand report and we give the edge to the bull camp. China has been on a feed grain buying spree over the last 10 days as they follow the directions of their National Development and Reform Commission's request to import more feed grains to stabilize supply. Rumors of Chinese purchases of US corn remain unconfirmed, but prices are competitive off the Pacific Northwest Coast. Mato Grosso Safrinha planting is 90% done. The 6 to 10 day forecast shows more above normal temperatures for most of the Midwest. The Eastern corn belt has chances for rain in the next 10 days. The daily and weekly upside reversals last week will likely mean buyers will be looking to go long on a break. The question is, how far can we rally now without a US weather problem yet?

We believe prices are unlikely to get over 450 on May without a US weather issue. Corn planting in Texas has begun. This Friday's USDA supply and demand report will highlight coming potential large supplies if crop weather is good. Managed Money significantly decreased their net shorts, which stood at a little over 295,000 contracts as of last Tuesday. Global supplies are expected to be at a 5-year high in 2024, however, the US demand window is open for the next couple months which should be supportive. Corn used for ethanol in January was 433.6 million bushels, down from 484 in December. The ethanol grind for the 1st 5 months of the marketing year is up 5.4%. Look for support on May futures at 420 and below early this week.

The Commitments of Traders report for the week ending February 27th showed Corn Managed Money traders were net short 295,258 contracts after decreasing their short position by 45,474 contracts. CIT traders are net long 271,751 contracts after net selling 18,497 contracts. Non-Commercial No CIT traders reduced their net short position by 44,973 contracts to a net short 296,953 contracts. Non-Commercial & non-reportable traders are net short 269,938 contracts after net buying 36,834 contracts.

WHEAT:

Chicago May wheat made a new contract low at the start of this week and the bear camp is strengthening its grip as US prices have been unable to fight off the weakness in world wheat values. There were 318 SRW deliveries. Poland said they are considering asking the EU to ban Russian and Belarus farm products. Ukraine's Ag Minister says he is worried that the recruitment of additional soldiers may leave farmers shorthanded as the spring planting season starts. In a bit of positive news, ABARES estimated Australian wheat production for 2023/24 at 26 million tonnes down 36% from the previous year.

The USDA supply and demand report Friday is unlikely to have any bullish surprises. Rain chances are still in the forecast for the eastern parts of the southern Plains later this week but are not expected to be very significant in Western Kansas or the Texas and Oklahoma panhandles. Without a threat to the US crop, world wheat weakness keeps global buyers from being in any hurry to secure inventory. Poor export sales, new lows in EU wheat and ideas Russia needs to move old crop supplies to make room for the coming harvest are all significant bearish headwinds this week, which could send prices for a new leg lower.

The Commitments of Traders report for the week ending February 27th showed Wheat Managed Money traders reduced their net short position by 12,198 contracts to a net short 56,326 contracts. CIT traders net bought 8,979 contracts and are now net long 107,608 contracts. Non-Commercial No CIT traders reduced their net short position by 1,340 contracts to a net short 73,878 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 10,472 contracts to a net short 40,125 contracts.

KC Wheat positioning in the Commitments of Traders for the week ending February 27th showed Managed Money traders were net short 42,122 contracts after increasing their already short position by 215 contracts. CIT traders net sold 3,944 contracts and are now net long 61,042 contracts. Non-Commercial No CIT traders net bought 828 contracts and are now net short 51,820 contracts. Non-

Commercial & Non-Reportable traders were net short 32,438 contracts after decreasing their short position by 2,725

HOGS:

An outside day higher close on Friday will start April hogs off in a positive technical stance this week, poised to test the nine-month highs. The USDA pork cutout was sharply higher on Friday, coming in at $92.63, up $3.35 from Thursday and up from $90.06 the previous week. This was the highest it had been since October 9. Bellies led the move higher with a gain of $25.97. The CME Lean Hog Index as of February 28 was 80.15, up from 79.91 the previous session and 78.78 the previous week. The USDA estimated hog slaughter came in at 484,000 head Friday and 106,000 head for Saturday. This brought the total for last week to 2.549 million head, down from 2.578 million the previous week but up from 2.523 million a year ago.

Estimated US pork production last week was 551.1 million pounds, down from 558.9 million the previous week but up from 547.6 million a year ago. China issued new regulations today to control the nation's pig production capacity. The regulations stated that "The retention of breeding sows will be dynamically adjusted according to changes in pork consumption and pig production efficiency." Last week they lowered the national target for normal retention of breeding sows to 39 million from 41 million previously.

Friday's Commitments of Traders report showed managed money traders were net buyers of 14,891 contracts of lean hogs for the week ending February 27, increasing their net long to 63,064 contracts. This is the highest it has been since September 20, 2022, and it is in the upper end of the historic range. The all-time high is 98,000 from 2013. The position has increased every week since January 2 when it logged a net short of 17,602. This leaves the market vulnerable to heavy selling if support levels are violated.

CATTLE:

April cattle have continued their nearly month-long consolidation. US beef and live cattle prices are firm, and beef production continues to lag year ago levels, at that provides underlying support to the futures. The USDA boxed beef cutout came in at $305.28 on Friday, up $1.08 from on Thursday and up from $300.61 the previous week. This was the highest it had been since October 30. Cash live cattle were around 50 cents higher last week. As of Friday afternoon, the five-day, five-area weighted average price was $183.12, up from $182.91 the previous week. The USDA estimated cattle slaughter came in at 100,000 head Friday and 4,000 head for Saturday.

This brought the total for last week to 599,000 head, up from 593,000 the previous week but down from 626,000 a year ago. The estimated average dressed cattle weight last week was 831 pounds, unchanged from the previous week and up from 822 a year ago. The 5-year average weight for that week is 827 pounds. Estimated beef production last week was 496.9 million pounds, down from 513.2 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,288 contracts of live cattle for the week ending February 27, increasing their net long to 54,821. This is their largest net long since November 7 but well below the 100,000+ readings from last summer, indicating there is room for more fund buying.

COCOA:

May cocoa gapped higher overnight and appeared to be on its way to test the contract high from February 26. The market has become more volatile each time it has reached another new all-time high, and demand concerns have tended to reemerge on the moves. The International Cocoa Organization (ICCO) last week forecast a global production deficit of 374,000 tonnes for 2023/24. This was their first official forecast for the marketing year, but it was not a big surprise. This would be the third straight deficit and the largest since records began in 1960. Chocolate maker Barry Callebaut projected an even larger deficit of 500,000 tonnes and another deficit for 2024/25 of 150,000. The trade is awaiting the start of the west African mid-crop production, which usually begins in April.

Ivory Coast cocoa arrivals totaled 34,000 tonnes for the week ending March 3, up from 18,000 for the same period last year. Total arrivals totaled since the season started on October 1 have reached 1.917 million tonnes, down 29% from the same period last year. The deficit to last year has narrowed slightly over the past couple of weeks. Friday's Commitments of Traders report showed managed money traders were net sellers of 10,445 contracts of cocoa for the week ending February 27, reducing their net long to 32,328. This is their smallest net long since last March and well below the record 79,541 from September. Open interest has also declined from a peak of 408,000 last April to 217,000 as of last week. The relatively small fund position leaves room for more buying, but the steady decline in open interest is not classically bullish.

COFFEE:

May coffee was higher early this week as it continued to consolidate inside a range defined by the December high and the January low. Recent rainfall over Brazil's major Arabica growing regions has weighed on coffee prices after their extended dry period earlier this year, but this is offset by ongoing tightness in global robusta supplies. The main growing region of Minas Gerais, Brazil has a greater than 50% probability of rain Tuesday and Wednesday, but chances drop off for the rest of the week. ICE exchange coffee stocks rose by 6,941 bags on Friday to reach a new high for the year. Honduran coffee exporters shipped 26% more beans in February than they did a year earlier, but this was due to delays in January that pushed more exports into the next month, according to the Honduran coffee institute, IHCAFE. October-February shipments totaled 1.363 million bags versus 1.377 million a year ago.

Costa Rican coffee exports increased 2% in February from the same month last year, according to their national coffee institute ICAFE. Shipments totaled 87,541 bags in February versus 85,981 a year ago. October-February shipments were down 5.1% from a year ago. A new species of pest has been identified in Brazilian conilon (robusta) coffee plantations, and it colonizes fruits, stems, branches, and leaves. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,164 contracts of coffee for the week ending February 27, reducing their net long to 42,665. This is in the upper end of the historic range and leaves the market vulnerable to heavy selling if support levels are taken out.

COTTON:

May cotton extended its recent collapse from contract highs at the start of this week as specs continued to bail out of bullish positions. The fund net long had reached its highest level over two years ahead of last week's selloff, which left the market vulnerable to heavy selling. Friday's Commitments of Traders report showed managed money traders were net buyers of 7,959 contracts for the week ending February 27, the day before the market peaked. In just five weeks, they had increased their net long to 94,038 from a net short of 2,016.

The rally had been based in part on strong US exports, but sales have slipped in recent weeks, suggesting the US has priced itself out of the market. The USDA is forecasting US 2023/24 ending stocks at 2.8 million bales, which is the lowest since 2016/17, but world ending stocks are expected to be the highest since 2019/20 at 83.7 million bales. The recent US Drought Monitor showed dry soils and drought lingering in parts of Texas and the Delta, but the areas are much improved over last year.

SUGAR:

May sugar broke below key technical support levels last week, and it could be heading for a test of the December low. The market has been pressured by a larger than expected delivery against the March contract, which was the second largest delivery for March on record. Brazil's record sugar production has filled-in a large portion of the global export shortfall, and they were the origin for all the deliveries. Recent rainfall over Brazilian cane growing regions is viewed as beneficial for their upcoming (2024/25) crop, and the forecast shows regular rains in five of the next seven days.

India's sugar production fell to 25.5 million tonnes in the five months ended in February, down from 25.85 million for the same period last year, according to the Indian Sugar and Bio-energy Manufacturers Association. The anticipated end of El Nino this spring and the re-emergence of La Nina in late summer could bring better rainfall to India and southeast Asia and improve prospects for their cane crops in the coming year. Friday's Commitments of Traders report showed managed money traders were net buyers of 13,677 contracts of sugar for the week ending February 27, increasing their net long to 70,614. This is their largest net long since December 5 but far from burdensome, as it is well below the net long of 200,824 from early November.