ADM
ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
In retrospect, the treasury bond market deserved a significant short covering rally late last week after what we think was a new record net spec and fund short positioning at last week's low. Clearly, negative psychology thrown off by equities, ongoing problems with the passage of the stimulus package and a distinct reversal of reflationary commodity price action were justification for the bounce in treasury prices to end the trading week. In retrospect, the treasury market deserved a short covering bounce, with the net spec and fund short in bonds, adjusted into the Friday low, likely nearing record short positioning.

Bond positioning in the Commitments of Traders for the week ending February 23rd showed Non-Commercial & Non-Reportable traders net bought 24,260 contracts and are now net short 205,242 contracts. Similarly, if the note market saw its net spec and fund short positioning from last week adjusted into the low Friday, the net short would likely be near the largest net spec and fund short since February of last year. T-Notes positioning showed Non-Commercial & Non-Reportable traders were net short 149,170 contracts after increasing their already short position by 105,988 contracts. While treasury prices gave back initial gains forged at the start of this week, it would appear as if dovish dialogue from world central bankers provided support for prices, by continuing to suggest signs of inflation will not alter their supportive stance.

However, a global risk on vibe from equities and from favorable European/UK manufacturing PMI readings should provide some fundamental resistance for prices to start out this week. On the other hand, the US will see a wave of manufacturing PMI readings from two different sources and the trade should begin to look ahead to the February jobs report on Friday. Expectations are for a noted jump in initial jobless claims on Thursday and that should be partially countervail by projections that the February nonfarm payroll gain will be significant at 180,000.

CURRENCIES:
The dollar index exploded late last week primarily off rising US treasury yields, but that impact is likely to diminish over this coming week unless there is a surge of euphoria associated with market expectations that the pandemic is winding down. With a fresh higher high for the move to start the trading week, it

appears as if the dollar remains in vogue and the expectation of even higher US yields remains in place despite a general risk on environment. Surprisingly, better-than-expected European and UK PMI data did not undermine the dollar but that premise could be tested again later this morning in the wake of US manufacturing PMI results.

In the near term, we leave the edge with the bull camp in the dollar but see a major junction before the end of this week in the form of the US monthly payroll report. From a technical perspective, the dollar in the last positioning report was still net spec and fund short which suggests the dollar is probably not short-term overbought yet despite the aggressive bounce from last week's low. The Commitments of Traders report for the week ending February 23rd showed Dollar Non-Commercial & Non-Reportable traders were net short 13,140 contracts after increasing their already short position by 681 contracts.

As in the dollar action early this week, the euro has continued its action from last week with the currency not finding support from good European data. Therefore, it appears as if the euro is destined for a near term trade back below 1.20, with a likely support point (and very key pivot point) seen at 1.1960. The Commitments of Traders report for the week ending February 23rd showed Euro Non-Commercial & Non-Reportable traders were net long 196,354 contracts after increasing their already long position by 2,474 contracts.

The Yen remained in a freefall at the start of this week , with the next logical support target not seen until the July consolidation lows at 93.61. In our opinion, risk on or risk off is of little consequence for the Yen, as it appears to be out of vogue and without supportive domestic economic conditions. Not surprisingly, the Swiss franc also extended sharply lower and appears to be destined for a near term slide to the bottom of the November consolidation zone down at 1.0913. At least in the near term, it appears as if the dollar will remain "King" as investors and traders snap up minimally higher US yields. Therefore, it is likely the Swiss will fall back to the bottom of the last 8 months consolidation lows, until US equities make fresh highs, or a US stimulus is signed into law or the US begins to open-up some regions.

Seeing the Pound hold up against the dollar in the early going this week highlights residual bullishness toward the currency. While not a key component of the bull case, favorable UK PMI data helps improve the outlook toward the UK economy, but we remain skeptical of the Pound’s ability to avoid downside work. Like the Pound, the Canadian dollar appears to have found some measure of support/value on its charts just above 78.48, which we think highlights the currency's ultimate ability to return to bull market status. However, overt strength in the dollar in the near term is likely to restrict the Canadian and keep the currency held down under 78.90.

STOCKS:
While we will not discount the potential for further declines in equity prices this week off fears of rotation from equities to treasuries, we do not expect a sustained anxiety event. In fact, seeing a very strong recovery in the NASDAQ late last week combined with the authorization of the Johnson & Johnson vaccine over the weekend could present the market with renewed buying interest. Global equity markets were all higher with the market in Tokyo posting gains in excess of 2%.

It is likely that forward movement on the US stimulus package and the emergency use authorization of the single shot Johnson & Johnson vaccine has rekindled bullish sentiment to start the new trading week. Economic news of importance included Chinese nonmanufacturing PMI for February which came in down one point from the prior month and Chinese NBS manufacturing PMI which also declined relative to the prior month. However, the slack Chinese data was partially offset by strong factory activity in Europe with France, Germany, and the overall EU all posting better than expected manufacturing PMI readings.

In addition to respect of consolidation low support around 3800.00, the S&P has the benefit of an improved fundamental environment. While the fear of rotation to treasuries from stocks for better yields remains an issue, a measure of optimism from the implementation of the 3rd vaccine today provides investors with fresh incentive. In fact, Johnson & Johnson reportedly began distributing the vaccine immediately with 2 million doses available. Furthermore, the Johnson & Johnson vaccine is easier to transport/store and is a single shot vaccine which dramatically vaults the vaccination effort forward.

Unfortunately for the bull camp, speculative fervor is lacking and the S&P has significant overhead consolidation pattern resistance. However, the latest positioning report showed a net spec and fund short and the market into last Friday's low was 100 index points below the level where the positioning was net short 9000 contracts. The February 23rd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders are net short 9,199 contracts after net buying 20,975 contracts.

The Dow started out the week in positive territory and is catching lift from positive global market action and more specifically because of the beginning of vaccine distribution by Johnson & Johnson. Like other measures of the market, the Dow futures likely extended the size of their "net spec and fund short" into the low last week, and we suspect that low will remain in place today unless close-in support at 30,981 is violated. The February 23rd Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net short position by 1,251 contracts to a net short 1,032 contracts.

The NASDAQ showed more upward resilience than other sectors of the market early this week and that is likely a function of the massive declines in the NASDAQ from the mid-February high. In other words, in the event of a better global environment the NASDAQ might be capable of the largest bounce. In fact, with the most recent positioning report showing the NASDAQ shifting into a net short and then seeing the index into the Friday low falling an additional 500 points, the 13,000 level could be a very key pivot point. Nasdaq Mini positioning in the Commitments of Traders for the week ending February 23rd showed Non-Commercial & Non-Reportable traders net sold 23,317 contracts which moved them from a net long to a net short position of 1,237 contracts.

GOLD, SILVER & PLATINUM:
While the gold and silver markets traded higher to start out the week, a portion of that strength was likely a technical balancing move from last Friday's significant washout in prices. However, US treasury yields have declined with a bounce in bond prices of nearly 5 points. On the other hand, the dollar

forged another higher high for the move and is now trading at the highest level since February 8th and therefore the currency impact on precious metal prices continues to be limiting. However, there is a definitive risk on vibe flowing from global equity markets, the House passed a stimulus package and forwarded the package to the Senate, where it is expected to proceed slowly with eventual reconciliation. Unfortunately for the bull camp gold ETF's last Friday reduced their holdings for a 10th straight session, extending the longest daily outflow streak since December 7th and bringing this year's net liquidation of holdings up to 2.5 million ounces. Last week gold ETF's reduced their holdings by 1.3 million ounces while silver holdings (despite an outflow of 581,089 ounces on Friday) increased their holdings by 1.9 million ounces.

As we have indicated several times over the past several weeks, the gold market has a tendency to experience massive corrective action before exhausting the selling and given that the recent spike low action was forged on consistent declines in trading volume and falling open interest it is possible that a low has been achieved. In fact, given the massive slide in June gold of nearly $100 since the most recent COT positioning report was measured, the net spec and fund long in gold likely sits at the lowest level since June 2019. The February 23rd Commitments of Traders report showed Gold Managed Money traders are net long 83,395 contracts after net selling 186 contracts. Non-Commercial & Non-Reportable traders were net long 254,096 contracts after decreasing their long position by 8,286 contracts. Unfortunately for the bull camp, oversold technical signals are unlikely to fully halt would appear to be a fundamental liquidation.

Even the silver market has fallen victim to the higher rates/higher dollar/lower gold price environment, but ETF investment has held together better in silver than in gold, with silver ETF's last week increasing their holdings by 1.9 million ounces and the year-to-date gain in silver holdings approaching 9%. Silver has been able to post a number of daily gains in the face of weakness in gold prices. Nonetheless, a wave of bearish fundamental and technical forces, look to limit the silver market to start the new week and without a broad-based noted reflation vibe returning to the forefront for several sessions we see the silver market as vulnerable. Silver positioning in the Commitments of Traders for the week ending February 23rd showed Managed Money traders net sold 1,569 contracts and are now net long 39,421 contracts. Non-Commercial & Non-Reportable traders are net long 72,793 contracts after net selling 289 contracts.

Like the gold and silver trade, the platinum market rebounded aggressively to start the week, but a moderate portion of that action might be simple technical short covering buying. Nonetheless, there is a risk on vibe in place throughout the markets with nearly all physical commodities tracking positive in the early going and that should help underpin platinum prices above the $1,200 level. Last Friday, platinum ETF's increased holdings by over 5,800 ounces which in turn brought year to date gains up to 0.7%. Unfortunately for the bull camp, platinum ETF holdings last week were reduced by 21,619 ounces. Palladium ETF's last Friday increased by 2,425 ounces, putting the year-to-date gain in holdings at 2.6%. Over the longer-term, fundamentals in platinum project a noted deficit, but the market likely needs signs of improved demand (particularly from China) to fully rekindle the bull track seen prior to the February high/reversal. In fact, given the net spec and fund long in platinum was at some of the highest levels since last March and given that the February low to high rally was $370, back and fill was inevitable.

A normal retracement of the late December to early February rally was violated Friday at $1,190.20 and that could be considered a defining line between bullish and bearish control early this week. In the end, the bull camp needs a definitive resurrection of "risk on" generated by a finalized stimulus deal or signs that lockdowns are being rolled back. The February 23rd Commitments of Traders report showed Platinum Managed Money traders net sold 2,487 contracts and are now net long 25,931 contracts. Non-Commercial & Non-Reportable traders net sold 1,653 contracts and are now net long 43,190 contracts. While the palladium market also came under wholesale liquidation at the end of last week, it was not significantly overbought in spec and fund positioning and the sharp slide last week likely shifted into net short when adjusted for the slide after the last report. The February 23rd Commitments of Traders report showed Palladium Managed Money traders reduced their net long position by 443 contracts to a net long 1,211 contracts. Non-Commercial & Non-Reportable traders were net long 1,335 contracts after decreasing their long position by 328 contracts. At least to start the new trading week, the June palladium contract would appear to have some measure of support at the $2,300 level.

COPPER:

Like many other physical commodity markets, the copper market has managed to "bounce" following last week's reversal of reflation sentiment. Unfortunately for the bull camp, Chinese manufacturing data for February was disappointing in several measures released early this week and that undermines Chinese copper demand expectations. However, some indirect support for copper could be seen following an upward revision in aluminum price forecasts from Goldman as they see a tightening market with a looming global deficit which in turn gives additional credence to forecasts for a global copper deficit.

Yet another disappointing development for the bull camp in copper was seen from China where export activity in the PMI report showed weakness, even though economist discounted that contraction as a one-off event. Furthermore, some traders think the surge in copper prices has prompted Chinese buyers to "back away" in hopes of lower prices ahead. Obviously, the downshift in reflation views last week, a massively overbought spec and fund positioning, a 5-digit jump in weekly Shanghai copper stocks, strength in the dollar and fears of risk off sentiment from equities still present leaves the bear camp with plenty of ammunition into the new trading week.

With the net spec and fund long in copper as of last Tuesday registering another record high long positioning, we suspect technical stop loss selling will extend into the new trading week. Copper positioning in the Commitments of Traders for the week ending February 23rd showed Managed Money traders are net long 70,531 contracts after net selling 16,781 contracts. Non-Commercial & Non-Reportable traders were net long 87,225 contracts after decreasing their long position by 77 contracts. While last week's Shanghai copper stocks build was the largest in over one year, it is possible that some of that buildup in supply was an artifact of the Chinese holiday.

ENERGY COMPLEX:

With a significant range down failure at the end of last week, a noted tempering of reflation views, noted strength in the dollar and US production conditions normalizing, the bear camp enters the new week with some confidence. However, a return to risk on sentiment brought on by favorable stimulus and vaccine news has caused some sellers to cover positions early this week. Unfortunately for the bull camp, we see a significant bearish threat to prices flowing from the likelihood that Russia will push OPEC plus aggressively later this week for further loosening of production restraint. One could suggest that the surprise and significant production setback in the US from the cold snap, provides OPEC plus with some cover to return more production.

It should also be noted that the shift into backwardation pricing is a sign that OPEC is expected by the market to increase output. The OPEC plus meeting is set for Thursday, with the Saudi Energy minister already asking producers to remain "cautious". In fact, the bears could easily seize control of an overbought condition (which has coincided with perfect storm of bullish fundamental events) if more supply is pushed into a market as improved demand has not surfaced yet. It should also be noted that crude oil in floating storage increased by 9.9% last week with the only areas not seeing increases the Middle East and West Africa. Furthermore, severe cold is unlikely to be replicated again this winter, especially given the temperature forecast (now beyond midmonth) calls for above normal temps and that combined with the fact that disrupted US production is coming online quickly is bearish.

In a major longer-term psychological negative, it should be noted that the US Baker Hughes rig count continues to rise sharply, with a 43-week high posted last week. Certainly, that production will not impact prices straightaway, but we are well into a pattern of recovery in the oil patch and without opening-up action soon, we think crude oil prices have forged a major high. From a technical perspective, the crude oil spec long adjusted into the highs last week was likely near the highest long levels since October 2018, thereby increasing the potential for a noted downside correction. The February 23rd Commitments of Traders report showed Crude Oil Managed Money traders reduced their net long position by 3,037 contracts to a net long 386,855 contracts. Non-Commercial & Non-Reportable traders net sold 2,703 contracts and are now net long 617,988 contracts.

Certainly, the product markets have ongoing supply cushion from the fact that nearly one-third of US refineries were off-line in the last 2 weeks. In fact, it appears as if the refinery outages have allowed the bull camp to extend control over prices even though the US has yet to show signs of demand recovery. With last week's macroeconomic deterioration, 3 days of daily US new infections back above 72,000, gasoline inventories at the EIA expanding, and the US gasoline stocks seeing a surplus for the first time in several months, it would appear as if gasoline reached a critical intermediate top on the charts. Technically it would appear as if April gasoline has built a series of consolidation highs (over 4 sessions) at $1.9876 and therefore the bull camp will need a sustained return to economic optimism to punch above the $2.00 level on the charts.

However, the net spec and fund long in gasoline has been coming down for several weeks and adjusted for the washout at the end of last week, RBOB could have less long liquidation pressure than crude oil early this week. It should be noted that Indian daily gasoline sales last month were 1.5% above year ago levels and favorable vaccine news should help foster hopes that US gasoline demand will improve sooner rather than later. Gas (RBOB) positioning in the Commitments of Traders for the week ending February 23rd showed Managed Money traders are net long 56,991 contracts after net selling 4,149 contracts. Non-Commercial & Non-Reportable traders were net long 60,429 contracts after decreasing their long position by 11,389 contracts. Unlike the gasoline market, the ULSD market severely damaged its charts at the end of last week and the market has shown less recovery action than other energy markets at the start of this week.

Fortunately for the bull camp, ULSD declines could be limited given it had the smallest net spec and fund long position of the energy complex last week. Unfortunately for the bull camp, Indian daily diesel sales last month declined by 5.3% year over year and while US security airport checkpoint numbers are periodically touching 1 million per day, those readings remain half of year ago figures. In the end, we see the path of least resistance remaining down unless optimism from another vaccine supply results in "opening up" headlines. The Commitments of Traders report for the week ending February 23rd showed Heating Oil Managed Money traders reduced their net long position by 6,299 contracts to a net long 11,971 contracts. Non-Commercial & Non-Reportable traders are net long 27,449 contracts after net selling 10,971 contracts. Initial support in the April diesel market is $1.8292 and then not until even numbers at $1.80.

On one hand, the natural gas market ranged down sharply at the end of last week and damaged its charts in a fashion that could discourage bargain-hunting buying this week. On the other hand, the market aggressively rejected the spike low and there are reports that US LNG export flow has picked up pace again. Going forward, warmer temps and a return of US production (from the freeze) is expected to build US storage levels in the weeks ahead. Unfortunately for the bull camp, US natural gas rigs operating increased by one last week, bringing the operating tally up to the highest level since April 2020. However, part of the bearish rig operating count from the US was offset by a decline in Canadian gas rigs operating, with that net rate reaching the lowest level in 7 weeks.

The February 23rd Commitments of Traders report showed Natural Gas Managed Money traders reduced their net long position by 12,156 contracts to a net long 99,516 contracts. Non-Commercial & Non-Reportable traders net sold 8,572 contracts and are now net long 53,181 contracts. We leave the bias pointing down as end of winter is drawing near and it could take another contraction in US working inventories of significance to reduce the confidence of the bear camp. In fact, with the most recent COT report showing a net spec and fund long of 53,000 contracts, the market likely retains some weak handed longs that appear to be fighting against the seasonal temperature calendar.

BEANS:

A more positive tilt to outside market forces plus a much drier forecast for the next two weeks for Argentina are factors which may have supported solid gains at the start of this week. Traders also see the slower pace of the Brazilian harvest as a reason to suspect some better demand from other exporters for soybeans. AgRural sees Brazil’s soybean harvest at 25% complete as of Feb. 25th from 15% a week earlier, and 40% in the previous year. The pace is still the slowest since 2011. The market seems to have the supply/demand fundamentals for a continued strong uptrend, but increased harvest activity out of Brazil and the lack of new export business from the US Gulf are factors which have contributed to the selloff. May soybeans are still operating under the negative technical influence of the February 25 key reversal. There is little rain in the new 2-week forecast for Argentina which may provide some support and too much rain for the Brazilian crop could also cause some quality issues for the harvest. On Friday, Chinese meal prices fell 5% for the biggest decline in eight years. There are increase concerns for the possibility that African swine fever slows the expansion of pork in China.

May soybeans managed follow through selling from Thursday's key reversal, but the market failed to find aggressive new selling. May soybean oil also experienced a reversal on Thursday, but recovered from early losses to close higher on the session Friday as a lack of oil deliveries has helped to support. There were 6 more meal delivered with 13 month-to-date. There are still no soybean deliveries. May soybean meal closed slightly lower but the early selling drove the market down to the lowest level since January 25. For the monthly January crush report, traders see crush at 195.6 million bushels with a range of 195-196.1 million bushels. This would be up from 193.7 million bushels in December and 188.8 million crushed in January 2020. It would also be the biggest January crush on record and the second largest crush for any month.

Soy oil stocks are estimated at 2.315 billion pounds, from 2.219 billion at the end of December and 2.351 billion at the end of January 2020. The February 23rd Commitments of Traders report showed Soybeans managed money traders were net long 172,364 contracts after increasing their already long position by 10,954 contracts in just one week. The buying trend is supportive but the market is in an overbought condition. CIT traders are net long 164,662 contracts after net buying 2,842 contracts. For Soyoil, managed money traders were net long 112,645 contracts after increasing their already long position by 2,249 contracts for the week. Non-Commercial & Non-Reportable traders added 1,539 contracts to their already long position and are now net long 149,901. For meal, managed money traders are net long 69,487 contracts after net buying 65 contracts. Non-Commercial & Non-Reportable traders are net long 117,582 contracts after net buying 2,253 contracts.

CORN:
The drier forecast for Argentina is positive but strength in the US dollar and some continued fears of China's pig herd has pressured. AgRural sees Brazil corn plantings at 39% complete as of Feb. 25th from 24% a week earlier, and 67% the previous year. Outside market forces were bearish on Friday. The sharp selloff in crude oil and a rally in the US dollar were seen as bearish forces. December corn closed lower on the session Friday and experienced follow through selling from Thursday's key reversal, but the close was well up from the lows. With managed money fund traders holding a net long position of 361,151 contracts, it will not take much in the way of bearish outside market forces or demand concerns to spark a corrective break. Traders view slow ethanol production and the possibility that large production out of South America will move to the market soon as factors that could spark more selling. The Brazilian currency has fallen to a new 2 1/2 month low, and this could make Brazilian producers more aggressive in marketing corn to foreign customers.

A new African swine fever outbreak in China has sparked concerns over demand on ideas that the new strain could reduce China's hog supply. While we see this as an important issue for the near term, we would expect China to be in a better position to control the virus than they were in the past and that they will be able continue the aggressive expansion in their pork industry. Corn and meal prices are near record highs in China, which suggests feed demand is still very strong. This also means that US corn prices still look cheap for Chinese buyers. We anticipate further adjustments lower in the USDA's 2020/21 ending stocks estimates, which mean tighter supply into the summer. Cumulative corn export sales have reached 89% of the USDA's forecast for the 2020/21 marketing year versus a five-year average of 65%. For cumulative sales to be at the same as the five-year average, exports would have to be revised higher by 979 million bushels.

Bullish action for March corn relative to other contracts this past week might be an indication that commercial traders want to own inventory and there has been no deliveries for the first two notice days. The February 23rd Commitments of Traders report showed managed money traders are net long 361,151 contracts after net selling 4,634 contracts. CIT traders added 4,053 contracts to their already long position and are now net long 406,129. Non-Commercial No CIT traders were net long 372,827 contracts after decreasing their long position by 13,167 contracts. Non-Commercial & Non-Reportable traders net sold 11,378 contracts and are now net long 488,287 contracts.

WHEAT:

The wheat market seems to have turned back lower as the slow exports and rain in the forecast this week for Kansas and Oklahoma plus bearish outside market influences are seen as negative forces. While there is still no Chicago wheat deliveries after two sessions, Kansas City wheat deliveries reached 1,288 contracts, and this pushed the month-to-date total to 1,377 contracts. May wheat opened slightly lower on Friday and closed sharply lower on the session. A surge higher in the US dollar plus weakness in the other grains helped trigger selling pressure. Many commodity markets experienced long liquidation selling, and wheat does not seem to have the supply fundamentals for an extended move higher.

Weekly export sales came in at just 167,741 tonnes for the current marketing year (250,000-700,000 expected) and 14,770 for the next marketing year (50,000-150,000 expected) for a total of only 182,511 tonnes. China sold 1.7 million tonnes of wheat from its state reserves, 42% of the 4 million tons offered, during a weekly auction between Feb. 23-24, the National Grain Trade Center said on Monday. Purchases are slightly down from previous auction. Traders will monitor the weather closely as the US Plains remain dry coming out of dormancy. However, there is some rain in the 6-10 day forecast for the eastern Plains with above normal temperatures. There is also rain in the 8-14 models with above normal temperatures.

The Commitments of Traders report for the week ending February 23rd showed managed money traders added 5,625 contracts to their already long position and are now net long 26,910. CIT traders were net long 156,604 contracts after increasing their already long position by 7,003 contracts. For KC Wheat, managed money traders reduced their net long position by 3,925 contracts to a net long 53,208 contracts. Non-Commercial & Non-Reportable traders net sold 2,806 contracts and are now net long 51,596 contracts.

HOGS:

With the market holding an extreme overbought condition, and with April hogs holding a huge premium to the cash market, a minor profit-taking selloff on Friday turned into a major drop of 2.9%. Pork cutout values pulled back as well on Friday and the premium of futures to the cash market narrowed significantly. April hogs open steady on the day and closed sharply lower. The market is extremely overbought technically, and outside market forces weighed on the market. The strong US dollar plus the large premium of futures to the cash market helped to pressure as well. The USDA pork cutout released after the close Friday came in at $92.06, down $2.01 from $94.07 on Thursday but up from $90.14 the previous week. The CME Lean Hog Index as of February 24 was 79.95, up from 79.12 the previous session and 77.20 the previous week. The USDA estimated hog slaughter came in at 488,000 head Friday and 174,000 head for Saturday.

This brought the total for last week to 2.642 million head, up from 2.432 million the previous week and up 3.2% from a year ago. With heavier weights, pork production last week was up 4.6% from last year and the extra production may be difficult to absorb without a set-back in pork prices. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,593 contracts of lean hogs for the week ending February 23, increasing their net long to 72,780. This is the highest since November of 2017. Non-commercial & non-reportable traders were net buyers of 5,515, increasing their net long to 69,591. China's national average spot pig price as of March 1 was up 2.75% from Friday. For the month, down 14.48% and down 19.84% year to date and down 23.59% versus a year ago.

CATTLE:
With the market in a short-term oversold condition, and with vaccine news supportive to a more aggressive reopening of the economy this spring, the market may find some short-term demand support. However, the market will also need to absorb last week's big beef production which was up 7.8% from a year ago. A long liquidation selling mode was noted in the commitments of traders report. April cattle closed sharply lower on the session Friday after a slightly lower opening. Bearish outside market forces and further long liquidation selling are factors which helped to pressure. The selling pushed the market down to the lowest level since January 22. The USDA estimated cattle slaughter came in at 119,000 head Friday and 64,000 head for Saturday. This brought the total for last week to 666,000 head, up from 552,000 the previous week and up 6.1% from last year. With the higher weights, beef production last week was up 7.8% from last year.

The USDA boxed beef cutout was up 85 cents at mid-session Friday and closed 14 cents higher at $240.53. This was up from $239.23 the previous week. Cash live cattle ended last week nearly unchanged from the previous week. As of Friday afternoon, the 5-area, 5-day average price was 114.04 versus 114.03 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,924 contracts of live cattle for the week ending February 23, reducing their net long to 88,164. The long liquidation selling trend is seen as a bearish development. Non-commercial & non-reportable traders were net sellers of 5,166, reducing their net long to 92,315. CIT traders were net sellers of 1,399 contracts, reducing their net long to 124,073.

COCOA:
While cocoa's updraft ran out of steam going into the weekend, the market will finish the week and month well above its December/February consolidation zone. As global demand prospects continue to improve, cocoa prices may head towards a retest of their late November highs. May cocoa was able to bounce back from early pressure, but could not hold its ground in positive territory as they finished Friday's inside-day trading session with a modest loss. For the week, however, May cocoa finished with a gain of 161 points (up 6.6%) which broke a 4-week losing streak while the market posted its first positive monthly result since November.

Sluggish global equity markets along with sizable pullbacks in the Eurocurrency and British Pound were sources of carryover pressure on cocoa prices that fueled end-of-week and end-of-month profit-taking and long liquidation. However, the outlook for stronger longer-term demand helped the cocoa market to regain its footing going into the weekend. The International Cocoa Organization (ICCO) released their Quarterly Bulletin of Statistic on Friday which included their first estimates for the 2020/21 season as they projected a global production surplus of 102,000 tonnes which would be the largest surplus since the 2016/17 season.

The ICCO forecast 2020/21 global cocoa production at 4.843 million tonnes, which would be an increase of 117,000 from their upwardly adjusted 2019/2020 production estimate of 4.726 million tonnes and would be a record high production total. However, the ICCO also forecast 2020/21 global grindings would come in at 4.693 million tonnes which would an increase of 24,000 tonnes from their upwardly adjusted 2019/20 global grindings estimate of 4.669 million tonnes. While both are below the record high grindings total for the 2018/19 season (4.784 million tonnes) the ICCO estimates for the 2020/21 season and the 2019/20 season are the second and third highest on record.

Cocoa positioning in the Commitments of Traders for the week ending February 23rd showed Managed Money traders are net long 16,121 contracts after net buying 1,278 contracts. CIT traders were net long 47,853 contracts after decreasing their long position by 1,809 contracts. Non-Commercial No CIT traders net bought 1,380 contracts and are now net long 4,779 contracts. Non-Commercial & Non-Reportable traders added 1,162 contracts to their already long position and are now net long 41,189.

COFFEE:

While coffee saw choppy price action over the last 3 sessions of February, it will start out March above its early September high and at the highest price levels since the start of 2020. Although global risk sentiment may remain subdued, coffee has a positive global demand outlook that can help to underpin prices early this week. May coffee fell victim to end-of-month profit-taking and long liquidation as it finished Friday's trading session with a sizable loss. For the week, however, May coffee finished with a gain of 8.35 cents (up 6.5%) and a third positive weekly result over the past 4 weeks.

A more than 1% decline in the value of the Brazilian currency to a new 16-week low weighed on coffee prices as that may encourage Brazil's producers to more aggressively market their near-term supply to foreign customers. There were reports of shipping container shortages at major Brazilian ports last week, which come at a time in which those ports also have to ship Brazil's soybean and corn production so a sizable near-term uptick with their coffee exports may not come until their harvest begins at mid-year. Brazil's upcoming 2021/22 coffee "off-year" has dealt with drier than normal conditions since last year and is likely to decline more than 30% from this season's output total.

Colombia's coffee production during the first half of this year was forecast by their coffee federation to decline by 1.4% from last year's total, and that projects a second year in a row in which Colombia's coffee production comes in below 14 million bags. ICE exchange coffee stocks rose by 9,501 bags on Friday and finished February at 1.772 million bags which was their highest month-end total since May of last year. This was also a fifth monthly increase in a row as ICE exchange coffee stocks rose by mover

672,000 bags during that timeframe. Keep in mind that almost 646,000 bags of that increase occurred at the Euro zone ports of Antwerp, Hamburg and Bremen, and that reflects subdued near-term European demand over the past few months.

The February 23rd Commitments of Traders report showed Coffee Managed Money traders net bought 14,124 contracts and are now net long 35,183 contracts. CIT traders reduced their net long position by 1,107 contracts to a net long 73,557 contracts. Non-Commercial No CIT traders were net long 35,426 contracts after increasing their already long position by 15,972 contracts. Non-Commercial & Non-Reportable traders net bought 17,674 contracts and are now net long 62,913 contracts.

COTTON:

The sweeping reversal from an extreme overbought level on Thursday leaves cotton's short-term trend down, and other industrial commodity markets last week also experienced aggressive selling. May cotton gapped lower on Friday and continued the selloff from Thursday. It did manage a significant bounce off its lows of the day, but it still closed lower and never made it back to unchanged. This action was similar to what was seen in the corn and soy markets. Outside markets recovered early this week and the cotton market traded sharply higher. The dollar was sharply higher, which is negative to export markets like cotton, and the stock market was lower, which is also negative for cotton. Still, May cotton ended the month with a gain up 6.99 cents for a gain of 8.5%.

Friday's Commitments of Traders showed managed money traders were net buyers of 3,886 contracts of cotton for the week ending February 23, increasing their net long to 72,454. This leaves the market in an overbought condition. Non-commercial, no CIT traders were net buyers of 4,546, increasing their net long to 74,226. Non-commercial & non-reportable traders were net buyers of 5,392, increasing their net long to 111,680. The market has sold off significantly since that data was collected, so we can presume the spec net longs have come down from these levels.

SUGAR:

While sugar has a bullish supply/demand outlook, its key outside markets finished the month on a downbeat note. As a result, sugar may be vulnerable to further downside action before prices find their footing. May sugar followed-through on Thursday's outside-day down session as it fell to a new 1-week low before finishing Friday's trading session with a sizable loss. While sugar was able to extend its streak to a tenth positive monthly results in a row, May sugar finished the week with a loss of 44 ticks (down 2.6%) which was a second negative weekly result over the past 3 weeks and a negative weekly key reversal.

Energy prices dropped sharply from their recent 1-year highs, and that put carryover pressure on the sugar market as that may weaker Brazilian domestic ethanol demand. In addition, a 1% decline in the value of the Brazilian currency down to a new 16-week low weighed heavily on sugar prices as that could encourage Brazil's Center-South mills to emphasize sugar production over ethanol production with their 2021/22 season's crushings. While supply bottlenecks at the Brazilian port of Santos have impacted Center-South sugar exports, that did not provide enough near-term support to underpin sugar prices going into month-end.

The raw sugar delivery for the expiring March ICE sugar contract was roughly 890,000 tonnes, which was lower than last year's March delivery. It was also well below market expectations early last week that were looking for a delivery above 2017's record high, and that weighed on sugar prices during Friday's trading. Archer Consultancy said that Brazilian mills have hedged over 80% of their projected 2021/22 exports, which is well above average levels for this time of the year as they have also hedged nearly 25% of their potential 2022/23 sugar exports as well. The West Indian Sugar Mills Association reduced their forecast for 2020/21 sugar production for India's state of Maharashtra from 10.8 million down to 10.2 million tonnes, although their output remains far above 2019/20 levels.

The February 23rd Commitments of Traders report showed Sugar Managed Money traders were net long 218,550 contracts after increasing their already long position by 21,426 contracts. CIT traders net sold 9,960 contracts and are now net long 256,724 contracts. Non-Commercial No CIT traders are net long 162,672 contracts after net buying 17,954 contracts. Non-Commercial & Non-Reportable traders are net long 322,584 contracts after net buying 24,383 contracts.