ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
After making a higher high for the move and printing the highest price since the end of February, September bonds fell back from their highs last Friday in the wake of a much stronger-than-expected University of Michigan sentiment reading. It is also possible that longs decided to bank profits from last week's large run-up, and it is also possible that a wave of inflation press coverage has prompted longs to exit. While treasury bonds did not make a fresh high for the move early this week (3 1/2 month highs) prices remain near the upside breakout point and the psychological pivot point of 160-00 in September bonds. Apparently, the trade continues to embrace the idea that the US Fed will live up to its convictions of holding rates low in the upcoming meeting until job readings show several large gains in sequence.

On the other hand, there is growing doubt that inflation is transient and there continues to be hope that a full opening up of the US economy will revive US even economic activity. Over the past month, US scheduled data has generally been disappointing thereby lending credence to the June low to high rally in bonds of 4 1/2 points. An indication of the general bullishness toward treasuries, is trade expectation to see strong interest early in the week for investment grade debt which seems to be providing the bull camp in treasuries with added confidence.

On the other hand, with US treasury yields are bordering on the lowest level since February 21st evidence, there has been classic evidence of inflation from a-number-of global CPI reports, there is an ongoing pattern of new highs in US equities and further positive scheduled data could suddenly stall the rally. On the other hand, the treasury bond market from the last positioning report has rallied 2 points and that should bring the net spec and fund short positioning down and began to reduce stop loss buying.

The June 8th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net bought 22,834 contracts and are now net short 126,376 contracts. For T-Notes Non-Commercial & Non-Reportable traders reduced their net short position by 97,316 contracts to a net short 43,432 contracts. The North American session will only have one top-tier data point, an April reading on Canadian manufacturing sales that is expected to have a sizable downtick from March's 3.5% reading.

CURRENCIES:
The dollar index exploded higher last Friday in the wake of much stronger-than-expected US Michigan consumer sentiment data and perhaps from news that other central banks were willing to hold onto stimulus despite growth. It should be noted that the rally in the dollar was broad-based suggesting a retest of 30-day highs is possible this week. While the dollar did not break out to the upside early this week, it remains close to new high for the move ground and seemingly poised to extend last Friday's significant range up move. Certainly, US scheduled data has not been indicative of an even and growing US recovery, surging treasury prices and a full reopening of the US is likely to garner additional flows to the dollar.

However, the dollar could be held down by consolidation high resistance and it could also peak out and reverse following the FOMC meeting statement later this week. While the most recent positioning report is understated due to the dollar rally off last week's low, the Dollar was only 45 ticks above that low early this week. The June 8th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 5,860 contracts after increasing their already long position by 31 contracts.

Like the dollar, the euro did not extend its trend from last week, but we expect a fresh lower low for the move ahead. While the euro zone is also progressively reopening sectors of the European continent, the European reopening does not appear to be gaining as much press coverage as the US reopening. It is also likely that the ECB decision last week to remain on hold despite growth and inflation signals is undermining the euro from a macroeconomic interest rate differential perspective.

Unfortunately for the bull camp the latest COT positioning report shows a large "net long" and that is likely to feed further stop loss selling into the euro and a near term dip below 1.2100. The Commitments of Traders report for the week ending June 8th showed Euro Non-Commercial & Non-Reportable traders were net long 182,749 contracts after decreasing their long position by 3,574 contracts.

The charts in the Yen are negative with a consistent pattern of lower highs and lower lows over the prior 5 trading sessions. Despite favorable Japanese industrial production gains (month over month and year-over-year), the Yen looks to remain hemmed down around the 91.00 level.
Like the euro, and most other nondollar currencies, the Swiss charts favor the bear camp early this week, with prices sitting just above the middle of the last 35 days consolidation and in our opinion vulnerable to further liquidation selling. We would remain bearish toward the Swiss unless it tracks back above 1.1176.

While dollar strength is pressuring the Pound to start the new trading week, an extension of Covid restrictions in the UK for 4 weeks is certainly a fresh bearish influence. Certainly, the Pound has respected last week's spike low down at 1.4073 but strong favor toward US equities and dollar lift from the US nationwide reopening suggests the Pound will fall to the lowest level since May 14th in the days ahead.

With the dollar pressuring nondollar currencies aggressively last week and the Canadian dollar recoiling aggressively from the Thursday washout/debacle for the bull camp, the 81.93 level looks to become solid support. However, the Canadian dollar will have the only key top-tier economic release of the most actively traded currencies at the start of as expectations called for a contraction of Canadian manufacturing sales in April on a month over month basis.

STOCKS:
The US equity markets waffled around both sides of unchanged last Friday despite the S&P forging early all-time highs. Clearly the markets were undermined as-a-result of a drift into negative territory in both bonds and notes following a much stronger than expected University of Michigan sentiment reading. Perhaps some longs decided to bank profits following the news of a positive test of 2 passengers on a cruise ship or perhaps some longs exited for fear of a serious expansion of the recent Covid outbreak in southern China.

Global equity markets were largely higher early this week with some holiday closures in Asia and the Russian market bucking the positive trend with a lower trade. We think the equity markets are grinding higher as-a-result of the progression to full reopening of the US and more regional reopening of Europe. It also goes without saying that ongoing strength in US treasuries (falling interest rates) are prompting investment buying from a lack of alternatives. On the other hand, the UK decided to extend Covid restrictions for another 4 weeks, while the Indian infection rate over the last week increased by 24%. In the end, the era of low rates looks to extend and potentially be reconfirmed by this week's US FOMC meeting.

In our opinion, the current rally is not the result of optimistic expectations of upcoming data, but instead is likely the cause of expectations of a surge of US growth with nearly all the US reopened. Furthermore, the lowest US treasury rates since the end of February (and the prospect of even lower rates) leaves investors with few attractive alternatives beyond equities. The Commitments of Traders report for the week ending June 8th showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 17,982 contracts and are now net long 123,967 contracts.

Negative divergence between the Dow futures and S&P futures continues, with the Dow remaining in a technical downtrend. Given the backdrop of low and falling US interest rates, combined with ongoing efforts to arrive at an infrastructure deal, the performance of the Dow has been very disappointing. On the other hand, the Dow futures are net spec and fund short (as opposed to a growing net long in the S&P) and given the Dow slide into the Friday low from the last COT report of 250 points, we suspect the net short is larger than posted in the report! Dow Jones $5 positioning in the Commitments of Traders for the week ending June 8th showed Non-Commercial & Non-Reportable traders net bought 2,392 contracts and are now net short 810 contracts.

While the NASDAQ has not forged an all-time high with the upside extension early this week, the trend in the index is pointing up and tech sector news is positive, following conciliatory and or cooperation from Google, to offer email upgrades to small businesses and given a group of tech companies soliciting for open radio access network development the bull camp has several themes in its favor. Nasdaq Mini positioning in the Commitments of Traders for the week ending June 8th showed Non-Commercial & Non-Reportable traders are net short 17,959 contracts after net buying 5,428 contracts.

GOLD, SILVER & PLATINUM:
While the dollar index did not make a new high for the move at the start of this week, prices sit just under 7-day highs and have giving off the impression of an upside breakout and extension ahead to the 91.00 level. Therefore, it would appear as if the currency impact on gold will remain bearish in the near-term, but news of a reopening of Indian retail jewelry outlets late last week offers some fresh demand hope and could cushion prices slightly. In addition to divergence between gold and silver at the end of last week, the gold bulls were also undermined as-a-result of G7 talk of a global minimum tax. Some traders suggested that the hard slide in gold and rally in the dollar were the result of a slight shift in favor of the Fed beginning tapering earlier than expected given recent US and global CPI readings. However, the argument of tapering talks falls flat in the face of very strong treasury market action with bonds reaching 3 1/2-month highs at the same time gold came under pressure and the dollar saw concentrated buying.

On the other hand, we suspect that some of the liquidation in gold was stop loss selling following the last COT positioning report which showed a net spec and fund long of 269,486 contracts. In looking-ahead, the market will face a series of global PPI prices and that could result in another volatility event as the trade attempts to factor in the Fed's policy stance. In the meantime, critical uptrend channel support has been violated and a normal retracement of the May and June rally provides targeting at $1,847.10. Given the divergence between gold and silver at the end of last week, it is possible that silver is benefiting from its physical industrial status with improvements in the global economy lifting demand hopes and serving to countervail spillover pressure from weakness in gold and strength in the dollar.

The net spec and fund long in the silver market as of June 8th showed a net long of 72,496 contracts with that spec long positioning likely understated as-a-result of the 70-cent rally into Friday's high. Not surprisingly, the charts in the silver are in better condition than the charts in gold, with prices holding up Friday. Silver positioning in the Commitments of Traders for the week ending June 8th showed Managed Money traders are net long 44,384 contracts after net buying 1,855 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,770 contracts to a net long 72,496 contracts. The Commitments of Traders report for the week ending June 8th showed Gold Managed Money traders are net long 127,064 contracts after net selling 2,782 contracts. Non-Commercial & Non-Reportable traders were net long 269,486 contracts after decreasing their long position by 2,028 contracts.

The palladium market flared on Friday but surrendered all the gains as the trade continues to fret over the lack of expanding growth in China, but also because of the potential for a breakout of the new coronavirus variant in southern China. In short, we suspect longs are hesitant to enter the long side of palladium until it is clear the Chinese have indeed reigned in the outbreak. In the near term, the downtrend from the May highs remains intact. The COT positioning report as of June 8th showed the platinum market to be net spec and fund long 31,218 contracts. The June 8th Commitments of Traders report showed Palladium Managed Money traders were net long 3,863 contracts after increasing their already long position by 30 contracts. Non-Commercial & Non-Reportable traders were net long 3,296 contracts after decreasing their long position by 2 contracts.

Like the palladium and the gold market, the platinum charts remain negative and a sustained downtrend from the May high continues to unfold. However, platinum should draft support from the potential pickup in diesel catalyst demand, with Europe rapidly reopening and the ECB indicating they would leave supportive policies in place despite signs of growth and inflation. The Commitments of Traders report for the week ending June 8th showed Platinum Managed Money traders net sold 4,447 contracts and are now net long 10,627 contracts. Non-Commercial & Non-Reportable traders net sold 3,991 contracts and are now net long 31,218 contracts.

COPPER:

All things considered, the copper market has held up impressively in the face of a strike settlement in Chile, fear of a possible virus breakout in southern China and in the face of threats from the Chinese government to release strategic material supplies in-an-attempt to knock prices down. In fact, the copper market has managed to stand up to a-number-of bearish fundamental developments and in turn manage to consolidate and waffle around the $4.50 level for nearly 4 weeks.

However, the subject of Chinese dumping of strategic holdings to reverse surging raw material prices should not be discounted, nor should a flare in US/Chinese trade tensions given that the two countries are starting to interact in trade discussions. In addition, the absence of some Asian traders due to the Dragon Boat Festival could mean less speculative buying and may be less Chinese intervention selling early this week. The Commitments of Traders report for the week ending June 8th showed Platinum Managed Money traders net sold 4,447 contracts and are now net long 10,627 contracts. Non-Commercial & Non-Reportable traders net sold 3,991 contracts and are now net long 31,218 contracts.

ENERGY COMPLEX:

Once again the crude oil market ground its way into a new high to start the trading week. Therefore, it is possible that some fund trading systems will place additional buy orders and in turn provide crude oil with upside follow-through. Obviously, the trade is anticipating a surge in demand despite-the-fact that various global scheduled data points have not shown even growth and certainly have not displayed acceleration as was expected with progressive reopening of the US economy. In fact, a growing list of US states are at fully opened status and the schools are ending their year and vacation driving should pick up. Adding into the bullish bias is news that global floating storage of crude oil on the week declined by 2.2%, with Asian-Pacific floating storage down by 6%!
It should also be noted that nearly all ARA weekly product inventory levels in Europe fell over the last week indicating some improvement in demand.

It should be noted that the most recent TSA checkpoint travel numbers in the US revealed 1.9 million, 2.0 million, and 1.8 million which shows improving demand. However, in our mind the question becomes at what point will prices exceed or overprice the return of demand? On the other hand, the International Energy Agency on Friday indicated that the world will "need" more oil from OPEC plus to meet demand into 2022. Unfortunately for the bull camp, US drilling activity picked up in 6th out of the last 7 weeks but so far, the US crude oil market remains in a large deficit and supplies from increased drilling have not surfaced yet. Issues that could suddenly bring prices cascading lower would be a settlement with Iran to end sanctions and/or a significant breakout and lockdown announcement from China. The Commitments of Traders report for the week ending June 8th showed Crude Oil Managed Money traders net bought 27,853 contracts and are now net long 410,092 contracts. Non-Commercial &

Non-Reportable traders were net long 608,862 contracts after increasing their already long position by 13,309 contracts.

As indicated already, weekly product inventories in Europe fell last week, US air travel is picking up and US schools are ending their school years which in turn should boost summer driving vacation demand for gasoline. In a bullish development for petroleum products and negative toward biofuels, the Biden administration is considering allowing refiners out of requirements to blend biofuels. In other words, that would result in greater consumption of petroleum and lower percentages of ethanol used in the US gas supply chain. With a series of lower highs and divergence with the crude oil market, it does appear as if gasoline has already factored a large measure of demand return. From a technical perspective, the inability to maintain above $2.20 in the face of rising open interest and strong volume suggests a top may have been forged.

The June 8th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 58,938 contracts after net selling 2,277 contracts. Non-Commercial & Non-Reportable traders are net long 67,030 contracts after net buying 1,033 contracts. While US daily security checkpoint numbers at airports have yet to post consistent readings above 2-million, security counts are likely to rise further this week with last week posting some of the highest readings of the pandemic era. Unfortunately for the bull camp daily, checkpoint numbers remain 700,000 below normal. Like the gasoline market, the diesel market has shown a loss of upside momentum and has begun to show corrective action on the charts. The Commitments of Traders report for the week ending June 8th showed Heating Oil Managed Money traders net sold 1,274 contracts and are now net long 27,353 contracts. Non-Commercial & Non-Reportable traders are net long 45,273 contracts after net selling 1,122 contracts.

With a massive range up extension at the end of last week, it would appear as if the natural gas market has come into vogue among fund traders. In fact, given the rising expectation of inflation, traders and fund managers might consider natural gas one of the cheapest commodities and therefore a possible hedge against building inflation. On the other hand, extreme heat in the US has escalated consumption early on and has prompted some concern that the long-held inventory surplus will be narrowed ahead. Furthermore, Asian prices remain firm as tighter Australian supply flow has prompted buying of alternative supply and in turn fostered fear among the net spec and fund short. However, the latest weather forecast shows a narrowing of extreme heat in the US to the extreme Northwest and extreme southeast and therefore prices could be vulnerable. This week's Baker Hughes rig drilling counts showed a decline of one in the US, while Canadian gas rigs operating were unchanged.

Given the net spec and fund short position in natural gas, we suspect more stop loss buying is in order. The June 8th Commitments of Traders report showed Natural Gas Managed Money traders added 12,313 contracts to their already long position and are now net long 52,920. Non-Commercial & Non-Reportable traders are net short 71,926 contracts after net selling 11,852 contracts. However, we see the path of least resistance shifting upward in natural gas prices primarily because of the potential of their use as an inflation hedge. With the market also net spec and fund short 71,926 contracts as of early last week fresh buying is likely to be joined by further stop loss buying. Unfortunately for the bull camp the massive range up extension leaves little in the way of close in support.

BEANS:

The forecast appears less threatening today as compared with late last week. The 5-day forecast shows no rain for the Dakotas or most of Nebraska. Iowa and southern Minnesota look to receive 1/2 to 1/4 inch. The 6-10 day forecast shows below normal precipitation for the Dakotas and Minnesota, but normal for Iowa and Nebraska and above normal for the eastern Corn Belt. The heat moves all the way to the Western third of the country with mostly normal temperatures expected for the Midwest. The 8-14 day forecast models show normal temperatures and above normal precipitation; except North Dakota stays dry. For the NOPA crush report, traders see crush for the month of May near 165.12 million bushels, 160.3-169.6 range, as compared with 169.58 million bushels last year. Oil stocks are expected near 1.713 billion pounds, 1.63-1.83 range. November soybeans managed to close 3 1/4 cents higher on the week last week.

July soybean oil collapsed and closed 348 points lower on the session to experience the lowest close since May 28. The sharp drop in palm oil Friday, with palm oil already near a record discount to soybean oil, helped to drive the market lower. On top of the palm oil situation, there were some concerns with the Biden Administration providing relief to oil refiners from the biofuel mandates. While this clearly impacts ethanol, traders are fearful that biodiesel blending requirements could also be under question. Palm oil dropped to the lowest level since April 12 as traders feared weaker demand from top importer India. Malaysian shipments fell 10% to 14% in the first 10 days of June from a month earlier. Exports slumped 20% to India and 6% to Europe. The Malaysian Palm Oil Board reported May production rose 2.8% to a seven-month high of 1.57 million tons. July meal traded down to the lowest level since December 11 Friday before closing higher on the day.

Soybeans positioning in the Commitments of Traders for the week ending June 8th showed Managed Money traders added 2,695 contracts to their already long position and are now net long 141,483. Non-Commercial & Non-Reportable traders were net long 169,591 contracts after increasing their already long position by 12,503 contracts for the week. For Soyoil, managed money traders reduced their net long position by 4,764 contracts to a net long 81,320 contracts (long liquidation). Non-Commercial & Non-Reportable traders reduced their net long position by 7,191 contracts to a net long 102,039 contracts. For Soymeal, managed money traders were net long 26,720 contracts after increasing their already long position by 5,835 contracts. Non-Commercial & Non-Reportable traders added 1,421 contracts to their already long position and are now net long 78,026.

CORN:

The weather is shifting from hot and dry for the Western Corn Belt to more normal temperatures and precipitation, and even above normal precipitation in the 8-14 day timeframe. On top of more normal weather, concerns about ethanol demand helped to drive the market sharply lower on Friday and again overnight. The Biden Administration is under pressure from labor unions and Senators and are considering ways to provide relief to US oil refiners from biofuel blending mandates. RINS have recently traded at their highest price ever and were down 15% on Friday. Apparently, there were discussions about ways to lower the amount of renewable fuel refiners must blend or options like a nationwide general waiver exempting the refining industry from blending requirements.

December corn closed lower on the session Friday but well up from the midsession lows. Talk of the potential for less ethanol blending requirements, plus talk that there was a little more rain than expected for South Dakota and Western Iowa helped to pressure. For the week, December corn closed 18 1/4 cents higher. The market consolidated for much of the week and the USDA update showed the need for a record yield in order to avoid significant tightness for the coming year. India will require more than 10 billion liters of ethanol for the purpose of blending into gasoline per year in order to achieve its new target. Currently, ethanol makes up about 9% of the mix but they are shifting to 20%. The country expects ethanol from sugar mills to meet 50% of the requirement, while grains such as maize and rice along with other sources will meet the remaining half.

China's state grains stockpiler Sinograin has sold all 11,058 tonnes of Ukrainian corn on offer at an auction on Friday. Corn positioning in the Commitments of Traders for the week ending June 8th showed Managed Money traders were net long 275,599 contracts after decreasing their long position by 14,337 contracts for the week. CIT traders were net long 426,777 contracts after decreasing their long position by 6,239 contracts. Non-Commercial & Non-Reportable traders are net long 367,853 contracts after net selling 15,470 contracts for the week.

WHEAT:

Better weather for the other grains may spark early weakness this week, but the weather forecast for the spring wheat crop is still threatening. More extreme heat is expected short-term and there is no rain in the five day forecast for the Dakotas. The 6-10 day forecast calls for below normal precipitation as well. July wheat closed 3 cents lower on the session Friday and well up from the early lows. The selling pushed the market down to the lowest level since June 3rd. Talk of increased harvest selling pressure ahead plus weakness in the other grains helped to pressure. The market closed 7 cents lower for the week.

December Minneapolis wheat closed moderately lower for last Friday’s session but also well up from the lows. For the week however, the market closed down 37 cents. Rains in the Dakotas, a surge higher in the US dollar and news from the USDA that world exporter ending stocks are a bit burdensome helped to pressure. While world feed usage was adjusted higher by more than 2 million tonnes by the USDA, world production jumped by more than 5 million tonnes. EU production was revised higher by 3.5 million tonnes, Russia jumped 1 million and Ukraine production increased by 500,000 tonnes.

Ending stocks for the world major exporters have jumped to 40.52 million tonnes from 34.37 million last year and 30.6 million two years ago. This is a bearish factor. Russia's wheat export customs duty will rise to $33.30/tonne from $29.40/tonne currently, the Agriculture Ministry said Friday. The rates are set weekly and take effect three working days after publication. The June 8th Commitments of Traders report showed wheat managed money traders went from a net long to a net short position of 1,374 contracts after net selling 4,601 contracts. Non-Commercial & Non-Reportable traders net bought 3,152 contracts and are now net long 9,904 contracts. For KC wheat, managed money traders added 627 contracts to their already long position and are now net long 19,713. Non-Commercial & Non-Reportable traders net bought 2,447 contracts and are now net long 16,929 contracts.

HOGS:

The USDA pork cutout released after the close Friday came in at $130.66, down from $132.18 on Thursday and $131.70 the previous week. A weaker trend for pork could be a sign that short-term demand is saturated. July hogs closed sharply lower on the session Friday and down 75 points for the week. The selling pushed the market down to the lowest level since June 4 as the premium of futures to the cash market and fears that export demand may begin to slide helped to pressure. In addition news of higher weights last week in a timeframe when weights normally declined is a bearish development. The market remains extremely overbought technically and vulnerable to long liquidation selling. The CME Lean Hog Index as of June 9 was 119.91, up from 118.71 the previous session and 114.05 the previous week. The USDA estimated hog slaughter came in at 457,000 head Friday and 53,000 head for Saturday. This brought the total for last week to 2.440 million head, up from 1.975 million the previous week but down from 2.464 million a year ago.

Friday's Commitments of Traders report showed managed money traders were net buyers of 1,989 contracts of lean hogs for the week ending June 8, increasing their net long to 84,621. Non-commercial & non-reportable traders combined were net buyers of 3,643 contracts, increasing their net long to 90,372. Strong exports over the past few months have helped to support the uptrend in pork values, but looking forward, China import demand is likely to slide. In addition, seasonal tightness in supply into late June may be already "priced", and supply should begin to recover in the July-August timeframe. Average weights are on the rise which is opposite the strong seasonal tendency for weights to fall at this time of the year. This suggests producers are less current with marketings.

CATTLE:

It is a rare event that August Cattle trade at a discount to August Hogs as they did earlier this month, and it appears that the pattern has reversed. The hog market is having a difficult time rationalizing the very high price, and there is concern that China's pork import demand could drop off for the second half of the year. While traders sometimes expect increasing beef supply and weakening demand at this time of the year, feedlots seem current with marketings, and demand appears to be stronger than normal as the economy recovers from COVID. The pipeline is expanding as restaurants re-open. The boxed beef market has recently climbed to its second highest level on record. Only last year was higher when packers could not keep slaughter operations running because of COVID. The current rally leaves packer profit margins very high, and this could hold August Cattle in a minor uptrend. August cattle closed sharply higher on the session Friday and the buying pushed the market up to the highest level since May 26.

The market gained additional buying support on the move through the 50-day moving average. Beef prices and cash cattle prices have held steady last week and the discount to the cash helped spark some buying. The USDA estimated cattle slaughter came in at 119,000 head Friday and 70,000 head for Saturday. This brought the total for last week to 665,000 head, up from 538,000 the previous week and 645,000 a year ago. Average estimated dressed cattle weights for the week came in at 822 pounds, down from 825 from the previous week and 832 a year ago. The 5-year average weekly weight for that week is 808.8. Declining weights are a positive force. The USDA boxed beef cutout was down 48 cents at mid-session Friday and closed 69 cents lower at $337.56. This was down from $338.98 the previous week and was the lowest the cutout had been since June 1.

Cash live cattle trade was quiet on Friday after a steady to firm week. There were 239 head reported in Nebraska at 121, which was towards the upper end of last week's range. The 5-day, 5-area weighted average price on Friday was 120.00, up from 119.91 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,740 contracts of live cattle for the week ending June 8, increasing their net long to 52,940. Non-commercial, no CIT traders were net buyers of 3,453, increasing their net long to 39,773. Non-commercial & non-reportable traders combined were net buyers of 3,243, increasing their net long to 66,879.

COCOA:
Cocoa prices continued to see choppy price action this month and remain near the lower end of their 2021 trading range as near-term demand concerns and sizable West African main crop production remains front and center issues. The market has held its ground above the early May lows, however, which would indicate that cocoa is close to a longer-term low. September cocoa was unable to shake off early pressure as it could only put together a modest rebound late in the day before finishing Friday’s trading session with a moderate loss. For the week, September cocoa finished with a loss of 50 points (down 2.0%) which was a fourth negative weekly result in a row.

There were sharp pullback in both the British Pound and the Eurocurrency that became a major source of carryover pressure on cocoa prices. In addition, ideas that the market is well-supplied currently also weighed on cocoa prices going into the weekend. The latest quarterly supply report from the International Cocoa Organization (ICCO) forecast sizable 2020/21 full-season production increases for Ivory Coast (up 120,200 tonnes) and Ghana (up 150,000 tonnes).

As a result, the ICCO projects global 2020/21 cocoa production to climb above 5 million tonnes for the first time ever. Global demand is widely expected to improve as COVID vaccines receive wider distribution and usage. However, reports that the UK may delay lifting their lockdown measures until mid-July underscore the difficulties that European and Asian nations may have with ramping up chocolate consumption during the third quarter.

The Commitments of Traders report for the week ending June 8th showed Cocoa Managed Money traders reduced their net long position by 2,132 contracts to a net long 9,663 contracts. CIT traders were net long 35,933 contracts after decreasing their long position by 966 contracts. Non-Commercial No CIT traders net sold 3,438 contracts and are now net short 8,411 contracts. Non-Commercial & Non-Reportable traders were net long 21,563 contracts after decreasing their long position by 4,222 contracts.

COFFEE:
Coffee prices have seen coiling price action since reaching a multi-year high on June 1st, and that leaves the market vulnerable to a downside breakout early this week. With a bullish supply outlook, however, coffee prices should be well supported on a near-term pullback. September coffee found early strength, and then gave up those early gains as it finished Friday’s trading session with a moderate loss. For the

week, September coffee finished with a loss of 4.05 cents (down 2.5%) and a second negative weekly result in a row.

ICE exchange coffee stocks rose by 7,197 bags on Friday to reach their highest level since March of 2020. Most of those coffee stocks are held in Euro zone warehouses, so their 9-month build streak has fueled concern with near-term European demand that continues to weigh on coffee prices. In addition, a more than 1% selloff to a 1-week low in the Brazilian currency also weighed on coffee prices going into the weekend as extended weakness in that currency could encourage Brazil's farmers to market their near-term coffee supply.

The Brazilian trade group Cecafe said that Brazil's May coffee exports were 20% below last year's total, due in part to a shortage of shipping containers and limited space on outbound ships. Safras and Mercado said that 40% of the 2021/22 Brazilian crop had been sold by last Tuesday, which compares to 34% last year and a 5-year average of 26%, but many Brazilian farmers may be holding back on further sales as very dry weather since last year will negatively impact this season's coffee production.

Coffee positioning in the Commitments of Traders for the week ending June 8th showed Managed Money traders were net long 44,365 contracts after decreasing their long position by 1,479 contracts. CIT traders were net long 75,962 contracts after decreasing their long position by 186 contracts. Non-Commercial No CIT traders were net long 40,297 contracts after decreasing their long position by 1,859 contracts. Non-Commercial & Non-Reportable traders are net long 67,281 contracts after net selling 2,846 contracts.

COTTON:

December cotton was down sharply at the start of this week, and closed lower last Friday after trading to its highest level since February 25 which is a bearish technical development. December cotton has closed higher for four weeks in a row, and the nearby contract closed higher for its second straight week. The dollar was up on Friday, with the September Dollar Index breaking out of a week-long consolidation to trade to its highest level since June 4. The USDA raised new crop and old crop exports in last week's monthly supply demand report, which resulting in a 0.20 million-bales decrease in the ending stocks forecast for 2021/22 to 2.90 million bales, the lowest since 2016/17 and one of only four times they have been below 3 million this century. At 89.30 million bales, world ending stocks are the lowest since 2018/19, but they are far from historic lows.

Friday's Commitments of Traders report showed managed money traders were net buyers of 2,933 contracts of cotton for the week ending June 9, increasing their net long to 37,945. Non-commercial, no CIT traders were net buyers of 4,057, increasing their net long to 48,299. Non-commercial & non-reportable traders combined were net buyers of 5,506, increasing their net long to 72,815. CIT traders were buyers of 1,340 contracts, increasing their net long to 77,571. The buying trend is supportive. Last weeks' drought monitor showed improvement in the dry conditions for west Texas and the Carolinas, but the 6-10 and 8-14-day forecasts have below normal precipitation settling in over the western half of Texas.

SUGAR:
Sugar prices continue to hold their ground within a fairly tight consolidation zone as seven of the last 9 closes (including the last 4 in a row) have been within a 10 tick range. This inability to benefit from recent strength in key outside markets may be setting the stage for a downside breakout, but a bullish longer-term supply outlook should help sugar prices stay fairly well supported on a near-term pullback. October sugar came under early pressure before turning back to the upside late in the day as it finished Friday's trading session with a mild loss. For the week, October sugar finished with a loss of 10 ticks (down 0.6%) which broke a 2-week winning streak.

A more than 1% pullback in the Brazilian currency became a major source of carryover pressure on the sugar market as extended weakness in their currency may encourage Brazil's Center-South mills maintain sugar's current share of crushing close to last season's 46% share. While crude oil prices finished the week with a new multi-year high, that was offset by a pullback in RBOB gasoline prices. In addition, the largest Central-South sugar production reading for the second half of May on record also weighed on sugar prices late this week, as it shows that harvesting and crushing have reached full speed after a delayed start to operations this season.

The All India Sugar Trade Association said that their nation's mills have contracted to export 5.85 million tonnes of sugar this season, with 4.25 million already exported. As a result, India's 2020/21 sugar exports should exceed their government target of 6 million tonnes and reach a record high total. The Commitments of Traders report for the week ending June 8th showed Sugar Managed Money traders reduced their net long position by 6,113 contracts to a net long 233,562 contracts. CIT traders reduced their net long position by 11,121 contracts to a net long 203,413 contracts. Non-Commercial No CIT traders reduced their net long position by 7,693 contracts to a net long 178,363 contracts. Non-Commercial & Non-Reportable traders were net long 340,290 contracts after decreasing their long position by 1,164 contracts.

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