ADM Investor Services, Inc.

# Weekly Futures Market Summary

**by the ADMIS Research Team**
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**BONDS:**
The reaction in treasury prices last Friday was nothing short of astounding as the US nonfarm payroll count was less than half of what was expected. However, limiting the ability to rally in bonds and notes was the fact that the two prior month's nonfarm payroll readings were revised upward and more importantly the US unemployment rate dropped by 0.2%. On the other hand, the soft nonfarm payroll report certainly reduces the potential the Fed will begin to taper next month. Early week action in treasury prices was likely to be very limited given the closure of the cash markets Monday due to the Columbus Day holiday at US banks.

Despite the holiday thinned trade, the treasury bond market extended down and has reached the lowest level since June 17th. Apparently, the treasury market has managed to massage or shape the nonfarm payroll report reading into a reading that will not put the Fed off from their intentions to taper before the end of the year. In our mind, the debate in the marketplace is currently rotating between a November and December tapering with the long-term ramifications of the beginning of the tapering probably insignificant. On the other hand, it is possible that the downside breakaway action is a long-term readjustment from artificially low interest rates.

In short, the fundamental long-term set up favors the bear camp, but the technical condition of the market is certainly oversold with the net spec and fund short in Bonds adjusted to today's action likely producing the largest short since June! It should be also noted that the last time the net spec and fund short was at current levels, bonds were trading nearly 2 points lower than current pricing. The Commitments of Traders report for the week ending October 5th showed Bonds Non-Commercial & Non-Reportable traders added 15,618 contracts to their already short position and are now net short 124,370. T-Notes positioning showed Non-Commercial & Non-Reportable traders were net short 173,203 contracts after increasing their already short position by 84,242 contracts.

**CURRENCIES:**
Like many other financial markets, the dollar index last Friday failed to exhibit "as expected" action following a disappointing US nonfarm payroll report. Apparently, the trade thinks the US economy is progressing enough that the increasingly inflation nervous Fed will taper before the end of the year.

Certainly, previous monthly nonfarm payroll readings were revised upward, and there are views that suggest the unwillingness to work is raising wages and the October payroll report will show a significant jump. While the dollar remained within Friday's large two-sided trading range, the currency index has stayed near contract highs and has seemingly built a strong shelf of support at 94.00.

However, the dollar was likely held back because of last Friday's nonfarm payroll report which could signal stagflation and could potentially push back tapering into next year. In other words, the interest rate differential edge for the dollar is being called into question, thereby restricting flows to the dollar. The Commitments of Traders report for the week ending October 5th showed Dollar Non-Commercial & Non-Reportable traders added 7,048 contracts to their already long position and are now net long 38,809.

The euro managed to respect last week's low despite seeing the dollar hold near its contract highs over the past 4 trading sessions. On the other hand, the euro should see some pressure from disappointing Italian industrial output readings for August and will see several ECB speeches early this week. In the near term, we see the euro restrained within a trading range bound by 1.16005 and 1.1555. The Commitments of Traders report for the week ending October 5th showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 21,996 contracts to a net long 8,433 contracts.

The Yen ranged down sharply at the start of this week without a definitive move in either the dollar or the euro, which in turn suggests internal/domestic negative sentiment. While we doubt the significant slide in a Japanese machine-tool orders report for September was a primary force behind the sharp range down extension, that news is playing a role in the bear case. Obviously, the Swiss franc was undermined because of the US nonfarm payroll disappointment as that discourages investment in recovery currencies like the Swiss franc, Euro, and Pound. However, the Swiss franc has shown the ability to stand up to the recent US dollar strength and that could increase the durability of consolidation low support.

Surprisingly, the British pound was showing strength and temporarily managed a 9-day high at the start of this week. However, the Pound seemed to recoil from the underside of the July through mid-September consolidation zone at 1.3668. At present, we are hesitant to suggest the current rally in the Pound is fundamentally justified. Unlike other currency markets, Canadian dollar gains were justified by a very robust jobs gain in the month of September. In fact, the Canadian jobless rate reached a 1 1/2 year low and employment readings have returned to pre-pandemic levels. Therefore, the bias is up in the Canadian dollar.

**STOCKS:**
The equity markets exhibited significant two-sided volatility last Friday through what in the end was judged to be a disappointing US jobs report. Some bulls hoped that a soft nonfarm payroll result would result in a noted equity market rally off ideas that a November Fed tapering was unlikely. Other analysts are concerned that a lack of forward momentum in the US economy will make the next round of earnings reports soft.

Global equity markets at the start of this week were mixed with those markets trading higher generally located within Asia. Declines in most markets were less than 0.5% while the strongest index posted a gain of 1.7%. While the equity markets will have a thin trading session Monday due to a bank holiday, volatility is likely to remain in place with the markets waffling between tapering and no tapering for the month of November.

However, the bull camp should be heartened by news that Merck has applied for emergency authorization of its Covid 19 "pill" and from news from last week that FDA advisors are reviewing the Moderna and J&J Covid 19 booster shots this month. In retrospect, the market's surprisingly positive reaction to a very disappointing US nonfarm payroll report last Friday appears to have been a "red herring" with the markets unhappy with the pace of the US economy and less concerned about when tapering might begin.

With a cancellation of 30% of Southwest Airline's flight schedule on Sunday, a 2nd day of heavy cancellations possible on Monday and the smallish nonfarm payroll tally, many investors are concerned that workers stubbornness to return to work is slowing the US recovery significantly. About the most positive thing for the bull camp to start out this week was the lack of anxiety because of the partial market holiday. The Commitments of Traders report for the week ending October 5th showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 17,372 contracts and are now net long 93,501 contracts.

As indicated in earlier coverage, the most positive force for the bull camp to start early this week is the lack of significant anxiety in the marketplace following last Friday's nonfarm payroll disappointment. In our opinion, the nonfarm payroll report brings to light the structural problem of workers not returning to work with reports of significant retirements and pure unwillingness to work likely impacting large companies such as Southwest Airlines.

In other words, brick-and-mortar companies are likely to be struggling to maintain revenues because of staffing shortfalls. The Commitments of Traders report for the week ending October 5th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 987 contracts after decreasing their short position by 991 contracts. The Commitments of Traders report for the week ending October 5th showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 987 contracts after decreasing their short position by 991 contracts.

Like the rest of the markets, the NASDAQ started out the new trading week out on a back foot with a 3-day low and the appearance of a market headed back into last week's range which had consolidation lows down around 14,410. Nasdaq Mini positioning in the Commitments of Traders for the week ending October 5th showed Non-Commercial & Non-Reportable traders are net short 6,414 contracts after net buying 313 contracts. In the bull's defense, both the Dow Jones and NASDAQ futures are holding net spec and fund "short" and that could reduce the amount of selling in the marketplace.

**GOLD, SILVER & PLATINUM:**
The gold market remains vulnerable to further liquidation after last Friday's noted failed rally attempt and because of a 3-day low on the charts early today. Surprisingly, the gold market has not drafted

support from news that Indian gold imports reached 93.5 tonnes in September compared to a dramatic pandemic influenced 8.4 tonnes of imports last year! Certainly, some buying in September is seasonally related and could be a one-off event, seeing Indian gold imports reach 100 tonnes per month puts their total imports back on a "near normal" standing. While some traders suggested that the failed rally last week was the result of increased economic uncertainty from the non-farm disappointment, others indicated that the failure was the result of dollar strength.

However, the dollar saw some negative chart action on Friday with a four-day low and a temporary probe below 94.00 and that argues against a tight gold/currency correlation. Last week, gold ETF holdings declined by 199,063 ounces and posted the 8th straight daily decline. Even though the gold market added significantly to its net spec and fund long markedly in the latest weekly positioning report, the overall net spec and fund long remains very modest and within recent ranges. The October 5th Commitments of Traders report showed Gold Managed Money traders added 25,718 contracts to their already long position and are now net long 67,841. Non-Commercial & Non-Reportable traders were net long 212,122 contracts after increasing their already long position by 16,287 contracts.

Going forward, the markets are likely to be less concerned about tapering with many anticipating Friday's news delayed the US taper start until December. However, there is still a portion of the market that sees inflation as a developing problem that the Fed may want to get ahead of. In the event the Fed displays a definitive hawkish turn by tapering between meetings, that could be very negative to gold and silver pricing. On the other hand, physical demand statistics for China and India are improving relative to year ago levels and the markets could draft support from that "return to normal". Seeing demand improve from India and China is always material given that they are number one and number two in the world consumer list but given very small imports last year, the year over year comparison is difficult.

We continue to expect silver to diverge consistently with the gold market as it tracks classic industrial commodities and equities and gold tracks more esoteric themes. Chart action in silver is upbeat with the big range up attempt Friday not wholly rejected and given a positive close. The October 5th Commitments of Traders report showed Silver Managed Money traders added 1,112 contracts to their already long position and are now net long 4,630. Non-Commercial & Non-Reportable traders net sold 945 contracts and are now net long 26,931 contracts.

Unlike the gold market, the palladium market continued to range sharply higher and reached the highest level since September 10th. While the palladium market did not post another record net spec and fund short in the recent positioning report, the market remained net spec and fund short a moderate amount given the relatively low trading volume in the market. Therefore, part of palladium’s gains is likely attributable to short covering. In fact, with a decline in open interest and increased trading volume during the rally, that highlights short covering in our book. Palladium positioning in the Commitments of Traders for the week ending October 5th showed Palladium Managed Money traders hit a new extreme short of 2,539 contracts. Managed Money traders net sold 182 contracts and are now net short 2,539 contracts. Non-Commercial & Non-Reportable traders are net short 3,560 contracts after net buying 112 contracts.

Not to be left out, the platinum market surged higher along with palladium in a move that some traders are labeling as an investment allocation reaction. Fortunately for the bull camp, the upside extension last Friday in platinum was accompanied by a significant jump in trading volume. However, platinum should be held back by news of a very substantial outflow of ETF holdings last Friday of 10,505 ounces which in turn put the year-to-date change at a contraction of 3%.

Another negative holding back platinum from the strength seen in palladium is a reduction in annual deficits forecasts for 2021 and 2022 by Russia's Nornickel. Apparently, the palladium mining giant reduced its 2021 deficit forecast from 900,000 ounces to only 200,000 - 300,000 ounces! The October 5th Commitments of Traders report showed Platinum Managed Money traders added 400 contracts to their already short position and are now net short 7,542. Non-Commercial & Non-Reportable traders are net long 10,991 contracts after net buying 151 contracts.

**COPPER:**

Surprisingly, the copper market managed to rally through disappointing US Jobs data last Friday and prices have continued higher early this week despite lower global equity market action. However, like the equity markets, the copper trade was presented with a disappointing headline nonfarm payroll reading but that news was partially countervailed by a reduction in the unemployment rate. On the other hand, China's economy will return to normal after a protracted holiday but the news from the Chinese real estate front is negative with fears rising again in the lead up to another key bond payment from Evergrande.

Fortunately for the bull camp, the copper market moderated its net spec and fund long position into the recent consolidation lows of $4.1885 and therefore the $4.20 level could hold the trade up without major risk on action flowing from other markets. The Commitments of Traders report for the week ending October 5th showed Copper Managed Money traders reduced their net long position by 3,223 contracts to a net long 26,406 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,802 contracts to a net long 19,311 contracts.

**ENERGY COMPLEX:**

With the punch out above $80 in November crude oil on Friday and a very significant upside thrust to start early this week, the bull camp has extended control into a new trading week. In fact, it is very impressive for energy prices to have held firm in the face of a decidedly slack US nonfarm payroll result last Friday. However, seeing an energy crisis of sorts inside China has provided the bull camp with another theme besides the idea that recovering demand is outstripping recovering supply. Clearly, demand hope is the result of anticipation of gradual improvement in the global economy and given disappointing economic numbers from the US and China over the past month there is a measure of suspicion of the upside pulse.

On the other hand, the markets probably drafted fresh buying interest from news that crude oil in floating global storage declined by nearly "10%" last week! Unfortunately for the bull camp, the US daily infection rate has settled in just above 100,000 from the second half of last week and that diffuses some bullish energy demand forecasts. While not significantly overbought, the crude oil market into the high early this week is trading another $3.00 above the level where the COT report was calculated, thereby likely putting the net spec long at moderately overbought levels.

The most recent Baker Hughes oil rig operating count showed an increase of five this week to a net operating rate of 433 rigs. The oil rig count has now returned to the highest level since April 2020! The Commitment of Traders report for October 5th showed Crude Oil Managed Money traders were net long 316,157 contracts after increasing their already long position by 18,115 contracts. Non-Commercial & Non-Reportable traders were net long 531,172 contracts after increasing their already long position by 28,658 contracts. The bias is up but without a definitive risk-on vibe, we are a little suspicious of the rally.

Like the crude oil market, the gasoline market also forged a new contract high early this week and has breached the next critical psychological resistance point of $2.40. At least at the end of last week, the gasoline market continued to see a flurry of increased traffic and congestion signals from high-frequency data. Therefore, strong demand hope present in the crude oil market is also present in RBOB. Unfortunately for the bull camp, the latest EIA inventory data shows what appears to be an ongoing repair of the tightness seen throughout most of the last 13 months.

As indicated in other market coverage, seeing China get back to normal (relative to a holiday period) should provide support in addition to the undying expectation for strong gas demand regardless of retail price. The Commitments of Traders report for the week ending October 5th showed Gas (RBOB) Managed Money traders were net long 60,961 contracts after increasing their already long position by 8,651 contracts. Non-Commercial & Non-Reportable traders were net long 57,998 contracts after increasing their already long position by 8,382 contracts.

The diesel market temporarily faltered perhaps because of negative flow of news of soft jet fuel demand that has surfaced over the past several weeks. Certainly, the diesel market has tighter classic fundamentals relative to gasoline and crude oil, but airline consumption is expected to flat line at current levels and perhaps contract. However, reports of significant trucking backups on both coasts could begin to unravel and flow could pick up along with the demand for diesel fuel.

On the other hand, the latest net spec and fund long positioning in diesel is the highest of all the actively traded energy markets and therefore ULSD is therefore the most vulnerable from a technical perspective. Heating Oil positioning in the Commitments of Traders for the week ending October 5th showed Managed Money traders were net long 47,898 contracts after increasing their already long position by 3,357 contracts. Non-Commercial & Non-Reportable traders net bought 6,840 contracts and are now net long 68,490 contracts.

With wild swings in volatility seen in natural gas over the last two weeks and the injection season showing robust injections, the natural gas market looks vulnerable in the near term. Last week's rig operating count showed US gas rigs drilling to be unchanged at 99. The gas drilling number has been unchanged for three weeks and is at the lowest level since July. It should be noted that the natural gas rig drilling activity has not recovered in any way like the petroleum markets and therefore residual support for the bull case should be held in reserve.

Fortunately for the bull camp, the latest positioning report shows natural gas to have remained net spec and fund short, which in turn could cushion the market against what appears to be a coming correction. Natural Gas positioning in the Commitments of Traders for the week ending October 5th showed

Managed Money traders net bought 2,015 contracts and are now net long 32,755 contracts. Non-Commercial & Non-Reportable traders were net short 94,736 contracts after decreasing their short position by 9,426 contracts. It is the shoulder season and without a fresh wave of bullish demand news from Europe or China, prices are vulnerable to normal corrective action.

**BEANS:**

The continued strong advance in global vegetable oil prices, plus news of another new all-time high for palm oil, plus talk that China may be a more active buyer of US soybeans coming off their holiday helped to support higher trade on Friday. The buying pushed November soybeans up to the highest level since September 30. The surge in open interest on the recent break in meal would suggest that fund traders are building a larger net short position. The same can be said for November soybeans.

The Commitments of Traders report for the week ending October 5th showed soybeans managed money traders reduced their net long position by 9,858 contracts to a net long 49,453 contracts. The long liquidation selling trend is a short-term negative force. Non-Commercial & Non-Reportable traders were net long 16,166 contracts after decreasing their long position by 14,978 contracts.

For soyoil, managed money traders were net long 75,178 contracts after increasing their already long position by 27,688 contracts. Non-Commercial & Non-Reportable traders added 31,847 contracts to their already long position and are now net long 87,056. For Soymeal, managed money traders added 17,100 contracts to their already short position and are now net short 32,064. Non-Commercial No CIT traders net sold 15,635 contracts for the week and are now net short 32,767 contracts.

Malaysia palm oil gained 10.2% on the week. Brazilian producers planted 9.8% of the expected area for 2021/22 soybean crop by Oct. 8, according to consulting firm Safras & Mercado. This is up from last year when just 2.3% of the expected area was sown, but behind the 5-year average of 9.1%. Outside market forces were mostly positive with a break in the US dollar and continued strong gains in the energy sector helping to support. Spot basis offers for soymeal firmed at U.S. Midwest rail markets on Friday, supported by tight supplies and brisk demand from domestic users as well as exporters.

Traders noted rising demand from domestic livestock producers who had held off on booking soymeal, anticipating cheaper prices in the autumn. For the USDA report, the average trade expectation for 2021/22 US soybean ending stocks is 300 million bushels (estimates range from 161 to 373 million), up from 185 million bushels in the September report. Production is expected to come in near 4.415 billion bushels (4.374-4.466 billion range) versus 4.374 billion in September. Traders expect yield to come in around 51.1 bushels per acre (50.5-51.5 range), up from 50.6 in September.

In years when weather is harsh in July but improves in August, like 2005 and this year, there is a tendency for the market to underestimate how much yields will improve. In 2005, the September yield estimate was 39.6 bushels per acre. It jumped to 41.6 in October and eventually reached a reading of 43, which was even higher than the 2004 yield. In the same year corn yield fell to 147.9 bushels/acre from 160.4 in 2004. World soybean ending stocks for 2021/22 are expected to come in near 100.72 million tonnes (96-103 million range), up from 98.89 million in the September report.

**CORN:**
Heavy rains across northern China this past week have delayed their corn harvest and have raised concerns about the crop's quality. Mexico officials see 2021 corn imports may likely exceed 19 million tonnes which would be a new all-time high for corn imports and compares with near 16 million tonnes last year. A mixed weather forecast with some areas of the Midwest getting enough rain to slow harvest activities helping to keep selling pressures somewhat at bay. The 6-10 day is dry and could boost harvest. Strength in the energy complex plus weakness in the US dollar are seen as positive outside market influences.

Weakness in wheat has been offset by strength in the soybean complex. For the USDA supply/demand update this week, the average trade expectation for US 2021/22 corn ending stocks is 1.432 billion bushels (estimates range from 1.238-1.568 billion), up from 1.408 billion in the September report. Corn production is expected to come in near 14.973 billion bushels (14.788-15.188 billion range), down from 14.996 billion in September. Yield is expected to come in near 176 bushels per acre (174-178.5 range), down from 176.3 in the September update.

If yield falls to 174.5 bushels per acre (down only 1% from the September update), ending stocks could drop to 1.314 billion bushels and result in a stocks/usage ratio of 8.9%. This would be tight enough to spark renewed buying interest in corn, and it could spark a resumption of the uptrend. The recent jump in fertilizer prices, driven by higher natural gas costs, opens the door for lower planted area and less production for the new crop season. Keep in mind that traders are counting on a Brazilian corn crop of 118 million tonnes for the upcoming year versus 86 million this past year. They are also looking for Argentina's output to reach 53 million tonnes versus 50 million this past year.

High fertilizer prices may also encourage US producers to plant more soybeans, cotton, and wheat at the expense of corn. For the USDA report, world corn ending stocks are expected to come in around 298.76 million tonnes (295-303 million range), down from 297.63 million in the September update. The October 5th Commitments of Traders report showed managed money traders added 5,855 contracts to their already long position and are now net long 250,596. Non-Commercial & Non-Reportable traders were net long 252,167 contracts after increasing their already long position by 20,257 contracts.

**WHEAT:**
The selling Friday pushed the market down to the lowest level since October 1. December Minneapolis wheat posted a new contract high for the third session in a row, and closed higher on the day. Rain in the short term forecast for the eastern half of Kansas is seen as beneficial to recently planted crops, and traders see European Union plantings with expectations that the crop area will be steady to slightly larger than last year. Egypt indicated that they have strategic reserves for nearly 5.5 months of consumption. Southern hemisphere wheat crops are a mixed bag, with expectations for a large crop out of Australia but dryness continuing to be a concern for Argentina's crop.

Concern that Russia, Argentina, or other key producers will eventually limit their exports to combat food inflation has provided underlying support to the market. Inflationary forces could cause end users around the world to store more wheat and flour than normal, and this could leave the appearance of much stronger demand than expected. Rising fertilizer prices threaten farmers and exacerbate food inflation. A gauge of North American fertilizer prices soared to a record high, driving up costs for farmers and threatening to worsen food inflation. The fertilizer market has been hit hard this year due to extreme weather, plant shutdowns, sanctions and rising energy costs in Europe and China.

For the USDA supply/demand update, the average trade expectation for US 2021/22 wheat ending stocks is 576 million bushels (estimates range from 470-615 million), down from 615 million in the September report. This would be the lowest US ending stocks figure since 2007/08. US wheat production is the lowest in 19 years, and September 1 stocks were the lowest in 14 years. World wheat ending stocks are expected to come in near 280.82 million tonnes (278-284.5 million range), down from 283.22 million tonnes estimated in September.

Wheat positioning in the Commitments of Traders for the week ending October 5th showed managed money traders net bought 15,027 contracts which moved them from a net short to a net long position of 5,212 contracts. Non-Commercial & Non-Reportable traders were net short 7,310 contracts after decreasing their short position by 6,293 contracts. For KC wheat, managed money traders were net long 49,946 contracts after increasing their already long position by 3,819 contracts. Non-Commercial No CIT traders are net long 27,336 contracts after net buying 4,946 contracts for the week.

**HOGS:**

December hogs closed lower on the session last Friday and experienced the lowest close since September 24th. The early bounce pushed the market up to the highest level since October 5th before pulling back. Export news remains sluggish and slaughter supplies should continue to increase over the next 4 to 5 weeks. Cash markets are likely to trend lower but futures already hold a larger than normal discount to the cash market. The CME Lean Hog Index as of October 6 was 92.59 down from 93.51 the previous session but up from 92.90 a week before.

The USDA pork cutout released after the close Friday came in at $104.73, down from $110.88 on Thursday and $111.21 the previous week. This was the lowest the cutout had been since September 23. The USDA estimated hog slaughter came in at 477,000 head Friday and 224,000 head for Saturday. This brought the total for last week to 2.597 million head, up from 2.516 million the previous week but down from 2.728 million a year ago. China's commerce ministry said on Monday it bought 30,000 tonnes of pork for state reserves on Oct. 10, the latest in a series of purchases.

Friday's Commitments of Traders report showed managed money traders were net buyers of 9,513 contracts of lean hogs for the week ending October 5, increasing their net long to 75,146. Non-commercial, no CIT traders were net buyers of 8,616, increasing their net long to 51,738. China's national average spot pig price as of October 11 was up 3.2% from the previous day. Dalian live hog futures as of October 11 were up 5.2% from the previous day. For the month, prices are up 6.89%.

**CATTLE:**

December cattle closed slightly higher on the session last Friday with a small range but the market gained 4% for the week last week. The buying pushed the market up to the highest level since September 7. Traders remain hopeful that beef prices turn higher and that the cash market trends higher in the weeks just ahead. Producers seem current with marketings, but futures are trading at a stiff premium to the cash market. The USDA boxed beef cutout was down $1.25 at mid-session Friday and closed $2.03 lower at $283.27. This was down from $292.36 the previous week and was the lowest the cutout had been since August 2.

Brazilian meatpackers are idling more capacity amid a protracted trade suspension with China and dwindling domestic demand for steak and other cuts of beef. Some believe half of slaughtering capacity in the world's biggest beef exporter was idle in September. Meat processing has been slowing for the past year and last month dipped to the lowest in data going back to 2012. The Brazilian government voluntarily suspended beef sales to China early last month after two cases of mad-cow disease were detected.

The largest buyer in the weekly US export sales report last week was China at 6,014 tonnes, followed by Japan at 3,210 and South Korea at 2,570. South Korea has the most commitments for 2021 at 248,100 tonnes, followed by Japan at 229,400 and China at 142,100. Cumulative sales to China last year was 34,700 tonnes by this time of the year and just 6,300 tonnes 2 years ago. Cash live cattle was mostly quiet on Friday. There were 453 head reported in Nebraska at 122-123 with an average price of 122.50 versus 122.14 last week. As of Friday afternoon, the 5-day, 5-area weighted average price was 122.96, up from 122.55 the previous week.

The USDA estimated cattle slaughter came in at 116,000 head Friday and 58,000 head for Saturday. This brought the total for last week to 657,000 head, up from 637,000 the previous week and 637,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,613 contracts of live cattle for the week ending October 5, reducing their net long to 25,157 which is a long liquidation selling trend. Non-commercial & non-reportable traders combined were net sellers of 3,344, reducing their net long to 37,816.

**COCOA:**

While cocoa saw coiling price action last week, this resulted in the market starting this week’s action only 43 points away from climbing above Monday’s multi-year high. Although it may continue to have a bumpy ride due to the ebb and flow of global risk sentiment, cocoa’s bullish supply/demand outlook can help the market reach new high ground over the next few weeks. December cocoa was able to build on early strength as it finished Friday’s trading session with a sizable gain. For the week, December cocoa finished with a gain of 40 points (up 1.5%) and a second positive weekly result in a row.

A pattern of wet weather over West African growing areas provided cocoa with underlying support as that could disrupt harvesting, drying and transporting cocoa beans. Early forecasts have West African producers having a sizable decline in their 2021/22 production from last season’s levels. In addition, a drop in Ivory Coast’s minimum farmgate price this season may discourage some farmers from marketing their early-harvest cocoa over the next few weeks.

As a result, the latest Ivory Coast port arrivals total could provide a gauge of early West African main crop cocoa supply. Indications of declining new COVID case counts in the US benefited cocoa as that can improve the North American demand outlook. The market will digest third quarter grindings totals from Europe before Wednesday’s opening, and from North America after Thursday’s close. Keep in mind that

2020 saw a 4-year low for third quarter European grindings and a 12-year low for third quarter North American grindings.

The Commitments of Traders report for the week ending October 5th showed Cocoa Managed Money traders added 21,409 contracts to their already long position and are now net long 30,897. CIT traders added 4,421 contracts to their already long position and are now net long 33,919. Non-Commercial No CIT traders net bought 13,878 contracts which moved them from a net short to a net long position of 10,784 contracts. Non-Commercial & Non-Reportable traders added 20,242 contracts to their already long position and are now net long 40,600.

**COFFEE:**
Severe frost events in Brazil's Arabica growing areas sent coffee prices on a 66-cent rally (+44%) between July 6 and July 26. The market then fell 43 cents in one week. It has since formed a coiling pattern, with higher peaks and higher valleys. It has recovered more than 27 cents from early August and may be setting up for a sharp upside move. December coffee extended its recovery move as it finished Friday's trading session with a moderate gain. For the week, however, December coffee finished with a loss of 2.70 cents (down 1.3%) which broke a 2-week winning streak and was a negative weekly reversal from Monday's 2-month high.

There is a growing consensus that the July frosts will negatively impact Brazil's 2022/23 and 2023/24 coffee crops. The 2022/23 crop is currently going through its flowering phase, and a shift towards wetter conditions did spark a sharp selloff this past week. However, only small areas of Sao Paolo state and the Zona de Mata region of Minas Gerais state have experienced their high blooming stages so far. Brazil's Arabica growing areas have had excessively dry conditions since last year, and there may be another La Nina event late this year that could bring drier than normal conditions.

With the frost damage and the drought conditions, many in the market think Brazil's 2022/23 Arabica production could be down 25% to 30% from previous expectations. Brazil coffee output follows an on-year/off-year cycle, with production high one year and low the next. 2022/23 is expected to be an "on" year. The Brazilian Agency Conab has pegged their 2021/22 Arabica crop at 30.7 million bags, the lowest since 2009/10.With global demand on the mend and the market facing a global shipping container shortage, end users are having to draw down exchange coffee stocks.

ICE exchange coffee stocks rose by 4.873 bags on Friday, but remain more than 146,000 bags below their September month-end total. Coffee positioning in the Commitments of Traders for the week ending October 5th showed Managed Money traders net bought 2,603 contracts and are now net long 45,642 contracts. CIT traders added 67 contracts to their already long position and are now net long 54,680. Non-Commercial No CIT traders are net long 43,940 contracts after net buying 2,428 contracts. Non-Commercial & Non-Reportable traders net bought 1,822 contracts and are now net long 64,488 contracts.

**COTTON:**
December cotton closed lower last Friday after trading to yet another contract high and follow through selling early this week helped to confirm the peak. The key reversal is a technical sign of a potential near-term top. The buying pushed the market up to the highest level since July 2011. The market

peaked and sold off about a half-hour after the release of the disappointing US September jobs data. Perhaps traders saw little if any bullish demand factor on the horizon and began to take profits.

A Reuters report cited concerns about northern Alabama's cotton crop, from rain-delayed spring plantings that have some crop still without open bolls to recent heavy rains that have bolls rotting in the fields. The report also expressed optimism that state-wide yields could reach 850 pounds per acre this year versus 770 last year. The October 3 Crop Progress report showed 64% of Alabama's crop had open bolls, versus 78% a year ago and a 5-year average of 84%. The 1-5 day forecast calls for heavy rainfall across eastern Texas and Oklahoma with moderate amounts in the western Delta, light rainfall in northern Mississippi, and dry in the southeast.

For Tuesday's USDA supply/demand report, the average trade expectation for US 2021/22 cotton production is 18.37 million bales with expectations ranging from 17.90 to 18.60 million. This would be down from 18.51 million in the September report. US exports are expected to come in around 15.61 million (15.00-16.00 million range), up from 15.50 million in September. Ending stocks are expected to come in at 3.44 million bales (3.16-3.75 million range), down from 3.70 million.

World production is expected at 119.22 million bales, down from 119.59 million in September, and world ending stocks are expected at 86.50 million versus 86.68 million previously. Friday's Commitments of Traders Report showed managed money traders were net buyers of 2,144 contracts of cotton for the week ending October 5, increasing their net long to 96,743. Non-commercial & non-reportable traders were net buyers of 9,214, increasing their net long to 139,287.

**SUGAR:**
Sugar prices have been in a coiling price pattern for over a month, but they continue to hold their ground above their mid-September lows. With a bullish supply outlook continuing to provide support, sugar could build on last week’s strength and rally back above the key 20.00 cent level. March sugar continued to build onto early strength as it finished Friday’s trading session with a sizable gain. For the week, March sugar finished with a gain of 23 ticks and a fourth positive weekly result in a row.

Energy prices followed-through on Thursday’s sizable rebound and reached or remain close to multi-year highs, which supported sugar prices as that should shore up global ethanol demand prospects. In addition, there were reports that Brazil’s Petrobras raised their gasoline prices by 6.8% which should give further encouragement to Brazil’s Center-South mills to shift more of this season’s crushing from sugar production over to ethanol production. There were reports of widespread flooding in Thailand which also boosted sugar prices as that could lead to lower Thai sugar production during the 2021/22 season.

Thailand was expected to have a sizable recovery in output (and exports) from levels during the 2020/21 and 2019/20 seasons which were their 2 lowest production totals over the past decade. India should see their 2021/22 cane production match or exceed last season’s total following this year’s normal monsoon rainfall. With India ramping up their ethanol production at the same time that they have high domestic prices, however, they may not reach early trade forecasts for 6 million tonnes of sugar exports during the 2021/22 season.

The Commitments of Traders report for the week ending October 5th showed Sugar Managed Money traders were net long 222,509 contracts after decreasing their long position by 4,186 contracts. CIT traders net sold 3,388 contracts and are now net long 188,874 contracts. Non-Commercial No CIT traders were net long 162,845 contracts after decreasing their long position by 453 contracts. Non-Commercial & Non-Reportable traders added 485 contracts to their already long position and are now net long 291,317.

Please contact us at + 1 877 690 7303 or via email at sales@admis.com for questions or comments on this report or would like more information about our ADMIS research.

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