ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Once again, treasury prices seem to defy fundamental logic as prices rallied in the face of another day of inflation headline mania. However, buyers should be aware as analysts are beginning to take note of the accelerating amount of US treasury supply and are also aware of the potential for Fed tapering and that could create a historical bearish condition! While the risk-on global vibe is not intense to start the holiday shortened US trading week, commodities are in vogue and inflationary dialogue is flowing freely. Therefore, treasury bond prices were justified in forging 5-day lows, especially in the wake of positive Chinese manufacturing PMI results and given a $2.00 rally in crude oil prices! In other words, inflationary psychology has surfaced in conjunction with positive global economic report news, but it should be noted that bond prices have not been overly sensitive to typically bearish developments/conditions.

In other words, we think the US Federal Reserve (or more likely) expectations of bargain hunting buying by the trade just above the May lows has discouraged sellers in bonds and notes. While the 12,000 daily US infection number was from a Saturday, that reading is the lowest daily infection readings since March 23rd of the pandemic breakout month. The trade is likely to look forward to the Friday nonfarm payroll report with expectations calling for a gain of 664,000, but the report could offer significant volatility to the marketplace, as some economists think last month's disappointment was a one-off result and a "bounce back" reading could be seen.

However, even with a bearish bias to start and expectations for positive PMI and ISM readings from the US, we suspect that declines in bonds and notes will be measured. The Commitments of Traders report for the week ending May 25th showed Bonds Non-Commercial & Non-Reportable traders added 1,878 contracts to their already short position and are now net short 177,670. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 122,474 contracts after decreasing their short position by 44,974 contracts.

CURRENCIES:
We see the current action in currencies as a temporary corrective event. Rising inflation sentiment from surging commodities is thought to be increasing pressure On the Fed to begin tapering and money is

seemingly moving toward the dollar to potentially. However, the euro and Swiss franc are positioning as recovery currencies as long as global infection counts are declining. The dollar appears to be vulnerable to start the new trading week with risk on sentiment throughout the markets resulting in rotation away from the safety of the dollar.

However, the action in the dollar this week may be subdued with the trade hesitant to implement positions ahead of what could be a trend deciding week-ending nonfarm payroll result from the US. While we doubt a large reaction to US scheduled data, expectations call for slight improvement in the numbers and that could throw the dollar back to its early week low down at 89.71. The Commitments of Traders report for the week ending May 25th showed Dollar Non-Commercial & Non-Reportable traders were net long 5,385 contracts after decreasing their long position by 111 contracts.

While the action in the euro was not overly impressive the market clearly rejected last week's spike low and given the vulnerability in the dollar from broad-based risk on, initial resistance and targeting is seen up at 1.2261. Supporting the euro are hot price readings from Spain, Germany and Italy during the Monday holiday but more importantly from noted improvement in the Chinese manufacturing PMI results for May. The May 25th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 183,580 contracts after net buying 8,296 contracts.

With the Yen definitively rejecting a probe below 91.00 it is possible that the currency is positioning for a key bottom. Unfortunately for the bull camp, Japanese capital spending continued to contract in the first quarter (but was not as weak as expected) and that reading was offset by a better-than-expected Japanese bank manufacturing PMI reading for May.
We are a little surprised in the lack of upside action in the Swiss franc, perhaps signaling trading interest in other less expensive recovery currencies. However, a trade back above 1.120 is likely in the coming sessions.

We are surprised that the Pound is trading lower to start the new trading week, but a significant upside breakout and failure suggests long profit-taking took place above 1.4250. Supporting the bull case is another jump in UK Nationwide housing prices and a broad-based risk on trading environment. While the Canadian action was not particularly impressive on the charts, a series of highs above 83.00 appears to project an upside breakout with 83.00 becoming support. We suspect the currency is drafting support from surging Canadian vaccinations and a positive Canadian current account surplus (the first positive surplus since 2008!).

STOCKS:
While global equity markets were higher at the start of this week, the gains were not overly impressive. However, a risk on mentality is in place following favorable Chinese PMI data and from signs of "reflation" in many commodity prices. In looking ahead to the nonfarm payroll report on Friday, the trade will be anxious as the next focus of equities is likely to settle on when US tapering will begin, and the payroll report is a major influence on that thinking and timing. As indicated already, the S&P has forged an upside breakout and has returned to the vicinity of all-time highs posted in early May.

We suspect that positive equity market gains are being tempered by a slight uptick in US interest rates, but the trade should also benefit from the lowest US infection rate since the beginning of the lockdowns last March from over the weekend. In fact, the US infection count was only 12,663 new cases for Saturday! E-Mini S&P positioning in the Commitments of Traders for the week ending May 25th showed Non-Commercial & Non-Reportable traders added 8,600 contracts to their already long position and are now net long 96,229.

Not to be left behind, the Dow futures have also forged a distinct upside breakout and look to trade through initial resistance at 34,618 early in the trade today. The markets are signaling risk on optimism and that should lift Dow stocks especially with energy sector stocks likely to contribute to the bull track. The Commitments of Traders report for the week ending May 25th showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 6,293 contracts after net selling 3,686 contracts.

While the NASDAQ has not forged an upside breakout overnight, it should be benefited as a result of the significant surge in AMC shares but also because of news that Tesla vehicle prices have increased. In short, "meme stocks" are in favor and that should help lift the NASDAQ. The May 25th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net short 22,273 contracts after net selling 10,266 contracts.

GOLD, SILVER & PLATINUM:

While the August gold contract did not hold the upside breakout initially the market did forge the highest trade since January 7th and should be supported as a result of initial weakness in the dollar and surging crude oil prices. In fact, crude oil prices with the early-week rally reached up to the highest level since October of 2018, and that smacks-of-inflation especially when combined with surging grain prices. We suspect that gold and silver garnered some lift from favorable Chinese PMI readings which in turn prompted economists to suggest that exports from China will continue to propel their economy forward. Both gold and silver ETF holdings increased in the last trading session documented, but gold holdings on the year have declined 5.6%, while silver holdings on the year have gained 5.5%.

From a technical perspective, the gold market came away from the month of May with the strongest gain in 10 months and the market continues to display positive follow-through momentum. In a surprising development, gold and silver prices in India ticked higher from improved spot demand but also because recent price gains have sparked fresh interest in both gold and silver prices before they become more inflated. There may be little in the way of resistance in August gold until the $1,950 level with uptrend channel support today pegged at $1,889.10. Even the silver market flared higher but has not approached the spike high for May just under $29.

Relatively speaking, the July silver contract is the cheapest precious metal market with prices early in May sitting at only 50% of the record high. The Commitments of Traders report for the week ending May 25th showed Gold Managed Money traders are net long 126,903 contracts after net buying 20,007 contracts. Non-Commercial & Non-Reportable traders net bought 19,094 contracts and are now net long 271,364 contracts. Silver positioning in the Commitments of Traders for the week ending May 25th showed Managed Money traders were net long 45,294 contracts after decreasing their long position by

1,235 contracts. Non-Commercial & Non-Reportable traders net sold 2,370 contracts and are now net long 74,869 contracts.

The palladium market forged a 6 day high in the early going this week and violated a downtrend channel resistance line which in turn could project a quick move back above $2,900. Unfortunately for the bull camp, palladium ETF holdings on Friday declined by a surprising 4,167 ounces but holdings remain 4% higher on the year. Prices should continue to garner support from a prediction last week, from the world's largest palladium producer, calling for the palladium deficit to widen to 900,000 ounces! The Commitments of Traders report for the week ending May 25th showed Palladium Managed Money traders are net long 3,422 contracts after net selling 597 contracts. Non-Commercial & Non-Reportable traders are net long 2,606 contracts after net selling 592 contracts.

Once again, the platinum market diverged with the rest of the precious metal markets overnight with the market caught within an $1150 and $1250 trading range. Unfortunately for the bull camp, platinum ETF holdings fell by a very startling 11,557 ounces on Friday but holdings remain 2.3% higher on the year. The Commitments of Traders report for the week ending May 25th showed Platinum Managed Money traders are net long 14,561 contracts after net selling 2,909 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,974 contracts to a net long 33,945 contracts.

COPPER:

In general, news from China is positive with volatility seen again in base materials pricing and especially with expectations for accelerating growth in the Chinese economy seen from the Chinese manufacturing PMI reading for May overnight. However, Bloomberg carried a story indicating that China's demand for metals may be at or near its peak, and that is important as Chinese copper demand is and will continue to be the dominating force in the copper market.

Nonetheless, copper extended its recovery bounce from last week, LME copper warehouse stocks continue to fall consistently, and labor issues remain in place in Chile. It should also be noted that the market starts the shortened trading week with a risk on vibe which increases the chances of a retest of $4.75. The May 25th Commitments of Traders report showed Copper Managed Money traders are net long 33,931 contracts after net selling 18,005 contracts. Non-Commercial & Non-Reportable traders were net long 37,152 contracts after decreasing their long position by 14,875 contracts.

ENERGY COMPLEX:

While there could be a-number-of reasons for the significant surge/upside breakout in crude oil prices early this week, we suspect the primary force lifting prices is favorable Chinese PMI readings. However, the market should be drafting support from news Monday that crude oil in floating storage declined by 17% last week, which in turn is the lowest tally since February. Adding into the bullish track is a supportive article from Bloomberg predicting a potential trade above $70.00 in WTI. In fact, Brent crude oil prices hit $71.00 in the highest trade since the first quarter and those gains reportedly took place because of signs of surging demand! It should also be noted that US daily infections on Saturday were the lowest since the initial virus lockdown in March of 2020. However, the gains in prices could be subjected to a large measure of volatility, with OPEC+ members scheduled to meet and the trade expecting the group to return additional production to the market.

On the other hand, OPEC+ sources are suggesting the world oil market has tightened and can handle a stepwise increase in production. Certainly, the trade is bidding up prices off the potential for a breakdown in Iranian sanction discussions but also because of a broad-based risk on environment. In the end, the trade expects demand to continue to improve thereby absorbing any increase in production from Iran and or OPEC+. The Commitments of Traders report for the week ending May 25th showed Crude Oil Managed Money traders added 18,026 contracts to their already long position and are now net long 365,855. Non-Commercial & Non-Reportable traders reduced their net long position by 3,721 contracts to a net long 575,953 contracts.

While the gasoline market has not forged a fresh contract high, it was just under the key psychological level of $2.20 and appears to be garnering some support from news that Iranian refined products may be held off the market due to fresh conflict in the sanctions talks. Another limiting force for gasoline prices came from India where their transport fuel sales dropped in May following a soft April consumption tally. On the other hand, a supportive development was seen from China where they expect gasoline and diesel exports this month to fall by 24% and 18% respectively. Fortunately for the bull camp, the net spec and fund long positioning in gasoline remains modest especially given the proximity to contract highs. With some sources suggesting that Brent crude oil could touch $80 in the event Iranian sanctions are left in place and if talks break down, that should make $2.20 in gasoline support instead of resistance.

The Commitments of Traders report for the week ending May 25th showed Gas (RBOB) Managed Money traders were net long 61,994 contracts after decreasing their long position by 5,929 contracts. Non-Commercial & Non-Reportable traders net sold 6,964 contracts and are now net long 63,057 contracts. With a significant upside breakout in ULSD in the early going this week, talk of reduced Chinese product exports to Asian customers and the lowest US daily infection rate since March 2020, the demand outlook for diesel is improving and is further enhanced by the broad-based risk on environment. The Commitments of Traders report for the week ending May 25th showed Heating Oil Managed Money traders were net long 30,885 contracts after increasing their already long position by 6,431 contracts. Non-Commercial & Non-Reportable traders are net long 48,303 contracts after net buying 1,550 contracts.

The natural gas market has forged an upside breakout and the highest trade in 9 trading sessions and appears to be supported by ongoing solid demand in Europe and by a much above normal temp forecast for the Northeast and Plains states in the US. In fact, cooling degree days are expected to continue to be above normal with cooling demand last week 7 degree days above normal. Furthermore lower 48 natural gas production declined 1.7% and estimated gas flow to LNG export terminals yesterday was up 12% since the middle of last month. Natural Gas positioning in the Commitments of Traders for the week ending May 25th showed Managed Money traders reduced their net long position by 33,854 contracts to a net long 26,121 contracts. Non-Commercial & Non-Reportable traders are net short 52,091 contracts after net selling 11,813 contracts. The bias is up but increased volatility is likely with support in July natural gas not seen until $3.015.

BEANS:
Outside market forces were supportive early this week for the soybean complex which helped to support early gains. The 5-day forecast shows almost no rain for the Dakotas, Nebraska, Iowa, Minnesota and the northern half of Illinois. While rain in the past week has been active, there were parts of the Dakotas which did not receive ample rain amounts, and this could start a dry down of soils. The 6-10 day forecast shows hot weather for the Dakotas and northern Corn Belt with precipitation expected to be normal to below normal. The 8 to 14 day forecast models are similar. The weather carries a slightly positive tilt.

The Buenos Aires Grains Exchange raised their soybean crop forecast to 43.5 million tonnes from 43 previous due to better than expected crop yield. News from Brazil government agencies warning of drought has helped support with indications of the worst dry spell in 91 years. Some areas are declaring a state of water scarcity and traders will monitor the situation closely. November soybeans closed lower on the session Friday after a rally to the highest level since May 19 failed to attract new buying interest. Traders see the short-term weather situation as mostly bearish and traders await new interest from China for US soybeans. For the week, November soybeans closed 12 1/4 cents higher. July soybean oil rallied to the highest level since May 20th before closing sharply lower on the day. The market closed just 30 points higher for the week.

December meal closed higher for the third session in a row and managed to close near unchanged for the week. Later this week brings record heat of 90+ deep into the Canadian Prairies and prime canola acres. The crop planting progress and condition ratings will be released post close and should show between 85 and 88% complete. The April NASS crush will be released Monday with a range of 170.00 to 173.00 million bushels with an average of 171.1 million. Stocks are estimated at 2.150 to 2.200 billion with an average of 2.171. This compares to the end of March at 2.245.

The May 18th Commitments of Traders report showed Soybeans Managed Money traders net sold 25,238 contracts for the week and are now net long 152,584 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 42,992 contracts to a net long 164,745 contracts. For Soymeal, managed money traders are net long 50,845 contracts after net selling 18,771 contracts for the week. Non-Commercial & Non-Reportable traders are net long 112,909 contracts after net selling 23,129 contracts. For Soyoil, Managed Money traders were net long 83,220 contracts after decreasing their long position by 2,630 contracts.

CORN:
December corn closed 9 1/2 cents lower on the session last Friday and this left the market down one cent for the week. Continued talk of good weather for the Midwest helped to pressure the market and sellers turned active as the move to the highest level since May 14th failed to attract new buying interest. The technical action was positive last week with the surge up from Wednesday's low. Brazil government agencies have warned that droughts across the country are hurting power generation and raises the risk of fires in the Amazon rain forest. This is the worst dry spell in 91 years. Traders see corn plantings near 95 to 98% for this afternoon’s update and it will also be the first crop condition update for the season.

China is expected to sell imported corn to qualified grain processing mills. Details related to sale volume, timing of the offer or the origin of corn were not announced. Many traders see Brazil's corn production this year at the 90-95 million tonne range as compared with 102 million tonnes in the last USDA update. The Commitments of Traders report for the week ending May 25th showed Corn managed money traders net sold 22,934 contracts and are now net long 268,091 contracts. Non-Commercial No CIT traders net sold 26,514 contracts and are now net long 232,893 contracts. Non-Commercial & Non-Reportable traders were net long 345,411 contracts after decreasing their long position by 42,917 contracts in just one week.

WHEAT:

July wheat closed sharply lower on the session Friday and gave back near half of Thursday's strong gains. News of record-type temperatures moving into the Dakotas and the Canadian Prairies this week was likely enough to spark the aggressive buying with Minneapolis wheat up 42 cents this morning. Tender businesses also picked up significantly and EU wheat prices were higher on Monday with hopes for better export ahead. IKAR raised its forecast for Russia wheat production by 500,000 tons to 79.5 million tonnes. This is due to improving weather for southern regions. While there is some concern with dryness in the spring wheat region this week, the market lacks significant production issues for most of the key exporting countries as the US, Europe, Australia and India are expected to see bumper type crops. There was some concern with too much rain for the central Plains but it may be too far ahead of harvest to spark yield concerns.

For the week, July wheat closed down 10 3/4. Wheat positioning in the Commitments of Traders for the week ending May 25th showed Managed Money traders were net long 4,534 contracts after decreasing their long position by 9,506 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net long position by 13,580 contracts to a net long 4,263 contracts. For KC wheat, Managed Money traders were net long 23,501 contracts after decreasing their long position by 2,599 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,497 contracts to a net long 16,408 contracts.

HOGS:

The hog market remains in a steep uptrend and is probing for a short-term peak. Until US exports slow, likely led by China, the market should remain well supported. Pork values continued to surge higher and this should support a continued advance in the cash market this week. The USDA pork cutout, released after the close Friday, came in at $124.93, up from $124.51 on Thursday and $118.84 the previous week. This was the highest the cutout had been since August 7, 2014. July hogs closed sharply higher on the session Friday and traded up as much as the 3 cent limit before a minor setback into the close. The short-term cash fundamental news with strong exports and surging pork cutout values are factors which have helped support. Traders see a continued uptrend in the cash market over the near term.

The CME Lean Hog Index as of May 26 was 113.08, up from 112.50 the previous session and up from 111.44 the previous week. The USDA estimated hog slaughter came in at 425,000 head Friday and 22,000 head for Saturday. This brought the total for last week to 2.378 million head, down from 2.393

million the previous week but up from 1.981 million a year ago, which was a holiday-shortened week. Estimated US pork production last week was 511.8 million pounds, down from 516.3 the previous week but up from 432.3 million a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,776 contracts of lean hogs for the week ending May 25, increasing their net long to 78,737. Non-commercial & non-reportable traders combined were net buyers of 5,203, increasing their net long to 85,132.

CATTLE:

JBS North America and Australia plants were impacted by a cyber-attack over the long weekend. JBS is the world's biggest meat supplier and if certain slaughter plants see a slowdown in production due to the cyber-attack, the short-term impact is likely positive to the beef market. If it is more than a couple of days, cattle could back up in the country and this would boost weights and eventually production in the long run. The headline news could support today, however, especially after the weak close on Friday.

The USDA boxed beef cutout was up 6 cents at mid-session Friday and closed 99 cents higher at $330.97. This was up from $325.17 the previous week and was the highest the cutout had been since June 1, 2020. Cash live cattle trade was very quiet on Friday with only a few reported, not enough for an adequate test. Last week, prices were steady with the previous week. As of Friday afternoon, the 5-day, 5-area weighted average price was 119.66 versus 119.63 the previous Friday.

June cattle closed moderately lower on the session Friday and experienced the lowest close since May 17th. August cattle closed sharply lower and near the lows. The market is technically oversold and beef prices remain strong but new buying is limited as traders see higher than normal non-fed cattle slaughter, and high feedgrain prices as reasons to suspect continued adequate beef production over the near term.

The USDA estimated cattle slaughter came in at 117,000 head Friday and 34,000 head for Saturday. This brought the total for last week to 629,000 head, down from 669,000 the previous week but up from 527,000 a year ago which was a holiday-shortened week. The average estimated dressed cattle weight last week was in at 825 pounds, unchanged from the previous week and down from 826 pounds a year ago. The 5-year average weekly weight for that week is 803 pounds.

US estimated beef production came in at 518.0 million pounds, up from 434.5 million a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 373 contracts of live cattle for the week ending May 25, reducing their net long to 57,908. Non-commercial, no CIT traders were net sellers of 1,371, reducing their net long to 45,125. Non-commercial & non-reportable traders combined were net sellers of 1,312, reducing their net long to 72,905.

COCOA:

While cocoa is expected to have a pick-up in global demand as COVID vaccines receive more widespread use and travel restrictions are relaxed, the near-term demand remains subdued. While it may find carryover support from key outside markets, cocoa is likely to fall back on the defensive before it can find a near-term floor. July cocoa came under early pressure and could not regain upside momentum as they finished Friday's trading session with a moderate loss that broke a 2-day winning streak. For the week, July cocoa finished with a loss of 44 points (down 1.8%) which was a second negative weekly result in a row.

While demand has shown some signs of improvement over the past year, cocoa stocks from the 2020/21 West African main crop has left the market fairly well supplied over the near-term which in turn pressured cocoa prices late last week. In addition, a shift back towards COVID restrictions for several Asian nations has weakened near-term demand prospects for a region considered the "engine" for global demand growth. As a result, this more than offset a sizable rebound in the Eurocurrency which benefited Euro zone grinders with acquiring near-term supplies.

Over the holiday weekend, the International Cocoa Organization (ICCO) released their quarterly stocks update which saw an increase in their 2020/21 global production surplus forecast from 102,000 up to 165,000 tonnes. While the ICCO raised their 2020/21 global grindings forecast from 4.69 million up to 4.81 million tonnes (a 3% increase from 2019/20), they lifted their 2020/21 global production estimate from 4.84 million up to a record high 5.02 million tonnes (a 6.3% increase from 2019/20). The ICCO raised their 2020/21 Ivory Coast production forecast from 2.150 million up to 2.225 million tonnes which is also a record high production total.

The latest Ivory Coast weekly port arrivals total was slightly below the comparable period last year, but their full season arrivals total remains ahead of last season's pace. The Commitments of Traders report for the week ending May 25th showed Cocoa Managed Money traders net sold 9,107 contracts and are now net long 9,365 contracts. CIT traders are net long 35,408 contracts after net buying 367 contracts. Non-Commercial No CIT traders went from a net long to a net short position of 9,338 contracts after net selling 9,682 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 8,644 contracts to a net long 21,212 contracts.

COFFEE:

Coffee prices have risen up into overbought levels after sharp updrafts last Wednesday and last Friday, which could leave the market vulnerable to additional long liquidation if global risk sentiment has a negative tone following the holiday weekend. Coffee continues to receive evidence of a bullish supply outlook, however, and that should help the market stay fairly well supported on near-term pullbacks. July coffee built on early support and reached a new 4 1/2 year high before finishing Friday's trading session with a sizable daily gain. For the week, July coffee finished with a gain of 12.25 cents (up 8.2%) which was a seventh positive weekly result over the past 8 weeks.

Expectations for the 2021/22 Brazilian coffee crop continue to deteriorate as a severe rainfall deficit has negatively impacted coffee trees. This was underscored late Thursday when the Brazilian government agency CMSE recommended that Brazil's water regulator declare a state of water scarcity. In addition, a weather agency affiliated with Brazil's Ag Ministry issued an emergency drought alert from June through September for 5 Brazilian states as it predicted scarce rainfall over that timeframe. The harvest for the 2021/22 "off-year" crop is well underway and while it was negatively impacted by much drier than normal conditions, this will not have much of an additional impact.

However, Brazil's 2022/23 "on-year" crop would be negatively impacted by these conditions, particularly if they last into the flowering period later this year. Recent delays with shipping coffee to Colombia's Pacific Ocean ports have led to a sharp drop in their exports that provided additional support to coffee prices going into the weekend. While Vietnam's May coffee exports were up 3.7% from April, this year's exports are 11.4% behind last year's pace. ICE exchange coffee stocks rose by 9,080 bags on Friday and finished May at 2.076 million, which was the highest month-end total since February of 2020 and an eighth monthly increase in a row.

Coffee positioning in the Commitments of Traders for the week ending May 25th showed Managed Money traders are net long 42,335 contracts after net buying 1,086 contracts. CIT traders net sold 294 contracts and are now net long 78,686 contracts. Non-Commercial No CIT traders were net long 35,411 contracts after increasing their already long position by 65 contracts. Non-Commercial & Non-Reportable traders are net long 64,631 contracts after net buying 1,251 contracts.

COTTON:

December cotton closed slightly lower on Friday but inside Thursday's range. The market has been consolidating for the past couple of weeks, torn between improving weather in West Texas and strong export demand. The market has followed the grain markets higher overnight. The market closed slightly higher on the week and spent last week inside the previous week's range. The dollar closed slightly higher on Friday but well off the high of the day, as it seemed to reject those higher levels. Ample rainfall is reaching Texas after a long-term drought. The 1-5-day forecast calls for chances of more rain after weekend rains were good. The 6-10 and 8-14-day forecasts call for normal to above normal precipitation in those regions with cool weather. With traders expecting US corn and soybean planted are to come in higher than the March 31 forecast, some are wondering if cotton area will be revised down.

Traders are also encouraged by the pace of US cotton exports. Last week's export sales report showed net sales of 263,609 bales for the week ending May 20, the highest weekly number and the first time over 150,000 since April 1st. Friday's Commitments of Traders report showed managed money traders were net sellers of 10,300 contracts of cotton for the week ending May 25, reducing their net long to 36,215. Non-commercial, no CIT traders were net sellers of 7,185, reducing their net long to 42,094. Non-commercial & non-reportable traders combined were net sellers of 11,290, reducing their net long to 64,128 contracts.

SUGAR:

After several weeks of choppy action, sugar was able to break out above its recent consolidation zone. While the ebb and flow of key outside markets could extend volatile price action, sugar has received bullish supply news that can help the market head towards a retest of its mid-May highs. July sugar built on early strength and reached a 2-week high at midsession, and in spite of a late pullback finished Friday's trading session with a moderate gain. For the week, July sugar finished with a gain of 69 ticks (up 4.1%) which broke a 2-week losing streak and was a positive weekly reversal from Monday's 4-week low.

Following dry conditions seen over the past year, the Brazilian government agency CMSE recommended that Brazil's water regulator declare a state of water scarcity while a weather agency affiliated with Brazil's Ag Ministry issued an emergency drought alert from June through September for 5 Brazilian states. Center-South cane producers have delayed their harvesting in many areas hoping that additional growth (and hopes for more rainfall) would lead to more cane production with higher sugar yields. If the forecast for scarce rainfall over Center-South cane growing regions through the end of the third quarter holds up, the 2021/22 cane crop could see more than a 10% decline from last season's 605 million tonnes.

New highs in crude oil prices provided additional carryover support to the sugar market as that may help to strengthen Brazilian domestic ethanol demand prospects. The Brazilian currency reached a 3-week high on Monday and is now within striking distance of a new 5-month high, and that may ease pressure on Center-South mills to produce sugar for export instead of producing ethanol for their domestic marketplace. India's monsoon will reach their mainland on June 3rd which is several days later than normal, but there are continued expectations that this year will see normal monsoon rainfall which should benefit both their 2021/22 and 2022/23 cane production.

The Commitments of Traders report for the week ending May 25th showed Sugar Managed Money traders were net long 227,177 contracts after decreasing their long position by 11,754 contracts. CIT traders net sold 8,474 contracts and are now net long 224,790 contracts. Non-Commercial No CIT traders are net long 162,733 contracts after net selling 13,185 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 18,437 contracts to a net long 319,063 contracts.