ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

13 October, 2020

For the Week of October 12, 2020

BONDS:

The Treasury markets were unable to benefit from uncertainty in Washington as they could not climb into positive territory as they finished Friday's trading session with mild losses. There are increasing chances that some sort of pandemic relief and fiscal stimulus will be approved by the US government, and that led to significant safe-haven outflows from Bonds and Notes. In addition, the Fed's Evans said that there will be more Fed asset purchases if the recovery is slower, and that helped to keep further losses in check. With a US bank holiday Monday, the trading range in treasuries should be slightly narrower than expected mostly because of the lack of scheduled economic data but also because of the markets propensity to track within a range over the prior five trading sessions.

In retrospect, we continue to be surprised in the lack of strong demand for a 30-year bond auction last week, as we would have expected relatively high yields (in the upper quadrant of all high yields offered since March) to have attracted firmer demand. We would expect treasuries to garner some support from news that infection issues continue to rage in Europe but also because new restrictions have been announced by the British Prime Minister because of infections in that country. News that the US President has shifted his stimulus package size above those offered on both sides of the aisle in Congress could increase the chances of a deal as that could pull up the relatively small size of the GOP congressional spending package offer toward that of the Democrats.

On the other hand, reports of huge inflows to bond funds and extensive trading in government back mortgage debt suggests that confidence toward the economy overall remains in place thereby resulting in some rotation away from ultra-safe treasuries. The Commitments of Traders report for the week ending October 6th showed Bonds Non-Commercial & Non-Reportable traders were net short 236,934 contracts after increasing their already short position by 62,726 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders net sold 84,323 contracts and are now net long 126,843 contracts.

CURRENCIES:

The Dollar remained on the defensive as it reached a new 2 1/2 week low before finishing Friday's trading session with a sizable loss. Positive comments from officials that progress was made on new fiscal stimulus weighed on the Dollar as it fueled safe-haven outflows. The Canadian Dollar posted a sizable gain as it benefited from a set of stronger than expected Canadian unemployment data. While the dollar appears to have rejected a fresh new low for the move early this week, it would not appear as if the reversal is fundamentally based. It is possible that the dollar rebounded slightly because of Bank of China intervention to arrest the climb in its currency.

However, the artificial move by the PBOC is not likely to have a sustained impact on the currency markets but it should be noted that the Yuan was poised for the largest single day decline since the US lockdown period. Apparently, the Chinese lowered forward currency reserve requirements and that indirect dollar bullish development is given added credence by talks of Chinese stimulus efforts for southern provinces. We see little in the way of resistance until 93.37 but doubt the currency index can climb to that level in a thinly traded US market early this week. The October 6th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders reduced their net short position by 3,439 contracts to a net short 1,784 contracts.

The trend in the euro looks to remain up again this week despite discouraging news of a 100,000 single day infection count on the European continent. While there will be several potential market driving speeches from European and UK central bankers, we doubt anything substantial will be offered. German wholesale prices for September were unchanged and down 1.8% on a year-over-year reading, thereby offering up a bit of deflationary headwinds for the euro. The Commitments of Traders report for the week ending October 6th showed Euro Non-Commercial & Non-Reportable traders net sold 7,973 contracts and are now net long 228,127 contracts.

We suspect that the rally in the Japanese Yen is the result of the oversold condition into last week's lows but also because of the uncertainty created by a change in Chinese policy toward its currency. Japanese economic news was mixed with machinery tool orders for August gaining on a month over month basis while the year-over-year reading dropped by 15.2%, bank lending came in softer than expected and Japanese preliminary September machine tool orders were down by 15% versus year ago levels. On the other hand, the December Yen has broken out above a downtrend channel resistance line drawn from the September and October highs and that suggests some follow-through buying back above 95.00.

In addition to a significant overbought condition from a massive 2-day rally at the end of last week, the Swiss is also facing minor strength in the dollar and fears of surging infection rates throughout Europe. However, we suspect the market needs a normal correction of the late September and early October rally which could allow for a setback to 1.0926 and we would view that price level as a fresh long entry point.

The Pound has forged another higher high for the move and has reached the highest level since September 8th and would appear to be poised for more gains ahead. At this point, it is surprising to see the Pound rally through residual virus infection issues but given recent Bank of England questioning of how UK banks would handle negative interest rates it appears as if the bank is considering more supportive monetary policy. On the other hand, the Pound now runs into significant overhead resistance from the consolidation in August which could make it difficult for the December pound to rise above 1.3096.

After significant gains at the end of last week the Canadian has initially respected resistance from last Friday's high at 76.28. Surprisingly, the Canadian has not been tripped up by reports at the end of last week from the Prime Minister suggesting the country is back at a "tipping point" from the 2nd wave of infections. The bias appears to be up, with support seen at 75.90 and resistance pegged at 76.30.

STOCKS:

The major US equity indices maintained upside momentum as they reached new 1-month highs before finished Friday's trading session with sizable gain. There were positive comments made over fresh fiscal stimulus measures, and that provided underlying support to US stocks. In addition, the Fed's Barkin said that the Fed continues to do what it can to provide support which further strengthened US equity markets going into the weekend. Global equity markets at the start of the week were higher with the CSI 300 topping the list with gains of 3.03% and the Tokyo market one of the few losers with only minimal declines. Apparently global equity markets were cheered by positive leadership from Chinese equity markets but also because the Chinese President hinted at added stimulus with a directive to make southern China a major technology hub. As for the US stimulus package situation, the US President has now called for a larger stimulus package than the packages offered up by both sides of the aisle in Congress and that gave the US market its early upward bias.

The path of least resistance in the S&P to start the new trading week was up as hope springs eternal for some type of stimulus package from dysfunctional Washington. At least in the initial action this week the 3500 level will be thin resistance and could become a support level as the week progresses. Clearly, the market is not unsettled by the ongoing major infection counts in Europe and a similar problem in the UK, perhaps because of very positive early leadership from Chinese equity markets. In the short term, the markets appear to have positive momentum but given the persistent narrowing of the size of the stimulus package, the markets may be setting up for a classic "buy the rumor, sell the fact" reaction later this week. The October 6th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 78,973 contracts after increasing their already long position by 15,383 contracts.

Like the S&P, the Dow futures contract forged a fresh higher high for the move and has reached the highest level since September 3rd in a move that suggests the bull camp retains control into the new trading week. Apparently, the index is cheered by ideas that vaccine trials are running in a number of geographically diverse areas and in various forms and that combined with residual hope for a stimulus package leaves the bull camp potentially poised to return the Index to the September high up at 29,050. Dow Jones $5 positioning in the Commitments of Traders for the week ending October 6th showed Non-Commercial & Non-Reportable traders net bought 9,088 contracts which moved them from a net short to a net long position of 2,057 contracts. After lagging behind the rest of the market last week, it would appear as if the NASDAQ has regained its footing and could become "the" leadership market this week. Upbeat news from Apple on their iPhone 12, positive Chinese psychological flow and Amazon prime day provides several bullish fundamental angles. Nasdaq Mini positioning in the Commitments of Traders for the week ending October 6th showed Non-Commercial & Non-Reportable traders net bought 4,321 contracts and are now net short 59,668 contracts.

GOLD, SILVER & PLATINUM:

While the gold market fell back from its early-week high, the market did manage a fresh higher high for the move and the highest price since September 21st and that would seem to indicate the path of least resistance remains up into the start of the new trading week. Clearly gold and silver prices are tracking in sync with the equity markets which somehow continue to hold out hope for some form of stimulus package. Fortunately for the gold bulls, ETF's added to their gold holdings for the 3rd straight day of inflows Friday and that inflow brought this year's net holdings gain up to 34%. Last week gold ETF holdings increased by 131,496 ounces which in turn is a less than impressive pace. Unfortunately, for the bull camp in silver, silver ETF's last Friday reduced their holdings by 1.2 million ounces but on the week silver holdings increased by 18.2 million ounces.

The gold market might have been undermined partially by news that Indian gold imports in September fell back by 38% relative to year ago figures with 2020 Indian gold imports overall down 70% below year ago levels. In other words, physical demand from India continues to be a major headwind for the gold market and therefore the bull camp needs positive global economic data and the passage of stimulus package. However, seeing Asian gold premiums return after sustained discounts (particularly in India) would seem to be a sign of a long-awaited return of demand at the world's second-largest consuming nation. The premium trade in India might be in anticipation of pre-buying for upcoming festivals, and therefore a slight positive improvement in seasonal demand could already be underway. On the other hand, we think the bull camp also needs the assistance of positive Chinese data and positive Chinese gold demand chatter to extend last week's rally back above the $1,950 level.

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Gold might see some very minimal support from news that a Russian gold producer has reported 100 people tested positive for the virus, but the company asserted that the virus would not impact production. As of this writing, opposition to a small US stimulus package seems to be resolute thereby leaving headwinds over both gold and silver. It is possible that the looming election and the dire straits of the US airline industry will produce some movement on airline guarantees and perhaps direct stimulus checks. While trading volume and open interest jumped on last Friday's large rally, absolute volume traded remains very low compared to late July when gold prices forged a $280 rally. The last COT positioning report in gold showed a net long that was near the lowest levels since June 23rd and appeared to be approaching the lowest levels since June 2019 before the recent recovery.

The October 6th Commitments of Traders report showed Gold Managed Money traders net bought 2,056 contracts and are now net long 131,009 contracts. Non-Commercial & Non-Reportable traders net bought 3,542 contracts and are now net long 292,275 contracts. In short, the technical picture is positive for gold, the charts in the dollar are also supportive of gold and classic demand news from India and China are seemingly improving but the linchpin likely sits with the hot debate over the US stimulus. While the silver market also saw an uptick in trading volume on last week's range up breakout, open interest showed little movement thereby casting some momentum doubt on the market. We would remain bullish toward silver as long as it manages to hold above a series of key closing levels of $23.89. Silver positioning in the Commitments of Traders for the week ending October 6th showed Managed Money traders are net long 35,628 contracts after net selling 144 contracts. Non-Commercial & Non-Reportable traders net bought 2,692 contracts and are now net long 60,070 contracts.

The palladium market at the end of last week soared along with gold and silver, and might have been lifted by optimism toward the return of China but also because of market expectations at the time that a US stimulus package would be agreed upon. However, the stimulus package did not materialize as expected but fortunately for the bull camp, Chinese economic data at the end of last week was positive and expectations are for Chinese import and export growth could help to underpin palladium following last Friday's upside breakout to the highest levels since before the US lockdown announcement. In fact, the latest net spec and fund long positioning in palladium was less than 3,000 contracts above the smallest net spec and fund long in modern trading and that should leave the market with buying capacity.

The October 6th Commitments of Traders report showed Palladium Managed Money traders were net long 3,530 contracts after decreasing their long position by 12 contracts. Non-Commercial & Non-Reportable traders added 349 contracts to their already long position and are now net long 3,625. While palladium ETF holdings have not been a material impact on prices, it should be noted that last week palladium ETF's saw an inflow of 31,143 ounces which is a 5.8% gain in overall holdings within one week. A potential gap filling rally up to $2,537.30 is possible if the markets manage a risk on environment in the coming sessions. While platinum also rallied in sync with the rest of the precious metals markets last week, its charts were not nearly as bullish as other metals markets with prices still within a downtrend pattern that began with the August high.

Unfortunately for the bull camp, the US economy looks to be producing less robust recovery readings, the US looks to be hindered by even more intense political fighting ahead and therefore platinum will need a stimulus package to return to the early October high up at $919.10. On the other hand, the net spec positioning in platinum adjusted into last week's lows was in the proximity of the smallest net long since July 2019 and therefore the market should retain a moderate amount of buying capacity. Critical uptrend channel support in January platinum is seen at $850.50 with critical pivot point pricing at $878. The Commitments of Traders report for the week ending October 6th showed Platinum Managed Money traders net sold 517 contracts and are now net short 691 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 992 contracts to a net long 13,892 contracts.

COPPER:

While the copper market did not make a fresh higher high for the move early this week, the market is sensing positive economic psychology from China after the Chinese President promised to ramp up efforts to make southern China a major technology hub. It should also be noted that the Shanghai markets were the largest gaining equity markets early Monday with the CSI 300 gaining 3.03% and the Shanghai stock exchange composite gaining 2.64%. Therefore, the Chinese copper demand outlook is positive with the potential for a US stimulus package still providing some support. On the other hand, the trade is beginning to take note of the gains in the Chinese currency which in turn should make China's purchase of commodities much more attractive and that bodes well for copper.

However, the bull camp already appears to have priced in sustained tight supply and consistently recovering demand with prices sitting nearly $0.30 above the initial pandemic highs. Furthermore, the net spec and fund long positioning in copper is very worrisome especially with prices following the last report mark off nearly $0.14 higher! The Commitments of Traders report for the week ending October 6th showed Copper Managed Money traders are net long 69,806 contracts after net selling 6,930 contracts. Non-Commercial & Non-Reportable traders net sold 1,380 contracts and are now net long 55,125 contracts. In a minor negative development Shanghai copper stocks last week increased by 1,383 tonnes but that report was obviously impacted by the Chinese holiday for most of last week.

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ENERGY COMPLEX:
Apparently, the lost production from last week's hurricane has been discounted with crude oil prices falling back from last week's rally and temporarily touching the psychologically important $40.00 level in the December crude oil contract. Certainly, seeing 91% of US Gulf of Mexico production off-line from the latest hurricane will provide some receding support for prices especially with a third straight day of Gulf of Mexico shutdowns yesterday and offshore output thought to be down by 1.69 million barrels per day. In short, there could be enough supply uncertainty to offset a modest amount of economic disappointment from last week's developments. On the other hand, a key supply support from last week has been removed with the Norway strike solved and that bearish news is accentuated by news that global crude oil in floating storage remains 140% above year ago levels.

Other bearish developments early this week include reports that Libya is moving to re-open its biggest oil field and forecasts that Saudi Arabia gave full supply to 10 refineries in Asia for November as that takes away the potential for US sales. While not a near term direct impact, the US Baker Hughes oil rig count showed an increase of 4 rigs which puts the total rigs operating at 193 and at a 17-week high. Canadian oil rigs operating increased by 2 and have reached a 29-week high. In retrospect, the first data point following the holiday in China was stronger than expected but only slightly above the August reading, but that should leave demand expectations from China in a slightly positive track. In another potentially supportive development, an Iranian tanker at the end of last week left Venezuela for the Persian Gulf in a move that could prompt the US to implement additional sanctions and that could result in a flare in Middle East tensions.

From a technical perspective, the crude oil spec long is near some of the lowest levels since the beginning of the US lockdown and therefore the market may not be overly vulnerable to stop loss selling in the event that macro/geopolitical issues prompt widespread risk off psychology. In the short term, the bull camp will need word of sustained outages in the Gulf production area to countervail what appears to be a resurfacing demand fear. The Commitments of Traders report for the week ending October 6th showed Crude Oil Managed Money traders were net long 302,891 contracts after decreasing their long position by 1,923 contracts. Non-Commercial & Non-Reportable traders added 7,978 contracts to their already long position and are now net long 523,887.

While US refinery outages from hurricane Delta resulted in the greatest loss of offshore production in 15 years, it would not appear as if prolonged shutdowns of US refineries will be seen and the product markets also don't appear to have garnered support from that issue into the new trading week. However, the temporary closure of a wide swath of refineries last week should continue to keep the rebuilding of gasoline inventories difficult in the weeks ahead even though demand remains anemic. In fact, last week's EIA report showed a 2 million barrel annual deficit and the lowest gasoline stocks reading since November 2019. Furthermore, implied gasoline demand remained below year ago levels but did post a 6-week high.

In a potential international support for gasoline prices, India pegged its September fuel demand to have had the first month over month gain since June but their demand remains below year ago levels. In our estimation, the net refinery operating rate from the storm is likely to remain only 75% of normal thereby increasing the potential for another decline in gasoline stocks this week. While the latest positioning report understates the size of the net spec and fund long in unleaded it was the lowest since July and we suspect the market is not in danger of reaching overbought status in the near term. The October 6th Commitments of Traders report showed Gas (RBOB) Managed Money traders net long 49,345 contracts after net buying 1,059 contracts. Non-Commercial & Non-Reportable traders added 2,414 contracts to their already long position and are now net long 61,664.

While the ULSD market managed to breakout to the highest level since early September last week, the backbone of the rally was outside market lift from crude oil and gasoline and that action is absent this morning. However, last week did see a 19-week low in distillate stocks with implied distillate demand reaching a 5 week high which many interpret as a sign that the September and October lows might be fundamental value. Furthermore, the net spec and fund long positioning in heating oil remains very small but the market clearly lacks fundamentals to attract available spec buyers from the sidelines. The October 6th Commitments of Traders report showed Heating Oil Managed Money traders net bought 5,499 contracts and are now net short 8,718 contracts. Non-Commercial & Non-Reportable traders net bought 6,629 contracts and are now net long 15,938 contracts.

While the natural gas market added significantly to last week's upward surge in prices early today, prices has recoiled and appear to be poised to fill the gap opening with a trade back down to $3.2630. While not as significant as in petroleum, Gulf gas production was off 62% or 1.68 BCF per day from hurricane Delta. Going forward, the big question for traders today is how quickly those platforms will be brought back on-line. Certainly, the category 3 winds damaged some facilities, but we would be surprised if those damages result in more than a few days of lost output. On the other hand, settling the Norway strike undermines international gas prices, US weather forecast is neutral to slightly bearish and the petroleum markets are offering spillover selling early on.

We would also take note of a moderately large net spec and fund long position in natural gas as the market from the last report into the high on Friday gained another $0.32. In fact, given the rally after the COT calculation early last week we suspect that the net spec and fund long in natural gas is now at the highest since May 2017! The October 6th Commitments of Traders report showed Natural Gas Managed Money traders added 14,237 contracts to their already long position and are now net long 126,768. Non-Commercial & Non-Reportable traders added 21,600 contracts to their already long position and are now net long 93,216. This week's US Baker Hughes gas rig count declined by one to 73 rigs operating while Canadian gas rigs increased by 3 and reached a 29 week high.

BEANS:

With ending stocks pegged at just 290 million bushels, as long as demand stays strong, and there is some supply uncertainties for both US and South America yields, the market is likely to find good support as this leaves little leeway for any future demand or supply developments. There is still no technical sign of a short-term peak and the market seems to have absorbed some of the positive news from the USDA update. Until traders are more confident in getting the Brazil crop planted, the market may find support on technical corrections. The market closed higher and has made contract highs for four sessions in a row.

The October USDA Supply/Demand report pegged 2020/21 ending stocks at just 290 million bushels which was well below expectations for 363 million and below 460 million posted in September. Yield was left unchanged at 51.9 bushel/acre and within the estimated range of 50.9 to 52.5 bushels/acre. Harvested acres were revised down to 82.3 million acres from 83.0 million in September. Production is estimated at 4.268 billion bushels. Exports were revised up 75 million bushels to 2.2 billion. Traders will be monitoring US harvest progress closely to determine if the current USDA record high yield estimate is accurate. If yield is adjusted lower, stocks could tighten further.

Soybean oil ending stocks were revised down to 1.755 billion pounds from 1.86 billion pounds in September but still up from 1.74 billion last year. World soybean ending stocks for 2020/21 are now estimated at 88.7 million metric tonnes, down sharply from 93.6 million in September. Stocks are down from 93.75 million tonnes last year and 113.04 million tonnes two years ago. China imports were revised up by 1 million tonnes to 100 million and total usage was revised up by 1 million tonnes to 117.4 million. Overall, the report was bullish versus estimates, especially for world stocks.

The Commitments of Traders report for the week ending October 6th showed managed money traders added 9,351 contracts to their already long position and are now net long 238,394. This leaves the market extremely overbought with the record net long position for soybeans at 253,889 contracts. Soybeans Non-Commercial & Non-Reportable traders hit a new extreme long of 258,931 contracts after increasing their already long position by 34,543 contracts for the week.

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For Soyoil, managed money traders were net long 80,994 contracts after decreasing their long position by 13,104 contracts for the week. Non-Commercial & Non-Reportable traders are net long 114,810 contracts after net selling 16,281 contracts. For meal, managed money traders added 4,068 contracts to their already long position and are now net long 77,067. Soymeal CIT traders hit a new extreme long of 103,190 contracts. Non-Commercial & Non-Reportable traders added 14,450 contracts to their already long position for the week and are now net long 131,255.

CORN:
The USDA report news was mostly neutral and with the overbought technical set-up, December corn looks vulnerable to a correction. Strength in soybeans, the weak US dollar and Brazil crop concerns due to dry weather for plantings helped to support the higher close on Friday. US Corn ending stocks for 2020/21 ending stocks are estimated at 2.167 billion bushels, down from September's 2.503 billion. This is above the average estimate but in the range of 1.859-2.333 billion. Yield is estimated at 178.4 bushels/acre which was revised down slightly but a bit higher than expected. Harvested acreage was revised down 1 million acres to 82.5 million acres and below the estimated range of 82.7 to 83.7 million acres. Production is estimated at 14.722 billion bushels.

Exports were left unchanged but total usage revised down by 100 million bushels to 14.575 billion. Feed usage was revised down by 50 million bushels and ethanol corn usage was revised down by 50 million as well. While the USDA left exports unchanged, cumulative export sales have reached 43.8% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 28.4%. World corn ending stocks for 2020/21 are now estimated at 300.45 million metric tonnes, down from September's estimate of 306.8 million. There seems to be plenty of factors which could lead to even tighter world stocks.

While the USDA left Brazil corn production unchanged at 110 million tonnes, Brazil officials see the crop closer to 105 million. Ukraine production was revised down by 2 million tons to 36.5 million. The USDA also left China corn production unchanged at 260 million tonnes and many traders believe this is lower. China usage is also left unchanged at 279 million tonnes, and many traders see this as too low. The Commitments of Traders report for the week ending October 6th showed managed money traders were net long 134,466 contracts after increasing their already long position by 27,646 contracts for the week. CIT traders net sold 3,336 contracts and are now net long 332,624 contracts. Non-Commercial & Non-Reportable traders were net long 188,282 contracts after increasing their already long position by 58,421 contracts.

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WHEAT:

The technical action turned bearish on Friday and the USDA data was also a negative. However, there is still no rain in the five day forecast for much of the winter wheat belt, and the 6-10 day is also dry. Will the dryness be significant enough to fuel the market even higher? The weekly crop progress report will be out Tuesday due to Monday's holiday. The October USDA Supply/Demand report pegged 2020/21 US wheat ending stocks at 883 million bushels which was within the range of pre-report estimates (830-917, average 890). In the class breakdown, hard red winter wheat ending stocks come in at just 334 million bushels, from 385 million in the September report and from 506 million bushels last year and 516 million bushels two years ago. This is supportive for the KC wheat relative to the other wheat markets. Soft red winter wheat ending stocks were adjusted down to 102 million bushels, from 108 million in September 105 million last year and 158 million 2 years ago.

World wheat ending stocks for 2020/21 are now estimated at a whopping and record high 321.45 million metric tonnes, up from September's estimate of 319.40 million and well up from expectations for 317.23 million tonnes. The second-highest world wheat ending stocks number was last year at 299.4 million tonnes which is up from 284 million the previous year and 288.3 million for the 2017/18 season. Argentina production was revised down by 500,000 tonnes and exports revised down as well. Canadian wheat production was revised down to 35 million tons from 36 million last month. Russia production is now pegged at 83 million tonnes from 78 million in September, and Ukraine production was revised lower to 25.5 million tons from 27 million last month.

For the major exporter category, ending stocks are pegged at 39.06 million tonnes, which is up from 37.09 million tonnes September report, 33.43 million last year, 38.4 million two years ago and 43.9 million tonnes three years ago. The October 6th Commitments of Traders report showed Wheat managed money traders were net long 30,336 contracts after increasing their already long position by 17,912 contracts in just one week. CIT traders net sold 6,434 contracts and are now net long 132,108 contracts. Non-Commercial & Non-Reportable traders are net long 28,289 contracts after net buying 21,440 contracts for the week. For KC wheat, managed money traders were net long 27,379 contracts after increasing their already long position by 9,354 contracts. Non-Commercial & Non-Reportable traders net bought 14,856 contracts and are now net long 30,784 contracts.

HOGS:

With the large discount to the cash market, the market looks to be well supported as long as China demand for US pork remains strong. China prices are in a short-term downtrend, but sales in recent weeks have remained strong. Short-term, it looks like we could see some further upside. Talk of the short-term overbought condition after the recent surge up helped to spark some selling. As long as export sales remain strong, this will keep US supply relatively tight and keep the pork cut-out values firm. The huge discount is providing underlying support. The CME lean index as of Oct 7 was 77.62, up from 77.50 the previous session and up from 76.41 a week before. China's national average spot pig price was down 3.1% from the previous day. For the month, prices are down 7.1% for the month and down 9.8% year to date and down 13.9% versus a year ago.

The USDA pork cutout released after the close Friday came in at $93.70, down 90 cents from $93.70 on Thursday but up from $91.30 the previous week. The USDA supply/demand report lowered the estimates for US pork production by 30 million pounds for the 3rd quarter and by 60 million for the 4th quarter. 1st quarter 2021 was increased by 15 million pounds, and 2nd quarter was lowered by 215 million. Friday's Commitments of Traders report showed managed money traders were net sellers of 5,133 contracts of lean hogs for the week ending October 6, reducing their net long to 35,674. This is long liquidation. Non-commercial & non-reportable traders were net sellers of 3,091 contracts, reducing their net long to 44,139. The USDA estimated hog slaughter came in at 487,000 head Friday and 289,000 head for Saturday. This brought the total for last week to 2.730 million head, up from 2.603 million the previous week and up from 2.697 million a year ago.

CATTLE:

Beef prices are at their lowest levels since August 13th, supply appears to be increasing, and the short-term demand outlook is questionable. Futures are holding a premium to the cash market as traders expect to see seasonally strong demand just ahead. However, the virus could cause many of the seasonal demand factors to be diluted during the fourth quarter. Restaurants and caterers typically order aggressively this time of the year as to secure supplies for the busy holiday season. Retail demand for beef has been running strong, but due to Covid, corporate and family events at restaurants and hotels could be down considerably from recent years, which will keep buyers less active. The average dressed steer weight for the week ending September 26 came in at 924 pounds, up from 919 the previous week and 898 from a year ago. This was the highest average weight since November 2015. The USDA boxed beef cutout was down 93 cents at mid-session Friday and closed $1.94 lower at $214.06. This was down from $218.88 the previous week and was the lowest the cutout had been since August 13.

Cash live cattle concluded last week about $1 higher than the previous week. In Kansas on Friday, 14,950 head were reported at $107-$109 with an average price of $108.97, in Nebraska 10,001 head were reported at $107-$109 and an average price of $108.19, and in Texas/Oklahoma 12,628 head were reported at $107-$109 and an average price of $108.93. The 5-day, 5-area average price as of Friday afternoon was $108.35, up from $107.12 the previous week. In the monthly supply/demand report, the USDA increased its estimates of

US beef production by 40 million pounds for the 3rd quarter of 2020, by 50 million for 4th quarter, and by 5 million for the 1st quarter of 2021. The USDA estimated cattle slaughter came in at 112,000 head Friday and 53,000 head for Saturday. This brought the total for last week to 637,000 head, down from 665,000 the previous week and down from 648,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,908 contracts of live cattle for the week ending October 6, reducing their net long to 59,016 which is a long liquidation selling trend.

COCOA:

Cocoa prices finished last week on a downbeat note in spite of stronger key outside markets as global demand concerns remain a front-and-center issue for the market. Critical demand-side data late this week will be a source of pressure over the next few sessions, but cocoa is showing early signs that a near-term low may be close at hand. December cocoa pressured by end-of-week long liquidation as they finished Friday’s trading session with a sizable loss. For the week, December cocoa finished with a loss of 50 points (down 2.0%) and a third negative weekly result in a row.

Reports of increasing coronavirus cases in Europe and the likelihood of potential lockdowns in several regions weighed on the cocoa market as that is likely to dampen near-term European demand prospects. As a result, those reports were able to offset moderate gains in US equity markets and a sharp rally to a 2 1/2 week high in the Eurocurrency, both of which provided carryover support to cocoa prices. The third quarter grindings totals for Europe will be released before Thursday’s opening while the third quarter North American grindings total will be released after Thursday’s close.

There is a general consensus that both will show at least a 5% year-over-year decline with some estimate showing more than a 10% year-over decline, so the cocoa market may need to digest that data before it can sustain upside momentum. Asian third quarter grindings will be released over the next week and are expected to show a year-over-year decline, but are likely to have an eight quarter in a row with grindings above 200,000 tonnes. There is rain in the forecast for many West African growing areas through the end of next week, and that pressured cocoa as that should benefit 2020/21 main crop production.

In addition, the latest weekly Ivory Coast port arrivals total is expected to have an uptick from last year due to the 2020/21 season having a 21% increase in the minimum farmgate price. The Commitments of Traders report for the week ending October 6th showed Cocoa Managed Money traders are net long 29,655 contracts after net selling 8,307 contracts. CIT traders reduced their net long position by 2,289 contracts to a net long 40,577 contracts. Non-Commercial No CIT traders net sold 6,737 contracts and are now net long 14,807 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 11,544 contracts to a net long 42,016 contracts.

COFFEE:

Coffee prices remain far below their early September highs, but they were able to maintain upside momentum following last Wednesday's outside-day higher. With Brazil's 2020/21 harvest nearly complete, a shift in focus toward upcoming production in Brazil and Colombia may help the coffee market extend its recovery move. December coffee kept in positive territory for most of the day as it reached a 1-week high before finishing Friday's trading session with a moderate gain. For the week, December coffee finished with a gain of 2.60 cents (up 2.4%) which was a second positive weekly result over the past 3 weeks.

The prospect that a La Nina weather event will keep Brazil's major Arabica growing regions drier than normal provided significant support to coffee prices as their 2021/22 "off-year" crop was already expected to have a sharp decline from this season's near-record high total. There were showers over Brazil's south Minas Gerais region over the weekend, with daily rainfall in the forecast through next weekend, but there are continued concerns that weather conditions have negatively impacted the flowering for next season's crop. In addition, a 1% gain in the Brazilian currency provided an additional source of strength to coffee prices going into the weekend as that eased pressure on Brazilian producers to market their near-term supply to foreign customers.

Colombia's monthly coffee production have fallen below last year's total during seven of the past 9 months, and that should put their production below a 14 million bag annualized pace. Europe has been a strong spot for global coffee demand, so reports of fresh lockdowns could weigh on prices this week. ICE exchange coffee stocks (most of which are in warehouses at the Euro zone ports of Antwerp, Hamburg and Bremen) were unchanged on Friday, but are more than 933,000 bags for the year so far and are on-track for a ninth monthly decline in a row.

The Commitments of Traders report for the week ending October 6th showed Coffee Managed Money traders net sold 6,814 contracts and are now net long 29,432 contracts. CIT traders reduced their net long position by 1,384 contracts to a net long 57,441 contracts. Non-Commercial No CIT traders net sold 5,347 contracts and are now net long 20,298 contracts. Non-Commercial & Non-Reportable traders are net long 45,421 contracts after net selling 7,422 contracts.

COTTON:

With new highs for the fourth session in a row, traders are clearly concerned over significant hurricane damage from the recent heavy rains in the US. This, along with a sense of strong demand has helped to keep the market in a steady uptrend. Production fears may peak soon with the supply/demand report and the expected impact of Hurricane Delta to US Gulf coast. Heavy rainfall moved through the cotton growing regions of Louisiana, Mississippi and Alabama. The monthly USDA supply/demand report showed very few changes in the 2020/21 US cotton numbers from the September report versus expectations for tightening supply. The report left production virtually unchanged at 17.05 million bales versus 17.06 million estimated in September and average expectations of around 16.74 million and a range of 16.35-17.03 million.

US ending stocks were left unchanged at 7.20 million bales versus average expectations of 6.79 million and a range of 5.85-7.30 million. However, the world numbers came in a bit more bullish than expected. World ending stocks for 2020/21 came in at 101.13 million bales, down from 103.84 million in September and below the average estimate of 103.74 million and below the low end of the range of expectations (103.00-105.32). However, ending stocks are still the second highest on record, and the stocks/use ratio is the second highest since 2014/15. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,952 contracts of cotton for the week ending October 6, increasing their net long to 53,080. Non-commercial, no CIT traders were net buyers of 3,787, increasing their net long to 46,510. Non-commercial & non-reportable traders were net buyers of 4,178, increasing their net long to 74,001.

SUGAR:

Sugar prices continue to maintain upside momentum as they have been supported by a bullish shift in Brazilian weather conditions. With the market received fresh evidence of Brazil’s Center-South supply situation over the first half of the 2020/21 season, however, sugar’s potential for further upside price action may be limited at best. March sugar shook off midsession pressure and choppy action late in the day as it reached a new 7-month high before finishing Friday’s outside-day trading session with a moderate gain. For a week in which it had all 5 sessions with positive daily results, March sugar finished with a weekly gain of 68 ticks (up 5.0%) and a fourth positive weekly result in a row.

There has been increasing concern that drier than normal weather over Brazil’s Center-South cane-growing regions during the past few months will negatively impact cane production late this season and into next season’s crop provided the sugar market with significant support. While a developing La Nina weather event has added to those concerns, Center-South cane growing regions will receive daily rainfall starting Thursday and going through early next week. The Brazilian trade group Unica said that Center-South sugar production during the second half of September came in at 2.86 million tonnes which was 59.6% above last year’s levels.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

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Center-South ethanol production was 2.16 billion liters which was 3.3% below last year, while the Center-South cane crush was 40.2 million tonnes which was 14.3% above last year total. Central South mills devoted 46.9% of their crushing to sugar production which was below trade forecasts, but that compares to 34.1% last year. Brazilian domestic ethanol sales over the past 6 months have been below last year's total and this season is 18.4% behind last season's pace. The USDA raised their US 2020/21 sugar stocks usage from 13.5 to 14.2 due to a 7% increase in imports from larger TRQ quotas.

The Commitments of Traders report for the week ending October 6th showed Sugar Managed Money traders are net long 212,687 contracts after net buying 9,964 contracts. CIT traders are net long 257,340 contracts after net buying 6,721 contracts. Non-Commercial No CIT traders were net long 173,226 contracts after increasing their already long position by 14,288 contracts. Non-Commercial & Non-Reportable traders added 22,560 contracts to their already long position and are now net long 317,205.

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.