ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
The treasury markets exhibited significant volatility last Friday with the markets coming under early pressure and then bottoming after a slight extension from a hotter than expected US PPI result for March. However, treasury bond prices recovered significantly from the post PPI washout and ultimately forged a recovery rally of nearly 1 full point. According to some economists to begin to embrace inflation will likely require a "series" of hot PPI or CPI monthly readings.

While the charts point up in Bonds and Notes to start the trading week, we think the markets are exhibiting a bounce in a bear market. Certainly, the bull case has merit following a wave of disappointing US February economic data and more importantly because the US daily infection rate has jumped back up to the highest levels since the middle of February. In short, the Treasury markets are focused on near term issues of infections, ongoing US lockdown restrictions and soft data and that leaves control with the bull camp.

In the longer term, the Fed Chairman on "60 Minutes" Sunday night suggested that the US economy was at an inflection point and that he expected growth and hiring would "pick up speed" in the months ahead. We would also suggest that inflationary expectations in the Treasury futures trade are being heavily discounted, despite "hot" US PPI readings last week and surging food, energy, and industrial material prices over the last two quarters. In fact, even Japan (the deflationary capitol of the world for decades) posted a sharp month over month gain in PPI of 0.8%!

On the other hand, the second wave of US inflation readings for last month (CPI) will not be released until Tuesday and Monday's US report slate is nearly empty except for a mid-day release of the Monthly US budget. Estimates for the US March budget deficit are $265 billion versus the February deficit of $311 billion. However, we would not be surprised to see a larger than expected deficit given the governments all-out effort to distribute vaccines and given ongoing social distancing.

However, beyond the infection count, Treasuries will be facing another wave of auctions that include 3 and 6-month Bills, 3-Year Notes and 10-Year notes! With Treasury bonds still holding a very large net spec and fund short, we suspect that bonds will see some initial short covering buying. The April 6th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net sold

11,352 contracts and are now net short 173,735 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders are net short 119,129 contracts after net buying 105,568 contracts.

CURRENCIES:
While we suspect that last Friday's recovery in the dollar from the 92.00 level was partly the result of a week-ending technical short covering action, seeing US PPI register a 1% gain certainly entices some for money to move into the dollar. We would also note that the Swiss franc and euro became short-term technically overbought and were in-need-of some back and fill action. The Dollar has managed to bounce in the early action and that is justified by upbeat views from the US Federal Reserve Chairman on "60-Minutes" Sunday night, but perhaps because of very serious infection issues in emerging markets. In other words, the Dollar might see a sudden surge in flight-to-quality buying in the event the virus situations in India, Brazil, or Turkey threaten to spin out of control. Therefore, we suggest traders buy (for a short-term trade) the Dollar below 92.10 looking for a recovery "bounce" and not a full revival of the February and March rally. The Commitments of Traders report for the week ending April 6th showed Dollar Non-Commercial & Non-Reportable traders reduced their net long position by 1,269 contracts to a net long 8,231 contracts.

The near-term outlook for the euro is bearish with the dollar showing signs of recovering on its charts. We also think the Euro could see pressure from flight to quality buying of the Dollar of a serious wave of emerging market infections. In our opinion, economic activity in the euro zone is not and will not match the growth seen in the US in the coming 2 months and that should leave the Dollar with an edge. Even the technical outlook is bearish with the euro rally last week stalling right at the 200-day moving average on 3 separate occasions. The 200-day moving average resistance point is seen today at 1.1930 with near term downside targeting is seen at 1.1870. Euro positioning in the Commitments of Traders for the week ending April 6th showed Non-Commercial & Non-Reportable traders were net long 100,869 contracts after decreasing their long position by 6,512 contracts.

In a surprising development, Japan has showed a significant jump in inflation at the producer level for the month of March and that should provide support for the currency. In fact, Japanese machine-tool orders in March jumped although some of the strength in the number was the result of comparisons to last year's disastrous period. Unfortunately for the bull camp in the Yen, the Yen will have to battle against stronger dollar action to claw back to the 92.00 level. It-would-appear that the Swiss franc has found a shelf of support on the charts, but the potential for strength in the Dollar will make it difficult for the Swiss to hold up in the near term. In fact, the Swiss is short term overbought from last week's four-day gain of 235 points. A normal correction of the first half of April targets a buy-point down at 1.0770.

While the Pound was tracking in positive territory early this week, the magnitude of the rally is disappointing in the face of news that portions of England (small businesses) are being allowed to open! However, the Dollar is showing initial strength because of positive US Fed Chairman views and it is possible the Dollar could see flight-to-quality buying if emerging market countries see their infection numbers spin out of control. The Canadian dollar remains in a tight range with developments in other countries temporarily crowding out Friday's positive Canadian jobs related data. Nonetheless, the Canadian should see support firm up just under the market with Canadian jobs gained 3 times analyst expectations. Furthermore, the Canadian unemployment rate dropped by 1/2% and the labor participation rate also jumped. Unfortunately for the bull camp, the US dollar is showing signs of strength early this week and that could temporarily force the Canadian back down.

STOCKS:
While several market measures forged new all-time highs last Friday, last week saw a loss of upside momentum and in the case of the Dow futures a sideways consolidation pattern. On the other hand, the market did stand up to news of a possible minimum global corporate tax rate, disappointing US claims readings and even more surprising to a noted jump in US daily infection counts. Global equity markets were down at the start of this week with declines ranging from mere fractions to as high as down 1.74% in the CSI 300 Index.

While the markets are not showing definitive concern over surging infections in emerging markets, the rate of infections in India, Brazil, and Turkey are a force that could spark a significant correction in global equities. Certainly, the markets are cheered by the "reopening" of portions of England, but it should be noted that the US infection count last week jumped back up to the highest levels of the last 2 months.

The markets might see some residual support from the Federal Reserve chairman comments on 60 Minutes that the economy was at an inflection point with growth and hiring projected to pick up in the months ahead. However, the trade appeared to be looking at the here and now and is not cheered by the current condition! We see Monday and Tuesday as a critical inflection point for stocks, as the S&P has become priced for "near perfection" with perfection in our book translating into a quick containment of the virus and quick re-opening. Certainly, it is possible that exploding infections in Brazil, India, and Turkey could offer up an emerging market crisis and therefore longs should not discount the risk associated with the global Pandemic!

While last week's US infection readings might have been a result of a surge in personal exposure from Spring Break, one wonders "when" the massive vaccination effort will give investors a clear sign the US portion of the pandemic is ending. Traders should also note that the Treasury will be offering up $271 billion in supply this week and to extend the April rally this week, the bull camp will need to see strong enough demand for US debt supply to hold Bond and Note yields down. E-Mini S&P positioning in the Commitments of Traders for the week ending April 6th showed Non-Commercial & Non-Reportable traders added 26,817 contracts to their already long position and are now net long 38,853.

The Dow also sits near all-time highs at the start of the new week and so far, inflation readings from China, Europe, and even Japan have not fostered fears of rising global interest rates. While markets are softer to start today, we suspect comments from the Fed Chair on "60-Minutes" last night are serving to embolden investors in large Cap stocks in the Dow. In other words, the Dow is attempting to look through near term negatives to what many markets expect to see in the months ahead. The April 6th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 4,346 contracts and are now net short 4,233 contracts.

While the Nasdaq showed minor losses early this week, the charts suggest the bull camp retains a slim measure of control, with US infection rates fostering renewed buying of stay at home/Internet based businesses. Therefore, it would appear the Nasdaq is also looking through near term negatives to favorable longer-term earnings and eventual containment of the US spread. The Commitments of

Traders report for the week ending April 6th showed Nasdaq Mini Non-Commercial & Non-Reportable traders net bought 12,799 contracts and are now net short 12,522 contracts.

GOLD, SILVER & PLATINUM:
Taking a step back from the markets, it-is-clear that the June gold contract found strong value just above $1,650 with interim resistance coming in at last week's highs. Last week, gold and silver established inverse correlation with the US dollar again with the dollar at times the all-encompassing influence on gold and silver prices. While gold should draft some support from news that Indian gold imports in March jumped to near a two-year high, with an import of 98.6 tonnes, sustained recovery in Indian gold demand could be derailed by surging infections. In fact, one out of every 6 new global Covid-19 cases are occurring inside India and mass gatherings off a religious event could add to the Indian infection rate in the weeks ahead.

While the surge in Indian gold imports is partially the result of pent-up demand from the sustained closure of retail stores, it is also possible that gold prices sitting near 13-month lows attracted some Indian buyers. From a technical perspective, we see the potential for gold to replicate last month's pattern with the recovery into midmonth faltering just above the $1,750 level and ultimately returning to the bottom of the consolidation at $1,678.30. It should be noted that the end of March break in June gold was $77.00 and that could also project a correction down to $1,682 in the second half of April.

However, despite last week's increase in the net spec and fund long positioning of 28,676 contracts, the net spec and fund long in gold remains near the lowest levels since June of 2019. The Commitments of Traders report for the week ending April 6th showed Gold Managed Money traders added 26,943 contracts to their already long position and are now net long 77,406. Non-Commercial & Non-Reportable traders net bought 28,676 contracts and are now net long 214,410 contracts. Unfortunately for the bull camp, last week's rallies in silver were carved out on low trading volume which means the trade is not fully on board with the bull case.

Like the gold market, the silver market is also in-the-midst of a stealth rally, with trading volume soft but not as weak as in the gold market. Despite the slight jump in the net spec and fund long in the most recent positioning report, the net spec and fund long in silver remains at some of the lowest level since June of last year and that should cushion silver in the event of an upside breakout in the Dollar and or a significant risk-off environment from surging emerging market infections. Silver positioning in the Commitments of Traders for the week ending April 6th showed Managed Money traders net bought 3,648 contracts and are now net long 24,884 contracts. Non-Commercial & Non-Reportable traders added 5,820 contracts to their already long position and are now net long 51,286.

In retrospect, the palladium market failed to sustain gains in the face of new all-time highs in US equities last week, and that suggests the market is not tightly tethered to the ebb and flow of the outlook for the global economy. While the net spec and fund long in palladium remains mere fractions of its all-time high spec long and remains near the lowest levels of the past year, trading volume last week picked up on the high to low liquidation of $115.00 and that should discourage some buyers early this week. Palladium positioning in the Commitments of Traders for the week ending April 6th showed Managed Money traders are net long 3,420 contracts after net buying 173 contracts. Non-Commercial & Non-

Reportable traders were net long 3,374 contracts after increasing their already long position by 266 contracts.

Unfortunately for the bull camp, a private forecast (UBS) of a million-ounce deficit this year from a reduction in mine supply of 545,000 ounces was lost on the trade, as prices remained range-bound following that news. The Commitments of Traders report for the week ending April 6th showed Platinum Managed Money traders added 3,591 contracts to their already long position and are now net long 24,264. Non-Commercial & Non-Reportable traders added 2,711 contracts to their already long position and are now net long 41,190.

COPPER:
While the copper market started last week with a significant rally in the wake of positive Chinese data and strength in equities, the market finished last week back on its heels and has opened poorly in the new trading week. In fact, given the fresh lower low for the move, risk-off from equities, more inflows to copper exchange warehouses and emerging market infection concerns, we think copper will see a lot of trade below $4.00 this week. Certainly, news of a 5% decline in February copper production from Chilean company Cochilco, is supportive, but the market has already embraced and factored in very tight supply.

In a positive technical note, the net spec and fund long has declined by 23,000 contracts or 26% since the all-time high posted last year and that could limit some long liquidation selling! The Commitments of Traders report for the week ending April 6th showed Copper Managed Money traders added 4,958 contracts to their already long position and are now net long 48,137. Non-Commercial & Non-Reportable traders reduced their net long position by 80 contracts to a net long 54,629 contracts.

ENERGY COMPLEX:
In the wake of the current US infection jump, it is likely that portions of the US will see lockdown rules extended into the future again and that should delay or slow the recovery of US energy demand. While Indian fuel demand posted the highest consumption since December 2019 last month, Indian demand is also called into question following a massive jump in infections over the last week. On the other hand, the June crude oil contract early this week has forged a 4-day upside breakout and the market is partially supported as-a-result of news that global crude oil floating storage posted a decline of 1% in the last 7 days. Two other issues that are probably contributing to the initial strength this week are fresh reports of attacks on Saudi facilities from inside Yemen and news of an attack on Iranian nuclear facility which the Iranians have blamed on Israel.

We view the most recent positioning report as bearish toward crude oil, with the net spec and fund long remaining near the highest levels since September 2018! The Commitments of Traders report for the week ending April 6th showed Crude Oil Managed Money traders net sold 20,957 contracts and are now net long 360,647 contracts. Non-Commercial & Non-Reportable traders net sold 15,592 contracts and are now net long 607,815 contracts. The weekly Baker Hughes rig operating count saw US rigs operating unchanged, with Canadian oil rigs operating down 5 and reaching a 30-week low. From a technical perspective, the June crude oil contract appears to have settled into a sideways consolidation range bound by $59.29 and $60.91.

We think RBOB will need to see demand improvement this week, as the US refinery operating rate has jumped significantly over the last month and without demand improvement inventories are likely to surge. However, the bull camp is not without fundamental support, with the EIA gasoline stocks deficit to year-ago levels last week very significant at 22.7 million barrels. The bulls are also cheered by the news that India posted very significant fuel consumption improvement in the latest monthly readings. However, improvement demand from India could be reversed in-the-event that the current infection surge is not contained. Yet another supportive argument for the bull camp is seen from the Gasoline positioning report, with the net spec and fund long position in RBOB within 22,000 contracts of the lowest net spec and fund long since July 2017. Gas (RBOB) positioning in the Commitments of Traders for the week ending April 6th showed Managed Money traders were net long 63,184 contracts after increasing their already long position by 1,385 contracts. Non-Commercial & Non-Reportable traders were net long 60,688 contracts after increasing their already long position by 1,919 contracts.

Like the gasoline market, the ULSD market has become locked in a trading range with distillate supplies building and recent implied demand readings softening. In our opinion, high US infections will likely discourage airlines from adding flights in June which is obviously bearish to ULSD prices. Certainly, seeing Indian March fuel oil imports jump by 25-26% helps soak up some global supply, but we fear acceleration of US EIA distillate and diesel annual surplus figures ahead, because of the sharp jump in the US refinery operating rate. In conclusion, supply and demand forces in distillate/diesel markets make the ULSD market the most vulnerable component of the energy complex. In fact, aggressive traders might consider a long gasoline/short ULSD spread which could benefit from the relative oversupply of distillates versus gasoline. The April 6th Commitments of Traders report showed Heating Oil Managed Money traders are net long 16,642 contracts after net buying 3,371 contracts. Non-Commercial & Non-Reportable traders were net long 26,505 contracts after increasing their already long position by 1,722 contracts.

Over the past 12 months, the natural gas market has shown very little upside sensitivity to "risk on" in equities. In fact, the natural gas market has not benefited from periods where the trade thought the virus situation was coming under definitive control. Therefore, the overhang of supply remains very limiting, and it will take dramatic demand improvement to alter the equation in favor of the bull camp. Furthermore, the market is in the "shoulder season" where US residential demand is of little consequence to prices. In conclusion, the bull camp is heavily reliant on evidence of a significant increase of LNG export activity. Last week, natural gas deliveries to the export terminal increased by 0.7 BCF per day, but that news is obviously offset by last week's US injection reading.

In fact, after reaching a peak in the inventory deficit to the five-year average at the end of February of 8.8%, the most recent deficit figures to the five-year average have narrowed to only 1.3%. The April 6th Commitments of Traders report showed Natural Gas Managed Money traders net sold 18,524 contracts and are now net long 731 contracts. Non-Commercial & Non-Reportable traders were net short 32,462 contracts after increasing their already short position by 12,001 contracts. As indicated already, supply continues to weigh heavily on the back of natural gas prices, with the strongest hope for the bull case arising from technical considerations.

BEANS:
The soybean market experienced a long liquidation selloff late Friday as the USDA report carried a bearish tilt for the old crop supply situation. The sharp drop in palm oil helped to pressure the market. Malaysian crude palm oil stocks continued to increase in March growing 12.37% to 742,742 tonnes from 660,987 tonnes the month before. Processed palm oil stocks also improved 9.02 per cent month-on-month to 703,228 tonnes from 645,035 tonnes. Overall, total palm oil stocks rose 10.72 per cent 1.45 million tonnes from 1.31 million tonnes previously. However, as the focus shifts to the new crop ending stocks outlook, the market looks set for a continued uptrend.

The Brazil government temporarily reduced its biodiesel blending requirement for diesel fuel to 10% from 13%. About 70% of Brazil biodiesel is produced from soybean oil and biodiesel prices have surged higher. November soybeans closed 10 cents lower on the session Friday and this left the market with a loss of a 1/2 cent for the week. US soybean ending stocks came in at 120 million bushels, unchanged from the previous month and above the average pre-report estimate of 118 million.

World ending stocks came in at 86.87 million tonnes, up from the previous month's estimate of 83.74 million and above the range of estimates of 79.70-85.00 million tonnes. Brazil's 2020/21 production came in at 136 million tonnes, above the average pre-report estimate of 134.20. Argentina's production came in at 47.5 million tonnes. The US beginning stocks for the new crop season were left at 120 million bushels, and it will take an adjustment higher in acreage plus record high yields to avoid a tightening situation ahead. This should provide support the market on a minor setback.

Soybeans positioning in the Commitments of Traders for the week ending April 6th showed managed money traders were net long 154,305 contracts after increasing their already long position by 12,425 contracts for the week. Non-Commercial & Non-Reportable traders net bought 37,554 contracts and are now net long 182,810 contracts. For soyoil, managed money traders net sold 3,803 contracts for the week and are now net long 77,037 contracts. For meal, managed money traders net bought 3,110 contracts for the week and are now net long 61,345 contracts. Non-Commercial No CIT traders reduced their net long position by 2,151 contracts to a net long 47,231 contracts.

CORN:
The corn market now has a better understanding of where beginning stocks will be for the new crop season. If we plug in the previous record high yield for corn, and assume the USDA Outlook Forum demand numbers are correct, ending stocks for the 2021/22 season come in at just 935 million bushels with a stocks to usage ratio of 6.2%. In other words, the market will need to see a significant new record high yield in order to avoid extreme tightness. At 6.2%, this would be the second tightest year on record, and our records go back to 1960.

As a result, any minor weather issue which might point to a less than record yield could spark aggressive buying from end-users. December corn closed 1 3/4 cents higher on the session Friday but well off of the highs of the day. This left the market with a gain of 12 cents on the week. US corn 2020/21 ending stocks came in at 1.352 billion bushels, below the average pre-report estimate of 1.379 billion (range 1.200-1.550 billion) and down from the previous month's estimate of 1.502 billion. Exports and ethanol demand as revised higher and the current export pace would suggest that exports need to be revised higher again.

World ending stocks came in at 283.85 million tonnes, which was below the average pre-report estimate of 284.40 million (range of 273.50-289.50 million) and below the previous month's estimate of 287.70 million. Brazil's 2020/21 corn production came in at 109 million tonnes, which was unchanged from last month and above the average trade estimate of 108.30 million (range 105.00-110.00 million). Argentina's production came in at 47.00 million tonnes, above the average estimate of 46.70 million (range 45.00-47.50 million) but down from last month's estimate of 47.50 million.

As the focus shifts to the new crop ending stocks outlook, buyers are likely to remain active. This is especially true if there are any yield issues for the coming season, as record yields will be necessary. Corn positioning in the Commitments of Traders for the week ending April 6th showed managed money traders net sold 8,965 contracts and are now net long 386,619 contracts. Non-Commercial & Non-Reportable traders added 798 contracts to their already long position and are now net long 478,573.

WHEAT:
A combination of some rain/snow early this week in the Dakotas and negative news from China and the Black Sea region are factors which sparked the selling overnight. China's State wheat sales hit a 2021 low and China sold only about 500,000 tonnes of wheat from state stockpiles on April 7, or a mere 13% of the amount offered. The rain in the 5-day forecast for the Dakotas (1/4 inch to 1 inch) plus weak prices in the Black Sea region might be enough to spark a corrective break which might be considered a buying opportunity. Wheat production in Morocco may rise to 6.3 million tonnes in the 2021-22 season, more than doubling from the 2.56 million from the 2020 harvest, USDA's Foreign Agricultural Service reported.

Consultant IKAR lifted its 2021 Russian wheat-production forecast from a prior outlook for 79.8 million tonnes. July Kansas City wheat closed 11 1/4 cents higher on the session and this left the market with a gain of 23 cents for the week. The wheat market experienced aggressive buying by speculators this past week, and rightfully so. If there is not a significant improvement in the weather for the spring wheat areas in the US and Canada, the market could face a drop in production and a tightening supply of exportable surplus. It is still too early to assume that the spring wheat crop will be lower, as planting is just getting underway.

For the USDA supply/demand report, US 2020/21 ending stocks came in at 852 million bushels, above the average pre-report estimate of 846 million and up from 836 million reported last month. World 2020/21 ending stocks came in at 295.52 million tonnes, below the average estimate of 301.70 million (range 297.80-304.80 million) and down from 301.20 million last month. China's demand for feed wheat to replace their shortage of corn helped tighten the supply. For the Dakotas, there is very little rain in the two-week forecast, and the 6 to 10 day and 8 to 14 day models (all the way out to April 25th) show below normal temperatures and below normal precipitation. This throws into question planting and germination.

Thursday's drought monitor map showed expansion and increased drought severity over the Dakotas. The Commitments of Traders report for the week ending April 6th showed managed money traders reduced their net short position by 7,128 contracts to a net short 7,583 contracts (short-covering). Non-Commercial & Non-Reportable traders went from a net short to a net long position of 817 contracts after net buying 7,316 contracts. For KC Wheat, managed money traders are net long 14,510 contracts after net selling 7,212 contracts for the week. Non-Commercial & Non-Reportable traders net sold 5,881 contracts and are now net long 7,067 contracts.

HOGS:

June hogs closed slightly higher Friday and the buying pushed the market up to a new contract high for the third session in a row. This leaves the market in an overbought condition. Traders believe that demand will stay strong and that China will remain an active buyer of US pork. Slaughter and production have come in below expectations recently, but the premium of futures to the cash may be discouraging producers from moving hogs on time. The USDA pork cutout, released after the close Friday, came in at $111.74, up $2.58 from $109.16 on Thursday and $108.44 the previous week. This is the highest the cutout had been since May 14, 2020. The CME Lean Hog Index as of April 7 was 100.94 up from 100.47 the previous session and up from 98.97 the previous week.

The monthly USDA supply/demand report on Friday showed revisions lower in US pork production from the March report for all four quarters in 2021, with declines of 60 million pounds in the 1st quarter, 90 million in the 2nd, 60 million in the 3rd, and 195 million in the 4th for an overall decline of 405 million. However, the production increase of 305 million pounds between the 2nd and 3rd quarters is the second largest increase for that timeframe since at least 2000. The only year with a larger increase was last year's Covid-related jump of 738 million pounds. Prior to that, the largest increase was 210 million pounds in 2009.

The USDA estimated hog slaughter came in at 485,000 head Friday and 209,000 head for Saturday. This brought the total for last week to 2.487 million head, up from 2.463 million the previous week and 2.393 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,179 contracts of lean hogs for the week ending April 6, reducing their net long to 76,933. Non-commercial & non-reportable traders were net sellers of 1,769, reducing their net long to 86,212.

CATTLE:

June cattle closed sharply lower on the session Friday as technical sellers were active. The market experienced a key reversal on Thursday and long liquidation could be active as traders see the need for a technical correction. Cash markets traded moderately higher last week, and the strength in beef prices over the past week are likely to encourage higher trade again this week. The USDA boxed beef cutout was up $1.33 at mid-session Friday and closed $1.67 higher at $272.17. This was up from $252.85 the previous week and was the highest the cutout had been since June 4.

Cash live cattle ended last week about $3.50-$4.00 higher than the previous week. As of Friday afternoon, the five-day, five-area weighted average price was 121.86, up from 117.88 the previous week. The monthly USDA supply/demand report on Friday showed revisions lower in 1st and 2nd quarter 2021 US beef production of 40 million and 55 million pounds, with revisions higher of 90 million and 65 million in the 3rd and 4th quarters, for an overall increase of 60 million pounds for 2021.

The production increase of 80 million pounds between the 2nd and 3rd quarters is the smallest increase for that timeframe since 2014. The USDA estimated cattle slaughter came in at 111,000 head Friday and 66,000 head for Saturday. This brought the total for last week to 641,000 head, up from 609,000 the previous week and 529,000 a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 8,647 contracts of live cattle for the week ending April 6, increasing their net long to 91,884. Non-commercial & non-reportable traders were net buyers of 8,218 contracts, increasing their net long to 98,198.

COCOA:
Cocoa prices continue to be pressured by near-term demand concerns and will start this week at the bottom end of its March/April downmove. With the market still relatively well-supplied at the early stages of the West African mid-crop harvest, cocoa may need to see clearer signs that demand will improve before it can sustain a recovery move. May cocoa could not hold onto early strength and dropped down to a new 5-month low, and despite a late rebound finished Friday’s trading session with a minimal loss. For the week, May cocoa finished with a loss of 38 points (down 1.6%) which was a fifth negative weekly result over the past 6 weeks.

A recovery in the Eurocurrency provided late carryover support to the cocoa market on Friday as that can help Euro zone grinders acquire near-term supply. However, rising new COVID case counts in Europe continue to push back a recovery in European chocolate consumption, and that remains a major source of pressure on the market. The first quarter European grindings total will be released before Wednesday’s opening, and that is expected to provide more evidence of lukewarm European demand.

Keep in mind that the 2020 first quarter European grind (373,625 tonnes) was the second highest reading for any quarter since European Cocoa Association records began. While this year will clearly be impacted by COVID, there has not been a negative year-over-year first quarter European grindings result since 2016. ICE exchange cocoa stocks (all of which are located on the US East Coast) reached 4.561 million bags on Friday, which is their highest level since mid-2019 and reflects subdued North American cocoa demand levels.

The April 6th Commitments of Traders report showed Cocoa Managed Money traders were net long 13,386 contracts after decreasing their long position by 1,720 contracts. CIT traders were net long 40,299 contracts after decreasing their long position by 5,913 contracts. Non-Commercial No CIT traders reduced their net short position by 153 contracts to a net short 2,106 contracts. Non-Commercial & Non-Reportable traders are net long 31,987 contracts after net selling 1,918 contracts.

COFFEE:
Coffee prices continue to deal with near-term demand issues, particularly from Europe, but are looking at a 2021/22 season expected to have a sizable global production deficit. As the global demand outlook improves, coffee should be able to extend its recovery move. May coffee was able to build on early support and reach a new 2-week high, but fell sharply at midsession before finishing Friday’s trading session with a moderate loss. For the week, however, May coffee finished with a gain of 6.65 cents (up 5.5%) which broke a 3-week losing streak.

The Brazilian currency lost more than 1.5% in value on Friday, which weakened the coffee market as that may encourage Brazil's farmers to more aggressively market their remaining coffee supplies. However, coffee's bullish 2021/22 supply outlook is highlighted by what is widely expected to be a more than 30% decline in Brazilian production, with some estimate ranging up to a 50% decline. Brazil's major Arabica-growing regions have little to no rainfall in the forecast until the weekend, and that follows drier than normal conditions since last year.

Colombia's coffee production had a sizable year-over-year increase during March, but they are expected to have issues with heavy rainfall that may cut back on their near-term output. In addition, Central American producers are still dealing with the aftermath of severe storms last November which have impacted their near-term production. ICE exchange coffee stocks rose by 3,861 bags on Friday and are close to 11-month highs, which reflects sluggish restaurant and retail shop in Europe due to recent COVID lockdown measures.

The April 6th Commitments of Traders report showed Coffee Managed Money traders net sold 5,251 contracts and are now net long 5,036 contracts. CIT traders added 859 contracts to their already long position and are now net long 69,452. Non-Commercial No CIT traders were net long 6,860 contracts after decreasing their long position by 5,376 contracts. Non-Commercial & Non-Reportable traders net sold 6,677 contracts and are now net long 27,138 contracts.

COTTON:

Friday's USDA Supply/Demand report was viewed as bullish, as both US and world 2020/21 cotton ending stocks came in at or below the low end of expectations. US cotton production was left unchanged at 14.70 million bales versus an average trade estimate of 14.67 million and a range of 14.55-14.80 million, but exports were increased to 15.75 million bales from 15.50 million in March. This was above the average expectation of 15.58 million and towards the upper end of the range of 15.50-15.80 million. Ending stocks were lowered to 3.90 million bales from 4.20 million in March versus an average guess of 4.11 million and a range of 3.90-4.30 million. This brings the stocks/use ratio down to 21.6%, the lowest since 2017/18, when it fell to 21.5%. World ending stocks were lowered to 93.46 million bales from 94.59 million in March versus an average expectation of 94.43 million and a range of 93.70-95.23 million.

The 6-10 day forecast calls for below normal temperatures and above normal precipitation across Texas, which could improve dry soils there. However, the area of above-normal rainfall shrinks considerably in the 8-14 day forecast. Friday's Commitments of Traders reports showed managed money traders were net sellers of 2,153 contracts of cotton for the week ending April 6, reducing their net long to 51,982. This is their smallest net long since October. Non-commercial, no CIT traders were net sellers of 3,164 contracts, reducing their net long to 53,932. Non-commercial & non-reportable traders were net sellers of 2,439, reducing their net long to 81,507. CIT traders were net sellers of 1,475 contracts, reducing their net long to 73,601.

SUGAR:

After reaching a multi-year high in late February, sugar prices dropped 16% over the following five weeks due in large part to heavy pressure from outside markets. However, the prospect that Brazil's 2021/22 Center-South sugar production will have a sizable decline from this season continues to fuel sugar's recovery move. May sugar built on early support and reached a new 2 1/2 week high, and despite a late pullback finished Friday's trading session with a sizable gain. A more than 1.5% pullback in the Brazilian currency led to profit-taking and additional long liquidation. For the week, May sugar finished with a gain of 75 ticks (up 5.1%) which broke a 3-week losing streak.

Brazil had record sugar output for 2020/21 while monthly exports have been running well above the previous year, but bottlenecks at major ports caused export delays. Brazil's Center-South cane harvest normally begins in late March, but started off slow for the 2021/22 crop as drier than normal conditions encouraged growers to delay harvest in hopes of more rainfall and better yields which in turn led to a slow start in crushing activity as well. Many analysts were already calling for the 2021/22 Center-South harvest to fall short of last year, with expectations that this would result in a 3 million tonne decline in sugar output.

Center-South mills were expected to keep sugar's share of crushing close to the 46% level from last season on ideas that their COVID flare-up would keep ethanol demand down. However, domestic ethanol sales were above last year for the first half of March while ethanol exports for the entire month of March were almost three times as much as last year. India's sugar output for 2020/21 is up sharply from last year, but they have had problems securing shipping containers for white sugar exports and have also seen the ethanol portion of their gasoline mix reach a record high.

Thailand's 2020/21 sugar output is still expected to come in close to a multi-decade low, while last week's freeze over French growing areas makes it more likely that the EU will have a third production decline in as many seasons. The Commitments of Traders report for the week ending April 6th showed Sugar Managed Money traders were net long 161,950 contracts after decreasing their long position by 3,251 contracts. CIT traders reduced their net long position by 6,266 contracts to a net long 230,325 contracts. Non-Commercial No CIT traders net sold 4,990 contracts and are now net long 100,759 contracts. Non-Commercial & Non-Reportable traders net sold 8,888 contracts and are now net long 232,611 contracts.

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