ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
August 16, 2021

BONDS:
Last Friday's European data included an uptick in French unemployment and a larger than expected Euro zone trade surplus. However, the turning point for global risk sentiment came with the release of a private monthly survey on US consumer sentiment which was much lower than trade forecasts and reached an 11-year low, which deflated the prospects for Fed tapering by the end of this year. Treasuries were able to break a 6-session losing streak by finishing last Friday with sizable gains.

Not surprisingly, the treasury bond market has started off this week on a positive footing with disappointing Chinese economic data, the takeover of Afghanistan by the Taliban and a weaker US equity market providing the bull camp with plenty of ammunition. The markets continue to draft support from a very disappointing US consumer sentiment reading, which was followed by a lower than expected Empire State survey. In addition, there are signs that the US infrastructure bill might be combined with the progressive spending agenda which in turn should delay all additional government spending support for the US economy.

This week will bring an avalanche of reports and a 20-year bond auction at midweek, while the markets are not overly concerned about recent Fed dialogue suggesting support is building for a faster taper than was largely expected in the marketplace. While the trade expects to see news of tapering in September, that has not prevented Bonds from forging a 6-day high in the early going this week. The Commitments of Traders report for the week ending August 10th showed Bonds Non-Commercial & Non-Reportable traders net sold 898 contracts and are now net short 89,648 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 38,130 contracts after decreasing their short position by 16,304 contracts.

CURRENCIES:
The Dollar turned sharply to the downside late last week following US data and reached a 1-week low during last Friday's trading session. A sharp drop in US consumer sentiment weakened the prospects for Fed tapering and was a major source of pressure the Dollar. A return to a "risk on" mood across many market sectors had the Eurocurrency and Swiss Franc as major beneficiaries. The dollar has not

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benefited from increased political and economic uncertainty at the start of this week, and has also failed to benefit off what is likely a pulling forward of US Fed tapering timing.

However, the dollar derived a measure of support from disappointing Chinese economic data and that apparently offsets the negative views toward the dollar off the potential for a disastrous exit from Afghanistan. With the speaker of the house upping the ante on her historically large "combined" spending package, the dollar could be undermined because of a likely significant delay in passage of what would be the largest ever spending/stimulus initiative. The Commitments of Traders report for the week ending August 10th showed Dollar Non-Commercial & Non-Reportable traders were net long 23,995 contracts after increasing their already long position by 732 contracts.

We are surprised that the euro has avoided pressure early this week given several negative global macroeconomic developments. However, the bear camp retains control with the prospects for renewed global economic headwinds increasing and that times pressuring recovery currencies. Euro positioning in the Commitments of Traders for the week ending August 10th showed Non-Commercial & Non-Reportable traders net sold 13,441 contracts and are now net long 66,524 contracts. While the amount of market anxiety to start this week was relatively low, the Yen appears to have regained its flight to quality status again.

The Swiss was showing the most bullish track of non-dollar currencies early this week and that is likely the result of surging inflation expectations, disappointing Chinese economic data, and the situation in Afghanistan. While the Pound appears to be poised to breakout to the upside on its charts, we are highly skeptical of that potential action. While not a significant detriment, a private UK home price survey for August showed a month over month decline of 0.3% and housing has been a stalwart performer within the UK economy!

While the most likely direction for the Canadian dollar appears to be sideways, the next Canadian CPI report comes out this Wednesday, and it is expected to come in above a 3% year-over-year rate. More than 50% of US crude oil imports come from Canada, so stronger US demand should continue to be a positive force for the Canadian economy. Housing starts will be released as well, and that number is also expected to be strong. If these numbers do come strong, they could be the impetus to send the Canadian dollar on a rally out of its consolidation zone.

STOCKS:

The global markets have seen volatile action but were able to regain a positive tone by the close of Friday's trading session. Rising new COVID case count in Japan cast a shadow over global risk sentiment early in the day, but the sharp drop to a multi-year low in a major consumer sentiment reading diminish chances that the Fed would taper this year. US equity market bounced back from early pressure and finished last Friday with mixed results. Global equity markets at the start of this week were mostly lower with the exceptions the Shanghai composite and Hong Kong Hang Seng, as the markets were disappointed by the amount of growth in China and the takeover of Afghanistan by the Taliban. Equity markets are also unnerved because of reports that Fed opinion has shifted toward the potential for tapering to start "next month"!

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While the S&P clearly started off on a back foot this week, We also suspect that the markets are undermined because of what will likely be a protracted delay in passage of a US infrastructure bill. Our reasoning behind a significant delay in passage of an infrastructure bill is the speaker of the house announcement that she wants the two bills "combined" to coerce house members to agree to sweeping changes in the social fabric of America. Fortunately for the bull camp, the net spec and fund long positioning in the E-mini-S&P remains very modest below 90,000 contracts and that should indicate significant buying fuel remains in place on the sidelines. E-Mini S&P positioning in the Commitments of Traders for the week ending August 10th showed Non-Commercial & Non-Reportable traders were net long 89,998 contracts after decreasing their long position by 25,959 contracts.

The chart damage in the mini-Dow futures to start this week was notable with the economic outlook downshifting and last week's new all-time spike high carved out on declining volume. The Commitments of Traders report for the week ending August 10th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 4,965 contracts and are now net long 7,286 contracts. With the NASDAQ coiling over the prior 8 trading sessions the index is clearly failing to benefit from the surge in US infections which has typically resulted in the purchase of "stay-at-home Nasdaq stocks". From a technical perspective the net spec and fund positioning in the NASDAQ was "net short" and that should temper the amount of stop loss selling on chart failures. The August 10th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 13,884 contracts and are now net short 25,455 contracts.

GOLD, SILVER & PLATINUM:

In addition to last week's short covering spillover, the gold market is drafting support from increased political uncertainty in Afghanistan and economic uncertainty from disappointing Chinese economic information. Apparently last week's washout debacle has been largely forgotten by the trade as gold prices into the close on Friday had regained more than $100. With a significant downside reversal in the dollar at the end of last week, the bull camp should have further hope of gains, but the dramatic washout last week has probably left a lasting impact on weak-handed players. On the other hand, seeing US interest rates fall should add to the bull's case.

However, for the dollar and/or treasuries to drive gold and silver prices consistently higher will probably require sharp extensions of last week's treasury bond rally and follow through down in the dollar index. With the net spec and fund long in gold relatively low, it is likely that solid value in December gold has been found just above $1,700. The August 10th Commitments of Traders report showed Gold Managed Money traders reduced their net long position by 55,649 contracts to a net long 51,013 contracts. Non-Commercial & Non-Reportable traders net sold 42,791 contracts and are now net long 199,190 contracts. In fact, some traders will suggest that solid value was found at $1,750 while others see $1,800 as the current market pivot point/fair value zone. In conclusion, more near-term buying is likely but outside market support will be paramount.

In our opinion, the silver market will continue to be a "following" market with gold and the equity markets impacting sentiment in the silver market, we think the $23.00 level is a strong value zone but expect to see September silver regain $24.00 and possibly fill a gap with a trade up to $25.32. In the most recent positioning report, silver had the smallest net long since April 2020 and that should alleviate

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some selling pressure. The August 10th Commitments of Traders report showed Silver Managed Money traders are net long 11,904 contracts after net selling 13,994 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 13,789 contracts to a net long 38,402 contracts.

The charts in the palladium market to start the week are negative with the market seemingly poised to forge a 4-day low. Strength in equity prices last week and ongoing recovery action in gold combined with a very poor finish last week in the dollar failed to result in gains in palladium. However, the net spec and fund long in palladium remains very small indicating a moderate amount of buying fuel sits on the sidelines. Palladium positioning in the Commitments of Traders for the week ending August 10th showed Managed Money traders were net long 2,944 contracts after increasing their already long position by 439 contracts. Non-Commercial & Non-Reportable traders net bought 410 contracts and are now net long 1,924 contracts. However, fears of slowing in China have certainly dampened demand prospects for palladium and until the global chip shortage is remedied, palladium could remain mired within a range defined as $2,590 and $2,676.

With last week's significant volatility in platinum, it appears that platinum is tracking tightly with gold instead of with classic physical commodity market developments. Therefore, the price action in platinum is likely to be signaled by action in equities, the infection count, and scheduled data. Unfortunately for the bull camp, last Friday's platinum ETF holdings declined by 27,756 ounces and posted a net decline last week of 36,842 ounces in a sign that investors remain negative toward platinum. However, the bulls should be cheered by the small net spec and fund long in platinum which is the lowest since June 2019! The August 10th Commitments of Traders report showed Platinum Managed Money traders added 5,094 contracts to their already short position and are now net short 8,982. Non-Commercial & Non-Reportable traders are net long 12,943 contracts after net selling 4,010 contracts.

COPPER:

While the copper market appeared to be in an upward track following the early August washout, disappointing economic news from China has deflated optimism and emboldened the bear camp early this week. However, it should be noted that Chinese economic data did show forward motion in the economy with the trade centered on the rate of growth in that economy as a yardstick. On the other hand, copper prices should be supported because of a Russian export tax increase on copper and other metals but also because of a strike at a Codelco mine in Chile. On the other hand, with the world's largest copper mine labor disputes were settled and demand is suspect due to poor US consumer sentiment and the Delta variant, and therefore it could be difficult to extend last week's rally straightaway.

At the end of last week, Shanghai copper warehouse stocks declined and remain within proximity to the lowest level since 2015 and close to last year's pandemic inspired decline below 80,000 tonnes. Unfortunately for the bull camp, the net spec and fund long in copper is 20,000 contracts above the last 2-year lows with the market gaining $0.08 since the report was measured. The Commitments of Traders report for the week ending August 10th showed Copper Managed Money traders net sold 7,475 contracts and are now net long 31,965 contracts. Non-Commercial & Non-Reportable traders were net long 39,601 contracts after decreasing their long position by 5,877 contracts.

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ENERGY COMPLEX:
In retrospect, the $65.00 level appears to have become a key value zone in the September crude oil contract. However, determining the upside value zone is more difficult with our suspicions pointing to prices just above $70.00 at $70.81. While some in the marketplace feel OPEC+ will release more oil on the world market consistently over the coming months, OPEC sources indicate that they fear more shale oil supply hitting the market and there is concern within the cartel that the latest infection wave from the Delta variant will undermine demand and therefore they intend to be very cautious. Last week, US oil drilling activity jumped to the highest level in 5 months and has now doubled from the record low.

The Baker Hughes US oil rig count on the week increased by 10 to reach its highest level since April of 2020. With the recent US CDC daily infection reading of 140,144 (August 13th) the threat of energy demand destruction is certainly looming in the market. Over the intermediate term, OPEC has continued to project demand growth at 5.95 million barrels per day but reduced next year's oil demand by 1.1 million barrels per day. In the end, with scheduled OPEC plus production increases over the coming months and shale oil production recovering, we suggest that crude oil has made a major top on its temporary flare above $75.00.

While the net spec and fund long in crude oil has come down by 125,000 contracts since June 29th, the crude market remains generally vulnerable to further stop loss selling until the net spec and fund long drops below 500,000 contracts. The August 10th Commitments of Traders report showed Crude Oil Managed Money traders were net long 286,903 contracts after decreasing their long position by 17,883 contracts. Non-Commercial & Non-Reportable traders are net long 525,889 contracts after net selling 30,520 contracts.

While seasonal demand should continue to support gasoline prices, the gasoline market (like many other physical commodities) must monitor the daily infection count closely for signs of renewed restrictions on activity. While not a near term supportive development, US refinery workers are strategizing for next year's contract as the unions are indicating they will also focus on health insurance and severance pay. Fortunately for the bull camp, the net spec and fund long in gasoline remains low compared to the last 3 year's positioning and the end of summer holiday travel weekend remains ahead.

Furthermore, the market has seen Indian fuel demand remains strong despite the Covid variant infection surge and China has seen small refinery output decline to the lowest level in 14 months! Gas (RBOB) positioning in the Commitments of Traders for the week ending August 10th showed Managed Money traders are net long 52,988 contracts after net buying 5,180 contracts. Non-Commercial & Non-Reportable traders are net long 52,251 contracts after net buying 1,593 contracts. With a tropical storm not expected to become a hurricane and projected to slide to the east of most Gulf Coast refineries, the threat of outages is low.

On the other hand, Tropical Storm Grace remains a wildcard and has a more direct path on the heart of the US refinery area. Furthermore, the National Hurricane Center is not predicting the storm to strengthen into a category one storm. While forward demand might contract off the current infection wave, last week's demand reading was a solid 9.4 million barrels per day and the year-over-year stocks

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deficit in gasoline continued to expand. Like the crude oil market, we think the ULSD market has topped and could find it difficult to press above $2.1260 in the September contract. Unfortunately for the bull camp, US security checkpoint counts have continued to waffle around 2 million per day which is roughly 300,000 to as much as 600,000 below normal for this time of the year.

On the other hand, we do see strong value in diesel prices just above $2.00. We would also note that the net spec and fund long in ULSD remains near some of the highest levels since October 2018 and therefore the market is vulnerable to stop loss selling. The August 10th Commitments of Traders report showed Heating Oil Managed Money traders net bought 3,980 contracts and are now net long 42,464 contracts. Non-Commercial & Non-Reportable traders were net long 53,523 contracts after increasing their already long position by 3,748 contracts.

Obviously last week's larger than expected injection of 49 BCF combined with a significant moderation of much above normal temperatures in the US leaves the natural gas market in a vulnerable position. In fact, the temperature forecast now has a very limited region of above normal temperatures situated in the desert Southwest to the end of the month and that is apparently not enough to support natural gas prices at $3.90. On the other hand, the spec short positioning in natural gas last week was already substantial and given the sharp slide since the report was measured of $0.24, we suspect the net short has built to the largest level in 15 months.

Like the crude oil market, the natural gas market has seen the first of 3 tropical storms fail to transition into hurricanes and so far, shipping has only seen modest disruptions. The August 10th Commitments of Traders report showed Natural Gas Managed Money traders are net long 87,869 contracts after net buying 9,455 contracts. Non-Commercial & Non-Reportable traders are net short 104,422 contracts after net selling 6,403 contracts. In the end the 8-to-14-day temperature forecast for the US is bearish with a single pocket of much above normal temperatures seen in a portion of the US desert area.

BEANS:

Trade focus this week will shift to the Pro Farmer crop tour as traders expect to hear of record yield in the East, and below average yields for the West. The 5-day forecast shows only scattered rains of 1/2 inch or less for much of Iowa, southern Minnesota, and very little rain for Illinois. The Dakotas and Nebraska look to receive mostly 1 inch of rain or more. The 6-10 day models show above normal precipitation for the Midwest. For the NOPA July crush report, traders see crush near 159.1 million bushels, with a range of 156.2-164, up from 152.4 million bushels in June, but down 7.9% from a year ago.

November soybeans closed 24 cents higher on the session Friday and this left the market with a gain of 28 1/4 cents for the week. Uncertainty on the outlook for crops in the Western Corn Belt plus evidence of improved demand helped to support the solid gains. Exporters announced the sale of 326,000 tonnes of US soybeans sold to unknown destination. In addition exporters announced the sale of 126,000 tonnes of US soybeans sold to China. Palm Oil futures rose 5.6% last week as higher exports in the first 10 days of August and concerns about tight supplies helped to support.

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Malaysia will see much lower than expected production this year as a shortage of foreign workers contributed to slower production and a 20-year low in yield. Malaysia's crude palm oil production could drop to 18 million tons this year from 19.14 million tonnes in 2020. Soybeans positioning in the Commitments of Traders for the week ending August 10th showed Managed Money traders net bought 13,362 contracts and are now net long 91,648 contracts. The net long position is well down from a peak late last year near 238,000 and the fund buying trend is positive. For Soyoil, managed money traders were net long 63,542 contracts after decreasing their long position by 1,145 contracts. For meal, managed money traders are net long 25,226 contracts after net buying 7,297 contracts for the week and the buying trend is a supportive short-term force.

CORN:

Traders will monitor the Pro Farmer crop tour this week to get a better feel for yield. Last week's USDA monthly supply/demand report, US corn yield and world ending stocks for 2021/22 both came in below the low end of trade expectations, which was a bullish development. World ending stocks for 2021/22 came in at 284.6 million tonnes, below the 288.2 million average forecast and below the low end of the range from 286-292 million. This was down from 291.18 million in the July update. The world corn stocks/usage ratio is now at an eight-year low. If August weather is poor and the average corn yield dips 2% to 171.1 bushels per acre, ending stocks would project to 950 million bushels with a 6.5% stocks/usage. This would be the lowest ending stocks figure since the 2012/13 season and the lowest stocks/usage since the 1995/96 season.

While many areas of the Western Corn Belt missed out on rains over the past week, the Dakotas and Nebraska look to get hit with 1-1 1/2 inches of rain in the next five days. Traders wonder if it is just too late for some of the poor crops in this region to see much of a recovery. Only light scattered rains are in the forecast for much of Iowa, southern Minnesota, Wisconsin and Illinois. The 6-10 day forecast models are also showing above normal precipitation. The USDA report lowered the Brazilian corn estimate for 2020/21 to 87 million tonnes versus 93 million estimated in July. Brazil is typically the world's second largest exporter of corn but with the sharp drop in their production estimate, their export forecast has been lowered to 23 million tonnes, a decline of 12.2 million from 2019/20. This amounts to a decline of 480 million bushels.

We would not be surprised to see US exports adjusted higher by 200-300 million bushels in future reports. December corn gained 16 1/2 cents or up 3% last week. Some talk that it may be necessary to raise US corn plantings plus uncertainty on demand after the USDA lowered export and feed demand in last week's update helped to limit the buying. A sharp break in the US dollar and rumors that China may be booking US corn again helped to support. The August 10th Commitments of Traders report showed Corn managed money traders net bought 7,544 contracts for the week and are now net long 254,044 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,448 contracts to a net long 254,439 contracts. The buying trend from fund traders is a supportive force.

WHEAT:

A bullish USDA report last week, expectations for further reductions in production estimates in the September report, and an inflationary tilt to commodity markets overall help bring the wheat market to

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new contract highs. Russian wheat exports are down 20% so far this season. Wheat shipments for the 2021-22 season totaled 3.8 million tonnes as of August 12th. In the monthly supply/demand report on Thursday, the USDA lowered its US all wheat production forecast for 2021/22 to 1.697 billion bushels (46.18 million tonnes), down from 47.52 million tonnes in the July report and a 19-year low. Russia's production estimate was lowered to 72.5 million tonnes from 85 million in July report.

Canadian production fell to 24 million tonnes from 31.5 million in July. The USDA also lowered US ending stocks to 627 million bushels, which was below the average trade expectation for 644 million and down from 665 million in July. This is the lowest since 2013/14. World wheat ending stocks came in at 279.06 million tonnes, below the range of 280.2-293.7 million and down from 291.68 million in the July update. December wheat closed 9 1/2 cents higher for the session Friday and posted contract highs for the second day in a row. For the week, the market gained 41 cents or 5.6%. A very sharp break for the US dollar plus continued talk of declining production for Russia and Canada helped to support.

December Minneapolis wheat closed 10 1/2 cents higher on the session and moved into new contract highs as well. The August 10th Commitments of Traders report showed managed money traders net bought 3,819 contracts and are now net long 19,127 contracts. Non-Commercial & Non-Reportable traders are net long 26,322 contracts after net buying 1,739 contracts. The buying trend from fund traders is a bullish force with open interest on the rise. For KC Wheat, managed money traders added 6,597 contracts to their already long position and are now net long 44,763. Non-Commercial & Non-Reportable traders are net long 40,524 contracts after net buying 5,269 contracts. This is positive news.

HOGS:

The surge higher in pork product prices late last week comes at a time when October futures were pricing in a massive break, supply is on the rise and export demand is weaker. The CME lean index closed at 110.19 and this leaves October hogs trading at a $23.79 discount to the cash market as compared with a normal discount at this time of the year of $7.03. February hogs closed at a $27.37 discount to the cash market as compared with the five-year average of $4.02. Weekly slaughter levels have been following the five-year average recently, and the trend is up for the next 2 1/2 months. With export demand tapering off, it is surprising that pork values are able to hold at historically high levels.

The USDA pork cutout, released after the close Friday, came in at $124.55, up $6.98 from Thursday and up from $122.36 the previous week. This was the highest the cutout had been since August 3. October hogs recovered to close just slightly lower on the session Friday but were up 190 points from the lows of the day. The market closed lower on the week. The USDA estimated hog slaughter came in at 471,000 head Friday and 77,000 head for Saturday. This brought the total for last week to 2.415 million head, up from 2.321 million the previous week but down from 2.561 million a year ago.

Friday's Commitments of Traders report showed managed money traders were net sellers of 12,277 contracts of learn hogs for the week ending August 10, reducing their net long to 76,854. The long liquidation selling trend is a short-term bearish force. Non-commercial & non-reportable traders were net sellers of 7,880, reducing their net long to 77,916. Per capita supply for 2021 is 50.2 pounds and is expected to increase to 50.9 pounds for 2022. Estimated US pork production for the week ending

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August 14 came in at 505.7 million pounds, up from 486.6 the previous week and down from 540.2 a year ago. Dalian live hog futures were down 2.2% at Monday's close.

CATTLE:
The cattle market continues to trade in a choppy consolidation pattern as traders wait for a rally in the cash market which comes anywhere close to the surge higher we have seen in beef prices. Beef prices jumped 9.6% last week as the cash market drifted slightly lower. With the premium of October cattle to the cash market, the market is not finding support for new buying during a period of sluggish cash market activity. The USDA boxed beef cutout closed $6.90 higher at $324.83. This was up from $296.26 the previous week and was the highest the cutout had been since June 17. Cash live cattle trade was softer last week. As of Friday afternoon, the 5-day, 5-area weighted average prices was 122.78, down from 124.13 the previous week. Early reported volume was light in the principle areas on Friday.

October cattle closed slightly lower on the session Friday with a quiet inside trading day. The early selloff failed to attract new selling interest but the market managed to close higher for the week. Declining supply combined with the highest beef prices on record for this time of the year are factors which should support higher cash markets. Packer profit margins which were already high, have moved sharply higher in the last two weeks. The USDA estimated cattle slaughter came in at 119,000 head Friday and 58,000 head for Saturday. This brought the total for last week to 639,000 head, down from 641,000 the previous week and down from 644,000 a year ago.

Friday's Commitments of Traders report showed managed money traders were net buyers of 906 contracts of live cattle for the week ending August 10, increasing their net long to 68,812. Non-commercial & non-reportable traders were net buyers of 1,114, increasing their net long to 78,156. The monthly USDA supply/demand update showed a slight revision lower for 2021 beef production and a 1.3% drop for 2022 production from last month's estimate. Per capita beef supply is expected to drop from 58.6 pounds to 56.7 pounds in 2022. This is down from 58.4 pounds in 2020 and the lowest it has been since 2016 when it fell to 55.5 pounds. The record low going back to 1971 was 54 pounds in 2015. Average estimated dressed cattle weights for the week ending August 14 came in at 818 pounds, up from 817 from the previous week and down from 836 a year ago. The 5-year average weekly weight for that week is 823.0. Weights normally move higher at this time of the year so the data is neutral to positive.

COCOA:
Over the space of 3 1/2 weeks, cocoa prices have gone from a 9-month low to a 5-month high as bullish supply-side developments have added to a positive longer-term demand outlook. The market may have gotten ahead of itself during the more than 330 point recovery move, however, and may be vulnerable to a near-term pullback. The foundation of the recent strength seems to be coming from short-covering as the open interest fell sharply on the rally. This is not a good foundation to expect minor support levels to hold, or for expecting a series of new highs. For the week, December cocoa finished with a gain of 146 points (up 5.9%) which was a third positive weekly result in a row.

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A positive turnaround in global risk sentiment boosted cocoa prices as that can help to soothe near-term demand concerns, particularly with the US Dow Jones and German DAX indices reaching new record highs. In addition, a sizable rally in the Eurocurrency provided carryover support as that can help Euro zone grinders with acquiring near-term cocoa supplies, while a rebound in the British Pound may fuel arbitrage buying of New York cocoa versus the London cocoa contract that is denominated in Pound. There has been record high production in Ivory Coast and Ecuador while there has been a sharp increase with Ghana's production, so the market is expected to remain fairly well-supplied through the rest of the 2020/21 season.

There have been unconfirmed reports that the Ivory Coast Coffee and Cocoa Board have suspended forward sales of their upcoming 2021/22 cocoa crop due to concern that their 2021/22 output may come in lower than expected. As a result, the latest weekly Ivory Coast arrivals total could be an early signal of a downshift in West African production during the 2021/22 main crop. The August 10th Commitments of Traders report showed Cocoa Managed Money traders were net short 3,972 contracts after decreasing their short position by 9,711 contracts. This is a short-covering trend and is helping to provide temporary support. Non-Commercial & Non-Reportable traders added 7,374 contracts to their already long position and are now net long 12,412. The buying trend is a short-term positive force.

COFFEE:
While coffee prices have lost upside momentum, they will start this week's trading above their early August consolidation zone. With clear signs that Brazil's upcoming production has been impacted by frost damage, coffee should be able to extend this current recovery move. For the week, December coffee finished with a gain of 6.70 cents (up 3.7%) which broke a 2-week losing streak. There has been increasing concern that the spread of the Delta COVID variant could lead to increased restrictions on restaurant and retail shop operations. While the pandemic resulted in a notable uptick in home consumption, fresh COVID restriction would negatively impact overall coffee demand.

Last month's frost damage in Brazilian growing areas should reduce their upcoming 2 Arabica crops and while there is a wide range of opinion on how large their 2021/22 shortfall will ultimately become, this continues to provide the coffee market with underlying support. Brazil's largest co-op Cooxupe said that their harvesting was 71% completed by the first week of August, which compares with 63% the prior week. Safras and Mercado said that 53% of Brazil's 2021/22 coffee sales were completed by last Tuesday, which compares 51% at that point last year and an average for that date of 40%.

ICE exchange coffee stocks rose by 2,059 bags on Friday, but remain more than 13,000 bags below their July month-end total and more than 28,000 bags below their multi-year high at the end of June. The August 10th Commitments of Traders report showed Coffee Managed Money traders are net long 33,468 contracts after net selling 5,607 contracts. The long liquidation selling trend from fund traders is a bearish short-term force. Non-Commercial & Non-Reportable traders were net long 54,586 contracts after decreasing their long position by 3,366 contracts.

COTTON:

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December cotton has posted new contract highs for the fourth session in a row. The dollar sold of sharply on Friday, and that added support to US export commodities like cotton. A key factor in the rally late last week was Thursday's USDA supply/demand update, which lowered US harvested acreage for 2021/22 to 10.36 million acres from 10.50 million in the July report and average yield to 800 pounds/acre from 814. This took production down to 17.26 million bales from 17.80 estimated in July. This is still considerably higher than the 14.61 million in 2020/21, but overall situation is tighter due this year due to increased usage.

This is despite revisions in in US exports for 2020/21 (16.35 million bales vs 16.40 million previously) and for 2021/22 (15.00 million vs 15.20 million). The result was that US ending stocks for 2021/22 fell to 3.00 million bales from 3.30 million previously and 3.20 million in 2020/21. Ending stocks are the lowest they have been since 2016/17, when they fell to 2.75 million bales. The stocks/usage ratio has fallen to 17.1%, also the lowest since 2016/17, when it was 15.1%. US cotton export sales were stronger last week, coming in 358,030 bales, the highest since March 11. China bought 123,839, their biggest purchase since January 7.

Last week's Drought Monitor showed no current drought threats in Texas or in other major cotton-growing regions. The 1-5-day forecast calls for moderate to light rainfall in West Texas and Delta, with heavy amounts in the southeast. The 6-10- and 8-14-day forecasts have normal to below normal precipitation in Texas and above normal in the Southeast. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,802 contracts of cotton for the week ending August 10, increasing their net long to 73,282. As long as funds keep buying and the open interest trend is up, this is a positive force. However, the market is overbought and vulnerable to finding increased selling if support levels are violated.

SUGAR:

Sugar's August updraft has taken prices above the 20.00 cent level for the first time in 4 1/2 years. While Brazil's Center-South cane crop has been impacted by last month's frost, the market has risen into near-term overbought levels and may be vulnerable to a near-term setback. For the week, October sugar finished with a gain of 1.27 cents (up 6.8%) which was a fourth positive weekly result over the past 5 weeks. Following the latest Unica supply report released last week, many analysts continue to dial back prospects for Brazil's sugar output.

The major sugar producer Tereos said that their sugar production may fall 21% this season to a new 12-season low and that sugar prices may remain at elevated levels for another 18 months, which follows news that Czarnikow cut their 2021/22 Center-South sugar production forecast down to 32.5 million tonnes. At this point, there is a good chance that India may overtake Brazil again to become the world's largest sugar producer as their shift towards increased ethanol production may not reach government targets for several more years. India is on-track to export 7 million tonnes of sugar this season, however, and with Brazil's supply shortfall may remain an aggressive sugar exporter during the fourth quarter as well.

India's monsoon rainfall this year was 8% below the long-period average as of Sunday, however, which has moved the 2021 monsoon below the "normal" precipitation range (96% to 104% of the long-period

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average). The August 10th Commitments of Traders report showed Sugar Managed Money traders are net long 264,821 contracts after net buying 17,248 contracts and the buying trend from funds is a positive short-term force. Non-Commercial & Non-Reportable traders net bought 23,812 contracts and are now net long 352,858 contracts.

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