ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

29 June, 2020

For the Week of June 29, 2020

BONDS:

With a breakout on its charts to end the trading week, the treasury trade appears to be signaling a return to a higher trading range next week. In retrospect, this week's jobs information failed to improve as much as was expected, infection spread numbers are rekindling anxiety and the Fed moved to purchase $1.68 billion in corporate bonds and therefore the bull case is multifaceted. In fact, given recent data we would suggest the market is likely to "buy the rumor" of the upcoming monthly nonfarm payroll report. While the rate of gain in bonds and notes might not be that significant in the days ahead, the bull camp should have control with the pattern of new record daily infection counts in the US sparking fears for the economy.

Although the direction and pattern of infection counts is virtually impossible to predict, the current pattern of "record daily" figures appears to have momentum in the short term. In fact, we have to wonder if US equity declines mount at the same time that a number of regional areas go back into lockdown, will the Fed step in with fresh bond buying action and in turn lift treasuries to multi month highs? It would not appear as if the infection problem will reach the magnitude (economically) seen in the beginning of the crisis, and therefore bond and note prices reaching back to the vicinity of the March highs could be deemed overvalued.

On the other hand, recent spec and fund positioning had bonds net short 78,000 contracts and therefore the market certainly has further stop loss buying fuel in the near term. On the other hand, the note market shifted from a net short to a net long in last week's positioning data which could mean the market has slightly less buying fuel than bonds. Bond positioning in the Commitments of Traders for the week ending June 23rd showed Non-Commercial & Non-Reportable traders were net short 78,183 contracts after increasing their already short position by 5,840 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net bought 41,601 contracts which moved them from a net short to a net long position of 41,508 contracts.

CURRENCIES:

While some will suggest that the gains in the dollar last week were somewhat disappointing for the safe haven crowd, it is likely that the dollar will continue to trend higher this week. Going forward, we see the Pound as the most vulnerable currency followed closely by the euro. In fact, in the event that global economic sentiment is deflated further early this week, the euro and pound could fall towards their June lows.
The Dollar index started out under pressure with a 3 day low leaving some safe haven longs very disappointed.

Anxiety off the US infection problem is not significant yet with the stock markets seemingly able to discount the potential of the US to falling back into the economic abyss. However, like the gold market it could be difficult to ascertain the focus of the dollar trade as a strong US pending home sales gain could actually pressure the dollar back toward the middle of the last 4 weeks range. Dollar positioning in the Commitments of Traders for the week ending June 23rd showed Non-Commercial & Non-Reportable traders are net short 5,805 contracts after net selling 663 contracts.

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With the dollar showing vulnerability early this week and the euro forging a 3 day range up probe early, the path of least resistance is pointing up. In fact with the euro trading slightly above the midpoint of the June range, a climb back to the top of the last 2 weeks range is possible. Unfortunately there would not appear to be a definitive leadership currency in the current mix of economic developments with the Euro and Swiss basically winning by default. The Commitments of Traders report for the week ending June 23rd showed Euro Non-Commercial & Non-Reportable traders are net long 163,251 contracts after net buying 8,030 contracts.

The Yen continues to coil within a 100 point range with prices sitting closer to support than resistance early this week. However its ability to benefit from significant safe haven conditions has been lacking at the same time that its ability to rally off risk on has been lacking. The Swiss uptrend from early May looks to be revived again with the 2nd half of June sideways consolidation likely to be a launching zone for a return to levels above 1.0650. In fact it would appear as if the Swiss has transitioned from a sleepy currency knocked in both directions by the dollar, to a potential leadership currency capable of benefiting from global inflationary conditions in the future.

While global economic anxiety is not running at high levels, the Pound is obviously locked within last week's lower high and lower low pattern with the US infection surge joined by fears of ongoing infection headwinds in the UK for an out-of-favor currency. The Pound was also pressured by a serious decline in UK mortgage approvals and by revived fears of lockdowns. In retrospect promises from the Prime Minister to unleash massive spending fell on deaf ears. While the Canadian has remained within the last Friday's range down trade, the bias from the charts remains down and the currency appears to be suffering because of fears that a major setback in the US recovery will drag the Canadian economy with it.

STOCKS:

We detected a pattern of deterioration in economic and investor sentiment late last week, which in turn increases the odds of a downward adjustment in stock prices this week. Certainly the infection surge could be less damaging with less dense populations involved in the current infection spike and previous knowledge from the last 5 months being utilized by health officials. However, a broadening number of markets sectors posted negative returns on the week and the previous highflying energy sector looks to remain under pressure. Global equity markets at the start of this week were mixed without respect to geographic pattern. Some indices were down as much as 2% while those posting gains were unable to forge gains above 0.5%.

While the record daily US infection counts pattern has continued, global anxiety was not present with the markets remaining hopeful that the US surge will eventually be contained. However, in order for stocks to avoid a combination of selling off rising virus counts and disappointment for the economy will likely require a very definitive positive reading from US pending home sales. In other words, recent US economic data has failed to extend the economic rebound documented first in the last monthly payroll reading and investors need some justification to continue to bet on recovery.

With a lower low for the move early this week and anemic recovery action from that low, we leave the edge with the bear camp to start this week. We don't detect a high level of anxiety, and therefore selling could be measured with the markets potentially drafting some temporary support from a strong jump in US pending home sales. However in the near term we see little in the way of support in the September S&P until 2971.00. On the other hand, the most recent positioning report had the E-mini S&P with a dramatic net spec short (the largest net short since the beginning of 2016) and therefore the market could find it difficult to washout hard unless the virus breaks out and creates a 2nd major economic panic event. The June 23rd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 177,509 contracts which moved them from a net long to a net short position of 173,513 contracts.

Obviously the virus counts situation continues to weigh on Dow stocks which are given an added push from the long-awaited bankruptcy of Chesapeake Energy (a psychological headline negative) as that news combined with a list of large layoffs last week leaves big companies in the Dow under pressure. Certainly seeing the Boeing 737 Max certification flights today provides some support but the September Dow would not appear to have solid support until the June 15th spike low down at 24,409. Dow Jones $5 positioning in the Commitments of Traders for the week ending June 23rd showed Non-Commercial & Non-Reportable traders net sold 279 contracts and are now net short 30,576 contracts.

With the highflying NASDAQ under what appears to be 4th straight push lower on the charts, expanding global Facebook ad boycotts and the potential fear of giving back significant quarterly performance gains that could result in a steady wave of selling early this week. Unfortunately the early low this week was the lowest print in 9 days leaving the next support/target level seen down at 9786.50. The Commitments of Traders report for the week ending June 23rd showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 39,503 contracts after net buying 11,429 contracts.

GOLD, SILVER & PLATINUM:

With a rejection of weakness and a recovery at the end of last week, the gold bulls would appear to have signaled the capacity to control off spiraling US virus counts. However, the gold market has also shown signs of faltering from fears of slowing physical demand over the past 2 weeks, and therefore the gold market starts the week facing an important pivot point. Therefore we suspect that the direction of equities will be a major consideration for the gold trade this week with an extension of the last 2 weeks downward path on the charts in stocks likely resulting in cash flowing toward gold and to a lesser degree toward silver.

While the most recent positioning report showed the net spec and fund long in gold increasing by more than 35,000 contracts, the net long is still 100,000 contracts below the February highs which in turn should leave the market with buying capacity. Gold positioning in the Commitments of Traders for the week ending June 23rd showed Managed Money traders were net long 175,664 contracts after increasing their already long position by 32,594 contracts. Non-Commercial & Non-Reportable traders net bought 34,312 contracts and are now net long 312,111 contracts. At least to start out the week, we give the edge to the bull camp in gold as long as the infection situation in the US is not spun into an environment rife with commodity demand destruction (as was seen in March).

While the silver market did show some lift in the wake of the gold recovery at the end of last week, we suspect it will take a very definitive gains in gold just to drag September silver up to the top of the consolidation at $18.42. As in the gold market, we see the silver as vulnerable to any significant slowing threat from US infections, especially if lockdowns mount and Governors are forced to shut down whole states. Fortunately for the bull camp, the net spec and fund long in silver remains 50,000 contracts below the 2020 high seen in February and that should leave the market with some residual buying fuel. The Commitments of Traders report for the week ending June 23rd showed Silver Managed Money traders added 1,600 contracts to their already long position and are now net long 29,173. Non-Commercial & Non-Reportable traders were net long 51,102 contracts after increasing their already long position by 1,487 contracts.

The palladium market saw a significant high to low washout last week of $135, and the trend would look to remain down in the wake of last week's reversal down in US equities and against the prospects of widening US regional lockdowns. Downtrend channel resistance in September palladium is seen at $1,946.10 and that resistance point falls down to $1,914.50 by Friday. About the most positive thing going for the bull camp in palladium is that the market might enter the new trading week with a net spec and fund short given the declines since the last report was measured. The Commitments of Traders report for the week ending June 23rd showed Palladium Managed Money traders were net long 716 contracts after decreasing their long position by 140 contracts. Non-Commercial & Non-Reportable traders net bought 26 contracts and were net long 1,136 contracts.

Given October platinum's recent capacity to respect the $800 level on 4 different occasions and given a slight uptick in volume on the initial approach of $800, it is possible that level is seen as some form of value/support. Unfortunately, the fundamental sentiment for platinum is restricted and the fundamentals toward the entire PGM market complex are negative. Even the technical signals are negative for platinum with the most recent positioning report still holding a moderate net long. Platinum positioning in the Commitments of Traders for the week ending June 23rd showed Managed Money traders are net long 9,168 contracts after net buying 419 contracts. Non-Commercial & Non-Reportable traders are net long 21,999 contracts after net buying 1,246 contracts.

COPPER:

The headlines over the weekend pointing to further infection spread among miners in Chile ratchets up a pre-existing fear of supply tightening even further. In fact, the union representing the workers in Chile indicated that 2,000 virus cases have been seen, which in turn produced an infection rate of 2.7% of all workers. So far, the Chilean copper mine involved has been able to keep production running with "skeleton crews", but the unions are pushing for tougher rules including periodic closures for disinfection. However, the demand front continues to provide enough lift to help copper remain in the gradual uptrend seen since the beginning of June.

Apparently Chinese industrial profits last month rose for the first time since November, which furthers economic optimism toward China and fosters hope for improved Chinese copper demand. In conclusion, with the Chinese returning from holiday, global exchange stocks continuing to decline, ongoing fears of lost production in Chile and a very modest net spec and fund long, the bull camp would seem to have plenty of ammunition in its favor. Copper positioning in the Commitments of Traders for the week ending June 23rd showed Managed Money traders added 8,334 contracts to their already long position and are now net long 17,426. Non-Commercial & Non-Reportable traders are net long 15,221 contracts after net buying 4,795 contracts.

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ENERGY COMPLEX:

On one hand, the crude oil market seems to have held up fairly well in the face of the rising US infection counts in the West with last week's hard correction seemingly finding some support above $37.08. However, with US infections continuing to grow and signs of lockdown building in certain areas, the threat of demand destruction in the US has returned again. While the news could be interpreted in a number of ways, Chinese small refiners cranked out a record amount of products last month, with a record amount of crude oil imported. Therefore it is not surprising to see Chinese implied crude oil inventories jump significantly on the May import pace.

Going forward the question is will that increase in imports and refining activity be matched by ongoing expansion of Chinese energy consumption or will there be an import letdown next month. From the supply front, the United Arab Emirate indicated they were reducing their August oil offerings by 5% and the Press is suggesting that OPEC+ production cuts continue to build. From a longer-term perspective, the markets might draft some minimal support from news that the Baker Hughes oil rig count declined by one which puts the figure down to 188 which is another new low for the move. It should also be noted that the Canadian oil rig operating count declined by one to stand at only "4" in total.

While we suspect that the infection problem in the US will continue to undermine economic sentiment and will thicken overhead resistance in crude oil around the $40 per barrel level, without widespread US lockdowns and tremendous declines in equities, setbacks might be orderly. However, the net spec and fund long position in crude oil is building with any further gains likely to put the net spec and fund long at the highest level since the 3rd quarter of 2018! The June 23rd Commitments of Traders report showed Crude Oil Managed Money traders added 10,659 contracts to their already long position and are now net long 365,022. Non-Commercial & Non-Reportable traders were net long 607,885 contracts after increasing their already long position by 17,634 contracts.

Despite seeing news that Asian clean fuel supply flow toward the US would fall off dramatically this month the product markets continue to be plagued by news of canceled jet fuel cargoes. It would also appear as if the charts in the gasoline market have shifted extremely negative, with the next logical downside target seen at $1.1019 in the August contract. In fact, the charts in the gasoline market seem to signal a potential turn in the "trend" with last Friday's low taking out the Thursday low and putting prices down to the lowest level since June 15th.

Obviously the threat of a return to lock down in certain US areas is problematic for gasoline demand, which in our opinion has not recovered as much as we would have expected to see. In fact, some analysts have projected that US gasoline demand is back to 80% of year ago levels, but weekly implied gasoline demand readings have not confirmed that yet. Fortunately for the bull camp, the net spec and fund long in gasoline has not built despite the stellar 3 1/2 month gains.

In fact, if one were to adjust the positioning report to the lows forged after last week's calculation, it is possible that the net spec and fund long would be the lowest since October 2019. The Commitments of Traders report for the week ending June 23rd showed Gas (RBOB) Managed Money traders net bought 4,556 contracts and are now net long 27,076 contracts. Non-Commercial & Non-Reportable traders are net long 58,457 contracts after net buying 1,003 contracts. The inability to trade consistently above $1.1460 in the early action this week could signal a corrective slide back toward $1.10.

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With the charts in heating oil/diesel market also turning definitively bearish and the market easily holding the most negative supply condition of the energy complex, the path of least resistance is pointing down with potential targeting seen at $1.0996. Heating Oil positioning in the Commitments of Traders for the week ending June 23rd showed Managed Money traders are net short 11,927 contracts after net selling 946 contracts. Non-Commercial & Non-Reportable traders are net long 10,868 contracts after net selling 4,218 contracts.

While the path of least resistance remains down with the $1.50 level a very thin and unreliable support level, the bull camp appears to have caught a short covering lift off US weather. Certainly seeing the above average temperature region in the US expand from the Texas Panhandle diagonally through the heart of the country to the north of Maine until July 12th is supportive, but that hot region is offset by below normal temperatures in the middle southeast and northwest. While the large range down washout last week likely factored in the larger than expected weekly injection last week, demand readings for natural gas continue to be unable to chew through the mountain of residual supply.

In fact, EIA working gas in storage is poised to climb back above the upper band of normal for this time of the year. Furthermore, the net spec and fund short in natural gas remains very modest with the likelihood of additional spec selling high given the track of supply. In addition, the US gas rigs operating counts was unchanged at 75 last week. However, Canadian gas rigs declined by 3 and therefore only 9 rigs are operating throughout Canada. In short, until demand from electric generating is found to have a sustained jump, the bear camp retains control.

The Commitments of Traders report for the week ending June 23rd showed Natural Gas Managed Money traders reduced their net short position by 29,289 contracts to a net short 30,352 contracts. Non-Commercial & Non-Reportable traders were net short 38,917 contracts after decreasing their short position by 643 contracts. While not a very rational fundamental conclusion is it possible that the long awaited Chesapeake Energy bankruptcy will be some type of long term pivot for the natural gas market as that company was the largest player in the fracking game.

BEANS:

A drier trend is developing in the extended forecast models but it may take a significant weather issue to cause crop conditions to deteriorate. If the weather stays close to normal, the market looks vulnerable to more selling. Outside market forces are also weighing on the market with the International Monetary Fund indicating world GDP would slide to a -4.9% which could hurt demand. Recent rainfall in some of the drier Midwest spots just adds to the negative tone. There is more rain in most Midwest locations for this week, and the 6-10 day and 8-14 day forecast models show mostly above normal temperatures with wet weather in the Dakotas, but dry weather in the Midwest. The 2-week outlook is a little less bearish than what has been seen recently.

Spreads have been volatile with mixed messages. The July/November soybeans spread has moved from 13 1/4 cents discount July on June 9th, to a premium of 3 3/4 cents for the July contract on the close Friday. However, the July/August meal spread and the July/August soybean oil spread moved to new contract lows on Friday. Producers seem reluctant to sell soybeans and this is supporting the July contract. For the key USDA reports at the end of the month, traders see soybean planted acres at 84.8 million acres (83.5-86.5 million range), as compared with 83.5 million as the March USDA estimate.

If we peg in the average trade estimate to the USDA supply/demand table, and we use all the rest of the USDA estimates, ending stocks would come in near 455 million bushels as compared with 395 million now and 585 million bushels last year. If we assume a 2% above-trend yield, ending stocks come in near 538 million bushels. If yield comes in 2% below trend, ending stocks could slide to 370 million bushels from 585 million last year and 909 million two years ago. For the quarterly grain stocks report, traders see soybean stocks at 1.391 billion bushels (range 1.275-1.490 billion) as compared with 1.783 billion last year.

November soybeans closed 7 cents lower on the session Friday, and this left the market down 19 1/2 cents for the week. The selling pushed the market down to the lowest level since June 2nd. December oil experienced an outside day lower close and experienced the lowest close since May 22nd. December meal closed moderately lower on the session and experienced a new contract low close. December meal has now closed lower in 9 of the last 11 trading sessions.

The June 23rd Commitments of Traders report showed soybeans managed money traders were net long 44,285 contracts after increasing their already long position by 23,102 contracts for the week. CIT traders are net long 150,340 contracts after net selling 13,898 contracts for the week. For Soyoil, managed money traders reduced their net short position by 4,065 contracts to a net short 721 contracts. Non-Commercial & Non-Reportable traders are net long 16,184 contracts after net buying 2,570 contracts. For Soymeal, managed money traders net bought 2,196 contracts for the week and are now net short 46,012 contracts. Non-Commercial & Non-Reportable traders were net long 3,572 contracts after decreasing their long position by 1,075 contracts.

CORN:

After more bearish weather this week, the extended forecast does show above normal temperatures and below normal precipitation for much of the Midwest through July 12th. December corn fell for five days in a row with the bearish weather and negative outside market influences helping to spark more selling. The market closed 4 cents lower on the session Friday and into contract lows and down 21 1/4 cents for the week. Open interest continued to rally Thursday and hit the highest level since November. The market posted a new contract low and a new contract low close. The higher open interest suggests funds are building a larger net short position. The June 23rd Commitments of Traders report showed managed money traders net sold 6,728 contracts and are now net short 277,479 contracts.

Non-Commercial & Non-Reportable traders are net short 209,377 contracts after net selling 13,746 contracts. For the USDA key reports at the end of the month, traders see corn planted acreage at 95.207 million acres (range 93.000-97.100 million) as compared with the March estimate of 96.990 million acres. If we assume the rest of the supply/demand data is the same as the May USDA report, and adjust acres to the average trade estimate, ending stocks would fall by 292 million bushels. Traders see June 1 stocks at 4.951 billion bushels (4.795-5.150 billion range) as compared with 5.202 billion bushels last year.

WHEAT:

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Positioning ahead of key USDA reports, plus a slowdown in harvest selling pressures may have helped stabilize the market early this week. A wet weather forecast for the Dakotas and the Canadian Prairies plus ideas that winter wheat yields are high helped to drive the market lower. This rain event was badly needed and should help boost the US and Canadian wheat production outlook. Keep in mind that without help from the weather, world ending stocks for the 2020/21 season are currently pegged at 316.1 million tonnes. This is a record high and compares with the previous record of 295.8 million tonnes.

September wheat closed 12 1/2 cents lower on the session, and this left the market down 9 1/2 cents for the week. The selling drove the market to a new contract low. Kansas City wheat also drove down into new contract lows. September Minneapolis wheat closed sharply lower on the session and also drove down to new contract lows, and fell 26 1/2 cents for the week. Canadian planted acreage will also be released and traders are expecting all wheat planted area at 25 million acres (24.2-25.8 million range), as compared with the May estimate at 25.4 million acres and last year's plantings at 24.6 million acres. Durham wheat acreage is expected at 5.5 million acres from 4.9 million last year.

For the end of the month planted acreage report, traders see all wheat planted acres at 44.7 million acres (44-46 million range), which is unchanged from the March estimate. Spring wheat acres are also expected at unchanged from March at 12.6 million acres. For the June 1 stocks report, traders see wheat stocks near 987 million bushels (0.963-1.085 billion range), as compared with 1.08 billion bushels last year.

The Commitments of Traders report for the week ending June 23rd showed Wheat managed money traders were net short 48,213 contracts after increasing their already short position by 17,962 contracts for the week. Non-Commercial & Non-Reportable traders are net short 58,547 contracts after net selling 22,407 contracts. For KC wheat, managed money traders are net short 37,292 contracts after net selling 9,802 contracts for the week. Non-Commercial & Non-Reportable traders were net short 42,671 contracts after increasing their already short position by 6,725 contracts.

HOGS:

The hog market is probing for a short-term low. August hogs opened sharply lower and gapped down on Friday with the market down into new contract lows. The USDA hogs and pigs report was bearish across the board and especially for the upfront supply. Gapping into a new contract low is a bearish technical development with 45.92 as a downside swing target for August hogs. However, the market could be close to pricing in the bearish upfront supply. Slaughter levels are expected to taper-off into July and this may help the market forge a short-term low. The USDA pork cutout, released after the close Friday, came in at $64.93, up $1.09 from $63.84 on Thursday and up from $63.70 the previous week but down from $72.89 a year ago. China's national average spot pig price as of June 29 was up 3.27% from last Wednesday. For the month prices are up 22.9% and up 5.7% year to date and up 106.07% versus a year ago. The CME lean index as of June 24 was 44.87, down from 45.10 the previous session and down from 46.44 a week before.

The USDA estimated hog slaughter came in at 472,000 head Friday and 323,000 head for Saturday. This brought the total for last week to 2.641 million head, up from 2.587 million the previous week and up from 2.386 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 833 contracts of lean hogs for the week ending June 23, increasing their net long to 8,989. Non-commercial & non-reportable traders were net buyers of 929 contracts, increasing their net long to 17,304. The USDA pegged all hogs and pigs at 105.2% of last year, which was well above expectations of 103.7% and above the high-end of trade expectations. Hogs kept for breeding came in at 98.7% of last year versus trade expectations for 98.2% (range was 97.4%-98.8%). Hogs kept for market came in at 105.8% of last year versus trade expectations for 104.2%. This was also above the high-end of trade expectations. The report is bearish for nearby futures and for deferred contracts.

CATTLE:

August cattle have remained in a choppy to lower consolidation pattern since early May. Beef prices remain in a short-term downtrend and until prices can find a floor, the market is vulnerable to speculative selling. Cash live cattle traded in light volume in Nebraska on Friday at the low end of last week's range. As of Friday afternoon, the 5-day, 5-area weighted average was 96.20, down from 100.80 the previous week. August cattle closed slightly higher on the session Friday after choppy and two-sided trade early in the day. Weakness in the hog market and a sharp selloff in other agricultural markets helped to pressure. The market has stayed inside of Tuesday's range ever since.

The USDA estimated cattle slaughter came in at 119,000 head Friday and 82,000 head for Saturday. This brought the total for last week to 680,000 head, up from 656,000 the previous week and up from 670,000 a year ago. USDA boxed beef cutout values were down 68 cents at mid-session Friday and closed $1.09 lower at $207.17. This was down from $213.72 the previous week and was the lowest the cutout had been since March 12. A year ago the cutout was $219.03. Friday's Commitments of Traders report showed managed money traders were net buyers of 241 contracts of live cattle for the week ending June 23, increasing their net long position to 17,567. Non-commercial, no CIT traders were net buyers of 2,724 contracts, which took them from a net short position to a net long of 1,536.

COCOA:

Following a more than 600 point decline from mid-February to mid-March (losing more than 21% in value), cocoa's ability to sustain upside momentum has relied on global demand concerns being soothed by stronger outside markets. After 4 positive daily results in a row, September cocoa saw an abrupt change in fortune as it fell from a new 2-week high to finish Friday's trading session with a heavy loss. For the week, however, September cocoa finished with a gain of 25 points (1.1% higher). A flare-up of coronavirus cases in Texas, Florida and Arizona raised concerns that more US state re-openings would be delayed. This also calls into question whether summer travel will see an increase this year (particularly by air), which is another key source of chocolate demand around the globe. Friday's heavy selloff in US equities is likely to produce knock-on selling in Asian and European stock markets today which will cast a shadow over near-term demand in both regions.

With nearly three-quarters of the 2019/20 season completed, Ivory Coast port arrivals and Ghana official purchases are running behind last season's pace. After a long period of dry weather earlier this year, recent heavy rainfall has led to transportation and drying problems for mid-crop cocoa beans. As a result, Ivory Coast, Ghana and Nigeria remain on-track for their 2019/20 cocoa production to fall short of last season's totals. The Commitments of Traders report for the week ending June 23rd showed managed money traders net sold 3,259 contracts and are now net short 11,060 contracts. Non-Commercial & Non-Reportable traders net sold 854 contracts and are now net long 4,624 contracts.

COFFEE:

While coffee continues to have trouble lifting clear of its contract low, its monthly price range during June has been its smallest since March of 2019. With the market dealing with a record Brazilian crop and with global demand concerns, coffee is showing some early signs that a longer-term low may be in. For last week, September coffee finished with a modest gain of 0.75 cent (0.8% higher) that was only the third positive weekly result over the past 11 weeks. The Brazilian Real fell more than 2% and reached a new 1-month low, which was a significant source of early pressure on the coffee market as it encourages Brazil's producers to be more aggressive with marketing their near-term supply to foreign customers. However, forecasts for rain over key Brazilian Arabica-growing regions that could cause even more delays to this year's harvest helped coffee to regain support.

While some of this year's shortfall is due to an "on-year" crop which many expect to reach a record high, the current Brazilian Arabica harvest is running well behind last year's pace. Labor availability concerns from coronavirus restrictions remain an issue for many major coffee producing nations, and that could impact to flow of coffee onto the global marketplace over the next few months. ICE exchange coffee stocks fell by 672 bags on Friday and with 2 sessions left in June are more than 98,000 lower than their May month-end total (5.6% lower) which would be a fourteenth monthly decline over the past 15 months. The Commitments of Traders report for the week ending June 23rd showed managed money traders net sold 4,664 contracts and are now net short 27,565 contracts. Non-Commercial & Non-Reportable traders net sold 3,536 contracts and are now net short 11,061 contracts.

COTTON:

With mostly hot and very dry conditions expected for West Texas through July 12, the cotton market seems to be in position for another leg higher. Demand news remains strong, Texas crop ratings are already poor, and traders expect a lower planted area number in the USDA's Acreage report on June 30. For Tuesday's Acreage Report, traders are looking for US cotton planted area to come in around 13.153 million acres (estimates range from 12.5 to 13.75 million), down from the March estimate of 13.703 million. Weather forecasts call for dry conditions to continue in the western part of the Texas Panhandle, where much Texas crop is grown. Last Monday's Crop Progress Report showed that as of June 21, only 23% of the Texas crop was rated good to excellent, down sharply from 30% the previous week and 41% a year ago. Poor to very poor readings came in at 40%, up from 25% the previous week and 24% a year ago.

If it continues to stay dry, we can expect more of the Texas crop that is on non-irrigated soil to slide into poor to very poor condition. The market may have felt some pressure Friday from the increasing number of Covid-19 cases in the US, as it raises concern about demand. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,991 contracts of cotton for the week ending June 23, increasing their net long position to 4,942. Non-commercial & non-reportable traders combined were net buyers of 351, increasing their net long to 16,640. ICE certified stocks fell to 38,302 bales on June 25, down from 39,261 the previous session and the first decline since June 17.

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SUGAR:

After consolidating over the past few weeks, sugar appears to be making a turn towards the downside. For last week, October sugar finished with a loss of 56 ticks (4.6% lower) which was a second negative weekly result over the past 3 weeks. A negative shift in global risk sentiment fueled a selloff in energy markets, and that was a source of carryover pressure on sugar prices as it will weaken near-term Brazilian ethanol demand. In addition, the Brazilian currency lost more than 2% in value and reached a new 1-month low, and that encourages Center-South mills to favor sugar production over ethanol production with this season's crushings. Recent sugar production reports out of Brazil seem to be confirming the USDA's forecast for 39.48 million tonnes in 2020/21, up 9.55 million from last year. India's production is expected to come in at 33.7 million tonnes, up 16% from last year. Weekend reports that this year's monsoon rainfall has covered their entire nation by last Friday (2 weeks earlier than normal) strengthened the case for a sizable uptick in India's sugar output.

The India Sugar Mills Association believes their country's exports for could reach 6 to 7 million tonnes during the 2020/21 season after exporting a record 5.2 million in 2019/20. The EU, China, US and Mexico are expected to see production increases during the 2020/21 season as well and while Thailand may remain close to 2019/20's multi-year low, their decline in exports are likely to be offset by increased exports from Brazil and India. China's sugar imports last month were 300,000 tonnes, a 22% decline from last year as their cumulative 2020 imports are at 830,000 tonnes, an 11% decline from last year. Sugar positioning in the Commitments of Traders for the week ending June 23rd showed managed money traders were net long 53,121 contracts after increasing their already long position by 23,922 contracts in just one week. Non-Commercial & Non-Reportable traders are net long 123,226 contracts after net buying 12,703 contracts.

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