ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

9 September, 2020

For the Week of September 8, 2020

BONDS:

While it can take 2 full days for the trade to effectively factor in a monthly nonfarm payroll report, it would appear as if the net take away from the August payroll reports added to the idea that the US economy is still recovering. Certainly, the headline payroll gain was smaller than some projections, but a list of other components within the job report (average hourly earnings, average hours worked and the unemployment rate) resulted in a bearish report for US treasuries. On the other hand, treasury prices were technically overbought into last week's highs following a 5-point/2-week bounce, and therefore some of the declines today were likely classic technical stop selling.

The Treasury markets appear to have rejected last week's reversal washout following the payroll report with the early low once again showing the sturdiness of consolidation low pricing built over the last 6 months. It is also possible that Treasury prices will see some support from increased attention to budget talks and the typical threats to shut down the US government if a deal is not reached before the deadline. It is unclear how the Treasury markets will react to another wave of auctions this week but a slight uptick in yields with prices at current levels could attract interest especially following the faltering of the darling of the stock market, the tech sector.

In retrospect, the Treasury market should also see strong underpin from Fed Chairman comments that US rates will stay low for however long it takes to return the US to full employment. The Commitments of Traders report for the week ending September 1st showed Bonds Non-Commercial & Non-Reportable traders added 14,115 contracts to their already short position and are now net short 149,694. T-Notes positioning showed Non-Commercial & Non-Reportable traders reduced their net long position by 77,629 contracts to a net long 3,301 contracts.

CURRENCIES:

With the recovery in the dollar index last Friday, one could conclude that the dollar has shed its reliance on uncertainty and safe haven for gains and instead is forging gains off evidence that the US economy continues to grow despite nagging infection numbers and a lack of stimulus from fiscal and monetary sources. However, we are not yet at a point where we would suggest the March to late August trends have been reversed. With a fresh upside breakout in the dollar index early this week, it would appear as if the short covering bounce from last week has become something more significant.

The dollar appears to be catching follow-through buying from last week's jobs report, increased US/China trade tensions and from increased views of a no deal exit. At least in the near term we see upside targeting limited to a recent consolidation high at 93.50 but would not rule out a rally up to 93.91 if equities come under significant pressure this week. Dollar positioning in the Commitments of Traders for the week ending September 1st showed Non-Commercial & Non-Reportable traders are net short 7,670 contracts after net buying 52 contracts.

With the upside breakout in the dollar early this week, a fresh lower low for the move in the euro and concern toward Brexit negotiations, the path of least resistance is down in the euro. Adding into the downward track in the euro is softer than expected overall Euro zone employment and GDP readings as-well-as disappointing Italian retail sales. Initial downside targeting is seen at consolidation lows of 1.1758 but we would not rule out a lower target at a longer-term consolidation low down at 1.1719. The September 1st Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 15,015 contracts to a net long 255,972 contracts.

While some might suggest the Japanese Yen is coiling, the lower high pattern suggests that the market is trending lower. While it is possible that the Yen is deriving some support from better than expected Japanese Eco-Watchers outlook and current survey readings, domestic readings have not been a key driving force for the currency. In conclusion, the trend is your friend in the Yen and initial downside targeting is seen at 93.85. Like the euro, the Swiss Franc turned lower but has also suffered significant damage to its charts with the slide below consolidation low support. Apparently, a turn lower in global equities combined with favorable US jobs data temporarily derailed the bull market in the Swiss.

The apparent downshift in global economic optimism combined with UK suggestions that it is once again preparing for a no deal hard Brexit has thrown the Pound into a definitive washout. In fact, currency trade comments have suggested "it is hard to imagine a more bearish pound/dollar condition". Not to be left out of the broad-based non-dollar currency washout, the Canadian dollar was also under significant pressure early this week. Adding into the downward pressure in the Canadian dollar is disappointment from the August Canadian jobs report and from the large weekly loss in the TSX last week.

STOCKS:

With a second significant day of pain in global equity markets last Friday, it is possible that Washington politicians and the US Federal Reserve might be seeing pressure to provide fresh support for the US economy. However, we suspect those in Congress see the nonfarm payroll report as a sign that they can continue to debate for their political goals. Some analysts have suggested that “if you live by the sword, you die by the sword” and given the negative view toward tech stocks, the head of the market is pointing down. While not a rational method, many think near term price action in Tesla shares will dictate the direction of daily market action.

Asian equity markets were higher at the start of this week while the rest of the world showed early gains prices faltering as trading progressed. In addition to fears of a significant escalation in US and Chinese trade relations, the equity markets are undermined as-a-result of the recent shift in sentiment against big tech. Another negative for the market today is news that the FAA has begun an investigation into Boeing manufacturing procedures for the 787 Dreamliner. In addition to Boeing's trouble with the 737 Max and the disastrous decline in demand from its customers due to the lockdown, a problem with its core plane is not insignificant. Earnings announcements will include Slack Technologies and Casey's General Stores after the Wall Street close.

While the S&P has at times traded in positive territory, it extended the pattern of lower highs from the reversal last week and general psychology in the marketplace favors the bear camp. While the most recent positioning report showed a reduction in the net spec and fund short, seeing the market net spec short within proximity to all-time highs suggests liquidation could be less aggressive ahead. The September 1st Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 141,491 contracts after net buying 59,756 contracts.

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WEEKLY MARKET SUMMARY

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Ongoing deterioration of views toward big tech stocks removes a key force helping to lift/support the Dow. Fresh regulatory problems for Boeing adds to the overall bearish market environment to start the trading week and it would appear as if a retest of consolidation support down at 27,500 is in the offing this week. The September 1st Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 149 contracts and are now net short 5,631 contracts.

As indicated in other coverage, the deterioration in views toward high tech/big tech continues to weigh on the NASDAQ into the new trading week. In fact, Wall Street is rife with suggestions of "rotation" to other segments of the market and the NASDAQ futures are the only actively traded equity index futures contract to be holding a net spec and fund "long". In short, a negative shift in fundamental and technical indicators favors the bear camp with initial targeting today seen down at 11,142. Nasdaq Mini positioning in the Commitments of Traders for the week ending September 1st showed Non-Commercial & Non-Reportable traders net sold 11,336 contracts and are now net long 16,170 contracts.

GOLD, SILVER & PLATINUM:

Starting out the holiday shortened trading week, the December gold contract appears to be vulnerable from a chart perspective with a recent pattern of lower highs. With a slightly higher US dollar, occasional positive correlation with equities and comments from the White House suggesting a vaccine next month, that provides a negative backdrop for gold. Countervailing the negative charts and overall outside market environment is news that gold ETF holdings posted a 9th straight day of inflows and fresh aggressive trade orientated threats from the US to China. President Trump indicated that he would work to curb economic ties with China in a comment that is likely to draw a response from the Chinese leadership especially with many political analysts expecting that hard line policy stance to be highlighted aggressively by the Trump campaign into the election. Unfortunately for silver bulls silver ETF holdings were reduced by 4.1 million ounces for 3rd straight day of declines!

With gold prices in India trading lower and that price action extending into the early US trading session we would not rule out the potential for a 6-day low in gold early today. Another minor negative for gold and silver prices today is the fact that platinum is getting a significant amount of bullish news and forecasts for deficits and that could cause some precious metals capital investment to move to the PGM space from gold. The Commitments of Traders report for the week ending September 1st showed Gold Managed Money traders were net long 151,021 contracts after increasing their already long position by 12,682 contracts. Non-Commercial & Non-Reportable traders net bought 11,216 contracts and are now net long 309,564 contracts.

In silver, with ETF's showing a developing pattern of outflows, negative early chart action and some negative pressure from outside markets, the path of least resistance is pointing down in silver with critical support seen at $26.45. The September 1st Commitments of Traders report showed Silver Managed Money traders were net long 37,713 contracts after increasing their already long position by 135 contracts. Non-Commercial & Non-Reportable traders were net long 57,978 contracts after increasing their already long position by 4,210 contracts.

While the palladium market is showing early corrective action this week, the charts recently have shifted bullish and it is possible that the market will continue to derive support from the progressive improvement in views toward the Chinese economy. Furthermore, it is possible that palladium will see some spillover lift from platinum which has received a significant amount of bullish fundamental news and higher price forecasts. The September 1st Commitments of Traders report showed Palladium Managed Money traders were net long 3,435 contracts after increasing their already long position by 276 contracts. Non-Commercial & Non-Reportable traders were net long 3,717 contracts after increasing their already long position by 269 contracts.

While the charts in platinum are not overly impressive the market has posted a 3-day high extending the bounce from late last week. Certainly, the platinum market is deriving lift from a World Platinum Investment Counsel prediction of a world deficit this year. The WPIC forecasts the world deficit to be 336,000 ounces, indicating that supplies have declined while demand is recovering. The platinum market was also projected to pick up some rotational demand from manufacturers choosing to use cheaper platinum over more expensive palladium. The WPIC also indicated that work from home was increasing demand for glass of 108% (540,000 ounces) as that has resulted in a spike in laptop screens and computer monitors. In fact, the WPIC suggests the increase in glass for work-at-home is a "green shoot" of demand for the platinum market. The September 1st Commitments of Traders report showed Platinum Managed Money traders were net long 10,038 contracts after decreasing their long position by 2,050 contracts. Non-Commercial & Non-Reportable traders were net long 27,136 contracts after increasing their already long position by 764 contracts.

COPPER:

While the new high in December copper early this week was not notably above the high last Friday and that move failed to usurp the contract high from early last week, the charts to start the trading week are bullish. In fact, on last week's rally, open interest in copper increased and favorable Chinese economic news over the last several sessions provides added lift. However, increased trade tensions between the US and China are a limiting force and Chinese overall imports for August contracted with some reports of a surplus of internal commodity inventories. While copper is also seeing initial pressure from strength in the dollar, that outside market force has not been a significant influence on prices. Fortunately for the bull camp, the markets saw a decline in exports from Chile and talk of tight supply.

Furthermore, copper supply tightness has been a very important plank of the bull camp and the trade expects limited supply of copper concentrate in the second half of the year. When one adds supply tightness to strong demand from Chinese refineries, the bull camp should remain very confident. Unfortunately, for the bull camp the net spec and fund long positioning in copper adjusted for the rally after the COT report was measured has likely put the net spec and fund long very close to the all-time record long posted in June 2018. The September 1st Commitments of Traders report showed Copper Managed Money traders added 6,783 contracts to their already long position and are now net long 69,536. Non-Commercial & Non-Reportable traders added 8,059 contracts to their already long position and are now net long 60,854.

ENERGY COMPLEX:

In addition to significant chart damage in crude oil to start out this week, the WTI market is feeling the pressure of the first decline in Brent crude oil below the psychological $41.00 level since the key June consolidation lows. Adding into the negative bias is news that Saudi Arabia has moved to reduce prices to Asian customers in-an-attempt to facilitate demand and maintain market share. It would appear as if the definitive negative track in global energy prices is further linked to the deterioration in global energy demand views as the worldwide infection problem continues to extend thereby leaving a large portion of the world under restricted movement status.

In fact, a wave of price reductions from Middle East producers was reportedly the result of softer orders from their Asian customers with some of the reductions the largest in 4 1/2 months. Given softened end customer demand for products and very poor refinery margins, it is also likely that demand for crude oil for refineries will remain very soft. As if the demand travails were not enough fuel for the bear camp to exert control there are also fears of a significant increase in global seaborne loadings/exports. Crude Oil positioning in the Commitments of Traders for the week ending September 1st showed Managed Money traders reduced their net long position by 17 contracts to a net long 326,879 contracts. Non-Commercial & Non-Reportable traders were net long 555,465 contracts after decreasing their long position by 5,526 contracts.

While very low refinery operating rates are likely to remain in place well into the future, that limit on supply production is not providing any support to gasoline prices with the October gasoline contract seemingly on a quick track to consolidation low support below $1.0788. The sharp decline early this week appears to be the result of deterioration in global economic sentiment and perhaps because of news that Russia will begin to offer incentives for its refineries to produce. It is also possible that reports that China has rebuilt a-number-of commodity buffer stocks, including fuel products and that increases the potential for China to resume its aggressive status as a supplier to Southeast Asia. In another negative more refinery capacity in the US Gulf region is returning following the storm and that could result in a surprise jump in US refinery activity in this week's EIA report.

It would appear as if the negative demand outlook is so that reports of higher traffic in Berlin in 2020 than in 2019, has been summarily ignored. While the net spec and fund long in the gasoline market is not large compared to the last 9 months it has reached back to the highest levels since the end of spring and that is likely providing some stop loss selling fuel. The September 1st Commitments of Traders report showed Gas (RBOB) Managed Money traders reduced their net long position by 3,293 contracts to a net long 59,974 contracts. Non-Commercial & Non-Reportable traders were net long 78,785 contracts after increasing their already long position by 2,563 contracts.

Not to be left out, the diesel market is also under significant pressure this morning and given its standing as the energy market with the worst supply and demand condition, a full washout to the late April and early May consolidation low of 2020 down at $1.00 is not out of the question this week. Heating Oil positioning in the Commitments of Traders for the week ending September 1st showed Managed Money traders net sold 11,112 contracts which moved them from a net long to a net short position of 9,493 contracts. Non-Commercial & Non-Reportable traders were net long 13,767 contracts after decreasing their long position by 11,942 contracts.

With news that Chinese coal imports continue to drop sharply and the Chinese government indicating a shift toward cleaner fuels, it is increasingly more likely that the rally in gas prices over the past 2 months and the ability to hold above $2.40 is the result of expectations for a significant jump in Chinese LNG demand. In fact, the trade minister in Singapore has suggested there has been a wave of companies moving to open LNG trading desks in the country and that area usually trades into China. On the other hand, the trade is limited this morning by reports of a reduction in prompt demand for global floating LNG supply and from predictions that near term Chinese gas demand will continue to soften due to the approach of the "shoulder season" between summer and winter.

In our opinion, US weather appears to be less supportive of prices this week with the much above normal temperatures situated in the Western 1/3rd of the country and normal to below normal temperatures in the other 2/3rds of the country. Furthermore, despite the above normal temperatures in California, the state is reducing electrical output due to fires and that should produce some softer natural gas demand. From the hurricane front both tropical disturbances being monitored have tracks that are not likely to be of "any concern" to the US gas market. The non-commercial and non-reportable net long in the natural gas futures and options report as of September 1st showed a net long of 62,515 contracts and that is the largest net long since November 2018!

BEANS:

November Soybeans have traded to their highest level since January 15 and closed higher for ten sessions in a row. The rains in the forecast for Iowa may be too little, too late to revive their crop. Chinese soybean futures surged late last week in heavy volume as typhoon rains drenched some of the main soy and corn growing areas in northeastern part of that nation. Any crop losses could boost their import needs further. For the week, November soybeans closed 17 1/2 cents higher as aggressive buying from China continued for much of the week. In addition, traders are concerned that yield estimates will come down significantly in this week's USDA supply demand update. Exporters reported sale of 318,000 tonnes of US soybeans to China and also 175,000 tonnes of meal to the Philippines.

China imported 9.6 million tonnes of soybeans in August, down 4.8% from July. This was still up 1% from last year, as Brazil cargoes booked on good crush margins cleared customs. In the first eight months of the year, soybean imports were 64.7 million tonnes, up 15% from the same pace last year. For the USDA report, traders see soybean yield at 51.7 bushels per acre, (50.1-52.9 range), as compared with 53.3 bushels per acre in the August update. Traders see ending stocks coming in at 469 million bushels, (379-551 million range), as compared with the August USDA estimate of 610 million bushels. World soybean ending stocks are expected at 93.5 million tonnes (89.5-97.0 million range), as compared with 95.4 million in the August update. The USDA's current estimate for US soybean yield is 53.3 bushels/acre, but we could see a sharp drop for Iowa and parts of Illinois because of the hot and dry weather in August. A yield of 50.7 bushels per acre (still the second highest on record) could be considered a reasonable estimate. This would leave ending stocks near 395 million bushels.

The September 1st Commitments of Traders report showed soybeans managed money traders are net long 162,607 contracts after net buying 53,319 contracts for the week. Non-Commercial & Non-Reportable traders added 52,167 contracts to their already long position and are now net long 191,532. For meal, managed money traders added 12,311 contracts to their already long position and are now net long 15,871 contracts. For Soyoil, managed money traders net bought 13,867 contracts and are now net long 81,557 contracts. Non-Commercial & Non-Reportable traders net bought 24,567 contracts and are now net long 115,667 contracts.

CORN:

For the USDA report, traders see corn yield at 178.4 bushels per acre, 176-181 range, as compared with 181.8 bushels per acre in August. Corn ending stocks are expected at 2.461 billion bushels, range 2.153-2.697, as compared with 2.756 billion bushels in August. World ending stocks are expected near 311 million tonnes, 304-317 range, as compared with 317.5 million in the August estimate. December corn closed higher Friday but the market closed down 1 1/4 cents for the week. Some concerns for the China crop with flooding type rains with more expected this week helped to provide some underlying support.

The USDA is currently forecasting the US corn yield at 181.8 bushels per acre, but the hot and dry August in Iowa and parts of Illinois have forced the crops there to dry down faster than normal, which could lower yields in those states. Add in the heavy wind damage from the "derecho" storm in Iowa, a national average yield of 176.7 bushels per acre (still the second highest on record) could be a more reasonable estimate. This could leave ending stocks near 2.327 billion bushels. If we assume an extra 8 million tonnes being exported to China this year, ending stocks could slip to 2.012 billion bushels. This would be the lowest they have been since the 2015/16 season.

If we add the past week's corn sales to either China or unknown destinations to total commitments, the total for 2020/21 comes in at 11.093 million tonnes as compared to just 7 million tonnes for total China imports in the last world supply/demand update. China's corn prices are up near five year highs, and traders are thinking that even if China has a good crop, they could still have a production deficit of 20-30 million tonnes and end up importing 10-12 million. If their crop is smaller than expected, then they could become a massive importer of corn this year.

Typhoon rains of up to nine inches in parts of the China's northeast growing have raised concerns about their corn crop. Any additional rains could bring damaging floods, and there is another storm in the forecast. The percent of normal rainfall for China shows that much of the key corn-growing areas in the north and east have received 150% to 400% of normal precipitation over the past the 30 days. There is a another typhoon headed for the region in the next week, and the one-week forecast calls for another 4-8 inches in some of the areas that are already saturated.

On top of the threat to production, China's corn demand has been very strong. The Chinese government sold 1.34 million tonnes of the 4 million of state corn reserves that were offered at Thursday's auction. Total sales have reached 56.8 million tonnes (2.235 billion bushels) since the auctions started in May. The September 1st Commitments of Traders report showed managed money traders went from a net short to a net long position of 18,659 contracts after net buying 80,148 contracts in just one week. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 46,963 contracts after net buying 55,636 contracts.

WHEAT:

For the USDA report this week, traders see wheat ending stocks near 926 million bushels, 900-978 range, as compared with 925 million last month. World ending stocks are expected at 316.1 million tons, 312-320 range, as compared with 316.8 million in August. December wheat closed 3 cents lower on the session Friday and this left the market up 1 1/2 cents for the week. December Kansas City wheat closed 3 1/4 cents lower on the session and this left the market up 1/4 of one cent on the week. December Minneapolis wheat closed down 4 3/4 cents on the session and this left the market up 3 1/4 cents for the week. A strong rally in the US dollar combined with negative outside market forces helped to pressure the market early but the US dollar closed back near unchanged. Traders see better weather for Australia and Argentina as a negative short-term force. The Australian Bureau of Agriculture and Resource Economics and Sciences (ABARES) sees wheat production this year at 28.9 million tonnes, 91% more than a year ago. Recent rains have helped boost the crop Outlook.

European Union shipments of wheat since the season began on July 1 have reached 2.94 million tonnes as compared with 5.24 million a year ago. Turkey is seeking to buy 500,000 tonnes of wheat in a tender. Pakistan is also tendering to buy 170,000 tonnes of wheat. The September 1st Commitments of Traders report showed wheat managed money traders added 30,952 contracts to their already long position and are now net long 32,469. Non-Commercial & Non-Reportable traders went from a net short to a net long position of 24,411 contracts after net buying 28,396 contracts. For KC wheat, managed money traders went from a net short to a net long position of 3,160 contracts after net buying 24,276 contracts in just one week. Non-Commercial & Non-Reportable traders net bought 24,706 contracts which moved them from a net short to a net long position of 13,564 contracts.

HOGS:

Talk of potential overcapacity as the Chinese pork industry is expanding rapidly helped to spark some selling pressures for Chinese farming industry stocks. China imported 332,000 tonnes of meat in August, down almost 17% from the previous month but still up for the year. This was the lowest monthly total since May. Imports for the first eight months of the year are still up 73% and reached 6.58 million tonnes. China pork output fell 20% in the first half of the year due to African swine fever. The market is overbought and probing for a short-term peak. However, until the pork product market shows signs of weakness, the cash trend should remain up. The USDA pork cutout released after the close Friday came in at $79.81, down 10 cents from Thursday but up from $70.64 the previous week. This is up from $70.72 last year at this time and $67.09 two years ago. The CME lean index as of Sep 2 was 58.13, up from 57.51 the previous session and up from 57.12 a week before. Lighter than expected weights helped to keep pork production down in a period of strong export demand.

US total pork exports for the month of July reached 554.74 million pounds, up from 515.30 million in June but the second lowest since October 2019. China imported 155.183 million pounds, down from 170.293 million in June and the lowest since October 2019. US pork export sales for the week ending August 27th came in at 53,646 tonnes, up from 39,443 the previous week and the highest it has been since April 2. The largest buyer last week was China at 28,712 tonnes, followed by Mexico. China's commitments for the year have reached 590,560 tonnes, the largest of any single destination. The USDA estimated hog slaughter came in at 460,000 head Friday and 119,000 head for Saturday. This brought the total for last week to 2.484 million head, down 6.5% from the previous week and up 12% last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,575 contracts of lean hogs for the week ending September 1, increasing their net long to 28,777. Non-commercial & non-reportable traders were net buyers of 1,113, increasing their net long to 30,409.

CATTLE:

The cattle market is in a short-term downtrend and if beef prices continue to drift lower and the slaughter pace picks up, it will be difficult for October cattle to hold on to a premium to the cash market. In addition, fund traders are in a long liquidation selling mode. Talk of the oversold condition of the market going into a 3-day weekend helped to provide some support Friday but the market closed 45 lower for the week last week. Traders are fearful that with high weights, a jump in slaughter to above year ago levels would boost beef production to a burdensome level this month.

There seems to be plenty of market-ready cattle coming off of feedlots, and plenty of feedlot-ready cattle coming off of pasture to keep supply as a bearish force short-term. The USDA boxed beef cutout was down 72 cents at mid-session Friday and closed $1.39 lower at $225.85. This was down from $229.40 the previous week and was the lowest the cutout had been since August 20. Cash live cattle on Friday traded at the low end of the week's range in light volume. In Kansas 556 head traded at $102, and in Texas/Oklahoma 1,189 head traded at that price. The 5-day, 5-area average price as of Friday afternoon was $103.05, down from $105.08 the previous week.

The average dressed steer weights are at 910 pounds, up from 884 a year ago. The USDA estimated cattle slaughter came in at 115,000 head Friday and 44,000 head for Saturday. This brought the total for last week to 633,000 head, down from 654,000 the previous week but up 10.9% from a year ago. Beef production for the week was up 13.1% from last year. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,073 contracts of live cattle for the week ending September 1, reducing their net long to 58,029. The long liquidation selling trend is a bearish short-term development. Non-commercial & non-reportable traders combined were net sellers of 4,180, reducing their net long to 62,025.

COCOA:

After rising nearly 10% in value during July and an additional 10% during August, cocoa appears to have put in a longer-term low during early July. The market continues to face questions over global demand prospects over the rest of 2020, however, so a negative shift in risk sentiment just in front of the holiday weekend is likely to result in cocoa remaining under pressure early this week. December cocoa followed-through on Thursday’s negative daily reversal and outside-day down as it came under significant pressure before finishing Friday’s trading session with a sizable loss. For the week, December cocoa finished with a loss of 28 points (down 1.1%) and a negative weekly reversal from Thursday’s 6-month high.

The Eurocurrency and many global stock markets finished last week squarely on the defensive which was a major source of carryover pressure on cocoa prices as they dampened near-term global demand prospects. While there are indications that global demand reached its low ebb during the second quarter, the jury is still out on how rapidly it can return to pre-pandemic levels so any further shift towards a “risk off” mood is likely to weigh on cocoa prices. Going into the holiday weekend, a negative weekly reversal following Thursday’s outside-day down was another factor that encouraged additional long liquidation and profit-taking.

The latest weekly reading for Ivory Coast port arrivals came in above last year’s comparable total, but the full season total remains well behind last season’s pace. There was above average rainfall over many West African growing areas last week that should benefit the region’s upcoming 2020/21 main crop production. Cocoa positioning in the Commitments of Traders for the week ending September 1st showed Managed Money traders net bought 10,538 contracts and are now net long 33,466 contracts. CIT traders added 685 contracts to their already long position and are now net long 45,793. Non-Commercial No CIT traders net bought 7,804 contracts and are now net long 15,420 contracts. Non-Commercial & Non-Reportable traders were net long 48,326 contracts after increasing their already long position by 9,090 contracts.

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9 September, 2020

COFFEE:

In contrast to many other financial and commodity markets, coffee was able to go into the holiday weekend on an upbeat note as it has benefited from an improving global demand outlook. While the market has reached near-term overbought level, fresh bullish supply developments should help coffee remain fairly well supported on any near-term pullbacks. December coffee was able to defy a "risk off" mood as it broke out of their recent consolidation zone to the upside and reached a new 8-month high before finishing Friday's trading session with a sizable gain. For the week, December coffee finished with a gain of 7.65 cents (up 6.0%) and a third positive weekly result in a row.

Colombia's August coffee production came in at 1.09 million bags which was 3% below last year's levels while their August coffee exports came in at 1.12 million which was 8% below last year's total. Colombia's 12-month production total (September 2019-August 2020) of 14.19 million bags is roughly in-line with recent results. However, Colombia's production during the first 8 months of this year was 8.55 million bags which compares to 9.11 million during the same period in 2019. Brazil's 2020/21 harvest of a likely "on-year" record-high crop is nearly complete. However, a shift towards drier conditions over their major Arabica-growing regions in front of a key flowering period is likely to have a negative impact on their 2021/21 "off-year" crop.

ICE exchange coffee stocks fell by 12,040 bags on Friday to reach a new multi-decade low and are already more than 53,000 bags below their August month-end total which puts them on track for a seventeenth monthly decline over the past 18 months. Coffee positioning in the Commitments of Traders for the week ending September 1st showed Managed Money traders were net long 42,584 contracts after increasing their already long position by 7,553 contracts. CIT traders net bought 2,832 contracts and are now net long 61,807 contracts. Non-Commercial No CIT traders net bought 7,022 contracts and are now net long 29,240 contracts. Non-Commercial & Non-Reportable traders are net long 57,107 contracts after net buying 10,066 contracts.

COTTON:

With traders expecting a smaller ending stocks forecast in this week's USDA crop production and supply demand report, the market experienced a hook reversal and recovery bounce on Friday. The longer-term demand fundamentals are in question and it will take very strong US exports in order to assume some tightness in US ending stocks. Lower yield and lower production is expected for the report and both world and US ending stocks are expected to be revised lower from burdensome levels. The five day forecast calls for heavy rains across much of Texas in this could raise concerns for fields with bolls open.

The Trump administration is weighing a ban on some or all products made with cotton from the Xinjiang region of China over alleged human rights violations. If this ban goes into effect, it will clearly lower China demand for US cotton. Cotton positioning in the Commitments of Traders for the week ending September 1st showed managed money traders were net long 53,231 contracts after increasing their already long position by 4,508 contracts for the week. Non-Commercial & Non-Reportable traders net bought 5,332 contracts and are now net long 74,352 contracts.

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WEEKLY MARKET SUMMARY

9 September, 2020

SUGAR:

Sugar has a bearish global supply outlook, negative global risk sentiment and significant weakness in a key outside market also weighing on prices. While it has fallen into near-term oversold price levels, sugar should still have a sizable net spec long position even after this month's pullback and is likely to remain on the defensive early this week. October sugar found mild early support, but then came under significant pressure and reached a new 5 1/2 week low before finishing Friday's trading session with a moderate loss. For the week, October sugar finished with a loss of 67 ticks (down 5.3%) which was a third negative weekly result in a row.

In addition, the sugar market has not had a positive daily result in September so far as it traded below the 200-day and 50-day moving averages last week. The energy markets saw heavy losses on Friday, and that weighed heavily on the sugar market as it will diminish the prospects for improved Brazilian ethanol demand. Crude oil prices stayed on the defensive this week and reached a new 2-month low, and that is likely to put additional pressure on sugar. The Brazilian currency fell back from a 1-month high into negative territory, and that negative daily reversal could become another bearish factor for the sugar market as that may encourage Brazil's Center-South mills to produce more sugar at the expense of ethanol.

There are reports that India's government will subsidize up to 6 million tonnes of sugar exports during the 2020/21 season, which would be the third season in a row that they have export subsidies. Although this should work down India's substantial sugar stocks, these exports are likely to offset low exports from Thailand and the EU. The September 1st Commitments of Traders report showed Sugar Managed Money traders were net long 190,081 contracts after increasing their already long position by 1,888 contracts. CIT traders were net long 263,560 contracts after increasing their already long position by 145 contracts. Non-Commercial No CIT traders added 3,925 contracts to their already long position and are now net long 140,471. Non-Commercial & Non-Reportable traders were net long 292,804 contracts after increasing their already long position by 3,059 contracts.