ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Without scheduled economic data from the US late last week, the treasury market had little in the way of forces to drive prices. However, the markets held up impressively in the face of a sharp recovery in equity prices and in the face of extremely hot German producer price index readings for July. Even more impressively is the fact that treasury prices held up in the face of another wave of dialogue discussing tapering. With a risk-on environment thrown off by positive global equity market action, it is not surprising to see treasury prices start out this week in a weaker track. In fact, the risk on environment has discounted a wave of disappointing services, manufacturing, and composite PMI readings from Australia, France, and the overall Euro zone.

There were positive economic figures from the German services PMI and the UK manufacturing PMI for August (preliminary). Furthermore, the treasury market is likely to fret over the prospects of tapering dialogue later in the week when the virtual Jackson Hole Symposium kicks off. On the other hand, dialogue from the conference from “sidelines” interviews could be limited given the online status of the meeting. After a very thin US economic report slate at the end of last week, Monday will bring a flurry of US data from PMI and existing home sales readings. With expectations for disappointing data, the trade might see a temporary bounce in prices.

However, the magnitude of the recovery bounce should be monitored, as that could be considered a test of the bull's ongoing resolve. In other words, if data is soft and prices show fleeting and anemic recovery action, that could suggest anticipation of tapering discussions at the Jackson Hole Symposium will control prices this week. The Commitments of Traders report for the week ending August 17th showed Bonds Non-Commercial & Non-Reportable traders are net short 73,565 contracts after net buying 16,083 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders reduced their net short position by 22,819 contracts to a net short 15,311 contracts.

CURRENCIES:
The Dollar was able to reach up to a new high for the move late last week, but lost upside momentum as it dropped into negative territory late in last Friday's trading session. Comments from the Fed's Kaplan hinting that the spreading Delta COVID variant could lead to the Fed pulling back on their tapering trajectory may have triggered end-of-week profit-taking in the Dollar. A stronger than expected German

PPI result helped the Eurocurrency rebound from a new 13-month low. Obviously, a reversal of risk on slowing sentiment from last week into a risk on environment has caught the dollar index overbought technically and overbought fundamentally.

With a major interest rate market “Guru” early this week indicating the relative return on quantitative easing has dissipated, and the dollar index holding the largest open interest reading since June 10th (which was the highest in several years), liquidation in the Dollar could be significant. On the other hand, some traders see the Fed Symposium at the end of the week to be dollar supportive. The Commitments of Traders report for the week ending August 17th showed Dollar Non-Commercial & Non-Reportable traders net bought 93 contracts and are now net long 24,088 contracts.

With the euro significantly oversold into last Friday's low and a risk on environment presenting to the markets early this week, we see a technical short covering rally accentuated by a small measure of fundamental buying. On the other hand, the euro should be held back as result of the generally bearish euro zone PMI readings. The Commitments of Traders report for the week ending August 17th showed Euro Non-Commercial & Non-Reportable traders added 5,344 contracts to their already long position and are now net long 71,868.

With the initial weakness in the Yen early this week, the recent flight to quality status of the currency is partially confirmed. In other words, risk on has prompted long liquidation from the mid-August bounce in the Yen and given soft Japanese bank manufacturing PMI readings for August, we see a likely downside targeting of 90.73. We see the action in the Swiss early this week as extremely disheartening to the bull camp, as initial gains were almost entirely extracted in the wake of noted dollar weakness. Apparently, the Swiss is not easily pulled into the risk on environment fostered by equities, but we would strongly advise against pressing the short side of the Swiss!

The Pound rejected the 1.36 level and is likely to benefit from risk on sentiment early this week. Unfortunately for the bull camp UK services PMI readings came in precipitously weak, but that reading was offset by a better-than-expected UK manufacturing PMI result for early August. While we are underwhelmed by the rally in the Pound (given the gains in equities), the path of least resistance is pointing up. With the Canadian dollar significantly oversold from the massive declines at the end of last week, a risk on environment lifting commodities and flight to quality interest in the dollar exiting, the Canadian could be poised to regain the 79.00 level.

STOCKS:
Following a 4-day high to low slide of 136 S&P index points, last Friday’s a recovery bounce could be significant. Without US scheduled data released in the trade, the markets likely took significant direction from Deere & Company earnings especially since the company raised full year forecasts. It is also likely that a portion of the buying at the end of last week was profit-taking/end of week position squaring. Global equity markets at the start of this week were all higher with the gains ranging from mere fractions of a percent to as high as 1.83% in the TOPIX Index. Despite the ongoing surge of Delta variant infections, recent disappointment with US scheduled data and persistent talk of tapering by the US Fed, the equity markets extended last week's late recovery bounce and might be capable of regaining "all-time highs".

Tempering today's optimism is the news that the infrastructure program will be delayed until the social engineering package is passed! The most recent CDC daily US infection count came in above 157,000 and therefore cases have returned to the highest levels since January 27th. At least for today the equity markets look to be capable of discounting the threat of Federal Reserve tapering talk at the end of the week and delta infection counts. Earnings announcements include Palo Alto Networks after the Wall Street close. The recovery bounce from last week has extended in the early going with the trade showing signs of gaining fresh momentum buying and creating talk of new all-time highs in the coming sessions. E-Mini S&P positioning in the Commitments of Traders for the week ending August 17th showed Non-Commercial & Non-Reportable traders are net long 90,575 contracts after net buying 577 contracts.

Like the S&P, the Dow futures showed initial strength with a 3-day high and a general risk on environment providing confidence to the bull camp. Favorable buzz toward Boeing and a temporary capacity to put tapering talk on a backburner gave the bull camp control. With the COT report for the Dow posting a very minimal net long early last week, and the Dow from that report mark off into the low falling 700 points, the net spec and fund long could have been net spec and fund short last Thursday. The Commitments of Traders report for the week ending August 17th showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 6,228 contracts and are now net long 1,058 contracts.

Despite fresh evidence that China will continue to push US IPO bound companies to hand over data "CONTROL", the NASDAQ was seemingly poised to make all-time highs. In addition to a big-picture “risk on” environment the tech laden NASDAQ has seen several positive tech company headlines. Even the technical condition from charts favors the bull camp (given the potential for short covering buying) as the most recent positioning report showed a significant net spec and fund short of 34,589 contracts. Nasdaq Mini positioning in the Commitments of Traders for the week ending August 17th showed Non-Commercial & Non-Reportable traders added 9,134 contracts to their already short position and are now net short 34,589.

GOLD, SILVER & PLATINUM:

While the gold market held up impressively last week, the charts currently sits in a lower high and lower low pattern from the last 5 days of trade, and therefore the bull camp is fighting the technical condition. However, a significant reversal in the dollar and broad-based risk on psychology has lifted gold and the rest of the metals complex off fundamental reasons to start the new trading week. Others are suggesting that the ongoing surge in Delta variant infections is still threatening the global economy and that in turn is providing flight to quality buying interest in gold. However, with global equities higher, treasuries and the dollar lower, we do not see the safe-haven force operating in gold to start out this week.

At least in the first 2 sessions of this week, the gold and silver trade might avoid the subject of US tapering until the Jackson Hole Symposium begins late Wednesday evening. Relatively speaking, the gold market holds a relatively benign net spec and fund long positioning and therefore stop loss selling might have run its course quickly. The Commitments of Traders report for the week ending August 17th showed Gold Managed Money traders net bought 26,636 contracts and are now net long 77,649 contracts. Non-Commercial & Non-Reportable traders net bought 24,110 contracts and are now net long

223,300 contracts. In the end, we are highly suspicious of gold's capacity to rally in the face of further dollar gains, but a noted reversal in the Dollar would remove that negative force for the time being.

Going forward, we see the silver market to be "more vulnerable" than gold and expect silver to lag gold on upside moves. In fact, despite strength in equities, the potential for classic physical commodity selling of silver should not be discounted late this week. The most recent spec and fund positioning report for silver posted one of the lowest net spec and fund long position readings since June 2019, and therefore the market might avoid aggressive stop loss selling in the event prices dive into month-end. The August 17th Commitments of Traders report showed Silver Managed Money traders are net long 9,758 contracts after net selling 2,146 contracts. Non-Commercial & Non-Reportable traders are net long 33,838 contracts after net selling 4,564 contracts.

Like many other physical commodity markets, the palladium market is bailed out of a big picture macroeconomic washout wave from last week because of the shift to risk-on this morning. Certainly, seeing US equities extend their recovery from last week will likely dampen recent selling interest. However, the markets are anticipating disappointing Chinese economic data due to the ongoing Delta variant infection rise, and the bear camp will be difficult to fully unseat unless the equity markets continue to rally. In a fresh positive development, Commerzbank has projected 2021 average palladium prices at $2,575 which compares to current prices at $2,329.50.

Palladium positioning in the Commitments of Traders for the week ending August 17th showed Managed Money traders were net long 2,758 contracts after decreasing their long position by 186 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 666 contracts to a net long 1,258 contracts. While we are impressed with gold's capacity to stand up to a broad-based physical commodity liquidation wave last week, we are less impressed with the platinum market's ability to hold up over the last 3 weeks. The August 17th Commitments of Traders report showed Platinum Managed Money traders reduced their net short position by 3,606 contracts to a net short 5,376 contracts. Non-Commercial & Non-Reportable traders net bought 1,788 contracts and are now net long 14,731 contracts.

COPPER:

Despite ongoing fears of Chinese strategic stockpile sales, the copper market has sharply extended last week's late recovery rally and that sets the stage for a return to a trading range defined as $4.25 and $4.50. However, the flow of dialogue from the Chinese copper market is that prices continue to be an impediment to Chinese manufacturing exports and that the government should be expected to continue periodic Chinese strategic copper sales. Obviously, the copper market could face opposition from the Jackson Hole Fed Symposium late in the week but in the near term a combination of technical and fundamental buying should control price action.

Fortunately for the bull camp, the net spec and fund long in copper was very modest as of last Tuesday and is potentially "mostly" liquidated with the post report high to low slide of $0.24! The Commitments of Traders report for the week ending August 17th showed Copper Managed Money traders were net long 19,944 contracts after decreasing their long position by 12,021 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 9,305 contracts to a net long 30,296 contracts. At the end of last week, the market was presented with a large decline in weekly Shanghai copper stocks and given a thin Chinese economic report slate early this week, the focus of the trade is likely to be divided between equity market action and the subject of tapering by the Fed.

ENERGY COMPLEX:
Clearly, the crude oil market has been "saved" by a shift back into a global risk on environment. Adding into the positive track early this week is the extreme short-term oversold status of the energy complex from last week. On the other hand, the sudden shift to risk on is called into question by a likely extension of a pattern of weak US scheduled data and to a lesser degree by looming fears of US Fed tapering. Certainly, the strong recovery rally in equities is providing the bull camp in crude oil with fresh demand "hope". Apparently, the Saudis are concerned about demand as they are suggesting they will consider pressing for a postponement of the next monthly supply increase.

It should be noted that the most recent US daily infection count surpassed 157,000 and current daily infection levels have returned to the highest since January 21st. In an indirect supportive development, Chinese coal prices have returned to the vicinity of record highs and that could highlight a better Chinese economy than the trade has been factoring. Supply-side support for prices was seen from a 4.6% weekly decline in global floating storage of crude oil as projected by a private consultancy. With the downside extension at the end of last week initially extended and then rejected and given a precipitous decline in open interest, we suspect the crude oil market has "now" mostly factored in bearish supply and demand views that surfaced following the early July high.

The Commitments of Traders report for the week ending August 17th showed Crude Oil Managed Money traders were net long 280,114 contracts after decreasing their long position by 6,789 contracts. Non-Commercial & Non-Reportable traders were net long 511,050 contracts after decreasing their long position by 14,839 contracts. In a demand-side positive, the EPA at the end of last week is recommending that the White House reduce biofuel blending mandates back below the levels seen in 2020 as that could increase the demand for petroleum products like gasoline and diesel. Last week the Baker Hughes rig operating count showed an increase of 8 rigs to 405 rigs operating and that is the first reading above 400 since April of 2020.

With the gasoline market last week falling by $0.25 and the EPA recommending reductions in biofuel blending mandates, petroleum products like gasoline have likely made a near-term low. While we suspect that the upcoming US holiday has already resulted in an increase in supply flow toward the retail outlets, brisk demand at the end of this week could add to the potential for a floor under gasoline prices. Fortunately for the bull camp, the latest spec and fund positioning report showed a relatively low net spec and fund long of 45,827 contracts and given a post COT report washout of $0.17 the net spec and fund long in gasoline probably approached the lowest levels since mid-2017. The Commitments of Traders report for the week ending August 17th showed Gas (RBOB) Managed Money traders are net long 50,036 contracts after net selling 2,952 contracts. Non-Commercial & Non-Reportable traders net sold 6,424 contracts and are now net long 45,827 contracts.

While the potential to see lower biofuel blending requirements will be a bigger impact on ethanol producers than on biodiesel producers, the diesel market should also see a moderately large speculative buying event if the lower mandates look to become law. Unfortunately for the bull camp, the net spec and fund long in diesel futures early last week was near some of the highest levels since October 2018. Heating Oil positioning in the Commitments of Traders for the week ending August 17th showed Managed Money traders are net long 41,281 contracts after net selling 1,183 contracts. Non-Commercial & Non-Reportable traders are net long 51,111 contracts after net selling 2,412 contracts. Furthermore, with the heating oil market shedding only minimal open interest on the August washout and TSA security checkpoint numbers still anemic, ULSD might lag the reset of the petroleum complex.

With a violent 2-day range at the end of last week of $0.20 and the October contract unable to hold onto those gains last Friday, the gas market looks to remain in a precarious condition. However, while the US temperature forecast out to September 5th has the lowest overall national temperature forecast in weeks there are pockets of much above normal temps forecast for the coming days and that combined with broad based risk-on vibe should give the bull camp some capacity. At least as of this writing, there were no significant tropical storm systems on the maps.

In the most recent positioning report, natural gas showed the largest net spec and fund short since April 2020 and adjusted for the slide since the last report was measured, that short positioning is probably understated. The Commitments of Traders report for the week ending August 17th showed Natural Gas Managed Money traders are net long 46,519 contracts after net selling 41,350 contracts. Non-Commercial & Non-Reportable traders added 14,778 contracts to their already short position and are now net short 119,200. In a longer-term supportive development coal prices in China returning to record high levels, it is possible that China might come back into the market for US natural gas supply.

BEANS:

Ideas that timely rains have helped ease crop stress and talk that crop tour results would be a bit better than expected help to pressure the soybean market last Friday. For the next seven days, much of Iowa, Minnesota and Wisconsin will receive 1 1/2 to 5 inches of rain. The Dakotas look to receive near 1 inch of rain while Illinois, Indiana and Ohio stay relatively dry. The Pro Farmer crop tour pegged the soybean crop at 4.436 billion bushels based on an average yield of 51.2 bushels per acre. This is well up from the current USDA estimate of 50 bushels per acre with production at 4.339 billion bushels. If so, and we leave demand numbers unchanged, ending stocks would come in close to 250 million bushels as compared with 155 million as the current USDA estimate and 160 million for the old crop season. November soybeans closed sharply lower on the session Friday, and down for the fourth session in a row. The selling pushed the market down to the lowest level since June 28.

December soybean oil led the market lower as traders see news that the EPA is expected to recommend lowering biofuel blending mandates below 2020 levels helped to pressure. In the long run, the biodiesel demand is a potential bullish force, but in the short run, over the next six months or so) a lower mandate plus lower than expected biodiesel demand could spark increasing soybean oil stocks. Weakness in China markets and further weakness in Malaysia palm oil added to the bearish tone. India has cut base import taxes on crude and refined soybean oil and sunflower oil from 15%, down to 7.5% for the next six weeks. This is seen as a short-term negative factor for palm oil. For the week, November soybeans closed down 74 1/4 cents.

The August 17th Commitments of Traders report showed Soybeans Managed Money traders added 5,531 contracts to their already long position and are now net long 97,179. Given the price action, the market looks vulnerable to increased selling if support levels are violated. For Soyoil, Managed Money traders net bought 5,553 contracts and are now net long 69,095 contracts. Non-Commercial & Non-Reportable traders net bought 4,125 contracts and are now net long 68,340 contracts. For meal, Managed Money traders net bought 2,514 contracts and are now net long 27,740 contracts. Non-Commercial & Non-Reportable traders are net long 72,833 contracts after net buying 6,035 contracts. With the bearish technical action, products also look vulnerable to increased selling on weakness.

CORN:

Outside market forces are supportive for the corn market early this week. The market closed lower for the fifth time in the last six trading sessions on Friday as the selling push the market down to the lowest level since July 26 and the lowest close since July 13th. The market was down 6.3% for the week. The EPA is expected to recommend to the White House lowering the nation's biofuel blending mandates below 2020 levels and that would be a blow to the biofuels industry. This may have added to the bearish tone for corn and for soybean oil. For the next seven days, much of Iowa, Minnesota and Wisconsin will receive 1 1/2 to 5 inches of rain. The Dakotas look to receive near 1 inch of rain while Illinois, Indiana and Ohio stay relatively dry.

The Pro Farmer crop tour pegged the corn crop at 15.116 billion bushels based on an average yield of 177 bushels per acre. This is well up from the current USDA estimate of 174.6 bushels per acre with production at 14.750 billion bushels. If so, and we leave demand numbers unchanged, ending stocks would come in close to 1.608 billion bushels as compared with 1.242 billion as the current USDA estimate and 1.117 billion for the old crop season. Corn positioning in the Commitments of Traders for the week ending August 17th showed Managed Money traders were net long 278,911 contracts after increasing their already long position by 24,867 contracts. Non-Commercial & Non-Reportable traders added 21,204 contracts to their already long position and are now net long 275,643. Given the overbought condition, sellers could get more active as support levels are violated.

WHEAT:

December wheat close moderately lower on the session Friday and the selling push the market down to the lowest price level since August 10. The market experience choppy and two-sided trade early but managed to take out Thursday's lows. Weakness in the other grains added to the bearish tone as the market reacted to news of potential lower biofuel mandates which helped to pressure corn and soybean oil. Rains in the Dakotas could slow harvest activity. December Minneapolis wheat managed to close slightly lower on the session Friday and near 13 cents up from the lows. While the market has a different set of fundamentals on its own, it may be difficult for wheat to divorce itself from a potential long liquidation selloff for the other grains. The move to a new contract high for the US dollar index is also a bearish factor as it will make it more difficult for US exporters to move wheat onto the world market. Russia plans to send two vessels or 60,000 tonnes of wheat to Algeria in September. Algeria is usually dominated by French wheat.

There is plenty of uncertainty for the quality of the wheat harvest in France, but while the size of the Russia crop is much smaller than anticipated, the quality is high. For the week, December wheat closed down 5.9% and failed to take out the August 13 contract high. Wheat positioning in the Commitments of Traders for the week ending August 17th showed Managed Money traders net bought 5,058 contracts and are now net long 24,185 contracts. Non-Commercial & Non-Reportable traders are net long 29,882 contracts after net buying 3,560 contracts. For KC Wheat, Managed Money traders are net long 46,548 contracts after net buying 1,785 contracts. Non-Commercial & Non-Reportable traders added 3,889 contracts to their already long position and are now net long 44,413.

HOGS:
The hog market bounced Friday led by the big discount to the cash market. Talk of very weak export sales data led by a drop-off in China purchases helped to pressure the market Thursday but this also drove the October discount to the cash market to near $22 as compared with a normal discount for this time of the year near $7. The CME Lean Hog Index as of August 18th was 108.18 down from 109.17 the previous session and down from 110.19 the previous week. However, October remains at a big discount to the cash.

The USDA pork cutout released after the close Friday came in at $117.96, down from $120.37 on Thursday and $124.55 the previous week. The USDA estimated hog slaughter came in at 467,000 head Friday and 85,000 head for Saturday. This brought the total for last week to 2.452 million head, up from 2.407 million the previous week but down from 2.625 million a year ago. Friday's Commitments of Traders showed managed money traders were net buyers of 166 contracts of lean hogs for the week ending August 17, increasing their net long to 77,020. Non-commercial, no CIT traders were net sellers of 1,096, reducing their net long to 50,808.

CATTLE:
The Cattle on Feed Report was considered slightly supportive with lower than expected placements for the month of July. July placements were down 8.1% from last year from trade expectations for down 7.1% from last year. The range of expectations was -9.3% to -4.5%. This suggests less market-ready cattle available to the market later this year. Marketing's for the month of July were down 4.5% which is slightly bearish against trade expectations with a range of -4.8% to -2.5%. As a result, August 1st cattle on feed supply was down 1.9% from last year from expectations for down 1.8%. October cattle experienced choppy and two-sided trade early in the session Friday but closed moderately higher on the day. The market is trading at a premium to the cash market, but it looks like the cash trend can remain higher over the near term.

Average estimated dressed cattle weights last week came in at 819 pounds, up from 818 from the previous week and down from 836 a year ago. The 5-year average weekly weight for that week is 825.0. This suggests producers are current with marketings. The USDA boxed beef cutout was up $3.14 at mid-session Friday and closed $3.43 higher at $345.06. This was up from $324.83 the previous week and was the highest the cutout had been since May 29. This time last year the cutout was trading around $221.00, and two years ago it was near $242.00. The historically high beef price has yet to translate to higher cash cattle prices, but it leaves packers with very strong profit margins. As a result, we expect cash cattle to trend higher in the weeks ahead.

Cash live cattle prices were firm on Friday on light trade. In Texas/Oklahoma 247 head traded at 122 versus an average of 120.71 the previous week. As of Friday afternoon, the 5-day, 5-area weighted average price was 125.45, up from 122.92 the previous week. The USDA estimated cattle slaughter came in at 116,000 head Friday and 70,000 head for Saturday. This brought the total for last week to 665,000 head, up from 636,000 the previous week and 651,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,961 contracts of live cattle for the week ending August 17, increasing their net long to 70,773.

COCOA:

December Cocoa experienced a key weekly reversal this week after posting a contract high on Wednesday. With the possibility of a Covid-related setback in demand and continued strong production news, the market appears poised for a further decline. December cocoa maintained downside follow-through for a second day in a row as it finished Friday's trading session with a heavy loss. For the week, December cocoa finished with a loss of 53 points (down 2.0%) which broke a 3-week winning streak. The current 2020/21 season is expected to result in record high from Ivory Coast and Ecuador, and a sharp increase in Ghana's output back above the 1 million tonne level for the first time in 10 season. This continues to pressure cocoa prices as many expect the market to remain well supplied going into the start of the 2021/22 season in October.

There is concern that 2021/22 West African production will decline significantly from this season due to reports that Ivory Coast suspended their forward sales. The previous weekly Ivory Coast port arrivals reading was well above the comparable period last year, which follows a period during the third quarter in while weekly arrivals totals were coming in below 2020 reading. If the latest result for last week also comes in above last year's total, it will reflect an uptick in near-term mid-crop output which should weigh on cocoa prices. Concern that the spreading Delta COVID variant will negatively impact near-term demand also pressured the cocoa market late this week.

In addition to potential for fresh travel restrictions between nations, there is notable reluctance in many areas of the world to take vacations far away from home. As a result, chocolate consumption is likely to be negatively impacted through the end of the third quarter. The Commitments of Traders report for the week ending August 17th showed Cocoa Managed Money traders net bought 29,253 contracts which moved them from a net short to a net long position of 25,281 contracts. CIT traders net bought 1,843 contracts and are now net long 25,788 contracts. Non-Commercial No CIT traders net bought 18,805 contracts which moved them from a net short to a net long position of 10,087 contracts. Non-Commercial & Non-Reportable traders are net long 34,085 contracts after net buying 21,673 contracts.

COFFEE:

Coffee's 16.00 cent trading range during August so far is a fraction of its whipsaw action seen during the second half of July. Although it has had trouble sustaining upside momentum over the past few weeks, coffee continues to find decent support above its August lows as a bullish supply outlook continues to underpin the market. December coffee came under early pressure and sold off further at midsession to a new 1 1/2 week low, but then rallied late in the day to finish Friday's trading session with a modest gain. For the week, however, December coffee finished with a loss of 4.25 cents (down 2.3%) and a third negative weekly result over the past 4 weeks.

Concern that the spreading Delta COVID variant could lead to fresh restrictions on restaurants and retail shops has been a source of pressure. While the pandemic has led to an increase in home coffee consumption, “out-of-home” consumption remains a major source of coffee demand, particularly in Europe. However, ICE exchange coffee stocks (most of which are located in warehouses at Euro zone ports) fell by 2,682 bags on Friday and are more than 34,000 bags below their July month-end total, which would be a second monthly decline in a row. A rebound in the Brazilian currency from a 3 1/2 month low into positive territory fueled end-of-week short-covering in the coffee market.

While there is some question over the impact of Brazil’s frost damage last month, that cold wave followed very dry conditions since last year which will negatively impact their upcoming 2022/23 crop. In addition, there are indications that the La Nina weather earlier this year will lead to Colombia’s 2021 coffee production falling well below last year’s 13.9 million bags. Coffee positioning in the Commitments of Traders for the week ending August 17th showed Managed Money traders were net long 36,141 contracts after increasing their already long position by 2,673 contracts. CIT traders are net long 62,036 contracts after net selling 2,229 contracts. Non-Commercial No CIT traders net bought 1,543 contracts and are now net long 30,495 contracts. Non-Commercial & Non-Reportable traders are net long 55,441 contracts after net buying 855 contracts.

COTTON:

December cotton fell to its lowest level since August 12 on Friday but recovered to closed higher on the day and the market bounced early this week. Still, it was the first weekly decline in a month. The dollar turned lower on the session Friday after trading to a new high for the move, and this lent support to cotton. The stock market ended the week on a strong note, and this also lent support. Concerns over Covid cases have raised concerns about demand, but export sales have come in strong the past couple of weeks with the beginning of the new marketing year. The weather forecast does not seem to offer much of a threat to the crop.

Some dry weather is moving into west Texas, but the current conditions are quite strong. Friday's Commitments of Traders report showed managed money traders were net buyers of 8,658 contracts of cotton for the week ending August 17, increasing their net long to 81,940. Non-commercial, no CIT traders were net buyers of 8,934 contracts, increasing their net long to 85,209. The market put in its high of the week on the day the data was collected and has sold off considerably from those levels, so we suspect that the net longs had declined from those levels.

SUGAR:

While the sugar market is extremely overbought technically, the supply fundamentals continue to show a bullish tilt. The worst drought in 50 years and recent frost damage in Brazil’s Central-South region could keep sugar’s supply outlook on a bullish track going forward. October sugar continued to drop further below their near-term consolidation zone as its finished Friday’s trading session with a moderate loss. For the week, October sugar finished with a loss of 37 ticks (down 1.9%) which broke a 2-week winning streak and was a negative weekly key reversal. Sluggish energy prices remained a major source of carryover pressure on the sugar market as that will ease pressure on Brazil's Center-South mills to produce ethanol at the expense of sugar.

The Brazilian government agency Conab reduced their forecast for 2021/22 Center-South sugar production to 33.9 million tonnes, 11.3% below last season. Center-South cane crush is forecast at 538.7 million tonnes, a 10.6% decline from last season. A smaller Central-South cane crop will drive sugar production lower. If energy prices remain at a high enough level, the percentage of cane used to produce sugar could drop off from last year's relatively high level. This in turn would drive Center-South sugar production even lower, perhaps by 2-3 million tonnes. As a result, Center-South sugar production could be down 14% or more from last season. Expectations that India will continue to have strong sugar exports during the upcoming 2021/22 season was also a source of pressure on the sugar market late last week.

India's Food Ministry said that their nation's mills have contracts in place for exporting 7 million tonnes of sugar this season which would be a record high total. With the likelihood that India's government will remove their subsidies while their nation's ethanol production is ramped up to meet government targets, however, it may be optimistic for India to reach 6 million tonnes of sugar exports during the 2021/22 season. The August 17th Commitments of Traders report showed Sugar Managed Money traders net bought 5,397 contracts and are now net long 270,218 contracts. CIT traders reduced their net long position by 11,136 contracts to a net long 201,263 contracts. Non-Commercial No CIT traders are net long 201,522 contracts after net buying 6,130 contracts. Non-Commercial & Non-Reportable traders added 4,126 contracts to their already long position and are now net long 356,984.

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