ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
September 7, 2021

BONDS:
The treasury markets continue to show counterintuitive fundamental trading action early this week. In fact, following a much weaker than expected nonfarm payroll gain of 235,000 (expectations were 750,000) treasury prices fell by three quarters of a point. Apparently, some traders feel that the Fed will be progressing toward tapering because the unemployment rate fell by 0.2 and June and July nonfarm payrolls were revised higher. In the end, the July nonfarm payroll reading was adjusted above "1 million and that is an eye-catching result. Initial weakness in treasury bonds early this week is counter intuitive given the significant "miss" from the US nonfarm payroll report last Friday.

However, the markets saw positive Chinese import and export news and a stronger than expected German industrial output result. While not a definitive impact on US treasury prices, better global data combined with signs that the US central bank is falling behind the Bank of Canada, the reserve Bank of New Zealand, the reserve Bank of Australia and the ECB with respect to tightening is eventually bearish to Bonds and Notes! It is possible that the markets are viewing the August payrolls as the last pandemic softened report, especially with special unemployment payments ending September 6th. In other words, the trade thinks that the next payroll report will see workers begin to fill some of the 10 million unfilled US jobs!

From a technical perspective, the Bond market appears to have ended a pattern of buying back net spec and fund short positions with the specs seemingly turning aggressively bearish on last week's test of 164-00! Bond positioning in the Commitments of Traders for the week ending August 31st showed Non-Commercial & Non-Reportable traders were net short 107,745 contracts after increasing their already short position by 32,998 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 221,106 contracts after increasing their already short position by 190,638 contracts.

CURRENCIES:
The headline US jobs report severely disappointed in yet and oversold dollar index did not experience a wave of short covering buying. However, seeing the data provides a Goldilocks scenario where the Fed holds off and a slowly moving US economy extends into the future. Therefore, recovery currencies like the euro, Canadian, and Pound look to remain the primary benefactors of US dollar weakness. The Dollar is in "bounce" mode at the start of this week with the Dollar index likely seeing short covering

buying. However, positive economic news from China and Germany and the prospect of new all-time highs in US equities should have prompted flight to quality liquidation of the Dollar.

On the other hand, a portion of the trade is unwilling to discount the extremely disappointing US Non-farm payroll report last Friday and others think delta variant infections are set to get out of control and in turn potentially provide fresh headwinds for the US and global economy. In the end, we give the edge to the bull camp but see the Index limited to 92.50. The Commitments of Traders report for the week ending August 31st showed Dollar Non-Commercial & Non-Reportable traders net bought 423 contracts and are now net long 26,182 contracts.

Apparently the euro trade is not expecting risk on psychology as the dollar index made inroads against all other actively traded currencies and in turn put the Euro under pressure to start the trading week. Furthermore, the bull camp should be disappointed by the lack of strength in the euro following a surprisingly upbeat German factory output result! Therefore, it is likely that the euro is in a technical corrective track following 4 weeks of very significant gains. Euro positioning in the Commitments of Traders for the week ending August 31st showed Non-Commercial & Non-Reportable traders are net long 53,480 contracts after net selling 4,650 contracts.

While we see the Yen remaining within a sideways chop defined as 91.32 and 90.77, strength in the dollar and very disappointing Japanese coincident and leading economic indicator readings overnight favor the bear camp. With the Swiss franc paying little attention to the ebb and flow of interest in the US dollar, it is not surprising to see the Swiss franc under minimal pressure in the face of today's dollar rally. However, the Swiss franc should be supported because a downtick in the Swiss August unemployment rate.

From a technical perspective, the Pound appears to have reversed its mid-August through early September uptrend bias with the currency falling below its 200-day moving average at 1.3815. Given the negative chart signals, the uptick in Halifax house prices for August is of little consideration to the trade. In addition to political uncertainty from a likely change in Canadian leadership, the Canadian and other recovery currencies remain under pressure because the disappointing US jobs report at the end of last week. From a technical perspective, the Canadian was certainly overbought into Friday's high with the mid-August through early September rally of nearly 300 points. Furthermore, the Canadian has fallen sharply through its 200-day moving average, potentially turning technical trading systems bearish to the currency.

STOCKS:
Despite a disappointing headline nonfarm payroll reading, the stock market did not benefit from a likely pushing back of US tapering late last week. On the other hand, disappointment from the jobs data seemed very muted and some bargain-hunting buying appears to have surfaced around the lows in last Friday’s trade. While tech sector stocks performed and managed to hold up the broad market, rising regulatory/legal problems for big tech could signal a rotation in stocks ahead.

Global equity markets at the start of this week were mixed with Asian/Pacific rim markets higher, with Europe trading lower and the US clawing out minimal early gains. While US equities failed to hold all-time highs on Friday, prices remain near those all-time highs and are likely to extend the rally off the view that US tapering was pushed back by the very disappointing US August payroll reading. However, markets should be cheered by positive Chinese export data, better-than-expected euro zone GDP and stronger than expected German industrial output results.

With a quiet US economic report slate early this week, positive global data and residual relief from a likely push back of Fed tapering timing, the bull camp enters the new week with an ongoing edge. In fact, the net spec and fund long in the S&P remains very low relative to the last 2 years, which suggest the market retains significant buying capacity despite the proximity to all-time highs. E-Mini S&P positioning in the Commitments of Traders for the week ending August 31st showed Non-Commercial & Non-Reportable traders reduced their net long position by 35,932 contracts to a net long 77,546 contracts.

In retrospect, it would appear as if the Dow futures ran into significant psychological resistance at the 35,500 level. On the other hand, the Dow futures also appeared to have built significant consolidation low support at 35,219. From a fundamental perspective, the bias remains up with the likely tapering by the US Federal Reserve pushed back by 2 months and investors cheered by favorable economic news overnight from German industrial output and Chinese exports. Like the S&P, the Dow futures remain minimally net spec and fund long and therefore likely retain speculative buying capacity. The August 31st Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 787 contracts and are now net long 4,697 contracts.

The NASDAQ forged new all-time highs in the early going this week and is likely to add to those gains given the tempering of tapering fears and news that Deutsche Telecom increased its T-Mobile US holdings. However, holding back the tech laden NASDAQ is ongoing signs of Chinese government heavy-handedness with respect to online, data and entertainment shares. Nasdaq Mini positioning in the Commitments of Traders for the week ending August 31st showed Non-Commercial & Non-Reportable traders are net short 15,453 contracts after net buying 3,400 contracts.

GOLD, SILVER & PLATINUM:

The gold market was presented with bullish and bearish news, but clearly embraced the bear side of the equation. From the bull side of the equation, Indian gold imports for August jumped by nearly 50% last month and reached the highest level since the first quarter reportedly from restocking, bargain-hunting buying and festival interest. In fact, on a year-over-year basis India saw its gold imports of 121 tonnes dwarf the 63 tonnes seen one year earlier. However, the trade expects a dollar rebound this week, investment interest in Gold ETF remains very poor (total ETF gold holdings at the end of last week are 6.8% lower on the year), US Treasury yields have jumped early this week and Chinese official gold holdings declined by 0.6% last month versus July.

We suspect part of the weakness in gold at the start of this week is a classic "give back" of an overdone reaction to the Fed's likely on hold stance following a serious "miss" on the August US payroll report. It should be noted that December gold after breaking out above its 200-day moving average on Friday has fallen back below that average today at $1817.40. While not significantly overbought in spec categories, the most recent positioning report probably understates the size of the net long given the post report rally of $18. The August 31st Commitments of Traders report showed Gold Managed Money traders added 4,273 contracts to their already long position and are now net long 98,865. Non-Commercial & Non-Reportable traders are net long 253,987 contracts after net buying 8,819 contracts.

Like the gold market, the silver market has also posted significant declines in what appears to be a classic "give back" of an overreaction to the likely delay in US tapering because of the slack jobs report last Friday. Fortunately for the bull camp in silver the net spec and fund long is near the lowest levels since June 2019. Silver positioning in the Commitments of Traders for the week ending August 31st showed Managed Money traders added 2,249 contracts to their already long position and are now net long 12,425. Non-Commercial & Non-Reportable traders net bought 3,697 contracts and are now net long 38,096 contracts.

While December palladium managed to hold above last week's double low level of $2381 in the early going this week, negative spillover pressure from gold, negative Asian equity market action and residual disappointment from last week's soft US jobs report could result in a downside breakout and a 7-day low directly ahead. However, palladium should draft support from signs of stronger Chinese exports in August and from news that supply chain bottlenecks in Europe are likely moderating as that allowed for a larger than expected jump in German industrial output in July. Palladium positioning in the Commitments of Traders for the week ending August 31st showed Managed Money traders added 181 contracts to their already long position and are now net long 1,111. Non-Commercial & Non-Reportable traders reduced their net short position by 117 contracts to a net short 175 contracts.

The platinum market is also suffering because of the short-term overbought condition from the rally last Friday, but the trade is also discouraged by another large daily outflow from platinum ETF holdings of 8,986 ounces on Friday which in turn has brought the year-to-date change to a decline of 1.2%. Fortunately for the bull camp, the net spec and fund long in platinum sits at some of the lowest levels in 2 years and that could limit the decline in platinum this week to recent consolidation lows down at $975. The Commitments of Traders report for the week ending August 31st showed Platinum Managed Money traders are net short 5,442 contracts after net selling 1,680 contracts. Non-Commercial & Non-Reportable traders are net long 14,106 contracts after net selling 969 contracts.

COPPER:
Obviously, the copper trade is very disappointed in Chinese August imports of copper, with August imports dropping by 41% from a year earlier. However, year-over-year comparisons are fraught with problems given strategic stockpile sales from China and a pattern of significant declines in weekly Shanghai copper warehouse stocks. Copper should derive some support from upbeat German factory output readings and more specifically because China saw overall exports in August jump by much more than expected! Another supportive development for copper is a new record high Chinese iron ore import reading in August, as many suggest that points to positive forward movement in the Chinese economy.

In a long-term negative impact, the Peruvian government is apparently "interested" in developing 6 new mining projects with the government looking to generate 23% more from the mining industry "next year". Fortunately for the bull camp, the most recent positioning report showed copper in the lower quarter of the last 14 months net spec and fund long range. The Commitments of Traders report for the week ending August 31st showed Copper Managed Money traders net bought 18,707 contracts and are now net long 31,663 contracts. Non-Commercial & Non-Reportable traders were net long 26,944 contracts after increasing their already long position by 13,747 contracts.

ENERGY COMPLEX:

Despite several supportive developments, the crude oil market has started out under significant pressure early this week. The discounted bullish developments are reports that 80% of oil output from the Gulf of Mexico remains off-line, the potential development of a western Gulf hurricane, projections that Nigeria's Delta area oil output may be forced into a lock down by infections and news that Chinese oil imports in August increased. It should be noted that Chinese August oil imports reached a 5-month high but that might have been the result of delayed cargoes scheduled for delivery during adverse weather. Apparently, the trade is concerned about demand destruction with US Delta variant infections remaining very worrisome and there is also concern that US demand could contract given very disappointing US nonfarm payroll readings, but also because of a seasonal contraction in driving demand ahead!

It is also likely that part of the selling early this week was long profit-taking from the low to high rally last week of $3.50. With Brent crude trading higher, the large decline in US crude oil prices early this week could be the result of expectations of a stronger dollar this week. Fortunately for the bull camp, the most recent net spec and fund long in crude oil was the lowest since March 2020 and that could reduce stop loss selling on trades below $67.50. The Commitments of Traders report for the week ending August 31st showed Crude Oil Managed Money traders are net long 272,917 contracts after net selling 9 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 13,709 contracts to a net long 464,491 contracts.

The gasoline market was also trading lower early this week, but is not showing the type of aggressive selling seen in crude oil. Obviously, the passing of the last major 3-day US summer driving holiday signals softer demand ahead as does the ongoing troublesome US daily infection count. In retrospect, the very disappointing US monthly payroll reading last Friday translates into less US driving activity than was anticipated. Therefore, in the coming weeks, alternative data/cell phone activity readings could become extremely important to the ebb and flow of gasoline demand views. Like the crude oil market, the gasoline market last week forged a low to high rally of $0.10 leaving the market short-term overbought. The August 31st Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 51,062 contracts after net buying 5,704 contracts. Non-Commercial & Non-Reportable traders were net long 50,532 contracts after increasing their already long position by 7,295 contracts.

In a minimally supportive development China pushed less product supply into the global market in the month of August. In addition to expectations of a downshift in seasonal demand, the ULSD market is disappointed with the US nonfarm payroll reading last week. With the low to high rally last week of $0.09, the diesel market is short-term overbought and vulnerable to a setback to consolidation low support down at $2.09. The August 31st Commitments of Traders report showed Heating Oil Managed Money traders net bought 6,945 contracts and are now net long 44,884 contracts. Non-Commercial & Non-Reportable traders are net long 56,710 contracts after net buying 3,875 contracts.

With the natural gas market massively oversold from the recent low to high rally of $0.56, it is not surprising to see a 3-day low in the early going early this week. However, technical traders suggest a new contract high, massive range and lower action early in the week is indicative of a "classic reversal" top on the charts. Even more discouraging to the bull camp is the fact that as of yesterday 81% of Gulf of Mexico natural gas production remained off-line (1.8 BCF) and yet prices are lower. While the National Hurricane Center has begun monitoring a storm in the Southwestern Gulf of Mexico, that storm probably won't strengthen significantly given its proximity to land. On the other hand, the National Weather Service prediction center has expanded the area of hotter than normal temperatures in the US to nearly 70% of the country.

The Commitments of Traders report for the week ending August 31st showed Natural Gas Managed Money traders net bought 41,115 contracts and are now net long 71,968 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 19,389 contracts to a net short 109,192 contracts. While the net spec and fund short in natural gas was likely reduced significantly by the rally (nearly $0.40) after the COT report was measured, the positioning remains near the largest net spec and fund short positioning since March 2020. We doubt a normal retracement of the late August/September rally will be seen but that level would allow for a decline to $4.384 without reversing the uptrend.

BEANS:
China August soybean imports reached 9.488 million tonnes and this pushed year to date imports to 67.009 million tonnes, up 3.6% from last year's pace. Edible vegetable oil imports so far this year have reached 7.5 million tonnes, up 15% from last year's pace. November soybeans managed to close higher for a second session in a row on Friday and managed to take out Wednesday's high. Short covering ahead of the long weekend plus weakness in the US dollar were seen as positive forces. News that exporters reported the sale of 130,000 tonnes of US soybeans sold to China was also seen as a supportive force. Argentina has hiked domestic prices for bioethanol and biodiesel on Monday. Inflation is running near 50% annually and bio fuel prices were updated to remain competitive.

December soybean oil bounced on Friday but still closed lower for the week. Malaysia continues to have a very difficult time to get enough workers for harvest due to coronavirus. The hit to production has helped drag global stocks to their lowest level in five years. Vegetable oil supplies have also tightened because of the Canadian canola crop but Ukrainian sunflower has helped to offset some. Collective stocks of the world's most consumed edible oils, (palm, soybean, canola and sunflower seed), have dipped down to their lowest level in a decade. Because of the work shortage, Malaysia January to June yield fell to 7.15 tonnes per hector from 7.85 a year ago. Canadian canola output is expected to come in near 16 million tonnes, the lowest since 2012/13 season. Malaysia palm oil prices were up 0.46% on Monday and closed higher for a third straight session. Traders remain concerned with the lack of rainfall in key groundnut producing regions in India. There is hope for improved monsoon rainfall for September which may ease these concerns.

For the USDA Crop Production and Supply/Demand report on Friday, traders see soybean yield near 50.3 bushels per acre, 49.5-51.2 range, as compared with 50 by the USDA in August. Production is expected near 4.365 billion bushels, 4.3-4.44 range, as compared with 4.339 billion bushels in August. Soybean ending stocks are expected near 182 million bushels, 132-260 range, as compared with 155 million bushels in August. Old crop ending stocks are expected to inch higher by 8 million bushels to 168 million. World ending stocks are expected near 96.7 million tonnes, 91.2-98.7 range, as compared with 96.2 million tonnes in August. The higher close for December meal after trading down to the lowest level since November 10th on Friday is a positive technical development with the market turning higher from a deeply oversold level.

The August 31st Commitments of Traders report showed soybeans managed money traders are net long 69,141 contracts after net selling 14,084 contracts in just one week. Non-Commercial & Non-Reportable traders were net long 41,113 contracts after decreasing their long position by 16,758 contracts for the week. This is an aggressive long liquidation selling trend. For Soymeal, managed money traders were net long 11,856 contracts after decreasing their long position by 8,872 contracts in just one week. Non-Commercial & Non-Reportable traders reduced their net long position by 12,275 contracts to a net long 47,652 contracts. For oil, managed money traders reduced their net long position by 11,681 contracts in just one week to a net long 55,306 contracts. Non-Commercial & Non-Reportable traders are net long 57,043 contracts after net selling 10,099 contracts.

CORN:

December corn closed slightly lower on the session last Friday with an inside trading day. Positioning ahead of this week's USDA Crop Production and Supply/Demand report helped to keep the trade choppy. Weakness in the US dollar was offset by weakness in the energy markets on Friday but today, the dollar is higher and energy lower. There is continued talk of the possibility of higher acreage for the report, and traders are also nervous with the large net long position from fund traders. Traders expect to see corn yield near 175.6 bushels per acre, 173-177.5 range, as compared with 174.6 bushels per acre in August. Production is expected near 14.901 billion bushels, 14.709-15.116 range, as compared with 14.750 billion bushels in August.

Ending stocks are expected near 1.341 billion bushels, 1.018-1.610 range, as compared with 1.242 billion bushels in August. Old crop ending stocks are expected to increase to 1.159 billion bushels, from 1.117 billion in August. World ending stocks are expected near 285.1 million tonnes, 278-290.5 range, as compared with 284.6 million tonnes in August. Traders expect to see Brazil corn production at just 84.8 million tonnes, 82-87 range, as compared with 87 million tonnes for the August report. AgRural on Monday pegged Brazil's corn crop at 81.9 million tonnes as compared with 102.6 million tonnes last year. Harvesting has reached 95% complete, and for the 2021/22 season, plantings have reached 10% complete.

Fall armyworms are marching across the U.S., turning lush green lawns into dull brown as the invasion spreads from Virginia across the northeastern states and beyond. It's the largest infestation some entomologist have seen in 30 years, and perhaps the most unique. These pests are often found in crops such as corn, rice and sorghum. Armyworms are a huge problem in countries in Africa. Last year, about 15% of the corn crop in the southern African nation of Zambia was infested, according to the U.S. Department of Agriculture. China also had a significant issue last year. China's top agricultural think tank reduced its estimate for the country's corn consumption in 2020-21 as high prices bolstered the use of substitutes in animal feed.

The China National Grain & Oils Information Center cut its forecast for domestic corn demand by 2 million tons to 276 million tons in the marketing year ending September, which is almost 20 million tons lower than the year before. Its estimate for 2021-22 consumption is unchanged at 286 million tonnes.

Corn imports for 2020-21 revised up 1 million tonnes to 29 million. Corn output for 2021 is seen at 273 million tonnes. While a record high, it's slightly lower than a previous forecast due to extreme weather. Corn positioning in the Commitments of Traders for the week ending August 31st showed managed money traders are net long 258,785 contracts after net selling 12,209 contracts for the week which is a long liquidation selling trend. Non-Commercial & Non-Reportable traders were net long 236,624 contracts after decreasing their long position by 20,878 contracts.

WHEAT:
December wheat closed sharply higher on the session Friday and managed to experience follow-through buying from Thursday's hook reversal. The market turned up from a deeply oversold level and seems to have a positive tilt to the short term demand indicators due to the sharp break in the US dollar. December Minneapolis wheat also closed sharply higher on the day and recovered most of the losses for the week last week. December Kansas City wheat closed 14 cents higher on the session and down just 1 cent for the week.

The wheat market continues to find underlying support from relatively tight supply at key exporting countries. It was an impressive recovery late last week after a move to the lowest level since July. Russia wheat export prices rose for the eighth consecutive week last week due to higher export tax, strong domestic demand and lower production. SovEcon said wheat prices were up by $3 to $301 per ton, the highest in seven years.

On Monday, European milling wheat futures fell 0.3%. The market has consolidated in the past week after posting an 8 1/2 year high in mid-August. Australia officials pegged the wheat crop at 32.63 million tons, which is up from their June estimate of 27.8 million tons. If so, it would be the second largest wheat crop on record. For the USDA crop production and supply/demand report, traders see wheat ending stocks at 613 million bushels, 555-652 range, as compared with 627 million bushels in August. World wheat ending stocks are expected near 278.1 million tons, 275-281.7 range, as compared with 279.1 million tons in August.

The August 31st Commitments of Traders report showed managed money traders are net long 11,370 contracts after net selling 612 contracts for the week. Non-Commercial & Non-Reportable traders are net long 13,911 contracts after net selling 3,447 contracts in one week. For KC wheat, managed money traders are net long 47,705 contracts after net buying 314 contracts. Non-Commercial & Non-Reportable traders were net long 42,145 contracts after decreasing their long position by 1,576 contracts.

HOGS:
The hog market is overbought and looks vulnerable to a significant downside correction unless there is a sudden shift to better export demand. China imported 758,000 tonnes of meat for the month of August, down 8.9% from a year ago. China has imported 6.69 million tonnes and meat for the first eight months of the year, up 1.7% from last year's pace. August imports were lower than July's figure of 854,000 tonnes. Monthly US pork exports for July came in at 508.2 million pounds, down 8.4% from last year and the lowest monthly total since 2019. Exports represented only 25% of total production versus 33% in May. Exports to China came in at 59 million pounds, down from 260 million pounds in May 2020 and

their lowest since early 2019. The weekly USDA export sales reports show China's commitments for 2021 have reached 344,700 tonnes, well shy of the 561,800 tonnes at this point last year.

The CME Lean Hog Index as of September 1 was 101.32, down from 102.67 the previous session and down from 104.79 the week prior. The five-year average is near 60.00. The USDA pork cutout released after the close Friday came in at $106.99, down from $108.19 on Thursday and $115.45 the previous week. In the last two years, the cutout has traded near $70.00 in early September. This leaves the market attempting to hold historically high prices in a period of declining exports and increasing supply. Once the pork production pushes sharply higher from the summer base, it may be difficult for the market to absorb the extra pork without sharply lower prices. October hogs closed slightly lower on the session Friday with an inside trading day and a small range.

The hog market coiled up for much of the week with choppy trade, but the longer-term bearish influences of increasing supply and lower exports will likely force the US to absorb extra pork during September and October. The USDA estimated hog slaughter came in at 463,000 head Friday and 28,000 head for Saturday. This brought the total for last week to 2.398 million head, down from 2.438 million the previous week and 2.466 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,182 contracts of lean hogs for the week ending August 31, increasing their net long to 83,389. Non-commercial & non-reportable traders were net buyers of 2,629, increasing their net long to 77,151.

CATTLE:
The COT report shows an aggressive long liquidation selling trend from fund traders as beef demand has soured and traders sense that export and domestic demand may weaken as Covid continues to spread. October cattle closed sharply lower on the session Friday and the selling push the market down to the lowest level since July 21. The market has taken out the previous day's low for eight sessions in a row. Slaughter is coming in a little higher than expected, and the cash market has stabilized in spite of massive margins from the packer. The USDA estimated cattle slaughter came in at 114,000 head Friday and 34,000 head for Saturday. This brought the total for last week to 624,000 head, down from 651,000 the previous week and 635,000 a year ago. The USDA boxed beef cutout was down 23 cents at mid-session Friday and closed $1.50 lower at $336.42. This was down from $345.34 the previous week and was the lowest the cutout had been since August 16.

Cash live cattle trade was quiet on Friday. On average, prices were slightly weaker last week than the previous week. On Friday 548 head were reported in Kansas at 123-124 with an average price of 123.67, up from 122.393 the previous week. However, the 5-day, 5-area weighted average prices as of Friday afternoon was 125.68 versus 125.74 the previous week. Friday's Commitments of Traders showed managed money traders were net sellers of 9,003 contracts of live cattle for the week ending August 31, reducing their net long to 83,646. This is an aggressive long liquidation selling pace. Non-commercial, no CIT traders were net sellers of 9,263, reducing their net long to 62,145 contracts.

COCOA:
Cocoa’s abrupt turnaround last Thursday led to a 2-day updraft of 116 points (up 4.6%) as the market shifted focus from ample near-term supply to the prospects for upcoming production. If global risk sentiment can find a positive tone, cocoa may be able to reach new multi-year highs early this week.

December cocoa continued to build on early support as it reached a new 2-week high before finishing Friday's trading session with a sizable gain. For the week, December cocoa finished with a gain of 72 points (up 2.8%) and a positive weekly reversal from last Wednesday's 3 1/2 week low.

Rising concern with upcoming West African production continues to underpin cocoa prices late this week following news that a Nigerian trade group forecast their nation's 2021/22 cocoa output would fall 12% from this season. There was above-average rainfall over many West African growing areas last week which may help to replenish soil moisture levels. However, heavy rainfall in some regions could result in damage to pods and cocoa trees that could reduce early main crop cocoa production.

The latest weekly Ivory Coast port arrivals total was slightly above the comparable period last year which kept the full season total ahead of last season's pace. This follows several weeks in which arrivals came in below 2020 totals, however, as the mid-crop harvest has been winding down since mid-August. A rally in the Eurocurrency to a 1-month high benefited the cocoa market as its 3-week recovery move should make it easier for Euro zone grinders to acquire near-term supply. However, the Eurocurrency has pulled back from Friday's high early this week which could be a source of headwinds for cocoa prices.

Cocoa positioning in the Commitments of Traders for the week ending August 31st showed Managed Money traders net sold 5,974 contracts and are now net long 13,753 contracts. CIT traders reduced their net long position by 378 contracts to a net long 23,233 contracts. Non-Commercial No CIT traders reduced their net long position by 5,201 contracts to a net long 1,724 contracts. Non-Commercial & Non-Reportable traders were net long 24,100 contracts after decreasing their long position by 5,570 contracts.

COFFEE:
While coffee prices have started September on a downbeat note, they are holding their ground above their August consolidation zone and well above their August lows. With a bullish supply outlook providing underlying support, coffee may be able to regain upside momentum coming out of the holiday weekend. December coffee continued to hold within a fairly tight range as it reached a 1-week low before finishing Friday's trading session with a moderate loss. For the week, however, December coffee finished with a gain of 0.80 cent (up 0.4%) and a third positive weekly result over the past 4 weeks.

Ongoing concern that the spread of the Delta COVID variant could negatively impact restaurant and retail shop demand weighed on coffee prices, as the prospect of fresh COVID restrictions could have a notable impact on demand. ICE exchange coffee stocks were unchanged on Friday, but are more than 26,000 bags below their multi-year highs at end of June. This reflects some improvement in demand (particularly in Europe where most ICE exchange coffee stocks are located) as Brazil's harvest was underway during July and August.

A third day in a row in which the Brazilian currency finished well below its early highs weighed on coffee prices as that could encourage more aggressive marketing of near-term Brazilian coffee supply. Safras and Mercado estimated that 96% of Brazil's Arabica harvest was completed at the end of August, which compares with a 5-year average of 97% on that data. Brazil's largest coop Cooxupe said that 90.6% of their harvest was completed on August 27th versus 92.5% on that data last year. A trade group forecast that India’s 2021/22 coffee production may come in 10% below government estimates due to heavy rains and labor shortages.

Coffee positioning in the Commitments of Traders for the week ending August 31st showed Managed Money traders added 3,175 contracts to their already long position and are now net long 38,657. CIT traders added 338 contracts to their already long position and are now net long 61,302. Non-Commercial No CIT traders net bought 3,176 contracts and are now net long 33,820 contracts. Non-Commercial & Non-Reportable traders net bought 4,100 contracts and are now net long 58,710 contracts.

COTTON:
The technical action remains positive for the cotton market, but the supply fundamentals may sour for the USDA report late this week. December cotton closed higher on Friday, solidly back into a two-week range bounded roughly by 91.80 and 95.00. The dollar sold off sharply for the second straight day on Friday, and this added to support for cotton. The Dollar Index had its lowest day since July 30 and its second lowest since June 28. An industry consultant from India stated that he expects the strong recovery in global apparel trade would continue to keep cotton demand robust over the next 6-12 months. In India, cotton plantings are already near 8% below year ago due to slow monsoon rains for the month of August. Traders are hopeful to see above normal precipitation in the next few weeks which might help ease concerns for the cotton crop.

The US crop has apparently made it through Hurricane Ida unscathed, but shipping could be interrupted. The 6-10 and 8-14-day forecasts call for above normal temperatures and below normal precipitation across the US cotton growing regions. This could allow harvest to proceed at a quick pace. As of August 29, 21% of the crop had bolls opening. It will be interesting to see how much progress has been made over the past week. Last year, the bolls-open number went from 29% to 37% between August 30 and September 6. Friday's Commitments of Traders showed managed money traders were net buyers of 5,384 contracts of cotton for the week ending August 31, increasing their net long to 89,441. Non-commercial & non-reportable traders combined were net buyers of 2,118, increasing their net long to 119,245. CIT traders were net buyers of 1,770 contracts, increasing their net long to 88,610. The buying trend is a positive force.

SUGAR:
While sugar prices have started September by falling back from last Tuesday’s high, the market has held within a relatively tight trading range over the past 3 1/2 weeks in spite of volatile action in its key outside markets. With bullish supply developments providing support, sugar can benefit from stronger global risk sentiment and regain upside momentum early this week. March sugar continued to see coiling price action as they reached a new 1-week low before finishing Friday’s trading session with a sizable loss. For the week, March sugar finished with a loss of 36 ticks (down 1.7%) which was a second negative weekly result over the past 3 weeks and a negative weekly reversal.

Forecasts for India’s monsoon rainfall this month to come in above average also pressured sugar prices as that may improve the prospects for their upcoming 2021/22 cane crop. In addition, a pullback in energy prices weighed on the sugar market as that may weaken near-term Brazilian ethanol demand.

Brazil's Center-South mills continue to keep sugar's share of crushing close to last season's levels, but they should still see a sizable decline in sugar production from last season.

Most trade estimates for the 2021/22 Center-South cane crop are under 550 million tonnes with some estimates below 500 million, and that compares with 605 million tonnes during the 2020/21 season. This should lead to sugar production falling by at least 3 million tonnes, but that could turn into a 6 million tonne decline or larger with a low-end cane harvest and stronger energy prices. A German trade association forecast their nation's 2021/22 sugar production will come in at 4.38 million tonnes, which compares with 4.10 million last season which bodes well for the western European beet sugar crop.

The Commitments of Traders report for the week ending August 31st showed Sugar Managed Money traders were net long 264,315 contracts after decreasing their long position by 5,507 contracts. CIT traders reduced their net long position by 664 contracts to a net long 194,807 contracts. Non-Commercial No CIT traders net sold 7,262 contracts and are now net long 191,937 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 12,361 contracts to a net long 337,580 contracts.

Please contact us at 1.877.690.7303 or via email at sales@admis.com for any questions or comments on this report or would like more information about ADMIS research.

Follow ADMIS on Social Media