ADM Investor Services, Inc.

Weekly Futures Market Summary

by The ADMIS Research Team
February 16, 2021

BONDS:
With treasury prices falling back to the lowest levels in 10 months in the face of a very disappointing University of Michigan sentiment report, it appears that the bias is bearish. In fact, looking back the market saw very bullish economic data and yet prices appeared to fight their way higher on the charts. On the other hand, we suspect that chatter of more forward movement on the US relief package prompted selling off the idea that further stimulus would dramatically increase the likelihood of getting beyond the pandemic without recession.

With a significant downside extension on the charts to start the holiday shortened trading week, the bear camp extended it is dominance of the last 30 days. In our opinion, the primary thrust behind the decline in bond and note prices over 4 trading sessions is the fact that US infections are showing consistent signs of coming down. In fact, anecdotal headlines regarding hospitalization counts falling combined with the ramping up of vaccination rates should be a sign that the last and most severe wave of infections is coming under control.

However, a sharp selloff in European bond prices seemed to facilitate added selling of US treasuries in the early going this week and that bearish force is amplified by new all-time highs in various US equity measures early this week. Some traders suggested that part of the selling of European bonds was the result of reflation trading, which is obviously given added credence by the broad-based rally in physical commodities (particularly because of oil price action). As we have been indicating for months, the quickest way to a real "reflation" is from renewed momentum in the US economy, which in turn is almost completely dependent on rolling back activity restrictions.

If there is a significant impediment to further declines in bonds, it is the fact that the market is likely approaching the "record spec and fund short" position of 255,084 contracts that was forged back in May 2006. Bonds positioning in the Commitments of Traders for the week ending February 9th showed Non-Commercial & Non-Reportable traders are net short 230,494 contracts after net buying 7,533 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net sold 20,159 contracts which moved them from a net long to a net short position of 11,544 contracts.

CURRENCIES:
The action in the currency markets late last week was very telling as the dollar, euro, Swiss franc, and Yen were all trading lower at the same time. Obviously, that pushed buyers toward the British pound and Canadian dollar which would appear to have the most bullish setups into this week's trade. On the other hand, they sharp range up spike in the dollar was likely the result of positive stimulus headlines from Washington.
For the first time in nearly 2 months, the dollar action appears to be associated with the ebb and flow of uncertainty in the marketplace.

In other words, the declines in the dollar index early this week appear to be because of risk on/economic optimism which in turn is resulting in traders migrating to currencies with expectations of large rates of return in the event of an end to the worst of the pandemic. Obviously a continuation of economic optimism should result in a violation of support. The Commitments of Traders report for the week ending February 9th showed Dollar Non-Commercial & Non-Reportable traders are net short 12,049 contracts after net selling 41 contracts.

With European economic news just barely more positive than negative, the gains in the euro from macroeconomic differential argument are suspect. However, the markets are looking forward to a sharp bend down in global infection rates and increased chances of "opening up" in many regions and therefore money is seeking currencies with notable appreciation potential on the charts. Euro positioning in the Commitments of Traders for the week ending February 9th showed Non-Commercial & Non-Reportable traders are net long 190,436 contracts after net buying 6,246 contracts.

Like the dollar, the Japanese yen appears to be under liquidation from economic optimism and declining anxiety. While the yen rejected a major spike down move and has created solid support at 94.70, restarting the uptrend in the yen seen from last summer into early January probably requires a very broad acceptance that the end of the pandemic is in sight. With a definitive upside breakout in the Swiss franc coinciding with a major risk on environment, we think the Swiss franc is poised for a rally back above 1.14 in the days ahead. In fact, as indicated in the euro coverage, the trade is likely to see the Swiss franc as a market with very significant appreciation potential.

While some will suggest that the brunt of the gains in the British pound are the result of favorable headlines regarding the pace of UK vaccinations, we think the rally was primarily the result of a return to global recovery/reflation hopes. In other words, a simple jump in confidence is rekindling interest in currencies likely to benefit the most from a persistent winding down of the latest pandemic wave. Not to be left out from the recovery currency rally, the Canadian dollar has posted a 4-day high and that is likely poised to breakout to the highest level since early 2018 in the weeks ahead.

STOCKS:
The stock market once again waffled around both sides of unchanged late last week in a sign that investors are indecisive as to the health of the US recovery, losing interest in the corporate earnings storyline, are not yet buying into the idea that US infections are trending and highly skeptical that a stimulus will be passed in the coming week. Global equity markets were higher at the start of this week with the exception the Spanish market which showed a very modest decline. Obviously, a risk on environment has emerged in the early Tuesday trade with global equity markets leading US markets

higher. However, it should be noted that investors seem to be pushing money into "reopening" stocks like hotels, cruise lines and perhaps even airlines and for some that is a sign that bullish sentiment is starting to run very hot.

The S&P followed the positive lead of international markets with a new high posted in the index early on and the Index seemingly on a direct track to the next century mark of 4,000. While it is difficult to confirm, it would appear that declining US infections, combined with on schedule (or slightly ahead of schedule) vaccinations has prompted wave of optimism embracing the beginning of the end of the pandemic. In other words, the stock market is apparently "moving to price" in proved economic activity and that bearish force is given added support from "reflation" headlines. From a technical perspective, the E-Mini S&P is holding a very bullish positioning reading with the latest report showing speculators still "net short". The February 9th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 35,564 contracts which moved them from a net long to a net short position of 10,297 contracts.

Like the S&P, the Dow futures have also pulsed up into new high ground and could also be headed to the next century mark of 32,000. It would appear as if investors are looking to undervalued large Dow stocks, in order to benefit from the potential to see reopening become a pattern and that in turn is pushing investment in stocks thought to be relatively cheap compared to big tech. The positioning report in the Dow futures showed a very minimal net long thereby leaving the index with significant speculative buying capacity. The February 9th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 866 contracts and are now net long 1,553 contracts.

While the NASDAQ might be considered relatively more expensive from both fundamental and technical perspectives, the bullish environment today sets the stage for a return to the next century mark up at 14,000. It should be noted that the NASDAQ is relatively "longer" than other index futures in the spec positioning report and therefore it could see expanded volatility. Nasdaq Mini positioning in the Commitments of Traders for the week ending February 9th showed Non-Commercial & Non-Reportable traders reduced their net long position by 5,226 contracts to a net long 24,548 contracts.

GOLD, SILVER & PLATINUM:
Despite headlines early this week touting significant outflows from gold and silver ETF's last week, prices have started out positive as a result of a broad risk on market environment. Obviously, a downside breakout in the dollar (to the lowest level since January 27th) has contributed to the positive early traction. Unfortunately for the bull camp, the gold market is lagging the rest of the precious metals markets with high yielding bonds thought to be siphoning off some investment interest. Year-to-date gold ETF holdings have seen a net sale of 558,788 ounces this year while silver holdings remain positive with net purchases of 84.6 million ounces. Further negative gold price divergence with silver at the start of this week is expected because of lingering rotation potential from gold to interest bearing instrument with Treasury Bond yields reaching the highest level since February 24th, 2020.

News of a lower close in Hong Kong gold was mostly offset by higher Indian gold prices reportedly because of good spot demand. Gold might have been partially undermined as-a-result of a projection of a significant jump in 2021 gold production from a mid-level producer. Fortunately for the bull camp in gold, the latest positioning report shows a modest net spec and fund long relative to the last 18 months of trade. The February 9th Commitments of Traders report showed Gold Managed Money traders added 10 contracts to their already long position and are now net long 105,851. Non-Commercial & Non-Reportable traders net sold 5,986 contracts and are now net long 283,592 contracts.

On the other hand, the charts in the gold market remain bearish with a retest of $1,800 seemingly more likely than a test of $1,850. However, silver charts are distinctly bullish with a temporary rise above $28.00 and the highest trade since February 2nd highlighting silver's preference to track higher with industrial demand driven markets instead of linking with financially focused gold. Like the gold market, the silver market maintains a relatively modest net spec and fund long relative to the last 23 months. Silver positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders are net long 39,691 contracts after net selling 924 contracts. Non-Commercial & Non-Reportable traders net sold 733 contracts and are now net long 74,687 contracts.

In what could be very significant fuel for the bull case, platinum ETF holdings on Friday saw an inflow of 27,917 ounces (one of the largest single day inflows we can remember) which brings the net gain in platinum holdings this year up to 2.2%. Furthermore, it would not be surprising to see even more aggressive platinum ETF inflows directly ahead, as those looking to seek opportunity in the appreciation of platinum have fewer alternatives than gold or silver traders and a small amount of headline coverage could spread the news of Platinum ETF's to new traders. The brunt of the run up in platinum prices is likely the result of hope for a surge in physical demand from electric vehicle manufacturing, but it is also possible that a small market like platinum is simply being overwhelmed by a surge in trading interest.

In fact, open interest has approached 73,000 contracts relative to the 52,000 contracts seen last April. However, before the significant early 2020 virus inspired washout, the open interest in platinum was 102,290 contracts which suggests the market can still pull in additional trading interest without historically large trading interest. Certainly, the net spec and fund long in platinum is surging but as of last Tuesday the net spec and fund long position was still 45% below the record high posted 13 months ago. The Commitments of Traders report for the week ending February 9th showed Platinum Managed Money traders are net long 28,881 contracts after net buying 6,877 contracts. Non-Commercial & Non-Reportable traders are net long 43,151 contracts after net buying 5,523 contracts.

We continue to think that platinum prices have very significant appreciation potential, as the metal looks to close a historically large discount with palladium. As we expected, the palladium market is being "dragged" higher by significant gains in platinum and at times palladium could see pressure as a result of long platinum/short palladium spread trading. Palladium positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders were net long 1,182 contracts after increasing their already long position by 42 contracts. Non-Commercial & Non-Reportable traders added 328 contracts to their already long position and are now net long 1,226.

COPPER:

With Citigroup predicting London copper to trade at $10,000 (which compares with a recent price of $8,437 a tonne and at an 8-year high already) and suggesting the strength would result from a "deep global deficit, prices are justified in their noted strength at the start of this week. Furthermore, with a definitive risk on vibe throughout commodities, word that the UK is ahead of projected vaccination estimates, news that US infections and hospitalizations are declining, and talk that China's return from holiday will result in catch-up demand, leaves the bull camp with significant ammunition.

If there is a trouble spot for the bull camp, it is the rapidly escalating net spec and fund long, which is obviously understated given the aggressive rally after the report was measured last week. Copper positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders are net long 87,671 contracts after net buying 9,939 contracts. Non-Commercial & Non-Reportable traders net bought 5,966 contracts and are now net long 82,954 contracts.

ENERGY COMPLEX:

While the crude oil market spiked sharply higher at the start of this week and approached the $61.00 level, it failed to hold those gains in a potential sign of a short-term overbought condition. However, in addition to a very impressive "risk on" global market vibe, the crude oil market is reportedly drafting support from extreme cold in the US which has boosted heating demand. Other potential supportive issues are seen from the closure of the Houston Ship Channel because of freezing temperatures and from the shutdown of the largest US oil refinery because of cold weather. In fact, given widespread electricity outages (because of the strain of extreme temperatures) there are several reasons for supply concern and therefore weather should be supportive of crude prices throughout today's trade. While the reduction of demand for physical crude is likely because of the refinery closures, the refinery closures have also resulted in an explosion of product prices (relative to crude oil) and that should increase demand for crude by refiners ahead because of more attractive crack margins.

Other supportive developments are the lowest global floating storage levels in 8 months last week and a UBS price forecast of $65 a barrel crude oil by midyear. While spec and fund traders added significantly to their long positions last week, ongoing backwardation of $0.60 in London adds to the bullish environment and there are also reports that sellers of North Sea oil are holding back in hopes of receiving even higher pricing ahead. Despite significant gains in prices so far this month, the net spec and fund long in crude oil in last week's report remained nearly 200,000 contracts below record highs! Crude Oil positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders net bought 27,171 contracts and are now net long 379,870 contracts. Non-Commercial & Non-Reportable traders net bought 31,691 contracts and are now net long 616,975 contracts.

As indicated already, product prices are surging more than crude oil prices due to the closure of the largest US oil refinery. The largest US refinery was shut down (600,000 barrel per day and located in Port Arthur Texas) because of the extreme cold. Furthermore, there are other refineries that have closed because of frozen pipes/valves, with others potentially hindered by power outages. In fact, with European product prices surging from the US outage, a certain amount of upside momentum is added into the early US equation this week. However, the largest bullish impact on gasoline prices is likely ideas that reopening could be drawing closer, with daily infections and US hospitalizations declining.

As in the crude oil market the gasoline market would appear to have plenty of residual speculative buying capacity with the net spec and fund long positioning as of last Tuesday remaining 58,000 contracts below the record high! The Commitments of Traders report for the week ending February 9th showed Gas (RBOB) Managed Money traders net sold 5,487 contracts and are now net long 61,019 contracts. Non-Commercial & Non-Reportable traders were net long 81,612 contracts after increasing their already long position by 1,001 contracts. Heating Oil positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders were net long 18,538 contracts after increasing their already long position by 553 contracts. Non-Commercial & Non-Reportable traders were net long 37,941 contracts after decreasing their long position by 2,157 contracts.

Obviously, the extreme cold in the US has caused second thoughts in the marketplace which has not expected much in the way of tightening of US supply before the end of winter. In fact, demand in some areas has overwhelmed production capacity and throughput in natural gas electric generation is now running very strong. Further supporting the bull case in natural gas is the fact that the Arctic cold blast is dramatically ramping up consumption in Japan which combined with increased consumption in other countries is likely to tighten LNG supply in Asia.

Another potential force lifting natural gas prices are predictions over the weekend that natural gas is an extremely cheap physical commodity potentially capable of significant appreciation in the event of the end of the pandemic, but also in the event reflation becomes notable. Furthermore, the bull camp retains significant buying capacity given a relatively modest net spec and fund long positioning report. Natural Gas positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders are net long 107,168 contracts after net buying 889 contracts. Non-Commercial & Non-Reportable traders added 10,686 contracts to their already long position and are now net long 57,951.

BEANS:

Palm oil jumped 4% in Malaysia on Monday as a continued advance in crude oil helped to drive the market higher. May soybeans closed higher on the session Friday but stayed inside of Thursday's range. The market experienced choppy trade all week but did manage to close 5 1/2 cents higher on the week. Talk of harvest delays in Brazil helped to provide some support, but there is also plenty of talk of surging soybean planted acreage for the coming year, and also ideas that the US will be in position to import soybeans from Brazil for late in the marketing year.

There has been plenty of talk on Argentina yields stabilizing or improving with recent weather and the 2-week outlook is mostly dry. It will be interesting to see if weather hurts yield or just increases harvest activity. Brazil needs drier weather in order to pick up on harvest, which can't come soon enough as they attempt to bridge the gap from old crop to new crop. The renewable talk will not quiet down moving forward, it will only grow louder as mandates here and around the world remain or advance.

Offtake in Meal has been good and extra cold weather recently has boosted feeding needs. There is plenty of uncertainty over renewables and just how strong that pull is and will be as demand is uncertain. There seems to be a potential for creating the perfect storm for buyers, especially food buyers, is setting up for the early summer. The cash markets see premiums trying to trade around the volatility. The Brazilian harvest has made strides forward last week with weather being much more cooperative for the combines to be rolling.

Harvest is concentrated with several areas ready to go and rolling. There remains the talk of the high moisture beans as the farmer pushes to get to the beans to get the corn crop planted. The concentration of harvest has put pressure on logistics. The exporter and crusher are short bean inventories and waiting. The production in Brazil over the past few weeks has stabilized near the CONAB estimate of 133.8 million tonnes. In Argentina, traders have seen estimates jump back up 2.0 million tonnes to near 49.00 million. Cash crush margins in Argentina remain very good.

For the January NOPA crush for release today, the average trade estimate is 183.1 million bushels. This compares to Dec at 183.2 million with a range of 180.00 to 186.30 million. Oil stocks are seen near 1.763 billion bushels. This compares to the end of December at 1.699 billion with a range of 1.710 to 1.850 billion. The Commitments of Traders report for the week ending February 9th showed soybeans managed money traders net bought 15,505 contracts and are now net long 171,770 contracts. Non-Commercial & Non-Reportable traders are net long 225,091 contracts after net buying 18,140 contracts.

For soymeal, managed money traders were net long 69,625 contracts after increasing their already long position by 2,114 contracts. Non-Commercial No CIT traders were net long 54,487 contracts after increasing their already long position by 2,862 contracts. For soyoil, managed money traders added 4,462 contracts to their already long position and are now net long 110,392. Non-Commercial & Non-Reportable traders are net long 145,916 contracts after net buying 4,962 contracts for the week.

CORN:
The sweeping key reversal on February 9, follow-through selling the next day, a negative stochastic crossover from 82, major RSI divergence (which shows a loss of momentum), and the COT report showing a near record net long position by speculators are bearish forces. Open interest remains high, and the market could see increased selling if support levels are violated. May corn closed lower on the session Friday matching Thursday's high as traders appear less confident that the market has corrected the overbought condition. The market closed 11 cents lower on the week and posted a contract high on Tuesday so the weekly key reversal is seen as a bearish technical development as well.

Private exporters reported the sale of 115,577 tonnes of US corn to Guatemala, and also 195,338 tonnes of US corn to Costa Rica. While the United Nations Food and Agriculture Organization lowered Chinese corn stocks by 54 million tonnes to 139 million, the USDA raised its estimate by 4.5 million tonnes to 196.18 million in their monthly supply/demand report on Tuesday. US and world ending stocks both came in near the high end of expectations in the report. The official crop estimates from Brazil (CONAB) came out last week with a corn crop forecast of 105.48 million tonnes, up from 102.3 million estimated in January and 102.5 million for last year.

The Rosario Grains Exchange had raised their forecast for Argentina's corn production to 48.5 million tonnes from 46 million previously.
A Bloomberg survey showed that traders expect 2021 corn acres to come in near 92.9 million acres. If so, and yield comes in at trend (178.1 vs. 172 last year) ending stocks look to come in near 1.537 billion bushels. Corn positioning in the Commitments of Traders for the week ending February 9th showed managed money traders are net long 358,807 contracts after net buying 13,660 contracts for the week. Non-Commercial & Non-Reportable traders net bought 8,031 contracts and are now net long 504,006 contracts.

WHEAT:
European milling wheat futures on Monday closed 2.7% higher for the session as traders see the Algerian wheat tender to buy optional origin milling wheat as a positive force. There are still weather concerns for US wheat, and even Black Sea region wheat due to on and off cold. Some traders see some damage impact on near 30% of the belt focused on Kansas. Australia officials revised their wheat crop higher to reach a record 33.34 million tonnes this season, as compared with the estimate from December at 31.17 million tonnes. Russia wheat export prices fell for the fourth consecutive week last week. Traders believe the wheat tax has been priced in.

There are some weather concerns for Russia if warm weather forms an icy crust and lasts for another week or two which could slow the process. The Russian agriculture consultancy group IKAR indicated yesterday that Russia's wheat crop should come in near 78 million tonnes, up 1 million tonnes from their previous estimate. May wheat managed to close higher on the session Friday as mixed trade for outside market forces failed to pressure, and a bounce in soybeans helped to support. Talk of a short-term oversold condition due to the three day break last week helped to support. Bitter cold weather was in the forecast for early this week, but traders see most winter wheat areas with snow cover. For the week, May wheat closed 4 1/2 cents lower.

The February 9th Commitments of Traders report showed managed money traders were net long 19,306 contracts after decreasing their long position by 578 contracts. Non-Commercial & Non-Reportable traders were net long 21,988 contracts after decreasing their long position by 2,009 contracts for the week. For KC Wheat, managed money traders added 3,691 contracts to their already long position and are now net long 60,092. Non-Commercial & Non-Reportable traders added 3,653 contracts to their already long position in just one week and are now net long 56,421.

HOGS:
April hogs closed higher on the session as the market posted contract highs for the third session in a row last Friday. The continued strong advance in pork values plus expectations for a seasonal decline in slaughter into the spring has helped to support. The market is extremely overbought with RSI near 85 and slow stochastic measures at 90.5 and 93.8. Open interest, however, remains in a steep uptrend and is up more than 26,000 contracts this month. The USDA pork cutout released after the close Friday came in at $86.82, down $1.00 from Thursday but up from $83.19 the previous week. The CME Lean Hog Index as of February 10 was 72.36, up from 71.74 the previous session and up from 69.09 the previous week. The USDA estimated hog slaughter came in at 488,000 head Friday and 216,000 head for Saturday.

This brought the total for last week to 2.664 million head, down from 2.675 million the previous week but up from 2.589 million a year ago. While slaughter was up 2.9% from a year-ago last week, pork production was up 5% from last year and this may pull price lower to absorb the extra pork unless exports remain very strong. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,823 contracts of lean hogs for the week ending February 9, increasing their net long to 56,176. Non-commercial, no CIT traders were net buyers of 4,591, increasing their net long to 25,866. Non-commercial & non-reportable traders were net buyers of 5,887, increasing their net long to 52,660.

CATTLE:
The move to a new contract high for June cattle last Friday leaves 122.22 as the next technical target. April cattle closed sharply higher last Friday as the buying pushed futures up to a new contract high. Bitter cold weather over the weekend may cause increase death loss and also cause a sharp drop in weights. Traders see stronger demand as the US economy reopens. April Cattle may be close to putting in a near term peak. The market put in a new contract high at $125.82 for the April contract, but Nebraska cash cattle were trading at $113.09, down from $113.45 last week. This leaves April cattle trading at an $11.72 premium to the cash market versus a five-year average discount of $0.55.

With ample supply of market ready cattle and the much higher than average weight, it may be difficult for the futures to hold onto the stiff premium. All-time highs in the stock market and talk of massive liquidity in the US economy with talk of even more Covid relief support for the consumer has helped to support. First quarter beef production is expected to be down just 54 million pounds from the fourth quarter, which this would be the smallest decline for that period in 20 years. Average weights are on a seasonal decline, but they remain well above last year and the five-year average. Actual slaughter for the week ending January 30th came in at 637,597 head, which was up 2.82% from last year. The higher weights pushed beef production to 553.2 million pounds, up 5.2% from last year. April Cattle traded up to contract highs on Friday, but the relative strength was well below where it was at the February 9 and January 26 peaks. This divergence suggests a loss of upside momentum.

The USDA estimated cattle slaughter came in at 109,000 head Friday and 41,000 head for Saturday. This brought the total for last week to 611,000 head, down from 653,000 the previous week and 621,000 a year ago. The USDA boxed beef cutout closed 59 cents lower on Friday at $232.37. This was down from $234.58 the previous week and was the lowest the cutout had been since January 28. Friday's Commitments of Traders report showed managed money traders were net buyers of 11,439 contracts of live cattle for the week ending February 9, increasing their net long to 86,610. Non-commercial & non-reportable traders combined were net buyers of 9,030, increasing their net long to 92,991.

COCOA:
Cocoa has not been able to sustain upside momentum since last November’s sharp rally, and has spent 2 months inside of a consolidation zone as near-term global demand concerns remain a major issue. The market has continued to hold its ground above a mid-December spike low, however, as cocoa’s longer-term demand prospects are much more positive. May cocoa continued its recent volatile trading pattern as it shook off early pressure with a sizable midsession rally, only to give back those gains late in the day to finish Friday’s session with a modest loss. For the week, May cocoa finished with a loss of 39 points (down 1.6%) and a third negative weekly result in a row.

A rebound in the British Pound provided cocoa with early support as that fueled arbitrage buying of New York cocoa versus the London cocoa contract. During Monday’s holiday, the British Pound extended its rally and reached a new 33-month high, so cocoa may see fresh arbitrage buying early this week. Near-term demand concerns and sluggish global risk sentiment weighed on the cocoa market late on Friday, and that was given added strength by a sluggish finish to the week by the Eurocurrency. The latest weekly reading for Ivory Coast port arrivals came in above the comparable period last year, but their full season total is still behind last season’s pace.

Ghana's official purchases this season were 4% ahead of last season's pace in mid-January, but keep in mind that their production has been down near multi-year lows over the past few seasons due in part to disease issues. The weather over many West African growing regions last week was mostly drier than normal and much warmer than normal, which reflects their dry season which has more than a month left to go. There is light rain in the forecast through Thursday before conditions turn dry again, while daily high temperatures are likely to reach 95 degrees Fahrenheit in many areas.

Cocoa positioning in the Commitments of Traders for the week ending February 2nd showed Managed Money traders were net long 22,585 contracts after increasing their already long position by 1,143 contracts. CIT traders added 700 contracts to their already long position and are now net long 50,403. Non-Commercial No CIT traders are net long 12,255 contracts after net buying 1,877 contracts. Non-Commercial & Non-Reportable traders are net long 48,042 contracts after net buying 2,711 contracts.

COFFEE:
Coffee has seen wide price swings since the start of 2020, and the December/February consolidation has been a period of relative stability. Given the longer-term supply outlook, a rebound in demand should lift coffee prices well clear of their recent levels. May coffee bounced back from a new 4 1/2 week low, but could not sustain that rebound into the close as the market finished Friday's outside-day trading session near unchanged levels. For the week, May coffee finished with a loss of 3.60 cents which was a third negative weekly result over the past 4 weeks.

A major source of pressure has been the concern about near-term global demand, as the COVID pandemic has led to a sharp decline in restaurant and retail-shop consumption. Reports that several European nations will extend their shutdown measures have weighed on coffee prices this month. ICE coffee warehouse stocks (most of which are in European warehouses) rose by 8,578 bags on Friday and are on-track for a fifth monthly increase in a row as they have reached their highest levels since June. Supermarket and internet sales have seen a significant increase over the past year, but that has not been enough to offset the decline in away-from-home consumption.

Another factor in the rise in ICE stocks since October has been near-record production this season from Brazil, as stocks of Brazilian coffee have risen from 6,000 bags in early October to more than 715,000 on Friday. December's Brazilian coffee exports came in at 2.89 million bags, 8% below year-ago levels and the lowest since July which suggests that Brazil's exports may have already peaked. Rain in the forecast for Brazil's major Arabica growing regions through the end of next week was another source of pressure late last week as that should benefit their upcoming production. However, many analysts expect Brazil's 2021/22 crop to be 30-50% below this season's output. Central American producers are dealing with damage from severe storms this past November, and Colombia's output is expected to be down as well.

Coffee positioning in the Commitments of Traders for the week ending February 2nd showed Managed Money traders added 353 contracts to their already long position and are now net long 25,358. Coffee CIT traders hit a new extreme long of 72,829 contracts. CIT traders added 179 contracts to their already long position and are now net long 72,829. Non-Commercial No CIT traders are net long 22,827 contracts after net buying 722 contracts. Non-Commercial & Non-Reportable traders added 821 contracts to their already long position and are now net long 51,626.

COTTON:
March cotton traded to a new contract high last Friday and again at the start of this week. The nearby contract traded to its highest level since August 2018. This followed another strong week of export sales reported on Thursday and a bullish USDA supply/demand report on Tuesday. Actual shipments for the week ending February 4 reached 433,629 bales, a marketing year high. The S&P 500 and the NASDAQ both made all-time highs which is supportive to demand. ICE warehouse stocks reached 98,378 bales on February 11, up 1,570 from the previous session and up 8,529 from the previous week. Stocks have increased for 16 sessions in a row.

Friday's Commitments of Traders report showed managed money traders were net buyers of 4,527 contracts of cotton for the week ending February 9, increasing their net long to 68,233. Non-commercial, no CIT traders were net buyers of 12,867, increasing their net long to 70,157. Non-commercial & non-reportable traders combined were net buyers of 15,368, bringing their net long to 107,161.

SUGAR:
Sugar prices remain on-track for a tenth monthly gain in a row as they continue to find support from an improving demand outlook and stronger energy prices. The market appears to have lost upside momentum last week, however, so sugar may start out this week under pressure before finding its footing again. May sugar bounced back from early pressure, but fell back on the defensive and following choppy action late in the day finished Friday’s trading session with a moderate loss. For the week, May sugar finished with a loss of 6 ticks (down 0.4%) which was a negative weekly key reversal. March sugar also posted a negative weekly key reversal from the highest front-month sugar price since April of 2017. After a 5-week winning streak, May sugar has only seen one positive weekly result over the past 4 weeks.

Crude oil prices rallied more than $2 a barrel to reach new 1-year highs which provided sugar with carryover support. Energy prices extended their rally further into new high ground, and that will provide further support for sugar prices early this week. However, expectations that India’s 2020/21 sugar production will have a sizable increase from last season while their exports decline more than 20% from last season weighed on prices going into the weekend. A shortage of shipping containers has disrupted India’s sugar exports this season, and comes as Thailand will have a second season in a row with very low sugar production. There were more than 511,000 tonnes of white sugar tendered against the ICE March white sugar contract, which was above trade forecasts and one of the larger white sugar deliveries on record.

Brazil’s Center-South cane growing regions have seen several weeks with decent rainfall, but are also recovering from extensive dry condition last year and the current La Nina weather event that normally brings drier than normal conditions to the region. Sugar positioning in the Commitments of Traders for the week ending February 9th showed Managed Money traders reduced their net long position by 2,931 contracts to a net long 194,252 contracts. CIT traders net sold 2,563 contracts and are now net long 259,286 contracts. Non-Commercial No CIT traders are net long 139,650 contracts after net selling 10,246 contracts. Non-Commercial & Non-Reportable traders were net long 295,469 contracts after decreasing their long position by 10,784 contracts.

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