ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 January, 2021

For the Week of January 19, 2021

BONDS:
On one hand, treasury prices did show some positive action late last week in the wake of a series of soft US scheduled data points and in the wake of a very strong 30-year bond auction, but given the inability to sustain rallies and migrate away from oversold levels, the bull camp should be discouraged. In fact, given the lack of punishment for those short in the face of soft data, the bear camp should be emboldened going forward. While equity prices were positive early this week and signaling some residual optimism, scheduled data released outside of the US contributed to the view that the global recovery is decelerating. Furthermore, surging infection rates in Germany and China have rekindled fears of more headwinds in the event that activity restrictions are expanded again.

From a longer-term perspective, bonds and notes might be undermined by evidence that ultra-long bond offerings are beginning to surface in numbers which in turn increases yield competition among all debt instruments. US treasuries do have support from last week's strong auction interest, and we suspect that overall macroeconomic sentiment will help to solidify consolidation low support in the days ahead. In action early this week, the most important scheduled data point could be the US Treasury International Capital (TIC) report which has shown a trend of reduced holdings, by the top two US foreign investors of Japan and China. Going forward, it will be a delicate balancing act between ideas that forward movement on fiscal stimulus will be seen against the very serious threat against the economy of surging infections in Germany and China.

At least to start this week’s trading, it would appear as if favorable equity market action and general optimism in the press regarding the incoming administration will serve to thicken resistance in March Bonds and March Notes. However, from a technical perspective the net spec and fund short in the bond market remains within striking distance of the largest ever and that could be seen as a force limiting available selling ammunition. Bonds positioning in the Commitments of Traders for the week ending January 12th showed Non-Commercial & Non-Reportable traders were net short 230,159 contracts after increasing their already short position by 43,229 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders net sold 233,440 contracts which moved them from a net long to a net short position of 182,012 contracts.

CURRENCIES:
Like many other markets, the dollar last week saw persistent evidence that the US recovery was slowing and given ongoing daily US infection counts above 200,000, renewed flight to quality buying of the dollar was clearly justified. In fact, the Fed specifically pointed out increased unemployment readings in a number of states and made specific reference to ongoing headwinds from the latest infection surge. Some traders will suggest that the Fed's comments

that they are not even willing to discuss tapering highlights their anxiety over the near-term outlook for the US.

While the charts are not overly negative in the dollar the action early this week suggests a sub 90.00 trade is possible directly ahead.

One might have expected the dollar to have held up better this week ahead of supportive written views from the incoming US Treasury Secretary. However, favorable equity market action and bullish blinders on the increased chances of an in-force stimulus package have sparked some selling of the dollar. In a minor supportive development, the last positioning report in the dollar was net short which could limit the number of sellers waiting in the wings. The Commitments of Traders report for the week ending January 12th showed Dollar Non-Commercial & Non-Reportable traders were net short 13,002 contracts after decreasing their short position by 1,725 contracts.

While the euro definitively rejected a spike down new low for the move early this week and the lowest trade since December 2nd, it is very difficult to discount the potential for further downside action this week. Certainly, the hope for US stimulus and less overall rancor in the US could provide some support. However, there continues to be fear that Germany will have to expand restrictions given unrelenting infections with similar problems in China and US infection counts remaining above 200,000 per day and that should leave the edge with the bear camp in the euro. The January 12th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders added 10,783 contracts to their already long position and are now net long 215,192.

Apparently, surging infection counts in several key areas throughout the world has not rekindled flight-to-quality buying interest in the Yen. Obviously, higher global equity market action and disappointing Japanese industrial production and capacity utilization readings provide the bear camp with additional confidence. Fortunately for the bull camp, the Swiss franc rejected a significant downside breakout on the charts. From a longer-term perspective, we see the Swiss respecting support with an eventual return of inflationary expectations capable of lifting the currency once the current infection surge dissipates. In the near term, the Swiss is vulnerable.

Like other non-dollar currencies, the Pound damaged its charts with weakness early this week but recovered impressively in a fashion that increases respect of support. While the Pound might be garnering support from what appears to be favorable equity markets and from hope that the US transition of power will help recovery prospects, the fundamental condition is not exactly stellar for the bull camp. Not surprisingly, the Canadian also extended a reversal from last week's high and in the process forged a 5-day low in a fashion that suggests to us that it has corrected its overbought condition. In retrospect, the Canadian should see some support from news that foreign investment in Canadian currencies jumped sharply in November but that data should be considered "old". While the Canadian temporarily violated longer-term up-trend channel support it rejected that level and the uptrend looks to remain in force after choppy price action early this week.

STOCKS:
The equity markets temporarily lost their capacity to "look through" the tail end of the pandemic late last week, and that is likely the result of a growing list of soft US data and fears that the opening-up timing continues to extend into the future. On Friday, the markets did not garner benefit from mostly favorable earnings from banks with bank shares falling after their results were released. Even more discouraging for the bull camp is the lack of a euphoria lift off the American rescue plan and that might be the result of ideas that real work on the package is unlikely in the near term due to the inauguration and the impeachment.
Global equity markets at the start of this week were higher with the exception the Chinese and Spanish markets. However, the CSI 300 declined by 1.7% and the Shanghai stock exchange composite was down by slightly less than 1%. The US equity markets started out on a positive footing with "hope springing eternal" from the transition of power and the dramatic increase in the likelihood of a stimulus. On the other hand, the markets will have a reckoning point where stimulus optimism is replaced with tax related pessimism!

The bias was up in the S&P to start the new trading week with the market rejecting a retest of the low from last week. In fact, a double low was forged leaving a plateau/shelf for prices to make another move to new all-time highs. In other words, we get the sense that infection threats from Germany and China will be discounted and prices are likely to break out higher given comments from the incoming Treasury Secretary. It should also be noted that the S&P was net spec and fund short in last week's positioning report with prices overnight at one point sitting 50 points below the level where the COT report was calculated. Therefore, the S&P has potential short covering buying fuel in addition to what appears to be initial speculative buying interest. The Commitments of Traders report for the week ending January 12th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 10,377 contracts after net selling 9,863 contracts.

With action early this week in the Dow hardly venturing into negative territory and the index oversold from last Friday's washout, news that the 737 Max could get flight clearance in the EU and given a positive overall market bias from abroad, we expect new highs in the wake of Yellen confirmation headlines. The Dow futures were already net spec and fund short before diving 400 points into last week's lows and therefore the index appears also to be capable of benefiting from stop loss buying by shorts and from fresh investor buying. The January 12th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 6,563 contracts after net selling 231 contracts. Unfortunately for the bull camp, the NASDAQ failed to forge a double low and instead forged a 7-day low. Certainly the NASDAQ saw some spillover support from action in other market sectors and from news that Citrix announced a purchase of a work management platform company. Nonetheless, the path of least resistance is pointing up in the NASDAQ. The Commitments of Traders report for the week ending January 12th showed Nasdaq Mini Non-Commercial & Non-Reportable traders reduced their net long position by 7,921 contracts to a net long 21,033 contracts.

GOLD, SILVER & PLATINUM:
After a significant range down failure on the charts o, the gold market came bounding back with a compacted recovery of $42! With infection problems surging in China and Germany, daily US cases holding above 210,000, a rollover down in the dollar and the prospect of significant political angst in the US transition of power, it would appear as if flight to quality bargain hunting buyers stepped back into gold and silver early this week. In retrospect, gold's price action reinforces the $1,800 level as critical support, with March silver in a less impressive fashion giving technical credence to the $25.00 level as chart support. While not a recent focal point of the trade, it should be noted that South African gold production for October was revised downward with output in November forecast to be down 7% versus year ago levels.

The markets will monitor the confirmation hearing of Janet Yellen and her views on the need for additional stimulus and her views on Fed policy. The net spec and fund long positioning in gold from last week obviously overstates the size of the net spec and fund long given that prices into the overnight low were down $44 from the report mark off. Gold positioning in the Commitments of Traders for the week ending January 12th showed Managed Money traders net sold 46,859 contracts and are now net long 105,270 contracts. Non-Commercial & Non-Reportable traders are net long 284,619 contracts after net selling 38,690 contracts. While we see close in support, we are suspicious that a definitive upward motion will be seen because of renewed infection headwinds which in turn keep deflation fears hanging in the wings. At the end of last week gold ETF's bought a minimal 16,255 ounces on Friday putting this year's net purchases at an insignificant 494,698 ounces on the year.

Unfortunately for the bull camp, silver ETF's at the end of last week reduced their holdings by 354,842 ounces for 5th straight day of outflows. The silver market severely damaged its charts but mitigated part of that damaged with a recovery off the low of $0.29. However, signs of a close below $24.61 could potentially set up an even bigger wave of stop loss selling. Certainly, the net spec and fund long in silver has been reduced since the recent high but remains near the vicinity of the largest spec long since early March. The January 12th Commitments of Traders report showed Silver Managed Money traders net sold 4,238 contracts and are now net long 43,395 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 7,834 contracts to a net long 71,802 contracts.

While the PGM markets have not paid particular attention to the production/supply side of the equation, it should be noted that South African PGM output in November declined by a massive 16.1% on a year over year basis. Unfortunately for the bull camp, the net spec and fund long in the platinum market (if adjusted for the gains since the last report was calculated) puts the net spec and fund long at the largest level since last March when the US lockdowns were first initiated! The January 12th Commitments of Traders report showed Platinum Managed Money traders were net long 20,058 contracts after decreasing their long position by 525 contracts. Non-Commercial & Non-Reportable traders were net long 35,022 contracts after increasing their already long position by 37 contracts.

While we continue to see platinum as a stellar long side market this year, it might require better global data than has been seen recently for the market to continue to stand up to building headwinds from infections in China and The palladium charts are also negative to start with a 5-day low registered early and little in the way of support until a recent double low down at $2344.50. The Commitments of Traders report for the week ending January 12th showed Palladium Managed Money traders net sold 701 contracts and are now net long 3,390 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 897 contracts to a net long 3,416 contracts.

COPPER:

In retrospect, Chinese data released during the Monday US holiday closure was mixed and therefore could be considered somewhat negative for copper. Certainly, year-over-year Chinese GDP growth at 6.5% is supportive of copper (even if that growth remains well below trend) but that news was heavily offset by quarter over quarter GDP growth of only 2.6% and that bad news was amplified by a softer than expected Chinese retail sales reading. Furthermore, Japanese industrial production and capacity utilization for November contracted and infection readings in China reached back up to the highest levels since March and that could be the biggest negative for copper prices this week.

In addition to the negative chart signal from a 5-day range down early slide, the bear camp should see some pressure from upbeat copper production projections from Zambia and from projections from UBS that global refined copper supply will increase by 2.9% this year. However, the increased supply projection from UBS is more than countervailed by their prediction that refined copper consumption will grow by a larger amount of 4.6% this year. Fortunately for the bull camp, the net spec and fund long in copper has pulled back slightly from all-time highs and is possibly overstated given weakness since the report was compiled. The January 12th Commitments of Traders report showed Copper Managed Money traders were net long 76,449 contracts after decreasing their long position by 4,319 contracts. Non-Commercial & Non-Reportable traders were net long 76,975 contracts after decreasing their long position by 3,243 contracts.

ENERGY COMPLEX:

The energy markets look to enter the holiday shortened trading week with a mixed bag of fundamentals. Initial analysis of headlines provides the bull camp with some assistance with reports that global crude oil in floating storage decreased by 17% in the last week reaching the lowest level since last April. Most importantly, the markets were presented with a 7.5% decline in Asian-Pacific floating storage. Furthermore, the bull camp should draft support from predictions from the IEA that OECD crude stocks in November declined by 23.6 million barrels.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 January, 2021

Unfortunately for the bull camp, crude oil stocks at the OECD have only declined by 48.9 million barrels from the near "tank top" levels seen in 2020 and Chinese production gained 1.6% last year. On the other hand, the mixed bag presented to the market offers fresh threats against the timing of the recovery of energy demand due to the resurgence of Covid-19 cases in China and Germany but also because US infections have consistently held above 200,000 cases per day.

Adding into the fear of delayed demand recovery is an IEA global oil demand forecast reduction of 600,000 barrels per day for the first quarter. In fact, the IEA indicated their reduction in demand is the result of infections in China and the possible impact on a very important Chinese holiday travel period. However, the bull camp appears to be benefiting from "hope" of a nearly instant passage of stimulus once the economic condition of the US is on the Democrat's tab. In short, positive action in equities and hope from change helps March crude oil respect support at $51.90. Crude Oil positioning in the Commitments of Traders for the week ending January 12th showed Managed Money traders are net long 350,144 contracts after net buying 18,489 contracts. Non-Commercial & Non-Reportable traders were net long 605,256 contracts after increasing their already long position by 16,005 contracts.

The gasoline market saw fresh damage to its charts and should be facing headwinds this week from unrelenting 200,000 plus daily US infections. However, the product markets should see support from an IEA forecast projecting China and India to add 1.1 million barrels per day of demand for oil products this year. In fact, the IEA did suggest that surging Asian demand could go a long way in offsetting the persistent delay of recovery in demand from Europe and the Americas. Unfortunately for the bull camp, the latest net spec and fund long positioning in the gasoline market has reached the highest level since April of last year and that reading was likely even larger into last week's high. The January 12th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 79,809 contracts after increasing their already long position by 6,903 contracts. Non-Commercial & Non-Reportable traders net bought 3,725 contracts and are now net long 97,662 contracts.

With the ULSD charts holding above last week's spike low, news that floating storage of jet fuel off Singapore declined by 64% last week and the prospect of the removal of a travel ban between Europe and the US, the market has respected support and could remain above a key pivot point today at $1.5793. However, the incoming US administration is expected to immediately roll back any removal of travel restrictions and the daily US infection counts remains above 200,000 which in turn serves to discourage airline travel reservations. While not as overbought in sheer numbers as crude and gasoline the ULSD market has a net long near the highest levels since October 2018 and that is very surprising considering the dismal expectation for near term jet fuel demand. The January 12th Commitments of Traders report showed Heating Oil Managed Money traders were net long 3,135 contracts after decreasing their long position by 1,252 contracts. Non-Commercial & Non-Reportable traders were net long 30,319 contracts after decreasing their long position by 1,430 contracts.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 January, 2021

Obviously, the natural gas market severely damaged its charts with a test of 6-day lows early this week. While we suspect that natural gas is undermined by a normal US temperature forecast and to a lesser degree pressured from German and Chinese infection counts, the market should draft support from news that Chinese power consumption increased by 3.1% last year in the face of dramatic drag from the pandemic. Other shorter term bullish issues is record power prices in Japan and reductions in nuclear and Hydro energy production in Europe due to strikes. On the other hand, prices will see some headwinds from an increase in Chinese natural gas production of 9.8% last year from the Chinese national Bureau of statistics.

The Commitments of Traders report for the week ending January 12th showed Natural Gas Managed Money traders net bought 31,388 contracts and are now net long 76,280 contracts. Non-Commercial & Non-Reportable traders were net long 28,778 contracts after increasing their already long position by 11,652 contracts. With the net spec and fund long in natural gas coming down consistently over the last 2 months and prices into the low this morning falling $0.14 below the level where the last positioning report was calculated, the gas market has largely balanced its net long and the chance of respecting consolidation low support is improved.

BEANS:

The soybean market remains in a steep uptrend and continues to show signs of a deeply overbought technical condition. However, expecting a significant technical correction with very little rain in the five day forecast for Argentina appears risky. There is better rain in the northern half of Argentina for the 6-14 day model, but this may not be enough to avoid further stress. The NOPA monthly crush rose to the second highest level on record in December, which left the crush at a record high for all of 2020. December crush came in at 183.159 million bushels, up from 181.0 million bushels in November and 174.8 million a year ago. It was the largest December crush on record and the second largest crush for any month except for October 2020. Traders were expecting crush to be 185.17 million bushels. Soybean oil stocks were pegged at a six month high of 1.699 billion pounds. This was below trade expectations at 1.712 billion.

March soybeans closed moderately lower on the session Friday with an inside trading day. The soybean market managed to close 42 cents higher for the week. March meal also closed lower on the session and has stayed inside of Wednesday's range ever since. Wednesday was a key reversal and there has been no follow through selling under 456.20 which would help confirm a short-term peak. March soybean oil closed sharply lower on the day as there was no follow through to the upside after Thursday's solid gains. Traders will monitor South America weather forecasts and watch for any signs of demand from China. On Friday, exporters announced the sale of 318,000 tons of US soybeans sold to unknown destination. Algeria is tendering to purchase 35,000 tonnes of meal. A large Brazil trading firm has committed to zero deforestation in their respective supply chains which will add pressure on larger international traders to accelerate environmental commitments. In the long run, environmental commitments will make it more and more difficult to see expanding soybean planted acreage.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 January, 2021

The Commitments of Traders report for the week ending January 12th showed Soybeans managed money traders are net long 166,485 contracts after net selling 9,342 contracts for the week. CIT traders net sold 6,814 contracts and are now net long 159,369 contracts. For Soymeal, managed money traders are net long 84,408 contracts after net selling 186 contracts for the week. Non-Commercial & Non-Reportable traders net bought 6,288 contracts and are now net long 138,738 contracts. For Soyoil, managed money traders were net long 93,536 contracts after decreasing their long position by 19,381 contracts in just one week. Non-Commercial & Non-Reportable traders are net long 135,326 contracts after net selling 21,581 contracts.

CORN:

The corn market remains in a steep uptrend and is technically overbought, but the lack of rain in the five day forecast may be a factor to support more buying. There is more rain in the 6 to 14 day forecast models but there could be more stress on the crop this week. Ukraine grain traders indicated that they saw no grounds to restrict corn exports for the 2021 season. Meat producers and grain feeders want to avoid higher feed prices and have pushed to restrict exports. The Economy ministry will decide on January 25 whether to limit corn exports to 22 million tonnes. China corn imports for the month of December reached 2.25 million tonnes, up 207% from a year ago. This pushed imports for all of 2020 to 11.3 million tonnes, up 135.7% from the previous year. March corn closed lower on the session Friday with an inside trading day. The market managed to gain 35 1/4 cents for the week and posted a contract high on Wednesday.

Surging open interest suggests fund traders have been active buyers. Talk of some rains for Argentina into the weekend and good rains for Brazil helped to pressure. Outside markets were also negative with weakness in the energy markets and a bounce in the US dollar. The market remains concerned with the Argentina crop size as the Rosario Board of Trade said corn projection slipped 4.2% to 46 million tonnes. China was a noted buyer of 151,197 tonnes in the weekly sales report last week and cumulative total corn sales have reached 70.1% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 51.4%. With corn trading at $11.35 per bushel in China, we see US exports increasing by near 200 to 350 million bushels which may push ending stocks to near 1.2 billion bushels.

If Argentina/Brazil production slides 5-8 million tonnes due to drought conditions, ending stocks could quickly slide to near 1.151 billion bushels with a stocks/usage of 7.7% which would be the third tightest on record. With corn prices and China so high, we see continued strong buying of corn from China on the world market, and new crop corn prices may need to push higher or high soybean prices could pull acres away from corn. On Friday, Mexico was a noted buyer of 110,000 tonnes of US corn. Ukraine corn export prices have hit a seven year high as demand is improving.

Argentina's decision to suspend shipments and Russia plans to impose export duties on grains and this has sparked better demand for Ukrainian corn. Corn positioning in the Commitments of Traders for the week ending January 12th showed managed money traders were net long

374,714 contracts after increasing their already long position by 24,826 contracts. Corn Non-Commercial No CIT traders hit a new extreme long of 435,357 contracts after increasing their already long position by 39,740 contracts in just one week. Corn Non-Commercial & Non-Reportable traders hit a new extreme long of 531,098 contracts and added 17,938 contracts to their already long position for the week.

WHEAT:

The wheat market remains in a steep uptrend but close poorly on Friday. Further strong demand from China helped to support. China wheat imports for the month of December reached 880,000 tonnes, up 77.5% from a year ago. This pushed imports for all of 2020 to 8.38 million tonnes, up 140.2% from the previous year. Tightening US and world ending stocks are helping to provide underlined support. The world supply still looks relatively high and it will take a steady flow of positive supply news to expect a further strong advance. Bangladesh is tendering for 50,000 tonnes of milling wheat and Syria is in the market for 200,000 tonnes. Turkey's state grain board is issued a tender to buy 400,000 tonnes.

With expensive corn, demand from China for wheat is also improved. March wheat closed higher on the session but well off of the contract highs. The market managed to gain 36 3/4 cents for the week. Fears of increased taxes on Russia wheat exports which would help support better export demand for US and European wheat helped to support. Talk that Russian may continue taxing wheat exports in the new marketing season which starts on July 1 added to the positive tone. The export tax of $30 per tonne goes into effect on February 15 but there are rumors that the government is proposing an increase to the wheat export tax to $55 per tonne beginning March 15.

The Chinese government sold almost all of nearly 4 million tonnes of wheat offered at auction last week as feed companies look to replace expensive domestic corn with cheaper state wheat. The government sold 99.7% of 3.95 million tonnes of wheat offered during this week's auction. In addition, talk of colder weather moving into the Plains for the next few weeks helped to support. The Commitments of Traders report for the week ending January 12th showed managed money traders were net long 16,987 contracts after decreasing their long position by 8,223 contracts for the week. Non-Commercial & Non-Reportable traders are net long 22,310 contracts after net selling 3,842 contracts for the week. For KC Wheat, managed money traders are net long 55,062 contracts after net buying 605 contracts. Non-Commercial & Non-Reportable traders net bought 1,135 contracts and are now net long 57,695 contracts.

HOGS:

February hogs closed sharply higher on the session last Friday as better than expected pork prices plus a cold blast into the Midwest are factors which have helped to support. Talk that the market is a bit oversold after the recent sharp break and ideas that US pork exports could stay strong over the short-term helped to support as well. The USDA pork cutout released after the close Friday came in at $78.78, down 42 cents from $79.20 on Thursday and down from $79.27

the previous week. The CME Lean Hog Index as of January 13 was 65.87, up from 65.48 the previous session and up from 62.96 the previous week. The USDA estimated hog slaughter came in at 386,000 head Friday and 290,000 head for Saturday.

This brought the total for last week to 2.654 million head, down from 2.849 million the previous week but up from 2.496 million a year ago. While slaughter for the week was up 6.3% from a year ago, pork production for the week was up 7.6% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,665 contracts of lean hogs for the week ending January 12, increasing their net long to 38,742. Non-commercial & non-reportable traders were net sellers of 603, reducing their net long to 36,786. CIT traders were net buyers of 3,014 contracts, increasing their net long to 88,032.

CATTLE:
While the short-term supply appears to be adequate, the demand tone remains very strong as traders are a bit nervous that there could be some beef hoarding due to expanding COVID cases. February cattle closed higher but well off of the highs. April cattle also closed higher and the buying Friday pushed the market up to the highest level since January 8. June and August cattle surged higher and have pushed to new contract highs. The jump in beef prices plus significant weather uncertainties for the second half of January are factors which helped to support. The USDA boxed beef cutout was up 25 cents at midsession Friday but closed 45 cents lower at $212.92. This was up from $206.80 the previous week. Very light volume was reported in cash cattle trade on Friday afternoon after a lower-trending week. The 5-day, 5-area weighted average price as of Friday was 109.49, down from 111.35 the previous week.

The USDA estimated cattle slaughter came in at 115,000 head Friday and 67,000 head for Saturday. This brought the total for last week to 651,000 head, unchanged from the previous week but up from 633,000 a year ago. While slaughter for the week was up 2.8% from a year ago, beef production reached 522.5 million pounds, up 4.3% from last year. Friday's Commitments of Traders report showed that managed money traders were net sellers of 3,161 contracts of live cattle for the week ending January 12, reducing their net long to 42,827. Non-commercial & non-reportable traders net sellers of 6,081, reducing their net long to 52,903. CIT traders were net buyers of 7,032 contracts, increasing their net long to 115,477. Last week, average dressed steer weights for the week ending January 2 came in at 920 pounds, up from 913 pounds the previous week and 912 a year ago. The 5-year average weekly weight for that week is 902.6. Traders will monitor weights closely.

COCOA:
Cocoa is one among many commodities that have faced demand concerns from the global pandemic as chocolate consumption is tied to economic strength and travel. Developments last week suggest that demand may not be as weak as the market had expected, and that may underpin cocoa prices going forward. March cocoa extended its recovery move and reached a 1-week high before finishing Friday’s trading session with a moderate gain. For the week, March

cocoa finished with a gain of 11 points and a positive weekly reversal from Thursday's 3 1/2 week low.

North America has been the laggard among the major demand regions, and the market had been expecting fourth quarter grindings to fall 2.5% from 2019. Instead, the market was surprised by a fourth quarter grindings total of 118,043 tonnes, 7% above 2019 and the highest fourth quarter reading since 2015. Asia has been viewed as the engine for global cocoa demand for many years. Their fourth quarter grindings total of 217,546 tonnes was 4.2% below 2019, but it was 7.3% above the third quarter, and it was their third highest on record. This has extended their streak of quarterly grinds above 200,000 tonnes to nine quarters in a row and the nine highest on record.

Europe accounts for more than one third of global cocoa processing without a domestic source for beans, and the recent shutdown measures there have weighed heavily on prices. The market is expecting Wednesday's fourth quarter European grindings to show a 1.5% decline from 2019, which would still mark a 1% increase from the third quarter. In addition, a group of major Ivory Coast cocoa processors said that their fourth quarter grindings total was 2.8% above their 2019 total. While the latest Ivory Coast weekly port arrivals reading came in above last year's total, the full season total remains behind last season's pace.

Ghana's Cocobod said that their fourth quarter official purchase total came in at 543,142 tonnes which was 2.2% above their 2019 total. The head of Ivory Coast's Coffee and Cocoa Board said that their nation's exports since December have been negatively impacted by the second wave of global COVID cases. The January 5th Commitments of Traders report showed Cocoa Managed Money traders are net long 27,147 contracts after net selling 274 contracts. CIT traders are net long 50,094 contracts after net buying 1,544 contracts. Non-Commercial No CIT traders are net long 11,848 contracts after net buying 347 contracts. Non-Commercial & Non-Reportable traders were net long 47,290 contracts after increasing their already long position by 2,155 contracts.

COFFEE:
Coffee had a downbeat finish to last week as it saw pre-holiday profit-taking and long liquidation, but the market has now lifted well clear of its early January lows. With market focus shifting from this season's "on-year" crop to their upcoming 2021/22 "off-year" crop, coffee prices should remain well supported this week. March coffee built on early strength and reached a new 4-month high, but fell back more than 4.00 cents below that midsession high before finishing Friday's trading session with a moderate gain. For the week, however, March coffee finished with a gain of 4.45 cents (up 3.6%) and a positive weekly reversal from Monday's 5-week low. Growing expectations for a large decline in Brazil's 2021/22 coffee production from this season's near-record output continue to underpin coffee prices during the early weeks of this year.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 January, 2021

The "off-year" Brazilian crop normally has a pullback in production from the "on-year" crop, but recent trade forecasts are looking for more than a 30% drop in production. This will come at a time when Colombia's coffee production is falling back below a 14 million bag annualized pace while Honduras, Guatemala and Nicaragua are still seeing supply issues from back-to-back severe storms last November. A sizable pullback in the Brazilian currency weighed on coffee prices going into the weekend, however, as a weaker currency will make Brazil's producers more aggressive with marketing their remaining "on-year" coffee supply to foreign customers. US green coffee stocks finished December at 5.978 million bags, which was just over 169,000 bags above their November month-end total and the first monthly increase since June.

ICE exchange coffee stocks (most of which are held at Euro zone warehouses) fell by 8.592 bags on Friday but rose by 8,681 bags on Monday to reach their highest levels since August. ICE exchange coffee stocks are more than 108,000 bags above their December month-end total which put them on-tract for their largest monthly increase since October of 2012. Coffee positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders are net long 22,057 contracts after net selling 33 contracts. CIT traders are net long 62,696 contracts after net buying 2,210 contracts. Non-Commercial No CIT traders are net long 21,837 contracts after net selling 1,285 contracts. Non-Commercial & Non-Reportable traders were net long 49,380 contracts after increasing their already long position by 1,116 contracts.

COTTON:

The cotton market remains in a steady uptrend but is still under the negative technical influence of the January 13 key reversal. Cotton rallied 1.7% for the week. Outside market forces carry a positive tilt today with strength in the energy markets and gold and weakness in the US dollar. Traders see the improving economy ahead as a supportive demand force and it will be important to see the export market remain very active so the US dollar weakness is a positive force.

Cotton positioning in the Commitments of Traders for the week ending January 12th showed Managed Money traders net sold 1,010 contracts and are now net long 69,702 contracts. CIT traders reduced their net long position by 500 contracts to a net long 77,471 contracts. Non-Commercial No CIT traders net sold 1,556 contracts and are now net long 62,370 contracts. Non-Commercial & Non-Reportable traders net sold 2,372 contracts for the week and are now net long 99,825 contracts.

SUGAR:

While sugar lost upside momentum in front of the holiday weekend, it will start this week in close proximity to last Thursday's 3 1/2 year high. With key outside markets starting to lose their recent strength, sugar may need to receive fresh bullish supply/demand news in order to hold its ground near its recent highs. March sugar bounced back from initial pressure but fell back on the defensive at midsession before finishing Friday's inside-day trading session with a moderate loss. For the week, however, March sugar finished with a gain of 85 ticks (up 5.4%) which was a fifth positive weekly result in a row.

A large pullback in energy prices weakened the sugar market as that may soften Brazilian domestic ethanol demand. In addition, a large pullback in the Brazilian currency also weighed on sugar as that encourages Brazilian mills to produce more sugar for exports. Both of those key outside markets had a lukewarm start to the week, and they may be sources of early carryover pressure during today's action. Brazil's 2020/21 Center-South harvest is complete as mills shifted a large portion of their crushing over to ethanol production since December. Brazil's upcoming 2021/22 cane crop dealt with long period of drier than normal weather last year and will has a La Nina weather event through the end of the first quarter that normally produces drier than normal conditions.

The 2021/22 Center-South cane harvest will not reach full speed until April and is expected to see a sizable decline in sugar production from this season. Thailand is looking at a second cane crop in a row near multi-decade lows which will keep their sugar exports very low, but multi-year highs for global prices could lead to India's mills ramping up their sugar exports over the next few months. The outlook for improving global demand has been a key source of recent strength with firms in Indonesia (the world's top sugar importing nation) expecting 2021 imports to be 10% above last year's total.

The world's second largest sugar importer is China saw 2020 sugar imports come in 55.5% above their 2019 total, but there are reports that warehouses are filling up and their upcoming sugar imports may not be as strong. The Commitments of Traders report for the week ending January 12th showed Sugar Managed Money traders are net long 219,831 contracts after net selling 9,791 contracts. CIT traders reduced their net long position by 4,598 contracts to a net long 271,814 contracts. Non-Commercial No CIT traders net sold 17,239 contracts and are now net long 165,741 contracts. Non-Commercial & Non-Reportable traders are net long 333,072 contracts after net selling 17,102 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.

Follow ADMIS on Social Media

LinkedIn ADMIS Futures & Options Daily Group!

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

19 January, 2021