ADM Investor Services, Inc.

Weekly Futures Market Summary

March 28, 2022

by the ADMIS Research Team

BONDS:

A major private survey of consumer sentiment and February US pending home sales were also lower than expected. The Fed's Williams said that the Fed is watching inflation expectations very closely and if it is appropriate to hike rates by 50 basis points, he will do that. Citigroup forecast 50 basis point rate hikes at the next 4 FOMC meetings, which rattled market sentiment later in the day. Treasuries fell back on the defensive and reached new lows for the move before closing last Friday's trading session with heavy losses. While Treasury bond prices forged lower lows for the move in the early action this week, that breakout down was reversed, and bonds were tracking back in positive territory.

Perhaps the treasury markets drafted support from an $8 plus decline in crude oil prices, a $30 decline in gold prices and noted weakness in grain prices. In other words, the fear of inflation has been tamped down early and that might have prompted some shorts to bank profits into the new lows! Furthermore, a rising chorus of yield curve analysts are chirping about recession, while others are suggesting the quantitative easing by the Fed is distorting yield curve action. The Bank of Japan is being forced to defend against higher rates (10-year yields hit 6-year highs) and in the process the central bank made to offers to buy an unlimited amount of Japanese government bonds!

While the US central bank has laid out an incremental plan of rising rates, the Federal Reserve does not appear to be as concerned about the pace of rising rates yet. Perhaps the Federal Reserve is less concerned about rising rates given the expanding threat of inflation and perhaps the Federal Reserve wants rates to rise enough to leave them with ammunition in case of another major event. With the bond market in the most recent COT positioning report shifting from a net long to a net short, and bond prices since the COT report falling two points the net spec and fund short has likely grown.

However, it should be noted that 13 months ago the net spec and fund short in bonds was a massive 245,436 contracts. Bonds positioning in the Commitments of Traders for the week ending March 22nd showed Non-Commercial & Non-Reportable traders went from a net long to a net short position of 3,691 contracts after net selling 19,384 contracts. In the T-Note market Non-Commercial & Non-Reportable traders added 19,681 contracts to their already short position and are now net short 549,904 contracts.

CURRENCIES:

The Dollar bounced back from early pressure to return to unchanged levels by the close of last Friday's trading. Hawkish Fed commentary continues to provide the Dollar with support, and has more than offset lukewarm readings for pending home sales and consumer sentiment. With at least two foreign central banks forced to move into the market to stifle surging bond yields, it is clear inflation fears are beginning to get the upper hand on deflation/recession fears.

However, at this point the Fed does not appear to be poised to halt the rise in implied interest rates as some Fed members were in favor of a 50-basis point hike in the last meeting and instead the Fed hiked by only 25-basis points. Therefore, the US Fed is likely to be content to allow the "markets" to do their heavy lifting and that should leave US rates of return much more attractive in the early stages of the global "rate lift off". Dollar positioning in the Commitments of Traders for the week ending March 22nd showed Non-Commercial & Non-Reportable traders are net long 33,499 contracts after net buying 1,555 contracts.

Despite fresh peace talks between Ukraine and Russia, the euro forged a fresh downside breakout and 9-day low in a fashion that extends the corrective track of the past 2 weeks. In retrospect, the ECB did not tighten policy in their last meeting and instead maintained a cautious tone. Therefore, those pressing the short side of the euro probably have less fear of intervention than in other currencies. Euro positioning in the Commitments of Traders for the week ending March 22nd showed Non-Commercial & Non-Reportable traders were net long 47,957 contracts after increasing their already long position by 4,743 contracts.

With Bank of Japan intervention to hold bond yields down, the sharp washout in the Japanese Yen was not surprising. Apparently, the Bank of Japan acted after Japanese bond yields rose above targeted levels but the trade saw that as a sign that the Bank of Japan was not in control of its markets. Like other non-dollar currencies, the Swiss franc under fresh pressure. Apparently, the trade sees the US as a steady rising rate/yield destination at the same time the Yen, Swiss, and euro face regional geopolitical threats which need lower rates to keep forward economic motion in place.

The Pound has not escaped the spillover pressure from strength in the dollar, with a 4-day low and an extension of last week's slide. Even though the Bank of England was quick in hiking rates the Pound is out-of-favor this morning possibly because views that US economy is one of the few economies strong enough to stand up to a wave of rising rates. On the other hand, we think the selling in the Pound is at current levels is misguided. Clearly, the Canadian is tracking with the dollar instead of other non-dollar currencies and that is likely the result of hawkish promises/threats from the Bank of Canada to "act forcefully" to maintain its inflation targets.

STOCKS:

Global markets finished last week volatile trading with choppy and two-sided action during Friday's trading session. News that the US will divert LNG supplies to Europe to offset lost Russian supply provided an early boost to global risk sentiment. However, there have been few signs that Ukraine and Russia will reach a ceasefire soon. Global equity markets early this week were mixed with general weakness seen in Asia and Pacific Rim stocks, with minimal positive action seen throughout the rest of the world. Despite seeing general weakness in global equity markets overnight, a 4-day shutdown of Shanghai for Covid testing, periodic fear of recession and a schedule of rising interest rates the equity market has its share of negative forces but that has not discouraged buyers for the last several weeks.

While the upside breakout in the June S&P contract was minimal in scope, the higher high pattern was extended as the market continues to show its ability to absorb/deflect negative fundamental developments. Reports of fresh peace talks could provide upside traction if the focus of the negotiations includes Russia taking control of the Donbass in exchange for ending the conflict. From a technical perspective, the S&P maintains a net spec and fund short positioning which will likely continue to provide stop loss buying. The March 22nd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders went from a net long to a net short position of 55,006 contracts after net selling 181,006 contracts.

The charts in the Dow look a little messy as the market last week was unable to hold an upside breakout and prices did not made a higher high as was seen in the S&P contract. Like the S&P, the Dow futures are also net spec and fund "short" in the latest positioning report and that should continue to be a source of stop loss buying and a limiting force for fresh selling. Dow Jones $5 positioning in the Commitments of Traders for the week ending March 22nd showed Non-Commercial & Non-Reportable traders net sold 1,394 contracts and are now net short 15,532 contracts.

News that Tesla suspended Shanghai factory output (due to Covid infections) is a slight negative toward tech stocks but the trade was not overly concerned about fresh kinks in the supply chain from the closure of one of the most important Chinese ports. The NASDAQ positioning report also showed a net spec and fund "short" and that should continue to feed a measure of stop loss buying and in turn mitigate fresh selling in the event key support levels are violated. Nasdaq Mini positioning in the Commitments of Traders for the week ending March 22nd showed Non-Commercial & Non-Reportable traders went from a net long to a net short position of 16,277 contracts after net selling 21,759 contracts.

GOLD, SILVER & PLATINUM:

From a fundamental perspective, the gold and silver markets continue to see modest investment and flight to quality demand, but also some buying interest off the potential for inflation buying. Obviously, the war in Ukraine continues to provide a steady flow of flight to quality buying interest, but another layer of sanctions on Russia likely infuriates the Russian leader and that could lead to more volatile actions from Russia and more volatility in gold and silver. However, the latest sanctions involve efforts to isolate Russia from selling gold to the world market, and for some that moderates a fear of sudden physical supply wave of availability in the world bullion market. Estimates on amount of Russian gold reserves range from $140 billion to as high as $220 billion. Certainly, Russia will find some outlet for sales to buyers willing to buck sanctions but tightening restrictions should reduce the net amount of gold flowing from Russia.

Unfortunately for the bull camp, the upside breakout in treasury yields on Friday will undermine some longs this week and discourage some fresh would-be buyers (treasury yields last Friday reached the highest level since April 2019!). With a week over week gain in gold and silver prices, the short-term charts still favor the bull camp. In fact, with last Thursday's upside breakout forged on a pickup in volume, the bull camp appears to have "capacity". A limiting force for gold and silver bulls is seen from signs that the dollar index might be poised to extend the 2022 uptrend pattern. Unfortunately for the bull camp, the most recent COT positioning net spec and fund long (adjusted for the gains since the COT report was measured) is near the largest level since March 2020.

The March 22nd Commitments of Traders report showed Gold Managed Money traders are net long 133,992 contracts after net selling 13,509 contracts. Non-Commercial & Non-Reportable traders were net long 314,689 contracts after decreasing their long position by 17,756 contracts. While the most recent COT report understates the net spec and fund long in silver (due to the rally of $0.80 following the report) the net spec and fund long is near the highest level since February 2020! The March 22nd Commitments of Traders report showed Silver Managed Money traders reduced their net long position by 4,225 contracts to a net long 44,242 contracts. Non-Commercial & Non-Reportable traders were net long 66,536 contracts after decreasing their long position by 2,950 contracts. As of the most recent gold and silver ETF holdings readings, gold holdings were 7.7% higher on the year while silver ETF holdings are a mere 0.8% higher.

Obviously, the charts in the palladium market are severely damaged with last Friday's major downside failure. The palladium market was knocked sharply downward last Friday by UBS suggestions that Russian supplies from Nornickel were being redirected which could mean some supply is working its way to the world market. Apparently, UBS sees the supply flow as material, as they downwardly revised their palladium price forecast from $3,000 to $2,700. At the end of last week, palladium ETF holdings were 2.1% higher on the year with a total holding tally of 2.5 million ounces. Given that palladium supply is channeled through Switzerland and given the potential Russia surged exports in the beginning of the crisis, tightness in palladium could be months in developing. With the large washout since the COT report was measured, (nearly $220 into the low this week) the net spec and fund short in palladium has increased which should slow stop loss selling.

The Commitments of Traders report for the week ending March 22nd showed Palladium Managed Money traders reduced their net long position by 205 contracts to a net long 289 contracts. Non-Commercial & Non-Reportable traders were net short 233 contracts after increasing their already short position by 19 contracts. Like palladium, the platinum market also broke down on its charts at the end of last week and has returned to the psychological support level on the charts around $1,000 but with platinum prices close to the middle of the trading range forged since last July, selling should thin out. Platinum positioning in the Commitments of Traders for the week ending March 22nd showed Managed Money traders were net long 15,709 contracts after increasing their already long position by 230 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 28 contracts to a net long 27,705 contracts.

COPPER:

With a 3-day low in copper at the end of last week partially undermining the charts, sentiment in the marketplace oscillating between recession, inflation and Chinese demand fears, volatility looks to extend. However, we see the bear camp with an edge especially with the surge in Chinese infections that began in mid-February continuing its pace well above the daily rates seen since the end of the initial flare in infections at the beginning of the pandemic. We do note that from the March peak in Chinese infections they have come down in the last week.

The copper market should see support from news last week of a 21.2% single week decline in Shanghai copper warehouse stocks. In fact, on the week Shanghai copper stocks declined by 27,451 tonnes! Fortunately for the bull camp, the most recent net spec and fund long in copper is well below the peak readings of the past year. Copper positioning in the Commitments of Traders for the week ending March 22nd showed Managed Money traders were net long 36,521 contracts after increasing their already long position by 7,214 contracts. Non-Commercial & Non-Reportable traders are net long 34,921 contracts after net buying 7,715 contracts.

ENERGY COMPLEX:

With reports of fresh peace talks and the Ukrainian Army stalling the Russian advance for weeks, the potential for some type of cease-fire is improved. In fact, late last week Ukrainian Army sources suggested they were now on the offensive in some areas and that could be the source of motivation for a resumption of peace talks. However, the Russian president might be infuriated by comments from the US President that the Russian leader must not be allowed to remain in power. Apparently, President Biden "ad-libbed" regime change suggestions forcing the White House to "take back" the aggressive message to the Russian leader. Holding back energy markets to start the trading week is fresh peace talks, the closure of the Shanghai port, a modest rise in Cushing, Oklahoma crude oil stocks last week, and a mostly level weekly US crude oil production figure.

On the other hand, overall US crude oil stocks declined (expanding the net deficit to year ago levels to 89 million barrels), exports continue to pull down US supplies and all major inventory levels in last week's EIA crude oil report showed contractions. With the crude oil market rallying $5 after the last positioning report was measured, the net spec and fund long in crude oil is understated but remains near very low levels from recent history! Crude Oil positioning in the Commitments of Traders for the week ending March 22nd showed Managed Money traders net bought 5,118 contracts and are now net long 263,857 contracts. Non-Commercial & Non-Reportable traders net bought 3,730 contracts and are now net long 449,925 contracts. Given peace talks, fresh damage on the charts early on and fear of slower Chinese demand the path of least resistance has shifted down in crude oil.

With the gasoline market last week ranging down sharply and then rejecting that washout with a $0.15 rally into the Friday close, the charts transitioned from bearish to bullish. However, with prices early this week falling back toward last Friday's lows, spillover weakness anticipated from crude oil and fear of slumping Chinese fuel demand, the bear camp has increased its standing to start the new trading week. While product markets stocks in last week's inventory report declined, the US refinery operating rate is running 6% above year ago levels which in turn should increase the flow of gasoline and diesel supplies ahead. Fortunately for the bull camp, the most recent COT positioning report had the net spec and fund long remaining very low relative to the last 4 years spec long positioning range. The Commitments of Traders report for the week ending March 22nd showed Gas (RBOB) Managed Money traders net bought 3,219 contracts and are now net long 58,337 contracts. Non-Commercial & Non-Reportable traders added 4,824 contracts to their already long position and are now net long 54,329.

Like the gasoline market, the diesel market failed aggressively on Friday but still managed to forge a recovery of $0.11 into the close. However, the last COT spec and fund long positioning reading in ULSD reached the lowest level since November 2020 thereby reducing stop loss selling potential and increasing the prospect of stop loss buying. The Commitments of Traders report for the week ending March 22nd showed Heating Oil Managed Money traders reduced their net long position by 2,614 contracts to a net long 8,809 contracts. Non-Commercial & Non-Reportable traders were net long 4,618 contracts after decreasing their long position by 4,244 contracts. As in the gasoline market, traders should be aware of the significant jump in the US refinery operating rate last week as that should put more diesel supply into the pipeline in the weeks ahead.

While Russian national oil company officials on Sunday indicated that gas flow via the Ukraine pipeline continues, the sharp range up breakout extension in May natural gas last Friday gives the bull camp an edge from a technical perspective to start the new week. Despite Russia claiming gas continues to flow from Russia through the Ukraine, there are reports this morning that Gazprom does not plan any spot sales this week and that firms the price outlook to start the new trading week. A key pivot point from previous spike high at $5.571 in May natural gas should hold importance to the trade. Using the weekly charts, the next upside targeting in natural gas is $5.65. In retrospect, last week's EIA storage report showed a 17.4% deficit to the 5-year average for this time of year and that means that stocks are tighter than the levels ahead of the winter that prompted a rally up to $6.39!

Certainly, seasonal demand in the US and Europe is on the decline, but European leaders are intent on "rebuilding depleted winter storage" and strong export demand from the US should continue and in turn offset lower seasonal demand. The Commitments of Traders report for the week ending March 22nd showed Natural Gas Managed Money traders reduced their net short position by 7,429 contracts to a net short 6,051 contracts. Non-Commercial & Non-Reportable traders added 1,117 contracts to their already short position and are now net short 106,387. With fresh sanctions levied against Russia, Ukrainian forces on the offensive and President Biden inadvertently calling for regime change, the path of least resistance in natural gas should remain up. With a very strong close at the end of last week and a fresh higher high early this week, the bull camp is probably disappointed with last Friday's low volume upside extension.

BEANS:

Grain markets and energy markets are under heavy selling pressure at the start this week, with talk that officials in Russia and Ukraine are due to begin negotiations for a potential cease-fire with negotiating teams meeting in Turkey this week. May soybeans closed moderately higher on the session Friday and well up from the early lows. The market experience choppy and two-sided trade and managed to recover 25 1/2 cents off of the lows into the close. A turn from lower to higher in the energy markets helped support a bounce in soybean oil while meal closed slightly lower on the session.

Exporters announced the sale of 132,000 tonnes of US soybeans sold to China. The market closed near 42 cents higher on the week. For the US prospective plantings report on Thursday, the average trade expectation for soybean plantings is 88.9 million acres, with guesses ranging from 86 to 92.9 million. This would be up from 87.2 million last year and above the USDA's Outlook Forum estimate of 88 million. March 1 soybean stocks are expected to come in near 1.888 billion bushels (1.532-1.965 billion range), up from 1.562 billion bushels last year.

According to Conab, 70.6% of Brazilian soybean crops had been harvested by March 19 which is up from 60.1% from the same period last season. Rapeseed is headed for its biggest monthly gain ever. Ukraine is the world's top sunflower oil exporter and sales have largely been halted. Paris rapeseed futures gained 1.4% to 991.75 euros per ton on Friday, taking March's advance to more than 30% with just a few more days to go. Prices are nearly double their level a year ago.

Canola in North America also held near an all-time high, and Chicago soybean oil is up about 2% this week. Palm oil jumped 1.5% on Friday with the market up 7.1% this week. Ukraine may only plant half a normal crop for sunflower this year. The Commitments of Traders report for the week ending March 22nd showed Soybeans Managed Money traders net bought 3,502 contracts and are now net long 174,192 contracts. Soybeans CIT traders hit a new extreme long of 217,249 contracts after increasing their already long position by 9,224 contracts.

For Soyoil, Managed Money traders reduced their net long position by 5,093 contracts to a net long 84,078 contracts. Non-Commercial & Non-Reportable traders are net long 106,279 contracts after net selling 3,004 contracts. For Soymeal, Managed Money traders are net long 101,164 contracts after net selling 1,995 contracts. Non-Commercial & Non-Reportable traders net sold 2,798 contracts and are now net long 152,430 contracts.

CORN:
July corn closed moderately higher on the session late Friday after the early break to the lowest level since March 22. The market managed to close 22 1/4 cents higher on the week. With the potential sharp loss in corn production from Ukraine and a much smaller wheat crop out of China, China corn usage is likely to be higher this year and world stocks tighter. Traders are hopeful that negotiations with Ukraine and Russia this week in Turkey might lead to a cease-fire and this is a short-term negative force. December corn also closed higher on the session Friday after posting contract highs on Wednesday. December corn closed 23 1/2 cents higher for the week.

For the USDA Planted Acreage and March 1st Stocks report, the average trade expectation is 92.0 million acres (range 90-93.5 million), down from 93.4 million last year but in line with the USDA Outlook Forum estimate. March 1 corn stocks are expected to come at 7.864 billion bushels (7.316-8.087 range), up from 7.696 billion bushels last year. Cumulative export sales have reached 84% of the USDA's forecast for the marketing year versus a five-year average of 80%. The amount of corn used in last week's ethanol production is estimated at 105.8 million bushels. Usage needs to average 100.2 million bushels per week to meet USDA forecast for the marketing year.

Driven by production outages and tight global supply, Tampa ammonia surged to a record high $1,625 a metric tonne for April, up a full $490 from the previous record high of $1,135 a metric tonne in March and February. Ammonia prices jumped in Europe, as did spring ammonia pricing in the Pacific Northwest and western Canada. Urea prices continued to climb at NOLA and inland, and a big pricing jump is expected in India's next urea tender due to the absence of Chinese and Russian supply in the market.

The March 22nd Commitments of Traders report showed Corn Managed Money traders were net long 384,101 contracts after increasing their already long position by 11,192 contracts for the week. CIT traders net bought 7,722 contracts and are now net long 474,754 contracts.

WHEAT:

Traders are hopeful that face-to-face talks between Russia and Ukraine will lead to a path to a peaceful resolution soon. The wheat market closed moderately higher on the session last Friday as shallow support managed to hold, and the market faces tightening supply of exportable surplus ahead. The market has experienced mostly choppy consolidation type trade since March 11. May wheat managed to close 65 1/2 cents higher on the week. Milling wheat futures in Europe closed 1.3% higher, and up 5.4% for the week. Given the potential tightness ahead, commercial and users are likely to remain buyers on any setbacks.

With Ukraine and Russia wheat a huge portion of the world export market, and the war dragging on for more than a month, end users around the world are getting nervous and this should provide underlying support. With the Russia-Ukraine war in its fifth week, urea and phosphate keep climbing in New Orleans (NOLA), Brazil, Europe and the Middle East. Tampa ammonia closed at a record $1,625 a metric tonne (mt) for April, up 43% from March. Potash prices jumped in NOLA and Brazil to almost 2x last month's Chinese annual contract. Egypt is in talks with Argentina, India, France in the US for wheat imports. Officials indicate they are in no hurry but the country is looking for alternatives to Russia and Ukrainian wheat.

For the key USDA reports on Thursday, US all wheat planted area is expected to come in around 47.9 million acres (45.9-49.1 range), up from 46.7 million last year. Winter wheat plantings are expected to come in around 34.4 million acres (range 33.6 to 35.6 million). Spring wheat plantings are expected to be around at 11.8 million acres (10.5-12.8 range) versus 11.4 million last year. US all wheat stocks as of March 1 are expected to come in at 1.039 billion bushels (998-1.302 range), down from 1.311 billion bushels last year.

Dry conditions in US growing regions has also helped to support. There is scattered rains in the forecast for the next five days for southeastern Kansas and eastern Oklahoma, but Nebraska, western Kansas and the Panhandle area of Oklahoma and Texas look to receive well less than 1/4 of an inch. The 6-10 day forecast model shows above normal precipitation for West Texas. Weather may be seen as a negative force. Wheat positioning in the Commitments of Traders for the week ending March 22nd showed Managed Money traders are net long 19,511 contracts after net selling 3,434 contracts for the week. For KC Wheat, Managed Money traders are net long 45,789 contracts after net buying 1,553 contracts for the week. Non-Commercial & Non-Reportable traders were net long 47,907 contracts after increasing their already long position by 254 contracts.

HOGS:

June hogs closed sharply higher on the session Friday and into new contract highs as traders see seasonally strong pork values as a reason to suspect higher cash markets over the near term. The lean index rallied again Friday, and traders remain concerned with a strong inflationary tilt to most agricultural markets. The CME Lean Hog Index as of March 23 was $101.50, up from $101.21 the previous session and up from $100.77 a week prior. This leaves June hogs trading at a premium of 24.35 to the cash market versus a 5-year average premium of 12.60. In other words, if June hogs were following the five-year average basis, the market would be trading down at 114.10. The market is pricing in a much stronger than normal cash market rally over the near term.

The USDA pork cutout, released after the close Friday, came in at $108.15, up $2.13 from Thursday and up from $103.13 the previous week. This was the highest the cutout had been since February 28. The USDA estimated hog slaughter came in at 460,000 head Friday and 57,000 head for Saturday. This brought the total for last week to 2.419 million head, down from 2.430 million the previous week and 2.547 million a year ago. Estimated US pork production last week was 527.6 million pounds, down from 529.5 the previous week and down from 552.8 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 911 contracts of lean hogs for the week ending March 22, reducing their net long to 62,434. Non-commercial, no CIT traders were net sellers of 1,607, reducing their net long to 27,534.

CATTLE:
For the Cattle on Feed report released after the close, the USDA pegged placements for the month of February at 9.3% above last year as compared with trade expectations for placements near 6.5% above last year with expectations ranging from +4.5% to +9.8%. This is bearish and near the high end of estimates. Marketings for February came in at 4.9% above last year from expectations for 3.4% above last year (range -1.1% to +4.5%). This is supportive for the cash market as more cattle moved off of feedlots than traders expected. As a result, Cattle-on-Feed supply as of March 1st came in at 1.4% from expectations for 1.6% above last year with a range of +0.8% to +5.9%. The USDA report news was neutral for April and a bit bearish for the June contract.

The USDA boxed beef cutout was down 32 cents at mid-session Friday but closed 23 cents higher at $262.64. This was up from $258.16 the previous week and was the highest the cutout had been since February 21. Cash live cattle were lower last week. As of Friday, the 5-day, 5-area average price was 138.87, down from 139.10 the previous week. June cattle closed moderately higher on the session Friday with the market challenging the March 21 highs. It was the highest close since February 28th. Expectations for a shift lower in production for the 2nd quarter, plus a firm tone to both beef and cash cattle markets helped to support. Export demand also remains strong with cumulative sales on a record pace so far this year. Strength in hogs added to the positive tone.

The USDA estimated cattle slaughter came in at 114,000 head Friday and 57,000 head for Saturday. This brought the total for last week to 659,000 head, up from 644,000 the previous week and 649,000 a year ago. The estimated average dressed cattle weight last week was 841 pounds, down from 842 the previous week but up from 828 a year ago. The 5-year average weight for that week is 817.4 pounds. Estimated beef production last week was 552.6 million pounds, up from 536.2 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,734 contracts of live cattle for the week ending March 22, increasing their net long to 41,878. CIT traders were net sellers of 1,297 contracts, reducing their net long to 121,977.

COCOA:
Cocoa prices have seen 4 rallies and 3 pullbacks of more than 200 points in size since the start of this year, but will begin this week with only a 9 point gain for the first quarter. With demand uncertainly continuing to weigh on market sentiment, cocoa prices are likely to lose further ground early this week. May cocoa were unable to shake early pressure and remained on the defensive for most of the day as they finished Friday's trading session with a moderate loss. For the week, however, May cocoa finished with a gain of 25 points (up 1.0%) which was only the second positive weekly result over the past 6 weeks. Wet weather over West African growing areas has weighed on cocoa prices as that should benefit their upcoming mid-crop production.

In addition, a pullback in the Eurocurrency was a source of additional pressure as that may impact near-term the ability of Euro zone grinders to acquire near-term cocoa supply. European grindings have seen 3 quarters in a row with at least a 6% increase on the previous year's total as the region recovered from the COVID pandemic. Although the conflict is well away from Western Europe, Russia's invasion of Ukraine is likely to dampen near-term travel in the Euro zone which traditionally has been a major source of chocolate purchases. Last week's COVID lockdown in the Chinese city of Tangshan could have a chilling effect on Asian near-term demand prospects as well.

The Commitments of Traders report for the week ending March 22nd showed Cocoa Managed Money traders reduced their net long position by 3,826 contracts to a net long 21,666 contracts. CIT traders reduced their net long position by 2,678 contracts to a net long 31,110 contracts. Non-Commercial No CIT traders were net long 6,058 contracts after increasing their already long position by 2,160 contracts. Non-Commercial & Non-Reportable traders added 91 contracts to their already long position and are now net long 33,554.

COFFEE:
In addition to La Nina, Brazil's Arabica coffee growers had to deal with frost events last July that are expected to affect production for the 2022/23 and 2023/24 seasons. Recent strength in the Brazilian currency should also keep coffee prices remain fairly well supported on near-term pullbacks. May coffee was able to rebound from a 1-week low to finish Friday's trading session at unchanged levels. For the week, May coffee finished with a gain of 1.80 cents (up 0.8%) which broke a 5-week losing streak. The Brazilian currency reached a new 2-year high which provided carryover support to the coffee market.

Since the start of this year, The Brazilian Real has gained more than 16% against the US dollar to reach its highest value since March of 2020, and that recovery move will ease pressure on Brazil's farmers to market their remaining coffee supply to foreign customers. Rising ICE exchange coffee stocks have been a source of pressure on coffee prices as that may indicate global export bottlenecks are easing, with Brazil's Cooxupe estimating their co-op's 2022 exports will increase 13% from last year's total.

ICE exchange coffee stocks rose by 3,565 bags on Friday and with four sessions left in March are more than 154,000 bags above their February month-end total (up 15.6%). The current La Nina event is the second to occur since mid-2020 and brings drier than normal conditions to Brazil's Center-South growing areas, while Colombia has been negatively impacted by La Nina over the past 1 ½ years as well.

The March 22nd Commitments of Traders report showed Coffee Managed Money traders net sold 1,826 contracts and are now net long 27,089 contracts. CIT traders net sold 958 contracts and are now net long 39,476 contracts. Non-Commercial No CIT traders are net long 18,662 contracts after net selling 1,873 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,182 contracts to a net long 38,609 contracts.

COTTON:
May cotton closed limit-up on Friday and up sharply at the start of this week. Strong demand and a long-term drought in Texas have raised concerns about supply. Traders are citing drought concerns in Texas as a main driver for the recent rally, as well as strong demand. The weekly US drought monitor on Thursday maps showed slight reductions in drought intensity for Oklahoma and the Texas Panhandle, but not so in the unirrigated regions of west Texas, where conditions worsened. The latest 6-10 day forecast has normal to above normal chances of rain in Oklahoma and in the Texas Panhandle, with conditions changing to normal and then below normal further south, so it does not look like there is much chance for improvement in west Texas. The 8-14-day is above normal precipitation.

Weekly export sales have reached 100.4% of the USDA's forecast for the marketing year versus a five-year average of 94.9%. The strong pace suggests that the USDA could raise its forecast for 2021/22 exports in upcoming supply/demand reports. For the USDA planting intentions report, traders see cotton acreage near 12.3 million acres, 11.7-13.0 range, as compared with 11.2 million acres last year. The estimate is down from the Outlook Forum forecast for 12.7 million acres. Friday's Commitments of Traders showed managed money traders were net buyers of 7,229 contracts of cotton for the week ending March 22, increasing their net long to 74,356. Non-commercial & non-reportable traders were net buyers of 8,660, increasing their net long to 104,825.

SUGAR:
A stronger Brazilian currency has eased pressure on Center-South mills to process cane into sugar, which is exported and paid-for in foreign currencies. La Nina negatively impacted the 2021/22 Center-South cane crop, and should reduce sugar yields for the 2022/23 crop which will begin harvesting next month. May sugar was able to build onto early support as it reached a 2 1/2 week high before finishing Friday’s trading session with a sizable gain. For the week, May sugar finished with a gain of 68 ticks (up 3.6%) which broke a 2-week losing streak.

A Reuters report said that India is considering a cap on this season’s sugar exports of 8 million tonnes, which comes after they already have contracts for more than 7 million in exports already agreed to so far. While that export cap would be more than 11% above last season’s record high total, this may be further evidence that India’s 2021/22 ending stocks could reach a 5-season low below 7 million tonnes.

The Brazilian currency reached a new 2-year high which provided additional carryover support, while crude oil and RBOB gasoline prices climbed back into positive territory late in the day which should help to strength near-term ethanol demand in Brazil and India. The current La Nina weather event is the second to occur since mid-2020 with the US Climate Prediction Center’s latest forecast having it continue into the June-August timeframe. This means that the Center-South region will have seen drier than normal conditions for the better part of two years.

The Commitments of Traders report for the week ending March 22nd showed Sugar Managed Money traders added 4,787 contracts to their already long position and are now net long 139,922. CIT traders net sold 2,390 contracts and are now net long 236,594 contracts. Non-Commercial No CIT traders net sold 42 contracts and are now net long 56,681 contracts. Non-Commercial & Non-Reportable traders were net long 201,585 contracts after increasing their already long position by 8,981 contracts.

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