ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

**For the Week of July 27, 2020**

**BONDS:**

In retrospect, the treasury markets posted very uniform gains last week without much in the way of adversity. Obviously, there is another major market juncture ahead as a number of moving fundamental parts converge. While many expect a US relief package to be passed, it appears as if Washington is not in a big hurry and therefore it is likely that a final deal will be delayed until the house adjournment allows the representatives 11th hour fanfare on July 31st. However, the more important juncture in the coming week is probably the direction of US infection counts as we think a continuation for another week will result in a significant risk off market reaction.

While Treasury prices are not into new higher high ground following the upside breakout last week, prices appear to be positively biased with gains expected to be slow and measured. Obviously, the marketplace is presenting escalating economic anxiety because of the inability to stem infection surges in sections of the US. Furthermore, the marketplace has shifted from expectations of consistent US recovery from the virus debacle to suspicions that the US economy is losing momentum with some analysts even thinking US growth has been "lost". The market bases its lost momentum views on weakness in a series of recent US data points. The most recent concerning data point was the first increase in weekly US initial claims last week in several months.

Therefore, in-the-event that US durable goods report comes in as expected, (with a sizable downtick) fear of slowing will be given additional traction. Therefore, it is not surprising that the markets are ratcheting up their expectations for some type of supportive action from the US Federal Reserve and that there will likely be more urgency heaped on Washington to come together on the latest stimulus package. In a partial confirmation of the deterioration in economic expectations for the US economy, the dollar is plummeting relative to European currencies with the trade in those markets expecting European growth to open up a significant margin versus the US growth rate.

From a technical perspective, the bond market would appear to have significant additional buying capacity as the latest positioning report showed the speculative trade to be holding a "net short". The July 21st Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 11,872 contracts to a net short 74,167 contracts. The T-Note market might have slightly less buying fuel than Bonds with the Non-Commercial & Non-Reportable traders net long 142,269 contracts, after net selling 23,819 contracts.

ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

**CURRENCIES:**

In retrospect, it appeared as if the dollar index was being liquidated for a number of different reasons late last week. Some have suggested that the brunt of the decline was the result of a serious downgrade in the US economy because of the infection problem and the battle with China. We would also suggest the dollar is likely to remain under pressure given that recent US scheduled data points have softened. On the other hand, the dollar is significantly oversold from the July washout and any sign of abatement in hotspot infection counts could be justification for a major short covering bounce in the dollar. With the dollar ranging down sharply early this week and market expectations predicting Europe will have a significant macroeconomic differential edge with the US, more declines in the dollar are expected.

Certainly, the widening macroeconomic differential view against the US is almost totally the result of the unchecked infection problem, and serious conflict between the US and China adds to the pressure. While the dollar index over the last several months has frequently displayed strength in the face of soft US data (safe-haven buying interest) the opposite is likely to be seen through the US durable goods report. In the end, with a gap down opening on the weekly charts, the next downside target is seen at a past double low from 2018 which is 40 ticks below the early low. The July 21st Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders are net short 6,785 contracts after net selling 1,158 contracts.

While there are concerns of Spanish travel quarantine and the German current assessment IFO reading was disappointing, the trade is seeing money flow to the euro from the dollar and other components of the German IFO report were positive. In fact, the German IFO expectations reading for July catapulted to a 97 reading from a 93.7 reading in the prior report. To determine near term upside targeting in the euro requires the use of weekly charts which produce a target 100 points above the early trade. The Commitments of Traders report for the week ending July 21st showed Euro Non-Commercial & Non-Reportable traders net bought 22,996 contracts and are now net long 186,168 contracts.

The Japanese Yen continued to benefit from its revived safe-haven status with the market extending last week's extremely strong finish and seemingly poised to return to levels seen during the height of the lockdown anxiety from the US in early March. In fact, with the Yen rising sharply through a series of disappointing all Industry Activity, Coincident Index and Leading Economic Index readings for May, it is clear the currency is not trading the state of the Japanese economy. To derive the next upside target in the Yen traders need to look back to a cluster of closes in the March panic up around 95.88.

ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

While the Swiss has fallen back from the spike up move at the start of this week, the uptrend remains firmly entrenched, with what appears to be fairly-significant upside momentum remaining in place and therefore we suspect that market views of a widening of the European macroeconomic edge versus the US is providing a lot of lift in the Swiss. However, we also think that the explosion in precious metals prices is increasing the attractiveness of the Swiss. The next upside targeting in the September Swiss is seen at the contract high from March up at 1.0946.

Despite deteriorating economic views toward the US, a UK travel quarantine of arrivals from Spain and US/Chinese political tensions, the Pound has forged a higher high and the highest trade since early March. In other words, the recovery currency Pound appears to be able to draft lift from optimistic European economic views despite a-number-of threatening domestic headwinds. While we have trouble justifying a September Pound track above 1.30 in the near term from UK domestic factors, overt dollar weakness appears to be set to lift all boats.

While the Canadian charts appear to be favoring the bullish track and the currency is managing to benefit from weakness in the US dollar, we are not overly impressed with the bull case. Nonetheless we see potential solid support at 74.38, initial resistance at 74.91 and a possible return to 75.10 in the event the US dollar extends sharply lower.

**STOCKS:**

While last week's earnings reports were better than what this week's price action would suggest, it is difficult to discount ongoing fears from US/Chinese trade relations, some evidence of softening US data, ongoing infection hotspots, fears of antitrust threats against big tech and the potential for further delay in agreeing to the next stimulus package. However, from a technical perspective, the S&P was already maintaining a moderately surprising spec short and the decline from the last scheduled report probably boosted the size of that net short.

Global equity markets at the start of this week were mixed, with Asian and Pacific-Rim stocks higher, European markets softer and US stocks showing moderate gains. While US equities have basically ignored or discounted deteriorating views toward US economic conditions, there are signs that investors are beginning to "look away" to foreign markets. In addition to very stellar gains in Shanghai equity markets this year, the currency markets are clearly factoring a dramatic shift in macroeconomic differential conditions with the trade now banking on European growth outdistancing US growth by a wide margin. In fact, the precipitous decline in the dollar might be warding off foreign investors from US equities.

ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

On one hand, we think the S&P has managed to hold up against deteriorating economic and psychological sentiment rather impressively. In fact, the State of Florida yesterday saw over 9,300 new coronavirus cases and there does not appear to be an abatement of infection spread in many other areas but prices have held up. However in our opinion, without signs of a quick passage of a stimulus package from the US government, the S&P this week might see a more significant downside extension than was seen last week. In fact, the lower close last week violated a critical uptrend channel support line

The inability to regain that line at 3240.95 after the US durable goods report, could create a target down at 3119.00. In the end, it could be the "job" of the equity markets this week, to send a message to Washington to move post haste on a bailout package. Fortunately for the bull camp, the net spec and fund positioning in the S&P was already short and therefore stop loss selling could be mitigated. E-Mini S&P positioning in the Commitments of Traders for the week ending July 21st showed Non-Commercial & Non-Reportable traders added 11,851 contracts to their already short position and are now net short 140,601.

The path of least resistance is pointing down in the Dow futures to start this week, with the charts giving off the impression of a retest of 26,000 ahead. In fact, given the potential negative environment created by big tech testimony to Congress, concern for the economy from this morning's durable goods reading and the surging infection rate in Florida, the bear camp has several arguments in its favor. However, it should be noted that this week will bring a very significant flow of corporate earnings news and the Fed could suddenly ride to the rescue. Like the S&P, the Dow futures were already net spec short early last week and that could keep stop loss selling at a modest figure. The Commitments of Traders report for the week ending July 21st showed Dow Jones $5 Non-Commercial & Non-Reportable traders net sold 663 contracts and are now net short 11,028 contracts.

While the NASDAQ has already given significant ground from the July highs the index did violate critical consolidation support last Friday and will be confronted with big tech testimony to Congress. Obviously, current "hate" for successful entities and individuals makes breaking up the “FAANG stocks” a politically correct stance and traders should expect Congress to trumpet politically correct views so they can be seen as the saviors of the world. In the near term, the bulls in the NASDAQ need help from fiscal or monetary stimulus or another downside breakout could be seen. The Commitments of Traders report for the week ending July 21st showed Nasdaq Mini Non-Commercial & Non-Reportable traders net sold 15,770 contracts and are now net long 18,668 contracts.

**GOLD, SILVER & PLATINUM:**

ADM Investor Services, Inc.

## WEEKLY MARKET SUMMARY

28 July, 2020

As indicated already, the explosion in precious metals prices were the feature of the early week trade, with a number of bullish arguments thought to be driving the complex higher. Apparently, the markets are of a mind that the solution to the US economic slowdown will be very elusive and that significant amounts of additional assistance will be needed as the world's largest economy looks to have the longest battle against the virus. Given the slumping view toward US economic prospects and ideas that Europe will open a significant macroeconomic edge over the US, it is not surprising to see the dollar forge yet another lower low for the move and in turn contribute to the upward extension in precious metals prices.

Not surprisingly, investors also added to the bullish environment with news that Friday saw 1.76 million ounces purchased by gold ETF's with a more astonishing purchase of 9.1 million ounces of silver by silver ETF's. Furthermore, the gold market continues to get a tremendous amount of bullish press coverage and that is likely to embolden the bull camp further and is likely to result in a an even wider cross section of small investors learning about precious metals ETF's, for the first time.

Another bullish force is a ratcheting up of expectations for US central bank action, as soft US data and the unending infection threat is starting to sink sentiment and we suspect the Fed is now very keen to cushion against renewed shutdown fears. Yet another bullish force helping to lift gold prices is the ongoing exchange of political barbs between the US and China as that does not appear to be at a culmination point yet. From a technical perspective, one might have expected the gold market to have reached an overbought condition after the run to 8 year highs, but as of early last week, the net spec and fund long position in gold remained about 77,000 contracts below the 2020 high spec long. Gold positioning in the Commitments of Traders for the week ending July 21st showed Managed Money traders net bought 6,800 contracts and are now net long 184,127 contracts. Non-Commercial & Non-Reportable traders added 7,693 contracts to their already long position and are now net long 337,818.

While the silver market action last week discouraged a portion of the bull camp, the market was able to hold well above $22.00 and managed to close within $0.80 of the latest multiyear high last week. Clearly the fresh explosion in silver prices and the massive inflow of money into Silver ETF's of 9.1 million ounces Friday ignites a fresh wave of speculative buying. Year to date net silver ETF purchases are 261.4 million ounces, which is already enough to consume all of the world annual silver surpluses of the last 10 years combined (from the just the first 7 months of 2020)! However, despite the massive run-up in prices last week, the silver spec and fund long positioning remained almost 40,000 contracts below the high long position for 2020 and significantly below the all-time spec long of 118,943 contracts. The July 21st Commitments of Traders report showed Silver Managed Money traders net bought 4,626 contracts and are now net long 47,647 contracts. Non-Commercial & Non-Reportable traders are net long 62,469 contracts after net buying 2,399 contracts.

With a tremendously strong/impressive finish last week and further impressive upside follow through early this week, the palladium contract appears to be poised to make a quick sprint back up to the $2,500 level. While the palladium market at the all-time highs earlier this year was perceived as significantly overvalued off the potential for a significant deficit off industrial/auto catalyst use, we think the fundamental focus in the market has now shifted toward an investment vehicle for money seeking safe haven. However, we also think that the palladium market is poised to exhibit significantly more volatility than platinum, with the range on Friday of $104 becoming a common occurrence. However, the palladium market has a very minimal net spec and fund long (the COT positioning is probably understated due to the $120 rally after the report was measured. The Commitments of Traders report for the week ending July 21st showed Palladium Managed Money traders net bought 1,258 contracts and are now net long 3,027 contracts. Non-Commercial & Non-Reportable traders are net long 3,580 contracts after net buying 1,254 contracts.

While the platinum market did not finish last week strong, we see the potential for $1,050 trade in the next several weeks. However, like the palladium market, platinum is likely to exhibit expanded trading ranges as the trade flips between physical-commodity focused trading and flight to quality/investment trading. Unfortunately for the bull camp, the platinum market has a more significant net spec and fund long than palladium with the net long clearly understated given the rally that took place after last week's report was measured. Platinum positioning in the Commitments of Traders for the week ending July 21st showed Managed Money traders were net long 12,197 contracts after increasing their already long position by 4,004 contracts. Non-Commercial & Non-Reportable traders added 4,229 contracts to their already long position and are now net long 24,809.

**COPPER:**

If US/Chinese relations were not on the rocks, we suspect that the overnight issuance of another Chinese scrap copper import quota would have served to lift copper prices. Certainly, the copper market should draft some support from a solid German IFO reading but as is usually the case, the focus of the copper market is primarily locked onto the ebb and flow of the Chinese economy. While LME copper warehouse stocks continued to decline with another large 3,700 tonne decline on Monday, a BHP 2020 copper output gain of 2% in the fiscal year ended June 30th countervails market expectations earlier this year that the coronavirus would injure global output across-the-board. In another sign of copper price vulnerability, copper scrap discount pricing relative to refined copper pricing continues to expand thereby setting up the potential to siphon buyers away from the market that drives futures prices.

Fortunately for the bull camp, Chinese imports of copper concentrate from the US were the highest in nearly 2 years in June but the market has already factoring in that type of demand from the rearview mirror. Given that the infection spread is beginning to eat away at overall market/economic confidence, at the same time that the US and China continue to battle, we see the path of least resistance pointing down in copper prices this week. It should also be noted that the net spec and fund long in the copper market remains moderately large and could result in significant stop loss selling if there appears to be a massive risk off trade unfolding this week. The July 21st Commitments of Traders report showed Copper Managed Money traders added 13,165 contracts to their already long position and are now net long 54,474. Non-Commercial & Non-Reportable traders net bought 4,761 contracts and are now net long 41,737 contracts.

**ENERGY COMPLEX:**
On one hand, the world appears to be optimistic toward European and Asian economic prospects but on the other hand, the outlook for the US economy and therefore net global energy demand is troublesome. Therefore, a continuation of sideways action in crude oil prices early this week would not be surprising. However negative energy prices developments are the lowest Indian June oil imports in 9 years but new lows in the US dollar could give the US a relative demand edge over non-US supply. Unfortunately for WTI bulls, the market was presented with news that global floating crude oil storage remains 244% above year ago levels and that highlights the historical backlog of supply from the global lockdown.

Furthermore, the infection spread issue continues concern the market and that issue could become a major bearish physical commodity force this week. With US macroeconomic sentiment potentially at a breaking point, the unwinding of OPEC plus restraint, a jump in US crude oil stocks last week and signs of a bounce in US production that should push even more buyers away and embolden sellers. While last week's positioning report did not show an upside breakout in net spec and fund long positioning, the gains posted after the report was measured might have put the net long in crude oil up to the highest level since September 2018.

The Commitments of Traders report for the week ending July 21st showed Crude Oil Managed Money traders net bought 5,564 contracts and are now net long 362,500 contracts. Non-Commercial & Non-Reportable traders are net long 590,325 contracts after net buying 13,544 contracts. The Baker Hughes weekly oil rig operating count increased by one which was the first weekly gain since March 13th and that could be-seen-as a sign that last week's production increase is a sign of recovering output. Furthermore, the Canadian oil rig count increased by 4 and that was a 17-week high! In short, the bull camp has to hope for extremely positive leadership from equities, a noted stepped forward from the vaccine front or some form of supply-side threat in the Middle East.

As indicated in crude oil coverage, implied demand for both energy products declined in the US last week with some analysts pointing out the lack of widespread returned to work mileage driven as the culprit. With the additive disappointment of airlines announcing a pause in expanding flight schedules any further risk off anxiety from equities or from infection concerns could justify a quick slide back down to last week's low of $1.1855 in September gasoline and down to $1.2145 in September ULSD.

However, the gasoline market might not be as vulnerable to stop loss selling as other markets given its net spec and fund long position remains at some of the lowest levels in several years. The Commitments of Traders report for the week ending July 21st showed Gas (RBOB) Managed Money traders were net long 38,660 contracts after increasing their already long position by 6,530 contracts. Non-Commercial & Non-Reportable traders were net long 57,583 contracts after increasing their long position by 5,208 contracts.

In retrospect, we are surprised that the ULSD did not come down more significantly following last week's demand destruction developments flowing from US airline plans to hold back on adding flights. As in the gasoline market, the spec positioning in ULSD is very modest and therefore fundamental selling might not result in significant additive technical selling. The Commitments of Traders report for the week ending July 21st showed Heating Oil Managed Money traders reduced their net short position by 3,544 contracts to a net short 6,221 contracts. Non-Commercial & Non-Reportable traders net bought 546 contracts and are now net long 15,650 contracts.

While the natural gas market surprised the trade last week with 3 days of short covering and managed that action in the face of what appeared to be a definitively bearish shift in the US weather outlook, we maintain a bearish view toward prices this week. Certainly, the market benefited from the tropical storm threat last week, but the storm was not severe, and prices could now see back and fill selling early this week. As indicated the latest weather forecast out to August 9th showed expanded pockets of below normal temperatures in the lower Midwest and only narrow pockets of above normal temperatures in the Texas Panhandle and Florida. As in the petroleum market, in the event the infection situation ratchets up anxiety toward the US recovery again this week, all commodities could be faced with outside market pressure selling.

ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

From a technical perspective, the low to high bounce last week of $0.23 combined with a shift from a net short into a net long in the COT report, suggest that the oversold condition from the July slide has been more than corrected and that should set the market up for selling. The Commitments of Traders report for the week ending July 21st showed Natural Gas Managed Money traders net sold 13,129 contracts and are now net long 24,178 contracts. Non-Commercial & Non-Reportable traders are net long 2,687 contracts after net selling 8,850 contracts. The weekly Baker Hughes gas rig operating count declined by 3 last week which was a new low for the move! On the other hand, Canadian gas rigs jumped by 6 to 32 rigs operating and to a 16 week high!

**BEANS:**

Very strong demand from China continues to provide support for the soybean market and with mostly non-threatening weather, any sign of a slowdown in demand due to political reasons could spark aggressive selling. China imported a record high 10.51 million tonnes of soybeans from Brazil in June, up from 5.5 million tonnes last year. The southern half of the Midwest looks to get hit with hefty rain totals in the next seven days, and there is nothing too threatening in the 6-10 or the 8-14 day models. November soybeans closed up 4 1/4 cents for the week last week. The soybean market has built up a significant weather premium in recent weeks even with crop conditions still solid. If the weather forecast continues to look favorable for crop development, selling could intensify and take out some of that built up weather premium.

China has been a massive buyer of soybeans the last several weeks. There have been daily announcements from the USDA on new sales to China or Unknown (generally thought of as China) for nine consecutive trading days. If outside markets turn negative and China/US relations sour, it could spark soybean sellers. Exporters announced a sale of 246,000 tonnes of US soybeans to unknown destination. They also noted 133,000 tonnes of meal sold to the Philippines. Massive buying of soybeans from China for the last two weeks has provided underlined support and has helped the market put in more premium for the market to deal with.

The July 21st Commitments of Traders report showed Soybeans Managed Money traders were net long 75,809 contracts after increasing their already long position by 9,834 contracts for the week. Non-Commercial & Non-Reportable traders net bought 830 contracts and are now net long 89,194 contracts. For soyoil, managed money traders added 26,699 contracts to their already long position and are now net long 36,897. Non-Commercial & Non-Reportable traders were net long 57,467 contracts after increasing their already long position by 34,760 contracts. For meal, managed money traders reduced their net short position by 1,273 contracts to a net short 29,178 contracts. Non-Commercial & Non-Reportable traders net sold 41 contracts and are now net long 14,089 contracts.

**CORN:**

The Chinese corn rally is especially impressive given China's active imports during June. However, the weather setup is bearish for the corn market. Continued confirmation of higher than "trend" yield due to the favorable weather would suggest a very burdensome supply outlook. The market received plenty of bullish news regarding Chinese demand for feedgrains and US corn over the past few weeks, but it has failed to lend support. Supply fundamentals are a key focus at this time of the year.

Recent China corn imports and China's domestic corn price moving to new all-time highs are additional supportive factors. Corn prices stayed within a fairly tight trading range on Friday but were unable to hold onto early strength as they finished with a modest loss. For the week, December corn finished down 4 3/4 cents. Continued US/Chinese friction was a source of pressure on corn prices as that may limit additional exports of US corn and DDG's to China over the next few months.

The consultancy Celeres forecast Brazil's 2020/21 corn production at 111.5 million tonnes, which compares to 107 million from the USDA and was an additional source of pressure going into the weekend. The July 21st Commitments of Traders report showed managed money traders added 4,145 contracts to their already short position and are now net short 137,770. Non-Commercial No CIT traders were net short 164,993 contracts after decreasing their short position by 6,564 contracts. Non-Commercial & Non-Reportable traders were net short 110,656 contracts after increasing their already short position by 2,016 contracts.

**WHEAT:**

The wheat markets seem to lack the supply fundamentals for an extended move higher, but some buying from China and some adjustments lower in production from major exporters combined with a significant break in the US dollar are all factors which helped to support. The International Grains Council cut their forecast for global wheat production by 6 million tonnes to 762 million. EU production was revised to 125.6 million tonnes as compared with their previous projection of 128.4 million. Russia production was revised down by 1 million tonnes to 78 million. China's monthly wheat imports jumped to the highest in almost seven years in June, official customs data showed. China imported 910,000 tonnes in June, up 197% on the same month last year, bringing total imports in the first half of the year to 3.35 million tonnes, up 90% from last year's pace. Indonesia's 2020-21 wheat imports are seen rising 1.9% to 10.8 million tonnes according to the USDA's Foreign Agricultural Service.

ADM Investor Services, Inc.

## WEEKLY MARKET SUMMARY

28 July, 2020

Romanian production is seen coming in at just 5.4 million tonnes, the lowest since 2012. Wheat prices were able to regain upside momentum and climbed back above their 200-day moving average as they finished Friday's trading session with a sizable gain. For the week, September wheat finished with a gain of 5 1/2 cents. A new multi-year low in the Dollar was a key source of support as it will make US wheat more competitive on the global export marketplace. There is rain in the forecast for Nebraska and the Dakotas that will slow the current harvest pace, and that provided additional support to wheat prices going into the weekend. Argentine wheat exports to could fall near 6.5% for the 2020-21 season according to the Rosario Board of Trade. Dryness that curbed planting is now causing concern for crop development

There is a 54% chance of a La Nina in Sept-Nov, which would bring even more dryness during wheat plants' critical growth stage. The Commitments of Traders report for the week ending July 21st showed managed money traders went from a net short to a net long position of 474 contracts after net buying 8,801 contracts in just one week. Non-Commercial & Non-Reportable traders were net short 7,096 contracts after decreasing their short position by 260 contracts. For KC Wheat, managed money traders net bought 5,407 contracts for the week and are now net short 18,159 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 5,288 contracts to a net short 17,686 contracts.

**HOGS:**

So far, the market has been able to absorb the big current supply with impressive exports, especially to China. US/China trade relations continue to be an important factor, and could spark concerns of cancellations of outstanding sales. October hogs closed moderately lower on the session Friday but bounced off of the lows into the close. While China demand has been very strong, traders are nervous that with China and the US ordering consulate closings, that China's import demand may be impacted. The market has stayed volatile as pork values and cash markets have been better than many traders anticipated.

The active supply pace should continue and could help pull some of the futures premium to the cash market out. The CME lean index as of July 22nd was 49.69, up from 49.42 the previous session and up from 47.49 a week before. The USDA estimated hog slaughter came in at 472,000 head Friday and 231,000 head for Saturday. This brought the total for last week to 2.589 million head, up from 2.518 million the previous week and up 9.7% from a year ago. Pork production for the week was up 11.8% from last year. Production was up 12.1% from a year ago for the week ending July 18th.

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ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

USDA pork cutout values, released after the close Friday, came in at $69.97, up $1.28 from Thursday but down from $70.95 the previous week. The July 21st Commitments of Traders report showed managed money traders were net long 10,512 contracts after increasing their already long position by 52 contracts for the week. Non-Commercial & Non-Reportable traders net bought 1,185 contracts and are now net long 17,281 contracts. An additional potential source of pressure is October hogs are still holding a premium to the cash market when compared with the 5-year average basis for this time of the year which shows a $15 discount.

**CATTLE:**

Friday's Cattle on Feed report was generally neutral to slightly supportive relative to pre-report estimates. Placements at 102.1% of last year on June 1st were below estimates which are supportive to December and February 2021 cattle contracts. Placements were mostly lighter weights and this could ease concerns that there are more cattle to cause a further back-up of cattle onto feedlots. Marketings were in-line with estimates at 101.3% of last year and will likely lend some support to the cash markets. On Feed as of July 1st at 99.6% of last year was also in line with estimates which may give a bit of support to the nearby cattle contracts. The number of cattle on feedlots for 90-days or longer came in at 5.7% above last year and up 12.1% from the 5-year average. This is a bearish factor. October cattle closed higher with an inside trading session on Friday but still finished lower for the week.

Some strength in the beef market has provided underlying support after Thursday's sharp break. Futures are attempting to hold premium to the cash market in a period of ample supply. The USDA estimated cattle slaughter came in at 113,000 head Friday and 61,000 head for Saturday. This brought the total for last week to 646,000 head, down from 650,000 the previous week and down from 652,000 a year ago. Beef production was up 2.2% from last year. USDA boxed beef cutout values were down 65 cents at mid-session Friday and closed 49 cents lower at $201.77. This was up from $200.47 the previous week. The Commitments of Traders report for the week ending July 21st showed managed money traders were net long 29,673 contracts after increasing their already long position by 7,995 contracts for the week. This leaves the market vulnerable to increased selling if support levels are violated. Non-Commercial & Non-Reportable traders net bought 9,127 contracts and are now net long 37,833 contracts.

**COCOA:**

Cocoa will continue to face demand concerns until the global economy reaches full speed again, but there are signs that overall global demand reached its lowest point during the second quarter. Europe and Asia look to be well ahead of North America with coming out coronavirus restrictions, and that along with near-term bullish supply developments can help cocoa prices maintain upside momentum. For the week, September cocoa finished with a gain of 64 points (up 3.0%) which was the first positive weekly result for 4 weeks. While US and major European stocks markets finished the week on a downbeat note, the Eurocurrency continued to show strength as it reached a new multi-year high, and that provided cocoa with underlying support as that should benefit Euro zone grindings with acquiring near-term supply over the rest of the year.

Major US chocolate maker Hershey released quarterly revenue results that came in under trade estimates, but they expect "accelerated" sales growth during the upcoming quarter and that retailers are placing orders for Halloween candy in spite of the threat that trick-or-treating may be cancelled in many areas. This bodes well for North American cocoa demand prospects, which was the only major region which had a "double-digit" year-over-year decline with second quarter grindings. Weather issues have led to lower West African mid-crop output which also provided a boost to cocoa prices. There is light rainfall over West African growing areas starting on Tuesday through the rest of this week, which should bring some benefit to the region's upcoming main crop production. The July 21st Commitments of Traders report showed managed money traders are net short 28,189 contracts after net selling 112 contracts for the week. Non-Commercial & Non-Reportable traders added 103 contracts to their already short position and are now net short 12,149.

**COFFEE:**

Coffee prices finished last week in a tight consolidation range that is well above their June contract low. The market appears to have priced-in a record high Brazilian 2020/21 crop and with global demand starting to show some improvement, coffee can extend the rally. For the week, September coffee finished with a gain of 6.10 cents (up 6.0%) and a fourth positive weekly result over the past 5 weeks. A slow Brazilian harvest continues to provide underlying support to coffee prices as it has offset pressure from their record high crop this season as it has kept Brazilian coffee supply relatively tight. There is mostly dry weather forecast for the south Minas Gerais region this week, however, and that may help to speed up their harvesting. While it posted a mild loss on Friday, the Brazilian currency has lifted clear of its recent consolidation zone, and its recent strength has benefited coffee prices as it eases pressure on Brazil's farmers to market their near-term supply to foreign customers.

Vietnam's National Hydrology Meteorology Forecast Center predicted heavier than normal rainfall for their Central Highlands coffee growing region during November which is the early stages of their 2020/21 harvest. ICE exchange coffee stocks fell by 180 bags on Friday and remain below the 1.6 million bag level and in close proximity to their lowest total since

August of 2017. The Commitments of Traders report for the week ending July 21st showed managed money traders net bought 2,463 contracts and are now net short 22,313 contracts. Non-Commercial No CIT traders were net short 20,293 contracts after decreasing their short position by 3,429 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 2,463 contracts to a net short 4,467 contracts.

**COTTON:**

The weather forecast is a little drier than what was expected on Friday as the above normal precipitation was taken out of the forecast and West Texas looks drier than normal. The cotton market collapsed on Friday as weakness in the stock market and fears of worsening trade relations with China helped to drive December cotton down to the lowest level since June 30th. The reopening of the US economy has come much slower than expected and this, combined with increased trade tensions with China, could spark more selling from speculators.

The Commitments of Traders report for the week ending July 21st showed Cotton Managed Money traders were net long 30,373 contracts after increasing their already long position by 556 contracts. CIT traders were net long 70,568 contracts after increasing their already long position by 2,042 contracts. Non-Commercial No CIT traders were net long 21,348 contracts after decreasing their long position by 904 contracts. Non-Commercial & Non-Reportable traders net bought 551 contracts and are now net long 45,010 contracts.

**SUGAR:**

Since reaching a 4 1/2 month high in early June, sugar prices have been able to bounce back from 3 pullbacks (each of which have posted lower lows) but has not retested the early June high. With fresh evidence of a bearish global supply outlook, however, sugar may extend this current pullback and maintain downside momentum. For the week, October sugar finished with a loss of 24 ticks. While a mild pullback in the Brazilian currency weighed on sugar prices, the main source of pressure came from a key gauge of Brazilian supply. The trade group Unica released their latest report which showed Center-South sugar production during the first half of July came in at 3.02 million tonnes. This was 55% above last year's levels and close to a record high for a half-monthly output total, which weighed on sugar prices as it underscores the sharp increase in Brazilian production from last season. Sluggish Brazilian ethanol demand is likely to make Center-South mills keep sugar's share of crushing well above last year, while dry and warm weather over the next week will keep harvesting and crushing delays at a minimum.

ADM Investor Services, Inc.

# WEEKLY MARKET SUMMARY

28 July, 2020

Center-South ethanol production over that timeframe was 2.12 billion liters which was only down 2.3% from last year's total, but that was due in part to Center-South crushing coming in 13.5% above last year's total.

Sugar's share of crushing was 47.9% versus 36.0% during the comparable period last year, and that also weighed on the sugar market as the rise in energy prices has not resulted in a shift back towards ethanol production. One reason for that is that Center-South domestic ethanol sales came in 13.1% below last year's total during early July, and that has kept the 2020/21 season sales 23.6% behind last season's pace. India's second largest sugar-producing state of Maharashtra is forecast to produce 9 to 10 million tonnes of sugar during the 2020/21 season, which compares to 6.161 million during the weather-impacted 2019/20 season. The July 21st Commitments of Traders report showed managed money traders added 1,011 contracts to their already long position and are now net long 79,529. Non-Commercial & Non-Reportable traders net bought 9,077 contracts and are now net long 147,453 contracts.
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.

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