

# Order Flow: Who Will Move the Market Next?



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4 min read



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## Insight Focus

- Both producers and consumers are well-hedged.
- Speculators hold a neutral position.
- So who will move the market next?

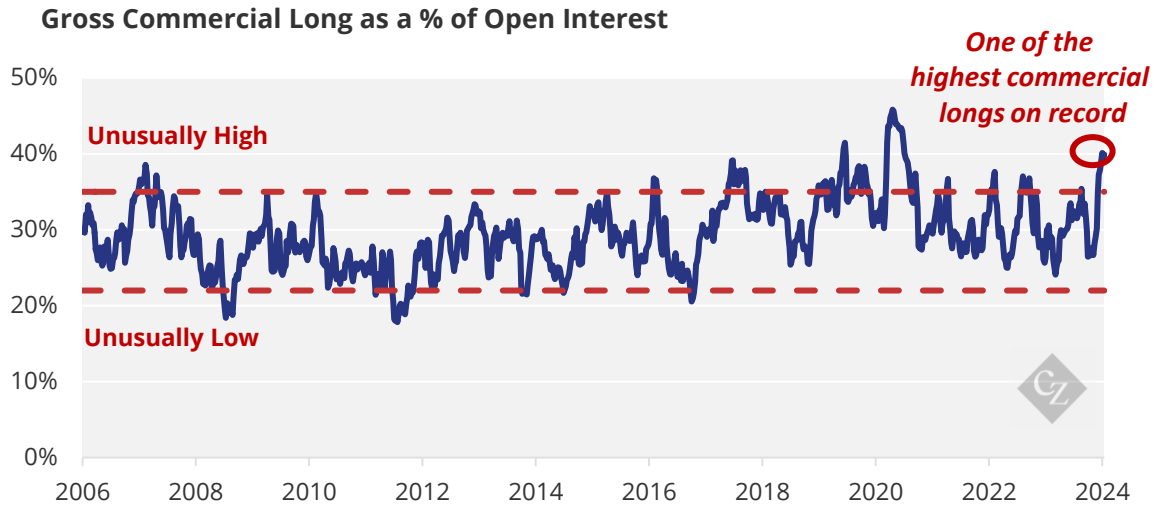
## Price Outlook

The market has rebounded back towards 24c/lb after a 25% drop in raw sugar futures at the end of 2023.

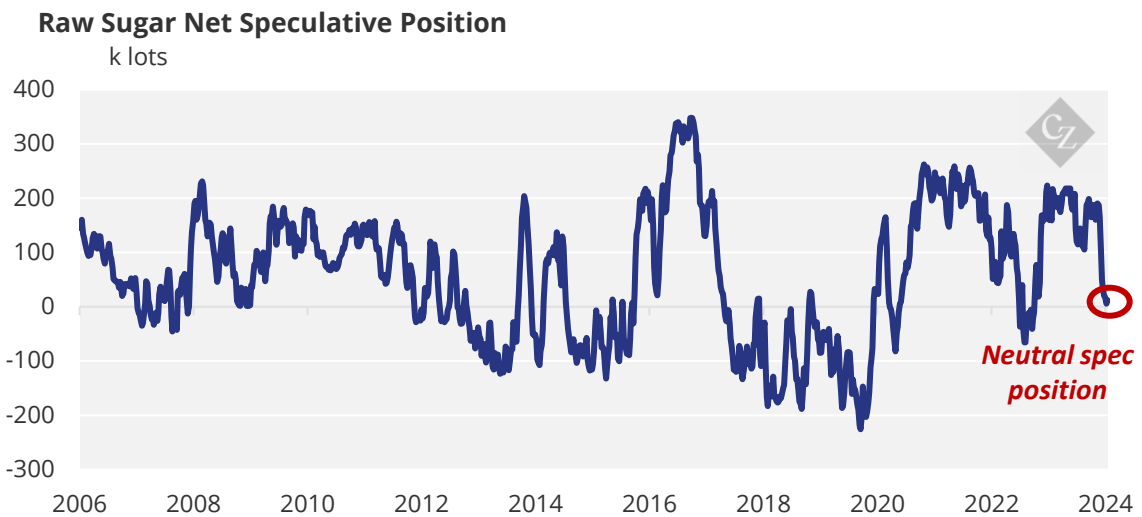
### No.11 Raw Sugar Futures Price



Speculators sold heavily as the market fell in December, with end-users hedging into this. As a result, the dominant longs in the market became sugar consumers, with their hedges backed by physical sugar requirements.

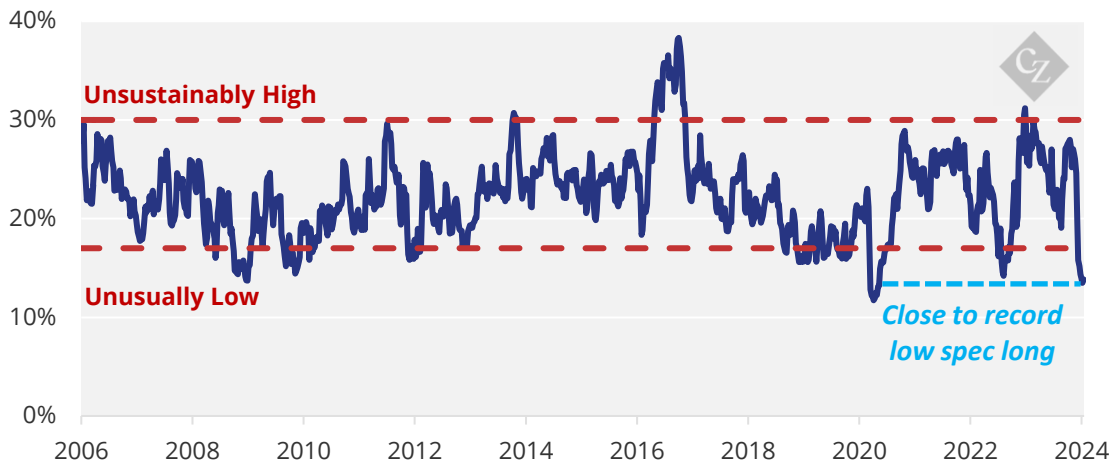


In theory this should give the sugar market a stronger base with which to rally if the speculators decide to buy the market once more. It's possible that they have done so in recent sessions and this has not yet been reflected in the CFTC's COT data.



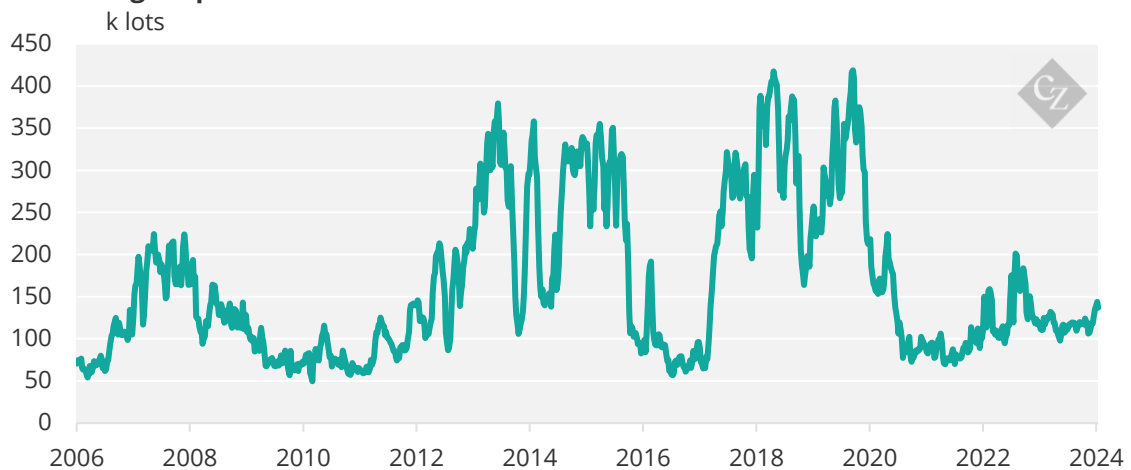
In fact, the speculative long was close to a record low as a percentage of market open interest, as of 16<sup>th</sup> January. The spec long doesn't tend to stay this low for any length of time.

### Gross Speculative Long as a % of Open Interest



In recent weeks we've also seen a small increase in the scale of the spec short. However, we've not seen huge appetite for speculators to sell the sugar market and it's now likely that the move towards 24c has stopped out any recent shorts.

### Raw Sugar Spec Short



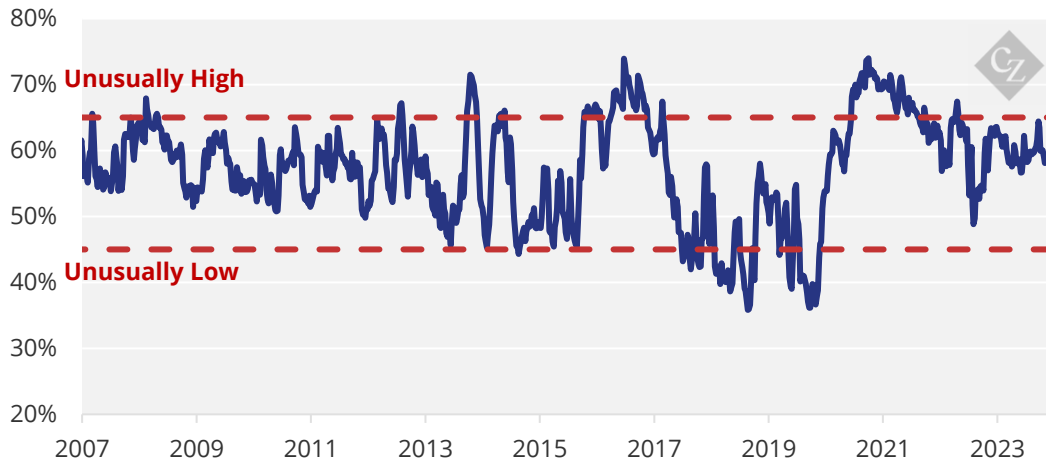
Whether the price strength sustains and drives the market back above 25c really depends on the speculators' appetite to rebuild their net long position. If this builds on top of the large commercial long it's possible the market drives back towards 2023's highs. But speculators probably need some sort of new news to catalyse any further buying, and we don't seem to have that news just yet.

### Reduced Activity from Commercial Participants

Much of the sugar production for 2024 in Centre-South Brazil, Central America, and Australia has already been [hedged](#), meaning producers are now waiting for better returns.

Just two months ago, they could get spot returns of 27c, resulting in the open interest held by the commercial short being the highest since 2021-22, but since the collapse prices haven't reached a level for producers to come back to the market.

### Gross Commercial Short as % of Total Open Interest



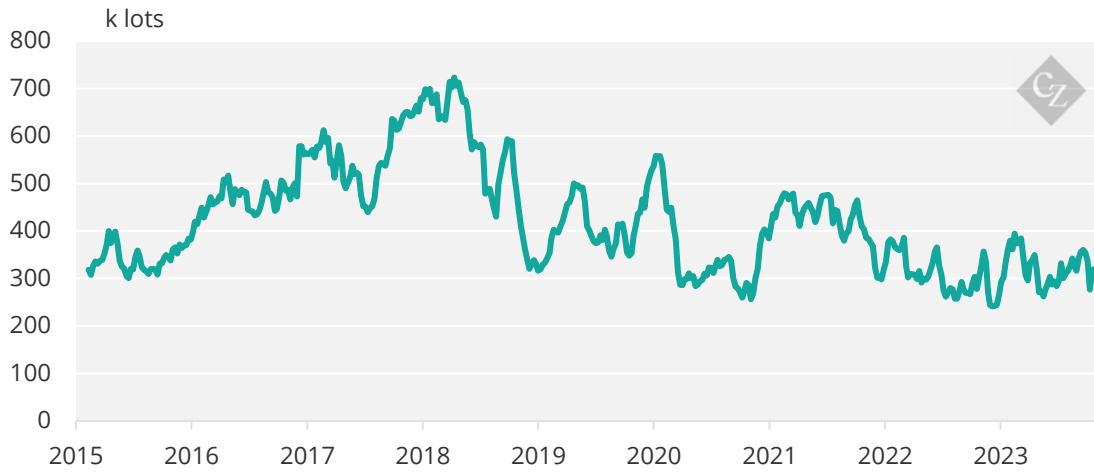
Although the indicator remains within normal levels, it's at its lowest level in more than a year, meaning that in any given price strength we can see producers reacting, as producer returns are currently sitting comfortably above the cost of production.

For additional CFTC commodities data, please see appendix below.

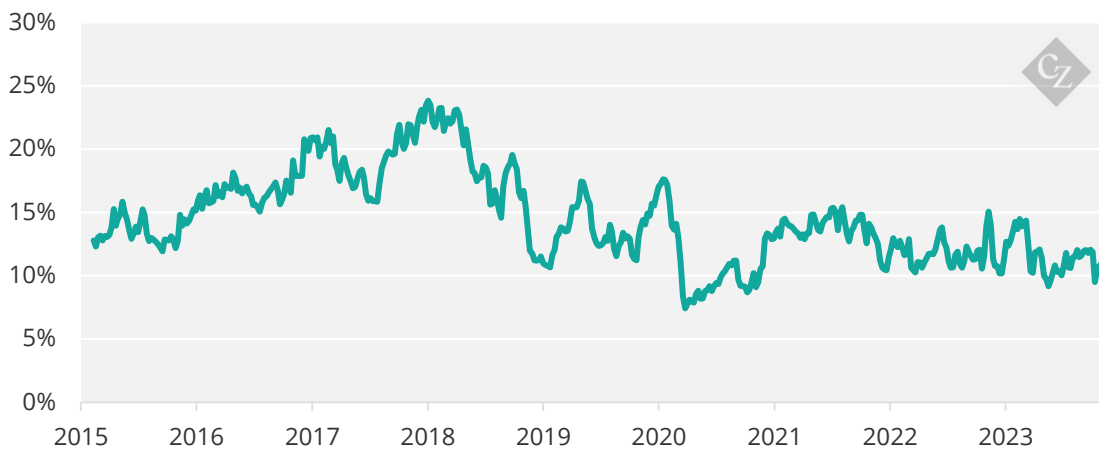
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## Brent Crude (ICE)

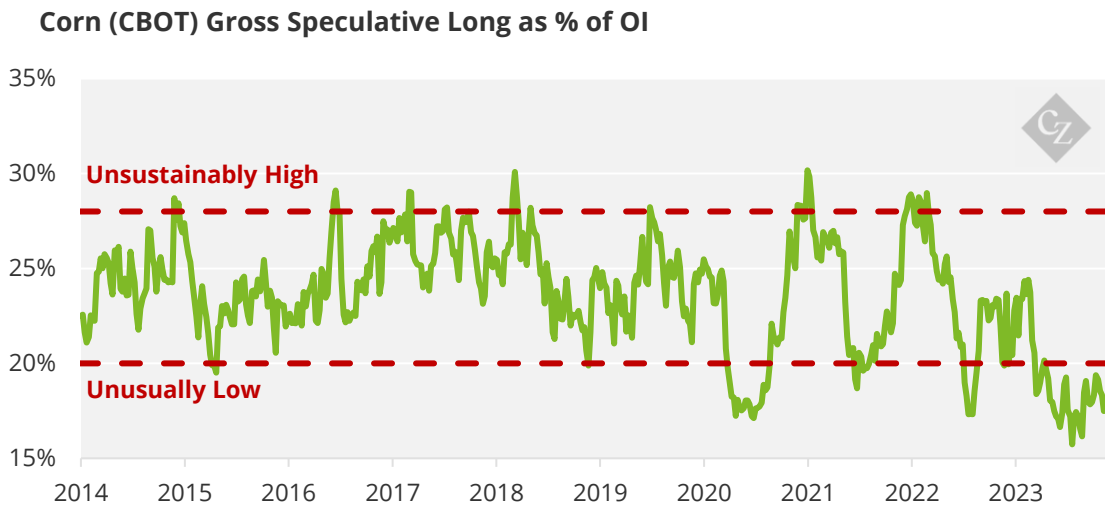
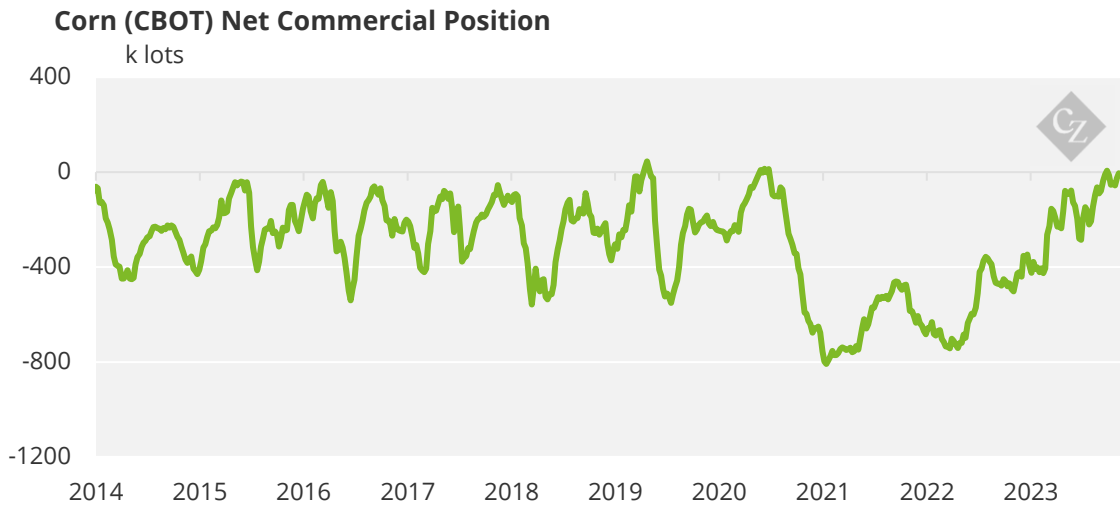
### Brent Crude (ICE) Net Commercial Position



### Brent Crude (ICE) Gross Speculative Long as % of OI



## Corn (CBOT)



## Other Agricultural Commodities

