ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
July 12, 2021

BONDS:
With last week's low to high rally in September bonds reaching 41/2 points, it was not surprising to see a noted corrective setback last Friday. In fact, with the S&P forging a new all-time high, analysts deciding the bond market was the "wrong" market this week and seeing more Fed members discuss tapering one might have expected treasury prices to have fallen significantly last week. Over the past couple weeks, a large portion of the market (including us) has labeled the rally in treasuries as excessive. However, the treasury market appears to have correctly anticipated a slowing of the global recovery pace and with the appearance of a significant "surge" of Delta variant infections in the US, the threat of slowing is enhanced.

Apparently, the outlook on the Chinese economy from the PBOC is also forecasting slowing as the central bank moved to lessen reserve rate requirements for banks, thereby providing significant fresh liquidity! Even the ECB is showing signs of concern for the recovery pace, as word is the next ECB meeting will focus on policies designed to revive inflation. At least in the near term, the Chinese central government has punctured the speculative bubble in a-number-of key industrial commodities and has even created demand doubt for US grain purchases and that dampens inflation potentials. On the other hand, the Fed's semi-annual monetary policy report said that upward pressure on inflation was lasting, but still likely to be temporary and that might foster inflation headwinds for the Treasury bull camp.

From a mechanical perspective, Treasuries will see another wave of Treasury supply this week starting with 3 and 10-Year Notes on Monday, and a 30-year auction on Tuesday. However, with the lowest yields since February, demand for the fresh supply could be suspect! On the other hand, both bonds and notes remain net spec and fund short and therefore short covering buying is likely in addition to fresh buying in the wake of any US soft data. Bond positioning in the Commitments of Traders for the week ending July 6th showed Non-Commercial & Non-Reportable traders net sold 8,217 contracts and are now net short 110,075 contracts. T-Note positioning showed Non-Commercial & Non-Reportable traders net bought 36,840 contracts and are now net short 188,593 contracts.

CURRENCIES:
At the end last week, it does not appear as if there is a primary leadership currency in the marketplace. However, if there is a leadership currency it is the Japanese Yen which managed to rise last week in the

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face of disappointing scheduled Japanese economic news and in the wake of a decision to not allow spectators at the Olympics in Japan. After bottoming out just below 8,000, US infections have spiked up with the latest reading topping 26,000. However, the US dollar has not shown bullish interest toward the dollar as-a-result of the rising concern that another infection wave will trip up the US economy.

In fact, the US economy has showed a definitive deceleration on its own already and would appear to be vulnerable to tipping back into contraction if there are regional returns to personal distancing. On the other hand, the September dollar index appears to have found support at 92.00 and international interest for US treasury auction supply this week might provide support for the dollar as money moves into the US to capitalize on a slight yield differential edge. The Commitments of Traders report for the week ending July 6th showed Dollar Non-Commercial & Non-Reportable traders are net long 13,019 contracts after net buying 8,516 contracts.

With the euro bouncing off its lows last week we suspect the significant oversold technical condition from the July washout has been balanced and a return down to 1.1800 is likely in the September contract. While German wholesale price readings for June on a year-over-year basis jumped sharply, German wholesale price readings for June on a month over month basis came in softer than the prior month thereby limiting inflation buying support for the euro. The Commitments of Traders report for the week ending July 6th showed Euro Non-Commercial & Non-Reportable traders are net long 120,733 contracts after net selling 13,833 contracts.

Obviously, the Yen is significantly overbought from a tremendous 4-day rally to start out the month of July. However, the bull camp will suggest the corrective action off last week's highs has balanced the overdone condition and that Japanese machinery orders and Japanese producer price readings released overnight provide a fundamental cushion for the currency. It should be noted that after breaking out above a 3-month-old downtrend channel resistance line, the Yen appears to be poised to return to that channel. Like the euro, the Swiss forged a noted upside breakout last week and has extended that higher high pattern in the early action this week. However, we are concerned that Delta variant infection readings in continental Europe will flare as in the US and that could throw the September Swiss back below under pressure.

The Pound appears to have run into solid resistance at the 21-day moving average early this week and it feel back from that level last Friday. The reversal appears to negate the breakout above the June downtrend channel resistance line despite UK Prime Minister plans to remove all remaining Covid restrictions next week. Apparently, currency traders are fearful that a full opening up of the UK will result in a spike in the highly contagious Delta variant. With a technical bounce off last week's lows seemingly stalling with a double high, the Canadian looks vulnerable to a resumption of the June and July downtrend. In the near term, the Canadian will not have critical scheduled data released, but the currency appears to have already lost upside momentum off the expectation of further asset purchase reductions by the Bank of Canada. In other words, the trade might see the reduction of asset purchases as premature.

STOCKS:

With the S&P forging a new all-time high last Friday and managing the gains in the face of increasing concern over the Delta variant, it appears that investors are still willing to buy breaks. On the other

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hand, we are very concerned with the US equity market's lack of significant upside action in the face of this week's large decline in US treasury yields. However, big banks and big tech are under attack by Washington officials and that is certainly deterring some buying interest.

Global equity markets early this week were mixed with Asian/Pacific Rim stocks higher and the rest of the world generally lower. In looking ahead this week, the trade starts out with residual global economic slowing fears following the early July flow of soft data. However, a reserve rate requirement reduction in China and expectations that the ECB will implement fresh policies to attempt to revive inflation providing investors with some confidence. On the other hand, the equity markets are likely to shift their focus from low treasury yields to the beginning of a heavy flow of corporate earnings with the bull camp in need of fresh bullish fodder.

In retrospect, the massive spike down washout and recovery last Friday should have balanced the short-term overbought condition from the late June and early July record run. With an empty US scheduled report slate Monday, the market will focus on earnings but also on a midday auction of treasury notes, as falling US interest rates are clearly a major component of the rally in stocks over the last 3 weeks. While the net spec and fund long in the Mini S&P remains near the peak of the last 14 months range, the net long is mere fractions of the all-time high, but it remains well below levels (265,000 net long) we consider to be overbought. The Commitments of Traders report for the week ending July 6th showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 803 contracts and are now net long 85,788 contracts. The bias remains up with the focus shifting to earnings!

The Dow futures have forged an all-time high to start the new trading week but have recoiled from that level in a fashion that suggests resistance has been posted at 34,760. The question for large cap stocks in the Dow is whether-or-not the surging Delta variant infection count will undermine the bullish track or if further declines in US treasuries and favorable earnings will overcome those potential negatives. Dow Jones $5 positioning in the Commitments of Traders for the week ending July 6th showed Non-Commercial & Non-Reportable traders net bought 5,869 contracts and are now net long 12,680 contracts.

The path of least resistance is pointing up to start the new trading week, but the earnings cycle could set the tone for the coming weeks. Holding back the NASDAQ is the prospect for antitrust action, or excessive regulation of big tech. Negatives for the NASDAQ include a revenue hit against Didi because of Chinese government intervention and an Amazon global service outage. The bias is up but the path ahead looks to be volatile. The July 6th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders reduced their net short position by 2,681 contracts to a net short 17,814 contracts.

GOLD, SILVER & PLATINUM:

While the gold market has respected $1,800 in the early trade this week, the bull camp continues to lack a definitive bullish theme capable of "driving" prices sharply higher. In a slightly negative development, overnight stories of Indian sales of family gold heirlooms are predicted to push scrap sales above 215 tonnes this year, with reports of very heavy sales of gold in southern India in the face of severe financial pressures from the pandemic. All things considered, the rally in gold over the prior two weeks has been

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impressive with the market fighting against periodic strength in the dollar and a slight sprinkling of economic disappointment. On the other hand, interest rates in the same timeframe fell precipitously and in turn became the "focus" of the gold trade.

Given the lack of tight positive correlation between gold and silver, one could argue that the gold market focus has also been trained on a measure of flight to quality buying for gold while industrial demand disappointment is a feature in the silver market. In addition to being disjointed and losing momentum, the gold market might have been boosted by the rising tide of the Delta variant and more importantly from the spike in daily US infections. In fact, after bottoming out just under 8,000 infections, the US infection count has now posted 2 days above 26,000 infections. With the recent US holiday likely sparking significant close contact in the US, we would expect the infection rates to continue rise thereby stoking uncertainty coverage in the press.

From a longer-term perspective, seeing another flare-up in the Covid crisis should be seen as a taper tempering development, and that should help support firm up under August gold around the $1,800 level, but it also might be a development that allows for a stronger inflationary reaction down the road. In other words, forcing the Fed to hold off despite the "initial surge" in inflation, could allow that force to gain a foothold! Unfortunately for the bull camp, the windfall from precipitous declines in US treasury yields could be overdone, leaving gold without a primary bullish force this week.

While the most recent COT positioning report likely understates the magnitude of the net spec and fund long in gold, the long remains low in the last 2 years range and at the midpoint of the range seen since 2010. The Commitments of Traders report for the week ending July 6th showed Gold Managed Money traders were net long 93,004 contracts after increasing their already long position by 20,488 contracts. Non-Commercial & Non-Reportable traders net bought 23,325 contracts and are now net long 226,515 contracts. Obviously, consolidation low support to start the trading week is seen at $1,793.50 and resistance is last week's high of $1,819.50 and then again up at the 200-day moving average of $1,838.15.

While the silver market has missed out on the recent rally in gold, and is obviously unmoved by falling rates, it has also been oblivious to the periodic strength in the dollar. However, given silver's industrial metal focus, the sideways track since the major washout in the middle of June is justified. From a positioning perspective, the silver market also sits near the middle of the last 3-years net spec and fund long range. Silver positioning in the Commitments of Traders for the week ending July 6th showed Managed Money traders were net long 35,557 contracts after increasing their already long position by 2,415 contracts. Non-Commercial & Non-Reportable traders were net long 63,537 contracts after increasing their already long position by 6,272 contracts. The silver market tested and rejected the 200-day moving average last Thursday and Friday but has also managed 7 straight closes above that level. Therefore, support is seen at $25.95 and thick resistance is seen at $26.55.

With palladium forging a 12-day rally of $433 and returning to a wide trading range forged between April and the present, it appears that the aggressive washout below $2,750 has been rejected. In fact, it appears that investment interest in palladium is expanding with a significant 8,575-ounce single day ETF holding inflow last Friday which is a single day gain of 0.2%. It should also be noted that on the week palladium holdings increased 3,369 ounces. However, the demand side of the equation in palladium

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remains disappointing, with US auto sales falling back in the most recent monthly readings, global economic data becoming mixed, and in-particular with Chinese economic activity seemingly losing momentum.

On the other hand, recent Chinese inflation data has allowed for a reduction in Chinese reserve rate requirements for banks, which is viewed as fresh stimulus. While a lesser influence, declining US treasury yields added to the late June early July recovery and could point to solid support now at a quasi-quadruple low around $2,733. However, the $2,750 level might be more appropriate support. Despite the significant rally over the past 35 days, the net spec and fund long positioning in palladium remains low relative to history and low to the last 3 years.

Palladium positioning in the Commitments of Traders for the week ending July 6th showed Managed Money traders were net long 3,551 contracts after increasing their already long position by 847 contracts. Non-Commercial & Non-Reportable traders were net long 2,943 contracts after increasing their already long position by 1,020 contracts. With the platinum market closing almost right on its 200-day moving average on Friday, the bull camp might have fresh hope. However, bull and bear fundamentals are absent, and platinum is not correlating with palladium. Platinum positioning in the Commitments of Traders for the week ending July 6th showed Managed Money traders reduced their net long position by 1,543 contracts to a net long 3,600 contracts. Non-Commercial & Non-Reportable traders net sold 613 contracts and are now net long 21,842 contracts.

COPPER:

With a weaker start to the new trading week and 3 weeks of sideways chop around both sides of $4.25 it appears that September copper is destined for another temporary probe below $4.25 early this week. Apparently, the London copper market started the week out soft off fears that Chinese demand for copper was likely to soften along with the recent softening of Chinese economic data. On one hand, disjointed Chinese economic news (predictions of a sharp month over month decline in Chinese overall exports), Chinese lingering threats to deflate industrial material prices and the Delta variant issue should present fundamental resistance. On the other hand, Shanghai copper stocks have posted 8 weekly draws in a row and have reached the lowest since February of 2019.

While we are not sure, it is possible that some the Chinese strategic reserves were housed in the Shanghai warehouse and the drawdowns represent a small portion of the auction supply. It is unclear at what price level copper will encounter another strategic sale, but in-the-event that iron ore, steel, and other material prices remain under control, the Chinese government might be less aggressive with their copper sales. The most recent positioning report in copper showed a net spec and fund long in the lower end of the last 13-month range and is approaching average long positioning of the range forged since November 2016! The July 6th Commitments of Traders report showed Copper Managed Money traders added 4,930 contracts to their already long position and are now net long 32,506. Non-Commercial & Non-Reportable traders net bought 6,614 contracts and are now net long 26,440 contracts.

ENERGY COMPLEX:

The inability to hold a 3-day high followed by a quick setback to the vicinity of the 21-day moving average at $72.09 sets up a test of the bull case early this week. In retrospect, the $6 plus break in crude

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oil last week violated a-number-of key chart support levels and in turn dealt a psychological blow to the bull camp. However, in addition to another bullish weekly EIA crude oil stocks decline last week, the market is supported by news that Russian President Putin had no plans to talk to OPEC+ at present, there was a record US implied gasoline demand reading last week and the market is supported by news that crude oil in global floating storage remains 51% below year ago levels. In other supportive news, crude oil was able to recover in the face of slack US and Chinese economic readings and (so far) demand fears have not resurfaced in the face of surging US infection counts from the Delta variant. After bottoming out just under 8,000, the latest daily US infection count produced by the CDC showed over 26,000 infections! Going forward, further recovery action probably requires another decline in weekly US crude oil stocks, and that is likely considering that the US refinery operating rate is settling in above 92%!

While the bull case appears to be dominant, looming in the wings is the potential for additional oil supply flow from OPEC plus next month. Certainly, conflict between the Saudi Oil Minister and the UAE Oil Minister and the cancellation of a meeting casts doubt on a deal for additional supply, but we think a deal will ultimately be reached, but not until we are closer to the beginning of August. In the latest spec and fund positioning report the net long was pulled down but the net spec and fund long position remains near the highs seen since October 2018! The July 6th Commitments of Traders report showed Crude Oil Managed Money traders were net long 373,870 contracts after decreasing their long position by 33,686 contracts. Non-Commercial & Non-Reportable traders are net long 628,131 contracts after net selling 24,252 contracts. We leave the edge with the bull camp but are fearful of deteriorating economic data and the surge in infections which in turn eats into the strong demand argument. Furthermore, any suspicion toward demand with crude oil pricing near $75 and with the threat of added OPEC plus production could unleash significant downside volatility.

The gasoline market has regained 80% of its correction from last week and is clearly benefiting from last week's US all-time-record high implied gasoline demand reading. The market is also underpinned as-a-result of news of improved Indian product consumption, a lack of rebuilding EIA/API gasoline supplies especially with very active US refining. Adding into the bullish track is the 4% decline in European gasoline stockpiles last week. In fact, current ARA gasoline stocks are only 994,000 tonnes compared to 1.2 million tonnes last year! However, as in the crude oil market, expectations for improving demand are the primary driving force behind the bull case and therefore overall global macroeconomic sentiment is becoming more critical with each higher high in gasoline futures prices. Fortunately for the bull camp, the net spec and fund long positioning in gasoline remains at the lower portion of the range of net long positioning since April 2019.

The Commitments of Traders report for the week ending July 6th showed Gas (RBOB) Managed Money traders were net long 52,062 contracts after decreasing their long position by 14,321 contracts. Non-Commercial & Non-Reportable traders net sold 15,432 contracts and are now net long 59,286 contracts. In the end, we concede to a bull track but see risk escalating because of rising variant infections and the lack of distinct forward progress in global scheduled data points. The ULSD market also managed to aggressively reject last week's washout and appears headed back to contract highs and a trade above $2.20. On the other hand, the net spec and fund long in diesel is near the highest levels since October 2018 and daily US TSA airport security checkpoint numbers have leveled out near 2 million per day. Heating Oil positioning in the Commitments of Traders for the week ending July 6th showed Managed

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Money traders were net long 28,548 contracts after decreasing their long position by 3,815 contracts. Non-Commercial & Non-Reportable traders net sold 1,377 contracts and are now net long 45,930 contracts. Like the gasoline market we concede to an upward track in ULSD prices but see long side risk becoming very significant.

While the March through June rally was justified by extremely cheap pricing, prices appear to have stalled just above $3.60 in a fashion that suggests fresh demand news is needed to extend prices toward $3.80. Certainly, long-term inflation/fund interest views natural gas as cheap, but the mid-June through early July rally likely discourages buyers above the $3.60 level for now. In retrospect, last week's inventory injection was much smaller than expected and China has indicated they will attempt to utilize natural gas as an interim step to clean electricity generation. However, China has "brought in" its own natural gas production and that could decrease their need to tap global supplies. On the other hand, seeing the world's largest polluter planning to utilize natural gas as an interim transition to the clean world effort, should increase the potential other countries will take the same path. With a significant washout following the release of the COT positioning report, the net spec and fund short in gas might be slightly larger than stated in the July 6th report.

The July 6th Commitments of Traders report showed Natural Gas Managed Money traders added 8,609 contracts to their already long position and are now net long 103,665. Non-Commercial & Non-Reportable traders added 3,373 contracts to their already short position and are now net short 69,345. While the temperature forecast for the US out to July 24th shows hot temperatures in the northern quadrant of the US, temperatures in the south are expected to be below normal while the heavy populated eastern seaboard sees normal temperatures in that same timeframe. We suggest traders avoid paying up for September natural gas above the $3.57 level as potential stop points from the charts for long positions are significantly lower down at $3.5240 and again at $3.4050. It should also be noted that open interest in natural gas has skyrocketed to the highest level since March of last year on the recent rally, and the shift in the US temperature mix in regions of the US could lower composite cooling demand ahead.

BEANS:

Good rain amounts in dry areas of the Midwest over the past 7 days, plus more rain in the next 5 days has left the market in a short-term downtrend and soybeans fell 5% for the week last week. Late July and early August is the key weather period for determining soybean yield, so the market is unlikely to pull more of the weather premium out over the near term. For the USDA Supply/Demand report, traders see soybean yield near 50.6 bushels per acre, 50.0-50.8 range, as compared with 50.8 in the June report. Old crop ending stocks are expected to come in near 135 million bushels, 115-165 million range, as compared with 135 million bushels in the June update.

For the new crop season, traders see ending stocks near 147 million bushels, 102-185 million range, as compared with 155 million bushels in the June update. World ending stocks are expected near 92.6 million tonnes, 91.2-93.5 million range, as compared with 92.6 million tonnes in the June update. The market managed to close higher on Friday even with disappointing US export sales report. The USDA attache from Argentina lowered their production forecast by 500,000 tonnes to 44.5 million. Exports

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were lowered 500,000 tonnes to 5.0 million. The U.S. Department of Agriculture confirmed private sales of 228,600 tonnes of U.S. soybeans to Mexico for shipment in the 2021/22 marketing year.

US soybean export sales continue to run above the 5-year average and year-ago levels but expectations for exports (particularly from China) leave the trade disappointed with demand. Sales for the week ending July 1 came in at 63,808 tonnes for the current marketing year and 118,500 for the next marketing year for a total of 182,308. Cumulative soybean sales have reached 16.6% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 11.0%. Net meal sales were strong at 211,822 tonnes for the current marketing year and 55,752 for the next marketing year for a total of 267,574.

Net oil sales came in at -437 tonnes (cancelations). Cumulative oil sales have reached 78.8% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 93.4%. China raised its forecast on imports of edible oils in 2020/21 marketing year, due to an increase of palm oil and sunflower oil shipments, the country's agriculture ministry said early this week. China's 2020/21 edible oils imports were seen at 10.23 million tonnes, up 900,000 tonnes from last month's forecast.

The July 6th Commitments of Traders report showed managed money traders were net long 82,180 contracts after increasing their already long position by 5,923 contracts for the week. Non-Commercial No CIT traders reduced their net long position by 3,615 contracts to a net long 27,395 contracts. For soyoil, managed money traders were net long 48,174 contracts, unchanged for the week. Non-Commercial & Non-Reportable traders net sold 3,073 contracts and are now net long 53,711 contracts. For Soymeal, managed money traders added 5,151 contracts to their already long position and are now net long 20,964. Non-Commercial & Non-Reportable traders were net long 63,273 contracts after increasing their already long position by 4,406 contracts.

CORN:

With hefty rain totals for much of the Midwest over the past seven days, and especially for South Dakota and southern Minnesota, plus the forecast for more rain in these areas over the next five days are bearish forces and contributed to the selloff to the lowest level since May 26 on Friday. Perhaps the warmer and drier trend in the 6-14 day models has helped support this morning. December corn closed 12% lower for the week last week. Last week, previously dry areas of Iowa, South Dakota, southern Minnesota and Wisconsin received good amounts of rainfall to ease dryness concerns, and there is another 1 to 2 inches expected for large parts of Minnesota, Iowa, Illinois, Wisconsin, Michigan and Indiana this week. The 8-14 day forecast models show above normal temperatures for the Dakotas, Minnesota and parts of Iowa, but mostly normal and even below normal temperatures for the southern and eastern parts of the Midwest. Below normal precipitation is expected for the entire Midwest.

For the Supply/Demand report, traders see corn yield near 178.7 bushels per acre, 175.5-179.8 range, as compared with 179.5 in the June update. Old crop ending stocks are expected near 1.071 billion bushels, 957-1.211 billion range, as compared with 1.107 billion bushels for the June update. Ending stocks for the 2021/22 season are expected near 1.361 billion bushels, 1.000-1.542 billion range, as compared with 1.357 billion in June. World ending stocks are expected near 286.5 million tons, 277-295 million range, as compared with 289.4 million in the June update. While corn export sales overall continue to run

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significantly above year ago and five-year average levels, the trade was partially disappointed with last week's sales tally with disappointment toward Chinese interest.

The weekly export sales report showed that for the week ending July 1, net corn sales came in at 173,177 tonnes for the current marketing year and 198,218 for the next marketing year for a total of 371,395.
Cumulative sales have reached 25.6% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 7.4%. The July 6th Commitments of Traders report showed managed money traders are net long 219,371 contracts after net selling 26,063 contracts for the week. Non-Commercial No CIT traders reduced their net long position by 24,710 contracts to a net long 159,115 contracts. Non-Commercial & Non-Reportable traders were net long 262,125 contracts after decreasing their long position by 24,750 contracts for the week.

WHEAT:
If there are no bearish surprises for the USDA report, the extended forecast models still look threatening for the spring wheat crop and crop conditions look to deteriorate over the next two weeks. On the other hand, September wheat pushed down to the lowest level since April 5th and closed 5.8% lower on the week. For the supply/demand update, traders see wheat ending stocks near 724 million bushels, 572-809 million range, as compared with 770 million bushels from June. World ending stocks are expected to come in near 295.8 million tonnes, 292-300 million range, as compared with 296.8 million tonnes in June.

The French wheat harvest is underway but reached just 1% complete as of July 5 as compared with 10% a year ago. Frequent showers and cool temperatures since late June have caused concern about harvest delays and potential quality issues. December Minneapolis wheat bounced back from early pressure Friday to finish with a sizable gain. The weekly export sales reading came in at the lower end of estimates, which weighed on wheat prices. The weekly export sales report showed that for the week ending July 1, net wheat sales came in at 290,836 tonnes. Cumulative sales have reached 27.3% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 28.8%.

The Commitments of Traders report for the week ending July 6th showed managed money traders went from a net long to a net short position of 13,617 contracts after net selling 14,391 contracts for the week. CIT traders net sold 7,257 contracts and are now net long 149,615 contracts. Non-Commercial & Non-Reportable traders went from a net long to a net short position of 8,613 contracts after net selling 13,806 contracts. For KC Wheat, managed money traders net sold 1,843 contracts and are now net long 20,880 contracts. Non-Commercial & Non-Reportable traders were net long 15,471 contracts after decreasing their long position by 2,016 contracts.

HOGS:
The USDA pork cutout released after the close Friday came in at $114.28, down $1.22 from Thursday and down from $114.30 the previous week. Cut-out values were near $65 last year and near $70 in 2019 at this time of the year so the very strong price this year may be difficult to hold into the fall as slaughter

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levels seasonally advance. Exports could also begin to ease for the rest of the year but for now, China demand remains strong.

The export sales report was supportive, with US pork export sales for the week ending July 1 coming in at 43,794 tonnes, up from 32,516 the previous week and the highest they have been since May 20. Cumulative sales for 2021 have reached 1.207 million tonnes, down from 1.254 million last year but above the five-year average of 904,000. China was the biggest buyer this week at 16,299 tonnes, followed by Mexico at 13,785, and Japan at 8,390. This was the biggest week for China since March 25. Mexico is the largest buyer so far this year at 381,577 tonnes, followed by China at 322,470 and Japan at 137,988.

For the week, August hogs finished with a gain of 135 points. Recent strength in US pork prices and the futures discount to cash are supportive fundamentals, but the market is also dealing with a negative technical reversal from last week. With the lean index near 109.77, August hogs continue to hold a stiff discount and this may have helped to support. The USDA estimated hog slaughter came in at 463,000 head Friday and 55,000 head for Saturday. This brought the total for last week to 1.923 million head, down from 2.277 million the previous week and down from 2.597 million a year ago.

Estimated US pork production for the week ending July 10 came in at 406.7 million pounds, down from 486.5 the previous week and down from 552.0 a year ago. Friday's Commitments of Traders report showed managed money traders were net seller of 462 contracts for the week ending July 6, reducing their net long to 67,207. Non-commercial & non-reportable traders were net sellers of 3,920 contracts, reducing their net long to 67,939. Given the downtrend, funds still hold a hefty net long position and this leaves the market vulnerable to increased selling if support is violated.

CATTLE:

The short-term trend remains down with August cattle moving to the lowest level since June 11 on Friday. Continued weakness in the beef market and sluggish trade for the cash market has kept sellers active. Beef prices are at the highest level ever for this time of the year, and this has traders nervous over continued sluggish retail demand. Dressed steer weights continue to trend lower in a period when weights typically push higher which is a positive. On the other hand, slaughter levels should seasonally advance in the weeks and months just ahead. For the week, August cattle finished with a loss of 277 points.

The USDA boxed beef cutout was down $2.41 at mid-session Friday and closed $3.38 lower at $278.59. This was down from $287.65 the previous week and was the lowest the cutout had been since April 8. Cash cattle fell roughly $2 last week. As of Friday afternoon, the 5-day, 5-area weighted average priced was 121.59, down from 123.62 the previous week. The USDA estimated cattle slaughter came in at 120,000 head Friday and 95,000 head for Saturday. This brought the total for last week to 582,000 head, down from 626,000 the previous week and 649,000 a year ago.

The export sales report showed improvement over recent weeks. US beef export sales for the week ending July 1 came in at 23,769 tonnes, up from 12,090 the previous week and the highest they have been since May 20. The average of the previous four weeks is 14,567. The largest buyer this week was

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South Korea at 10,357 tonnes, followed by Japan at 5,884 and China at 2,746. Cumulative sales for 2021 have reached 698,700 tonnes, up from 541,100 last year and the highest on record.

South Korea has the most commitments so far for 2020 at 195,300 tonnes, followed by Japan at 171,400 and China at 108,800. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,844 contracts of live cattle for the week ending July 6, reducing their net long to 62,881. Non-commercial & non-reportable traders were net sellers of 754, reducing their net long to 77,726.

COCOA:
Cocoa was an exception to the second-quarter commodity rally in that it was weighed down by bearish supply/demand factors. With the market reaching an eight-month low last week, cocoa is well into “bargain” territory and may be ready to begin a longer-term recovery move. September cocoa broke out of it near-term consolidation to the upside and rallied sharply to finish Friday’s trading session with a sizable gain that broke a 6-session losing streak. For the week, September cocoa finished with a gain of 28 points (up 1.2%) which was a second positive weekly result for the past 3 weeks and was a positive weekly reversal from Thursday’s 8-month low.

Sizable rallies in European and US equity markets and a rebound in the Eurocurrency provided carryover support to the cocoa market as that can help to soothe near-term demand concerns. The prospects for longer-term demand improvement as COVID restrictions are relaxed later this year provided an additional source of strength. The European Cocoa Association will release its second quarter European grinding total early Tuesday, and analysts expect that it will show a double-digit increase over last year. European second quarter 2020 grindings were their lowest result for any quarter in five years, but a 10% increase over last year would be around 345,500 tonnes, roughly in-line with the second quarter of 2019 and the third and fourth quarters of 2020.

The International Cocoa Organization (ICCO) forecast a record world production of 5.024 million tonnes for 2020/21. Ivory Coast 2020/21 production is expected to reach record levels, Ghana is expected to see a sharp increase from last season while Nigeria and Ecuador are expecting production increases. The ICCO also forecast record global grindings at 4.808 million tonnes, which would result in a 2020/21 global production surplus of 165,000 tonnes. Keep in mind that a large portion of this season was impacted by the COVID pandemic that started in early 2020. In addition to dampening global sentiment, travel restrictions also had a negative impact on chocolate purchases, particularly in Europe.

The Commitments of Traders report for the week ending July 6th showed Cocoa Managed Money traders net sold 9,998 contracts and are now net short 11,744 contracts. CIT traders were net long 26,006 contracts after decreasing their long position by 6,602 contracts. Non-Commercial No CIT traders net sold 8,139 contracts and are now net short 21,879 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 10,344 contracts to a net long 2,294 contracts.

COFFEE:
After starting the month with a wide-sweeping outside-day down session, coffee prices appeared to found their footing late last week. Although their recent frost did not reach their major Arabica-growing

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regions, Brazil’s current crop will come in well below last season’s output total which should help to underpin coffee prices this week. September coffee continued to have trouble sustaining upside momentum as it finished Friday’s trading session with a moderate loss. For the week, September coffee finished with a loss of 1.65 cents (down 1.1%) which was a fifth negative weekly result over the past 6 weeks.

The Brazilian currency has fallen well below its late June highs over the past 2 weeks, and that has kept carryover pressure on coffee prices as extended currency weakness may encourage Brazil’s farmers to market their near-term coffee supplies to foreign customers. European near-term demand remains a concern as restaurants and retail shops have yet to return to full operations, and that also weighed on coffee prices going into the weekend. ICE exchange coffee stocks (most of which are held at warehouses in Belgium and Germany) rose by 6,583 bags on Friday.

They will start this week more than 19,000 below their June month-end total, however, and that put ICE exchange coffee stocks on-track for their first monthly decline since September. Updated forecasts call for Brazil’s south Minas Gerais growing region to have mostly dry weather over the next 2 weeks, and that should aid in this season’s harvesting. However, there are reports that Brazil’s coffee exports continue to be disrupted by shipping container shortages and a lack of space on outbound ships, while Colombia’s coffee exports may not return to full speed until September.

Coffee positioning in the Commitments of Traders for the week ending July 6th showed Managed Money traders reduced their net long position by 7,320 contracts to a net long 30,621 contracts. CIT traders added 1,063 contracts to their already long position and are now net long 73,847. Non-Commercial No CIT traders were net long 23,365 contracts after decreasing their long position by 8,150 contracts. Non-Commercial & Non-Reportable traders were net long 49,311 contracts after decreasing their long position by 8,077 contracts.

COTTON:
December cotton closed at its highest level since June 11th, but did not take out last Tuesday's high. The dollar was weaker, and the Dollar Index closed at its lowest level since June 29, which was supportive to cotton. With the threat to the Texas crop diminished, the trade seems to be focused on demand issues, particularly export sales, which showed improvement on Friday. The market remains in a short-term uptrend in spite of the recent bearish weather developments.

For the USDA update, traders see production coming in near 17.29 million bales, 16.60-18.50 million range, as compared with 17.0 million in the June update. Ending stocks are expected near 3.04 million bales, 1.95-4.50 million range, as compared with 2.9 million in the June update. World production is expected to be revised higher, and world consumption is expected to be revised slightly lower. World ending stocks are expected near 89.86 million bales, 88.4-91.97 million range, as compared with 89.3 million in the June report.

US cotton export sales came in at 52,128 bales for the 2020/21 (current) marketing year and 176,961 for 2021/22 for a total of 229,089. This was up from 176,556 the previous week and the highest since May 27. Cumulative new crop sales have reached 2.604 million bales, down from 3.490 million last year and

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the lowest for this time of year since 2015/16! Current year sales represent 106% of the USDA's forecast for the marketing year versus a five-year average of 111%. Friday's Commitments of Traders report showed managed money traders were net sellers of 777 contracts of cotton for the week ending July 6, reducing their net long to 52,717. Non-commercial & non-reportable traders were net sellers of 1,009, reducing their net long to 79,875.

SUGAR:

Sugar prices finished last week on a 4-session losing streak as it fell more than 1.20 cents below a multi-year high on July 1st. If energy prices remain well supported during the third quarter, Brazil's Center-South mills are likely to shift more of their crushing towards ethanol production. The Center-South cane crop has already dealt with dry conditions since last year, so this could lead to a very large drop in their sugar production from last year. October sugar was unable to shake off early pressure and remained on the defensive as it reached a new 1 1/2 week low before closing Friday's trading session with a moderate loss. For the week, October sugar finished with a loss of 87 ticks (down 4.6%) which broke a 2-week winning streak.

A shift towards warmer weather over Brazil's Center-South cane-growing regions will reduce the chances of additional frost damage this year, and that helped to fuel profit-taking and additional long liquidation going into the weekend. The Brazilian currency has lost nearly 7% in value since reaching a 1-year high in late June, and that also weighed on sugar prices as an extended period of currency weakness could encourage Center-South mills to maintain sugar's share of crushing near last season's level.

The Brazilian trade group Unica will release their Center-South supply report for the second half of June early this week which is expected to show 2021/22 sugar production and cane crush behind last season's pace. With crude oil above $70 a barrel over that timeframe, sugar's share of crushing may shift downwards as ethanol demand continues to improve. India's monsoon was 7% below normal as of Sunday, but should revive by the end of the week which could finally bring rainfall to some cane-growing areas of western Uttar Pradesh.

The July 6th Commitments of Traders report showed Sugar Managed Money traders net bought 28,040 contracts and are now net long 228,747 contracts. CIT traders are net long 222,845 contracts after net buying 5,700 contracts. Non-Commercial No CIT traders added 19,646 contracts to their already long position and are now net long 167,855. Non-Commercial & Non-Reportable traders are net long 320,986 contracts after net buying 38,619 contracts.

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