ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
August 30, 2021

BONDS:
Not surprisingly, the treasury bond market showed a muted reaction to the US Federal Reserve dialogue late last week as some participants saw Fed commentary as dovish and others saw it as a Fed that would like to remove asset purchases. Today's US scheduled data typified the reason why the Fed remains noncommittal toward the beginning of tapering as some reports were positive and others were disappointing. In the end, the Fed chairman walked a tight rope between dovish and hawkish commentary and some bond traders saw that as a reason to buy given the market's proximity to 3-week lows. With treasury prices near 3-day highs in the early going this week, the tailwinds from the Jackson Hole symposium last week remain in place. While it is possible that fear of slowing from the aftermath of hurricane Ida is contributing to buying interest, the tone from international equity markets was generally positive and therefore limiting of bond and note prices early on this week.

While we suspect the Fed symposium influence will wane quickly this week, that void will be filled quickly by anticipation of the Friday nonfarm payroll report. Current projections for the August nonfarm payroll report peg a gain of 665,000 jobs which would be roughly 300,000 jobs below June. With the most recent Fed debate over timing for tapering providing little substance, the trade might harken back to comments from the US Federal Reserve Chairman who suggested it could take "several" robust job gains in a row to result in the Fed "talking about tapering". From a shorter-term perspective, the trade should be monitoring daily US infections with the latest CDC reading posting a total of 176,742 positives for August 27th and that reading is the highest since the 2nd half of January!

We expect US scheduled data early this week to extend the recent pattern of offsetting and contradictory economic results with pending home sales potentially higher and the Dallas Fed manufacturing business index softer. The most recent COT positioning report maintained a moderately large net spec and fund short in Bonds and that could fuel stop loss buying if jobs data this week is in any way disappointing. The August 24th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 74,747 contracts after increasing their already short position by 1,182 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders net sold 15,157 contracts and are now net short 30,468 contracts.

CURRENCIES:
Clearly, the dovish stance by the US Federal Reserve chairman in the Jackson Hole Symposium extracted uncertainty from the marketplace and in turn prompted long liquidation in the dollar. Not surprisingly, the Fed dialogue also sparked bargain-hunting buying of recovery currencies like the Swiss franc and the euro. With a fresh downside failure on the charts early this week and residual bearishness flowing from last week's Federal Reserve news, the bear camp maintains an edge in the dollar. The reaction in the dollar index to the Dallas Fed manufacturing reading is a potential sign of the currency markets focus for the week. In other words, will the dollar rally off flight to quality from soft data, or will the dollar falter because of macro-economic disappointment following soft data? The Commitments of Traders report for the week ending August 24th showed Dollar Non-Commercial & Non-Reportable traders were net long 25,759 contracts after increasing their already long position by 1,671 contracts.

While we give the edge to the bull camp in the Euro at the start of this week, we are suspicious of the bull's case in the current environment. In our opinion, "recovery currencies" like the euro are facing serious threats against global recovery in the form of surging Delta variant infections and from struggling scheduled data. Overall Euro zone sentiment indicators were disappointing with consumer confidence contracting and the business climate deteriorating from the prior month. In conclusion, the bias is up but the risk to fresh longs is unappealing. The August 24th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 13,738 contracts to a net long 58,130 contracts.

While the Yen is benefiting from the weakness in the dollar, we see the currency as a range bound instrument with a very minor potential to benefit from flight to quality. Economic news from Japan should have been supportive with retail trade and large retailers' sales for July besting expectations. With a slight bullish tilt early and a fresh downside breakout in the dollar, we see the Yen grinding toward consolidation resistance. The action in the Swiss franc early this week is very discouraging to the bull camp as a 9-day upside breakout was rejected definitively even in the face of a downside breakout in the dollar. In fact, we see the failure to sustain above 1.10 in the December Swiss as a sign that the market prefers to remain in a range bound by 1.10 and 1.09.

From a technical perspective, the Pound forged a bullish pattern of higher highs and higher lows over the prior 5 trading sessions, but the currency lacks fundamental justification to extend the rally beyond typical chart resistance points with the likely bottom of the consolidation seen down at 1.3682. Last week, the Canadian dollar stalled at a 3-month-old downtrend channel resistance line and has seemingly settled into a pattern of positive correlation with the dollar. Therefore, the weakness in the dollar this morning favors the bear camp in the Canadian. News that Canada and Mexico will engage with the US over the USMCA could set the stage for conflict in trade relations which in turn could add to the pre-existing downside bias in the Canadian dollar.

STOCKS:
Despite Johnson & Johnson, Walmart and UnitedHealth showing weakness, the broad market managed a very significant rally at the end of last week. In fact, the S&P and NASDAQ forged new all-time highs with the bullish focus centered on the potential for an extension of very low rates. However, the equity markets could experience significant volatility early this week if US daily infections climb over 150,000 or above. Global equity markets at the start of this week were mostly higher with the exceptions the

Chinese CSI 300 and the Spanish Ibex 35. While the general tone from global equity market action was positive, we are growing concerned about the unrelenting rise in US daily infection counts, as that in turn could return serious economic headwinds and injure economic psychology. However, strength in global equities suggests the trade is not concerned with the surge of US infections yet, but that could change if more restrictions like the European ban of US travelers to certain countries surface in the headlines. On the other hand, with the markets generally thinking the Fed has yet to determine its tapering timing, we suspect the bull camp needs to see "Goldilocks" type results from the jobs front.

Technically, the S&P has forged a new all-time high in the early going this week, with prices taking out the Friday high by a narrow amount. However, as indicated already continued worrisome gains in daily US infection counts are fomenting concern with reports that McDonald's and other restaurants are considering closing indoor seating again! While we leave the edge with the bull camp because of the "trend", we also see the potential for a lose-lose situation for the bull camp from the jobs report front. In other words, a very disappointing jobs report could spark selling from over valuation fears, while a stronger than expected jobs reading could spark fears of Fed tapering. In short, the bull camp needs to see a not too hot and not too cold result on Friday. Fortunately for the bull camp, the most recent positioning report showed the specs to hold a very minimal net long compared to history. The August 24th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders are net long 113,478 contracts after net buying 22,903 contracts.

While the Dow futures have not forged a new all-time high at the start of this week, they reached a 9-day high and seem to be poised to retest 35,500. However, surging daily US infection counts certainly foster concern for large brick-and-mortar/opening-up companies which in turn will be very sensitive to this week's jobs related data. While the bull camp benefits from the overall upward tilt in global markets, but the Dow is likely to be a downside leader in the event of a market downturn. The Commitments of Traders report for the week ending August 24th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net long 5,484 contracts after increasing their already long position by 4,426 contracts. Like the S&P, the NASDAQ futures forged new all-time highs in the early going this week and appear to be poised to benefit from the potential for a return to "stay-at-home". The Commitments of Traders report for the week ending August 24th showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 18,853 contracts after decreasing their short position by 15,736 contracts.

GOLD, SILVER & PLATINUM:

While the December gold contract forged a higher high early this week, it relinquished those gains and was chopping in negative territory very early in the US Monday trade. The initial strength was likely the result of a fresh lower low for the move in the dollar index and perhaps because of initial explosive strength in US gasoline prices from Hurricane Ida. Last week, gold ETF holdings were reduced by 323,151 ounces reducing the year-to-date change to a loss of 6.8%. In retrospect, the net takeaway from the Jackson Hole Fed Symposium sparked buying of gold and silver late last week, as the timing for tapering once again drifted into the future. Seeing the timing for tapering drift into the future is thought to increase the potential for inflation to become entrenched.

Certainly, the breakdown in the dollar adds an additional force for the bull camp, but we remain skeptical of the market's capacity to sustain rallies without big picture headline support. However, the latest US CDC infection count of 176,742 is the highest since January 20th thereby leaving the uncertainty of Covid hanging in the marketplace for another trading week. In looking ahead to this week's economic slate of reports, the primary focus will be on the Friday nonfarm payroll reading which in turn is expected to be a major influence on the Fed's timing calculus. While the consensus of last week's Fed Symposium is patience on the part of the Fed, it was also clear that inflation was showing up on the radar of more Fed officials. Therefore, the Friday morning nonfarm payroll reading will be a key input to both gold and silver prices with expectations for the August nonfarm payroll reading calling for a gain of 665,000 which is nearly 300,000 below the July reading.

A soft payroll reading would likely undermine the dollar, pushback tapering and in turn lift gold and silver prices further. From a technical perspective, the definitive upside breakout in December gold at the end of last week projects the top of the new trading range at $1,835.90 with the bottom of the trading range possibly seen at $1,793.10. Fortunately for the bull camp, the latest COT positioning report in gold showed a relatively low spec and fund long reading versus the last 2 years range even if adjusted into the high on Friday. Gold positioning in the Commitments of Traders for the week ending August 24th showed Managed Money traders are net long 94,592 contracts after net buying 16,943 contracts. Non-Commercial & Non-Reportable traders were net long 245,168 contracts after increasing their already long position by 21,868 contracts.

Even the December silver contract managed an upside breakout in a move that suggests the market may have seen a return of trading interest. In fact, the upside breakout on Friday was forged on a significant jump in trading volume, suggesting the move was confirmed as significant for the bull camp. Like gold, the net spec and fund long positioning in silver was near the lowest levels since June 2019, which in turn should mean the market retains speculative buying capacity. On the other hand, last week silver ETF holdings were reduced by 5.64 million ounces leaving silver ETF holdings with a gain of only 2.3% on the year! The Commitments of Traders report for the week ending August 24th showed Silver Managed Money traders are net long 10,176 contracts after net buying 418 contracts. Non-Commercial & Non-Reportable traders are net long 34,399 contracts after net buying 561 contracts.

COPPER:

While the copper market forged a 7-day rally and a 10-day upside breakout at the start of this week, overall fundamentals remain benign in the US and limiting from China. On the other hand, copper prices have merely returned to a 2 1/2-month-old sideways consolidation range and the $4.25 level appears to have become a noted value zone. However, the net spec and fund long in copper has come down considerably since the recent peak in December 2020 and is now nearing the lowest level since June 2020.

Therefore, the potential for a wave of technical stop loss selling is reduced and the potential for fresh outright buying has increased. Copper positioning in the Commitments of Traders for the week ending August 24th showed Managed Money traders are net long 12,956 contracts after net selling 6,988 contracts. Non-Commercial & Non-Reportable traders are net long 13,197 contracts after net selling 17,099 contracts. With the copper market managing the strong rally Friday in the face of news that

China will sell another 30,000 tonnes of strategic stockpiles of copper the bull camp has displayed its edge.

ENERGY COMPLEX:
While damage estimates were not available as of this writing, daylight on Monday morning should bring significant information on the disruptions to US energy infrastructure. However, reports from the CEO of the Port of New Orleans and from reporters on the ground in New Orleans it appears as if the damage was significantly less than the damage seen from Katrina. However, Katrina was a very strong and very damaging storm and hurricane Ida at times exceeded wind speeds posted by Katrina, but the size of Ida was not as expansive as Katrina. On the other hand, with the storm approaching late last week oil firms moved to reduce US Gulf of Mexico output by 96% and that should have an impact on crude oil supply in the coming 2 weeks. As of Sunday, more than 90% of total Gulf production was still idled!

Countervailing the potential reduction in crude supply flow is temporary outages of US refiners which would lower demand for prompt crude oil. However, from a global standpoint, supply side influences from the news are positive with crude oil and floating storage reportedly 48% lower than year ago levels. The largest contraction in supply of floating crude oil storage over the last week was in Asia with a week to week decline of 1.4% In addition to the volatility from assessing the storm damage, the markets will also be facing the threat of energy demand destruction from the economic front and a meeting of Middle Eastern oil producers.

However, the bull camp is discouraged by divergence between crude oil and product prices from the storm and for us that highlights a less than conclusive bullish environment. Clearly, strength into the close last Friday was the result of supply concerns from Hurricane Ida with landfall over the weekend. On the other hand, the storm appears to have traversed the Eastern edge of the Gulf of Mexico offshore rig area without significant damage reports and at the time was largely a category 2 storm. However, the latest spec and fund long positioning report showed the smallest net spec and fund long positioning since September 2020, thereby leaving the market with speculative buying capacity.

The Commitments of Traders report for the week ending August 24th showed Crude Oil Managed Money traders were net long 272,926 contracts after decreasing their long position by 7,188 contracts. Non-Commercial & Non-Reportable traders were net long 478,200 contracts after decreasing their long position by 32,850 contracts. The weekly Baker Hughes rig operating count increased by 5 to post a 16-month high, but that potential bearish development was offset by a significant 10 rig decline in Canadian oil rigs. In conclusion, the crude oil market will open the trading week surveying any damage from Hurricane Ida, with early estimates suggesting up to 1.6 million barrels per day of oil production was disrupted (17% of the nation's oil production). While the hurricane disruptions should lend ongoing support to prices, serious damage of onshore refinery facilities could save the bull camp from a corrective move.

As indicated already, the gasoline market has recently lagged the crude oil market, but early this week gasoline grabbed control and surged because of fear that a Category 4 storm would result in several sustained refinery closures. The bull camp might be discouraged by the inability of the RBOB contract to hold the hurricane Ida rally, with futures prices at the time of this writing sitting $0.07 below the early high. Furthermore, a significant supply and demand pivot point is coming into view with the official end of the North American summer driving season and a residually high US refinery operating rate potentially capable of narrowing the annual gasoline stocks deficit significantly.

However, the net annual deficit is still 13.2 million barrels and serious damage to any Gulf Coast refinery would probably be enough to shift control to the bulls and possibly send October gasoline back above $2.20. Surprisingly, despite the very strong rally of the prior 5 trading sessions, the net spec and fund long in gasoline should remain very low relative to the past 5 years which in turn should mean the market retains significant spec and fund buying capacity. The August 24th Commitments of Traders report showed Gas (RBOB) Managed Money traders reduced their net long position by 4,678 contracts to a net long 45,358 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,590 contracts to a net long 43,237 contracts.

Like the gasoline market, the diesel market has also stalled and lagged the crude oil market over the prior 3 trading sessions. Unfortunately for the bull camp, US TSA airport checkpoint numbers have remained below 2 million per day over the past two weeks, some airlines are reportedly cutting flights for fall travel and the summer travel season is ending. With Delta variant infections continuing to "grow" it is likely that air travel will see both seasonal and medical related contractions. Unfortunately for the bull camp, the latest COT positioning report in ULSD was near the highest level since October 2018 suggesting the market lacks as much speculative buying fuel as crude or gasoline. The Commitments of Traders report for the week ending August 24th showed Heating Oil Managed Money traders net sold 3,342 contracts and are now net long 37,939 contracts. Non-Commercial & Non-Reportable traders added 1,724 contracts to their already long position and are now net long 52,835.

With early estimates indicating 17% of total US petroleum was off-line due to Hurricane Ida, we assume similar natural gas supply disruptions. However, from a technical perspective the massive rally and failure to hold the gains suggest a "blow off top" has been forged. Certainly, the storm ignited a spike in European gas prices and the theme of tightness into the North American winter heating season remains in place but there is also the potential for a disruption of US LNG export flow (lower demand). With the gas market last week exploding for a low to high rally of $0.75, the market theme of tightness ahead of the winter heating season has been significantly injected into prices already.

Furthermore, it appears that speculative traders continued to attack the short side of natural gas into early last week and given a substantial residual net spec and fund short positioning, the market could easily feed higher off additional technical short covering. In fact, the net spec and fund short in gas was the largest since March 2020. The Commitments of Traders report for the week ending August 24th showed Natural Gas Managed Money traders reduced their net long position by 15,666 contracts to a net long 30,853 contracts. Non-Commercial & Non-Reportable traders net sold 9,381 contracts and are now net short 128,581 contracts. This week's Baker Hughes natural gas rig operating count for the US was unchanged with a 2-rig increase in Canadian gas rigs operating. In retrospect, early estimates peg disruption of supply flow from hurricane Ida as less than feared and that could spark a couple days of downside corrective action.

BEANS:
The soybean market managed to close higher on the week last week in spite of what appears to be better weather in the US for late developing crops. There is some concern for too much rain if tropical

storm activity intensifies, but for now it appears hurricane rains will stay south of the Ohio River Valley. Vegetable oil markets are growing concerned with very short oilseed crops from Kazakhstan and from concerns over drought conditions ahead of planting in Argentina and Brazil. It may be too early to get too concerned with South America plantings. However, the market is also concerned with drier than normal conditions for some of the key growing areas in India. It will take a pickup in monsoon activity or yield expectations for oilseed crops in India could begin to decline.

Outside market forces are also impressive with solid gains in energy markets, a sharp break in the US dollar and a new all-time high for the stock market. November soybeans closed lower on the session Friday but well up from the lows of the day, and up near the highs of a 17 1/2 cent trading range. Soybean oil rallied sharply off of early weakness to close higher on the day as traders turned nervous over the possibility that oilseeds do not get fully planted in India due to poor monsoon rain activity. Exporters announced the sale of 129,000 tonnes of US soybeans to China. This was the 14th business day of the last 17 in which China has been active.

Soybeans positioning in the Commitments of Traders for the week ending August 24th showed managed money traders were net long 83,225 contracts after decreasing their long position by 13,954 contracts (long liquidation). Non-Commercial & Non-Reportable traders are net long 57,871 contracts after net selling 22,611 contracts. For soyoil, managed money traders net sold 2,108 contracts for the week and are now net long 66,987 contracts. For soymeal, managed money traders were net long 20,728 contracts after decreasing their long position by 7,012 contracts for the week; also long liquidation. Non-Commercial & Non-Reportable traders reduced their net long position by 12,906 contracts to a net long 59,927 contracts.

CORN:

December corn closed 3 cents higher on the session Friday and well up from the early steep losses. As a result, December corn closed 16 3/4 cents higher on the week. A lower close early this week after another move above resistance at 554 1/4 could be seen as a bearish technical development. The early weakness Friday stemmed from talk that Midwest rains would help fill the crop out. However, crops are maturing and the rain may have little impact on some fields. As of August 22nd, 41% of the crop had dented from 22% the previous week. The strong rally on the week after reaching the lowest level since July 13th is somewhat impressive.

There seems to be less uncertainty over the EPA mandates for 2022, but it may be several weeks before there is more news in this area. Ukraine looks to have a big crop and that could keep short-term export demand somewhat muted. However, the new crop export pace is very impressive and well ahead of the pace to reach the current USDA projection. For now, traders assume a massive increase in production from South America in 2022, but this crop has not even been planted and the Brazil drought continues. A selloff in the US dollar, new all-time highs for the stock market and strong gains in energy prices were seen as positive factors.

Exporters announced the sale of 150,000 tonnes of corn sold to Colombia. Corn production in Brazil is expected to increase by 33.8% to 115.9 million tons for the 2021-22 season. Cumulative US corn export sales have reached 31.6% of the USDA forecast for the 2021/2022 marketing year versus a 5 year average of 16.1%. Corn positioning in the Commitments of Traders for the week ending August 24th showed managed money traders were net long 270,994 contracts after decreasing their long position by 7,917 contracts for the week. The long liquidation trend along with the hefty net long position is a potentially negative set-up if support levels are violated. Non-Commercial & Non-Reportable traders are net long 257,502 contracts after net selling 18,141 contracts.

WHEAT:
December wheat closed lower on the session Friday as the early rally to match the high for the week failed to attract new buying interest and sellers turned active. The jump in European wheat futures and news that Russia wheat prices are up for a 7th week in a row are seen as positive forces. Russian consultancy SovEcon cut its wheat export forecast by 3.2 million tonnes to 33.9 million tonnes due to lower production. This would be the lowest wheat exports since the 2016/17 marketing season. August wheat exports were estimated at 4.3 million tonnes, down 9% from last year.

December Minneapolis wheat closed moderately higher and the buying pushed the market up to the highest level since August 17. December Kansas City wheat closed lower and closed 7 1/4 cents higher for the week. Egypt is tendering for wheat over the weekend and traders will monitor this situation early this week. In the last tender on August 18, they bought 180,000 tonnes of wheat from Romania and Ukraine. For next year, producers east of Mississippi are likely going to shift to more soy/wheat double crop as compared with corn as the price incentive seems significant, plus a 9 year high in fertilizer prices may encourage more wheat and traders see 10% more wheat acres for this region.

Food inflation an issue now but with so many countries in position to plant more wheat, current tightness is only temporary. Longer-term, we see July 2022 wheat as expensive near $7.63, and cheap back at the $6.32-$6.05 level. The recent rally has sparked bigger acreage and Southern hemisphere production could be large enough to ease supply concerns. USDA "major exporters" ending stocks are expected at 32 million tonnes vs 33.38 million last year, 31.26 million 2 years ago and 37.35 million 3 years ago.

The August 24th Commitments of Traders report showed managed money traders reduced their net long position by 12,203 contracts in just one week to a net long of 11,982 contracts. This is an aggressive long liquidation trend. Non-Commercial & Non-Reportable traders reduced their net long position by 12,524 contracts to a net long 17,358 contracts. For KC wheat, managed money traders net bought 843 contracts and are now net long 47,391 contracts. Non-Commercial & Non-Reportable traders were net long 43,721 contracts after decreasing their long position by 692 contracts.

HOGS:
While the lean hog market has seen an impressive rally this past week, the upside seems limited unless there is a sudden revival in China's import demand and/or slaughter continues to come in below expectations. Pork production has a seasonal tendency to increase rapidly over the next three months. China is buying pork locally and restocking their strategic reserves. Part of the support for the recent rally has come from the extremely wide basis for October Hogs. The USDA pork cutout released after the close Friday came in at $115.45, up 12 cents from Thursday but down from $117.96 the previous week.

At this point last year and in 2019, the cutout was around $70. The most recent CME Lean Index as of August 25th was 104.79, down from 106.34 the previous session and down from 108.18 the previous week. This has left October futures, which closed at 90.72 on Thursday, trading at a huge discount. This could be justified, considering the five-year average is near 60.00 by early September. With China's import demand on the decline, any pork that is not exported could stay in the US to be absorbed by the domestic market.

The USDA estimated hog slaughter came in at 468,000 head Friday and 116,000 head for Saturday. This brought the total for last week to 2.444 million head, down from 2.445 million the previous week and 2.653 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,187 contracts of lean hogs for the week ending August 24, increasing their net long to 79,207. Non-commercial & non-reportable traders were net sellers of 1,269, reducing their net long to 74,522. With the hefty net long positioning, the market could see increased selling if support levels are violated.

CATTLE:
The cattle market seems to be in search of a near-term low as a shift to a slower production pace into September should help keep the cash market in an uptrend. October cattle closed lower on the session Friday and well up from the lows. The market is now down for the fourth session in a row off of a contract high while open interest has turned higher. The premium of futures to the cash market has been a limiting factor, but the cash trend remains up and if the slaughter pace continues to taper into September, cash markets could continue to trend higher. The USDA estimated cattle slaughter came in at 116,000 head Friday and 72,000 head for Saturday. This brought the total for last week to 651,000 head, down from 665,000 the previous week and 654,000 a year ago.

The USDA boxed beef cutout closed $1.93 lower Friday at $345.34. This was up from $345.06 the previous week. Cash live cattle ended last week only slightly higher than the previous week. On Friday there were 1,286 head reported in Kansas at 123 and 399 head reported in Nebraska at 123-128 with an average price of 125.13. As of Friday afternoon, the 5-day, 5-area weighted average price was 125.73 versus 125.47 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 21,876 contracts of live cattle for the week ending August 24, increasing their net long position to 92,649. Non-commercial & non-reportable traders combined were net buyers of 20,076, increasing their net long to 97,491 contracts. The buying trend is a positive technical development.

COCOA:
While cocoa prices remain on-track for a sizable monthly gain, they have been unable to hold their ground close to multi-year highs. With the market likely to remain well supplied through the end of the 2020/21 season and with ongoing concern with near-term demand, cocoa is likely to see downside price action to finish out the month of August. December cocoa shook off early pressure and climbed to a 1-week high, but then turned sharply to the downside and finished Friday’s outside-day trading session with a sizable loss. For the week, December cocoa finished with a gain of 15 points (up 0.6%) which was a fourth positive weekly result over the past 5 weeks.

Cocoa's negative turnaround came in spite of sizable gains in the Eurocurrency, British Pound, European and US equities, all of which normally provide carryover support to the cocoa market. A shift towards wetter weather over West African growing areas pressured cocoa prices as that could improve the outlook for the region's upcoming 2021/22 main crop cocoa production. While there has been concern with next season's output, Ivory Coast remains on-course for record high production this season while Ghana's Cocobod forecast their nation's 2020/21 cocoa production will come in above 1 million tonnes.

Concern that rising COVID case counts in many areas of the world will negatively impact global demand has been a source of pressure on the cocoa market during the third quarter. There are increasing chances that fresh restrictions may be re-imposed on cross-border travel, and that would likely have a negative impact on chocolate purchases in those areas. The August 24th Commitments of Traders report showed Cocoa Managed Money traders reduced their net long position by 5,554 contracts to a net long 19,727 contracts. CIT traders reduced their net long position by 2,177 contracts to a net long 23,611 contracts. Non-Commercial No CIT traders are net long 6,925 contracts after net selling 3,162 contracts. Non-Commercial & Non-Reportable traders net sold 4,415 contracts and are now net long 29,670 contracts.

COFFEE:

Coffee had a volatile start to the third quarter as it rallied 67 cents (up 44%) from an 8-week low to a new 6 ½-year high before giving back half those gains by the end of July. The market been much calmer in August as it has held within an 18-cent range, but continued to find support from a bullish supply outlook. December coffee continued to build on early support as it reached a new 4-week high before finishing Friday's trading session with a sizable gain and a sixth positive daily result in a row. For the week, December coffee finished with a gain of 10.70 cents (up 5.9%) which was a second positive weekly result over the past 3 weeks. A COVID lockdown in Vietnam's major port of Ho Chi Minh City that will restrict that nation's coffee exports gave a boost to coffee prices going into the weekend.

The catalyst for coffee's updraft in July was a series of cold weather events over Brazilian growing areas. The most severe occurred on July 20, when frost impacted 18%-20% of the upcoming crop, according to Brazil's Agriculture Minister. That combined with the dry conditions the region has seen over the past year, has raised concerns that next two crops will be affected and that some farmers may shift away from coffee production entirely. This comes at a time when Colombia's annual production is expected to fall below 14 million bags this year while Central American producers are still recovering from back-to-back storms last November. As a result, the global supply outlook for coffee has tightened over the past few months.

ICE exchange coffee stocks rose by 395 bags on Friday but with 2 sessions left in August remain more than 8,000 bags below their July month-end total. This would result in a second monthly decline in a row for ICE exchange coffee stocks for the first time since September of 2020. The Commitments of Traders report for the week ending August 24th showed Coffee Managed Money traders were net long 35,482 contracts after decreasing their long position by 659 contracts. CIT traders are net long 60,964 contracts after net selling 1,072 contracts. Non-Commercial No CIT traders added 149 contracts to their already long position and are now net long 30,644. Non-Commercial & Non-Reportable traders were net long 54,610 contracts after decreasing their long position by 831 contracts.

COTTON:
The highest close since August 17 on Friday, also the day of contract highs, keeps the market in a solid uptrend with December cotton closing 1.9% higher for the week. Demand remains on a very impressive track and there is talk that once Vietnam opens back up from Covid issues, there could be pent-up demand from their clothing industry. Southeastern Louisiana and all of Alabama look to take the brunt of the rainfall from the hurricane. 7-15 inches of rain are expected in coastal regions with 5 inch plus rainfall totals expected for much of Alabama. This could cause damage, especially to crops with bolls open. There is some concern with not enough sunshine and cool weather for West Texas, but the 6-10 day forecast calls for above normal temperatures and below normal precipitation.

A weaker US dollar, a surge higher in the energy markets and new all-time highs for the stock market were all seen as bullish factors. While there is plenty of talk of strong export demand, cumulative sales for 2021/22 have reached 5.464 million bales, down from 6.852 million last year and below the five-year average of 6.726 million. Sales represent 40% of the USDA's forecast for the marketing year versus a five-year average of 47%. The August 24th Commitments of Traders report showed managed money traders are net long 84,057 contracts after net buying 2,117 contracts for the week. Non-Commercial & Non-Reportable traders were net long 117,127 contracts after decreasing their long position by 4,393 contracts.

SUGAR:
After seeing coiling price action for the first four sessions of the week, sugar prices regained upside momentum and went into the weekend on an upbeat note. October sugar built on early support and shook off a midsession pullback as it reached a 1 1/2 week high before finishing Friday's trading session with a sizable gain. For the week, October sugar finished with a gain of 46 ticks (up 2.3%) and a third positive weekly result over the past 4 weeks. The Brazilian currency regained nearly 1% in value and reached a 2-week high, and that benefited the sugar market as that eases pressure on Brazil's Center-South mills to produce sugar for the global export marketplace.

Crude oil and RBOB gasoline prices regained upside momentum and reached new 2-week highs on Friday, and provided further carryover support to the sugar market as that should help to strengthen Brazilian domestic ethanol demand. However, Hurricane Ida's impact on the Gulf Coast energy industry could lead to sharp gains in crude oil early this week that in turn could give sugar prices an additional boost. Recent forecasts that Brazil's Center-South cane crop this season will fall well below last season's crushing total continue to provide underlying support to the sugar market. The International Sugar Organization (ISO) increased their forecast for a 2021/22 global production deficit from 2.6 million up to 3.8 million tonnes. The ISO projected Brazil and India would have lower production from their 2020/21 output total while the EU and Thailand would see uptick in sugar production.

Egypt's GSAC agreed to buy 200,000 tonnes of Brazilian sugar for October and November delivery, which shows further evidence that global demand is on the mend. Sugar positioning in the Commitments of Traders for the week ending August 24th showed Managed Money traders are net long 269,822 contracts after net selling 396 contracts. CIT traders were net long 195,471 contracts after decreasing their long position by 5,792 contracts. Non-Commercial No CIT traders were net long 199,199 contracts after decreasing their long position by 2,323 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 7,043 contracts to a net long 349,941 contracts.

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