ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
May 3, 2021

BONDS:
In retrospect, the treasury markets ended last week with a very narrow trading range, perhaps because US scheduled data was offsetting. Furthermore, the equity market showed corrective action and that lightly supportive outside market influences seem to prompt end of month bond buying by fund managers. In looking ahead, it should be noted that next Friday will bring nonfarm payrolls with the early trade expecting an addition above 900,000 and that should facilitate renewed optimism on the recovery and in turn could send bonds back to the March lows. While the treasury markets are tracking lower early this week, the markets have seen relatively narrow trading ranges recently and have been content to chop in both directions within a sideways pattern for over 2 months!

In addition to pressure from positive early US equity market action, treasuries are also under pressure following comments from the US Treasury Secretary Janet Yellen who suggested the spending program would do wonders for the US economy but would not stoke inflation! In a very supportive development, the treasury department has announced it will basically hold the size of its debt auctions unchanged for the coming quarter, with the specifics of the refunding to be released this week. In retrospect, US scheduled data last week was mixed, but slightly supportive of the growth argument. While the latest US daily infection count posted only 45,283 fresh infections (May 1st) the trade has not embraced the idea that the pandemic in the US will wind down quickly and that should discourage some selling of bonds and notes.

Another issue that could support US treasuries is the skyrocketing daily infection counts in India, as a domestic catastrophe there could begin export infections or export economic headwinds and that could suddenly shift Treasuries to the upside. Estimates for a wave of US ISM manufacturing readings call for softer results than in the prior month and that should help thicken key support. Another argument for the bull camp is the large residual net spec and fund short in bonds, which remains near record short territory. The April 27th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders net sold 14,067 contracts and are now net short 191,781 contracts. T-Note positioning showed Non-Commercial & Non-Reportable traders net bought 35,251 contracts and are now net short 161,019 contracts.

CURRENCIES:
After making a downside breakout extension last Thursday, the dollar index came roaring back on Friday in a rally that was probably more than simple month end short covering. Perhaps US scheduled data fostered a measure of economic uncertainty at the same time that a bounce in US daily infections from low levels early in the week provided safe haven buying of the dollar. To a lesser degree, weakness in the US equity markets might also have contributed to the dollar recovery. While the dollar index forged a 6-day upside breakout at the start of this week the market quickly recoiled from that level as if it lacked bullish interest above 90.58.

On the other hand, the prospect of flight to quality buying from the Indian infection situation and soft US as expected scheduled data could prompt bargain-hunting buying on a dip below 91.00. It should also be noted that last week's significant recovery rally was accomplished on a jump in trading volume thereby lending credence to the bull case. The April 27th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net long 5,497 contracts after decreasing their long position by 1,248 contracts.

In addition to a flare-up in the dollar (seemingly off safe-haven from India) the euro is also battling a series of disappointing euro zone manufacturing PMI readings for April. In fact, unless US scheduled data surprises on the upside, the euro could be destined for a temporary trade back below 1.20. Euro positioning in the Commitments of Traders for the week ending April 27th showed Non-Commercial & Non-Reportable traders were net long 135,264 contracts after increasing their already long position by 9,133 contracts.

The back of the bull camp in the Yen remains broken from a fundamental perspective, with the charts also favoring the bear camp. With the decline off the April high showing a liquidation of open interest and slightly above average trading volume the downside action looks to have the ability to extend. All things considered, the Swiss franc has held up impressively to adverse fundamental news flow from outside market forces and the currency has held up against the initial overnight spike up in the dollar. The Swiss should see support from a very supportive private Swiss purchasing managers index reading for April which reached the highest level in 10 years!

While the Pound has initially rejected a downside breakout this week, the fundamental track does not appear to be capable of discouraging more downside today. In fact, unless US scheduled data surprises on the upside (thereby undermining flight-to-quality buying of the dollar) the Pound looks destined to test and trade below 1.3750. Like the Swiss franc, the Canadian dollar has stood up to the strength in the dollar and appears to have built a shelf of support down at 81.15. However, the market might be partially undermined as a result of doubt that the Bank of Canada will be able to tighten as soon was offered last week. The Canadian dollar should be impacted by the dollar through US scheduled data with the Canadian feeling somewhat vulnerable.

STOCKS:
While the S&P failed to make a new all-time high in the initial trade last Friday, the market was overbought and possibly suffered end of week and end of month long profit-taking. The markets were unresponsive to favorable US spending and income readings but were undermined later on by Chicago

PMI and University of Michigan sentiment as it failed to reach expectations. Nonetheless, Michigan sentiment figures remain at very high levels and the corporate earnings wave remains very supportive of prices.
Global equity markets at the start of this week were mixed with Asian stocks generally lower and the rest of the world carving out very minor gains.

On one hand, the markets are cheered by upbeat comments from the US Treasury Secretary regarding the upcoming stimulus plan, but news of 400,000+ daily infections in India over the weekend is discouraging some investors. While early-week action has been thinned by May Day holiday closures, scheduled data was supportive with German retail sales jumping sharply on a month over month basis and Swiss purchasing managers coming in firm. On the other hand, the brunt of European manufacturing PMI readings were discouraging which in turn reduces optimism toward Europe.

The equity markets continue to discount a potential human catastrophe in India and instead embraced bullish economic views from the US treasury secretary over the weekend. While the S&P futures are no longer net spec and fund short, the long positioning is not overbought. E-Mini S&P positioning in the Commitments of Traders for the week ending April 27th showed Non-Commercial & Non-Reportable traders were net long 78,353 contracts after increasing their already long position by 47,738 contracts.

The charts in the Dow futures show a very definitive loss of momentum following the April 16th high, with the market seemingly held down by a very long series of tops right on 34,000! In our opinion, the Dow typically corrects significantly after prolonged sideways action. The April 27th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders reduced their net long position by 80 contracts to a net long 599 contracts.

The NASDAQ has also shown a loss of momentum over the past 3 weeks after the market climbed above what is now a psychologically important 14,000 level. The NASDAQ should be partially undermined as a result of headlines suggesting Tesla continues to be monitored by the Chinese government. On the other hand, the NASDAQ should see some investor interest following news of a buyout in the communications sector and from news that Intel will spend $600 million to expand its chip production capacity. The Commitments of Traders report for the week ending April 27th showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 13,909 contracts after increasing their already short position by 7,180 contracts.

GOLD, SILVER & PLATINUM:
At least to start this week, the gold and silver markets are climbing against outside market forces that have recently pressured prices. In fact, gold and silver are higher despite a higher high for the move in the dollar (the dollar failed to hold that rally) and higher US interest rates. However, the markets are apparently soothed by comments from US Treasury Secretary Yellen indicating that the stimulus plans will help the economy but not generate inflation. Unfortunately for the bull camp, India continues to post record daily infections with weekend infections surpassing 400,000 per day, which in turn is prompting predictions that Indian gold demand will continue to fall sharply as the pandemic worsens.

As a result of Indian demand hits from activity restrictions, gold prices in India have shifted back into a discount versus world prices! On Friday gold ETF holdings declined by 860,396 ounces while silver ETF holdings declined by a massive 6.8 million ounces! The most recent COT positioning report in gold showed a net spec and fund long of 211,881 contracts. With the market falling $24 into last week's lows, the net spec and fund long in gold is likely one of the lowest net spec and fund long readings since June 2019! With the US economic report slate Monday active with a-number-of retail sales, manufacturing PMI and ISM manufacturing readings, the action in treasuries should not be fully discounted.

Like the gold market, the silver charts favor the bear camp with strength in the dollar and falling interest in Silver ETFs increasing the weight hanging on the market. The April 27th Commitments of Traders report showed Gold Managed Money traders are net long 63,154 contracts after net selling 6,146 contracts. Non-Commercial & Non-Reportable traders net sold 6,096 contracts and are now net long 211,881 contracts. Silver positioning in the Commitments of Traders for the week ending April 27th showed Managed Money traders net bought 2,923 contracts and are now net long 37,328 contracts. Non-Commercial & Non-Reportable traders were net long 65,480 contracts after increasing their already long position by 3,947 contracts.

While the palladium market fell back from another all-time high on Friday, the market was able to respect Friday's low of $2,931.50 early this week. Recent press coverage continues to highlight surging industrial demand from automakers and other electronic manufacturers and that keeps the bullish buzz alive. In a slight positive, palladium ETF holdings on Friday increased by 4,045 ounces while platinum ETF holdings jumped by a more substantial 16,288 ounces. Despite the first trade ever above $3,000 and given the April low to high rally of $425, the net spec and fund long in palladium remains surprisingly low at 3,757 contracts. Even if the net spec and fund long were doubled, the net spec and fund long would still be minimally net long.

As-long-as "risk on" sentiment from equities is present and the US progression toward heard immunity continues, the bull track in palladium is likely to continue. In a very strange situation, the platinum market maintains a relatively large net spec and fund long of 38,110 contracts even though the market has coiled sideways for nearly 3 months. Therefore, we suggest traders implement a range trading strategy. Palladium positioning in the Commitments of Traders for the week ending April 27th showed Managed Money traders added 587 contracts to their already long position and are now net long 4,275. Non-Commercial & Non-Reportable traders are net long 3,757 contracts after net buying 487 contracts. The April 27th Commitments of Traders report showed Platinum Managed Money traders were net long 20,119 contracts after increasing their already long position by 4,045 contracts. Non-Commercial & Non-Reportable traders added 3,312 contracts to their already long position and are now net long 38,110.

COPPER:

The copper market continues to show retrenchment with this week's early action extending lower highs and lower lows into a 3rd straight session. In addition to a short-term overbought condition and given psychological resistance at $4.50, the copper market has been presented with a forecast from the International Copper Study Group pegging 2021 to post a surplus of 79,000 tonnes. The international copper study group also predicted 2022 to have a surplus of 190,000 tonnes.

The net spec and fund long in the copper market as of early last week was 62,544 contracts but adjusted for the gains after the report was compiled, the net spec and fund long is likely understated. The record net spec and fund long in copper is 87,302 contracts from February of this year so the market is not historically long. From the bull side of the equation, global copper exchange stocks have returned to a pattern of declines and the world's largest copper producing country (Chile) last week registered a 10th straight month of output declines. In short, the bull camp has definitive support from supply side factors.

While the demand side of the equation has not been stellar, global data continues to show progression of the global recovery and global equities continue to throw off periodic risk on influences. Limiting the bullish track in copper prices is news that Codelco company-owned mines increased production by 7% in the first quarter as that partially offsets the overall contraction in Chile's total output. The April 27th Commitments of Traders report showed Copper Managed Money traders added 10,432 contracts to their already long position and are now net long 55,515. Non-Commercial & Non-Reportable traders net bought 5,692 contracts and are now net long 62,544 contracts.

ENERGY COMPLEX:

In addition to ongoing fears of falling energy demand in India, the market is also seeing increased production by Iran and Russia and therefore the bear camp has the initial edge. In fact, a critical support point at $63.08 was violated and leaving the market on a back foot early this week. Additionally, a significant reversal at the end of last week in June crude oil puts the charts in a negative track. Perhaps the market is undermined as a result of news that Russia increased its output by 2% last month shortly on the heels of the OPEC plus deal to allow all members to return production in a measured fashion.

Another negative facing crude oil early this week is an increase in weekly crude floating storage of 2.6%. On the other hand, that news is offset by front month WTI contracts trading at a premium over back months for the 1st time in 3-years and by a monthly EIA report highlighting a decline in US daily output in excess of 1 million barrels per day. According to the EIA, the US production was the lowest since October 2017 and that goes partially toward discounting the pattern of expanded drilling activity. It should be noted that US production was hit by the extreme weather in February, and therefore that contraction in output is likely a one-off occurrence.

An issue that could contribute to a slide in June crude oil back to the $60.00 level is the deteriorating virus situation in India where isolation and disruption of the economy is slashing demand. In fact, a consultancy over the weekend indicated that Indian demand could decline by 13% in April. The weekly Baker Hughes oil rig count declined by one and now stands at 342 rigs operating. Canadian oil rigs increased by 3 and stand at 20 rigs operating. In conclusion, the path of least resistance is down. The Commitments of Traders report for the week ending April 27th showed Crude Oil Managed Money traders added 7,812 contracts to their already long position and are now net long 372,278. Non-Commercial & Non-Reportable traders reduced their net long position by 6,238 contracts to a net long 586,818 contracts.

Like the crude oil market, the gasoline market reversed course last week after a new high move last week in a possible sign that longs view prices above $2.10 as expensive. While it is a look in the rearview mirror, the EIA reported US February gasoline demand to have declined by 13.6% relative to year ago levels but was also down by 12.5% in January. Therefore, evidence of recovering demand has been "between the lines" and perhaps anecdotal, and therefore the bull camp needs widespread macroeconomic optimism and progressively lower daily US infections this week to avoid a noted correction of last week's rally.

The net spec and fund long positioning in gasoline was 61,463 contracts which is a very low spec and fund long for prices remaining within a 6-month-old uptrend channel. Unfortunately for the bull camp, US airlines have not shown signs of rapidly returning flights to their schedules, but trucking diesel demand continues to prevent inventory builds in the face of more active refinery activity. The net spec and fund long in the diesel market as of early last week was 28,370 contracts and that is also a very modest net long.

Despite the loss of upside momentum after a trade above $2.90 last week, the gas market has entered the new week strong! Apparently, the gas market is supported by improved European demand expectations and perhaps from confirmation that the market remained net spec and fund short as of early last week. In fact, despite the April rally the net spec and fund positioning posted a short of 35,688 contracts leaving the potential for further short covering in place. The weekly Baker Hughes gas rig operating count rose by 2, posting activity of 96 rigs and reaching a 55-week high! Canadian gas rigs operating declined by 7 and stand at only 31.

While it is getting late in the season for a surge in natural gas heating demand, the latest weather forecast shows below normal temperatures for the upper 3rd of the US. The Commitments of Traders report for the week ending April 27th showed Natural Gas Managed Money traders net sold 6,063 contracts and are now net long 34,104 contracts. Non-Commercial & Non-Reportable traders net sold 8,392 contracts and are now net short 35,688 contracts. While we saw the justification for the rally off April lows, the trade has seen long-term speculative buying by the funds as an inflation hedge and a measure of short covering buying.

BEANS:
In the short run, the soybean market seems just too overbought to put in another leg higher just yet. Fundamentally, the vegetable oil markets appear to be near a peak as global production is expected to increase rapidly into the new crop season, and old crop demand could be hurt by historically high prices. US soybean oil is trading at a massive premium to South America soybean oil which is likely to result in aggressive imports of South America soybean oil to the US. In addition, US crushers on the East Coast are also in a position to import South America soybeans. Palm oil production is already on the rise and other oilseed acreage is expected to increase sharply due to the current price rally.

The dry weather forecast for South America is a bullish force for the corn market as the second crop corn is under stress. This does not support soybean prices as traders have been revising Brazil soybean production higher due to strong yields. Deliveries for second notice day reached 66 contracts for soybeans which pushed cumulative deliveries this month to 132 contracts. There were 9 meal delivered to pushed the total to 18 contracts for the month and 488 soybean oil contracts delivered to reach 1,117 contracts for the month. US weather seems to be improving for the new crop season and this may also trigger some selling. July soybeans closed 32 cents higher on the session Friday and this left the market with a gain of 18 1/4 cents for the week.

July meal closed higher on the session and managed to close just slightly higher on the week, and July soybean oil closed sharply higher on the session with a new contract high close and with a gain of 361 points for the week. The rally was especially impressive given the surge higher in the US dollar, weakness in the energy complex and a sharp break in the stock market. The April 27th Commitments of Traders report showed Soybeans managed money traders were net long 180,014 contracts after increasing their already long position by 7,470 contracts for the week.

CIT traders are net long 183,053 contracts after net buying 9,992 contracts for the week. Soyoil positioning showed managed money traders were net long 92,587 contracts after increasing their already long position by 2,595 contracts for the week. CIT traders are net long 120,794 contracts after net buying 5,847 contracts. For meal, managed money traders are net long 54,086 contracts after net buying 6,039 contracts for the week. CIT traders are net long 99,086 contracts after net buying 8,836 contracts for the week.

CORN:

There is still very little rain in the forecast for key Brazilian growing areas, and this leaves corn with a positive short-term fundamental tilt which is not the case for the other grains. The lack of deliveries on first notice day drove corn sharply higher on the session Friday and May corn posted contract highs and closed up 84 1/2 cents for the week. There are still no deliveries for second notice day. July corn closed up the 25 cent limit with a gain of 40 3/4 cents for the week. Traders are already lowering their Brazil production forecasts.

The Brazil trading firm Safras & Mercado reduced their Brazil corn crop estimate by 8.7 million tonnes to 104.1 million as compared with the current USDA estimate of 109 million tonnes. Corn export prices are out of Ukraine jumped $13 per tonne over the last week as global exportable surplus continues to tighten. The trade is still expecting a jump in planted area for both corn and soybeans, but more and more traders believe producers will push for more corn with May corn futures up 30% since March 1 as compared with a rally of 11% for May soybeans.

The Commitments of Traders report for the week ending April 27th showed managed money traders were net long 378,663 contracts after decreasing their long position by 5,335 contracts for the week which is long liquidation. CIT traders net sold 2,948 contracts and are now net long 413,831 contracts. Non-Commercial No CIT traders reduced their net long position by 19,286 contracts to a net long 335,631 contracts. Non-Commercial & Non-Reportable traders were net long 470,823 contracts after decreasing their long position by 16,737 contracts for the week.

WHEAT:

July wheat closed slightly higher on the session Friday after choppy and two-sided trade. This left the market with a gain of 22 1/2 cents for the week. French wheat crop conditions were lower and this supported strong gains for the Paris wheat market and traders remain concerned with the lack of rain for the Northern Plains in the Canadian Prairies. The southern and Western Plains also look to turn hot and dry on the extended forecast models. A surge higher in corn was the key positive factor as outside market forces were quite negative with a rally in the US dollar to a six session high. For second notice day, deliveries reached 200 contracts as compared with zero on Friday. Kansas City wheat deliveries were 5 contracts which pushed month to date deliveries to 595 contracts.

The five day forecast continues to show decent rain amounts for central Kansas and southeastern Nebraska. There are light amounts of rain for parts of North and South Dakota, with decent rains in northern Oklahoma as well. The 6 to 10 day and 8 to 14 day forecast models show cool temperatures but above normal precipitation for the northern Plains which is seen as a negative force. Ukraine wheat prices have jumped near $14 per tonne over the last week with talk of questionable weather for the US, Europe and Brazil. Ukraine exported about 57 million tons of grain for the 2019/20 season, and the government believes exports could drop to near 45.7 million tonnes for the 20/21 season.

The Commitments of Traders report for the week ending April 27th showed managed money traders were net long 13,399 contracts after increasing their already long position by 11,816 contracts for the week. Non-Commercial No CIT traders reduced their net short position by 6,831 contracts to a net short 18,508 contracts. Non-Commercial & Non-Reportable traders added 11,565 contracts to their already long position and are now net long 25,105. For KC wheat, managed money traders added 11,291 contracts to their already long position and are now net long 30,038. Non-Commercial No CIT traders are net long 13,528 contracts after net buying 6,699 contracts for the week.

HOGS:

The hog market remains in a solid uptrend as traders see solid demand from China and a continued strong export market for US pork. The USDA pork cutout released after the close Friday came in at $108.72, up $2.16 from $106.56 on Thursday but down from $110.06 the previous week. The CME Lean Hog Index as of April 28 was 106.89, down from 107.01 the previous session and but up from 105.99 the previous week. June and July hogs closed limit-up on the session Friday with July into new contract highs. More talk that the China pig heard growth rate has been slowed by too many African swine fever outbreaks has helped to support. The rally was especially impressive with corn prices sharply higher and the US dollar also up sharply on the day.

Traders must believe that China will be importing more US pork over the near term but sales have been sluggish in the last several weekly updates. The USDA estimated hog slaughter came in at 470,000 head Friday and 51,000 head for Saturday. This brought the total for last week to 2.454 million head, down from 2.473 million the previous week but up from 1.540 million a year ago. The April 27th Commitments of Traders report showed Hogs Managed Money traders net sold 2,129 contracts and are now net long 71,117 contracts. Non-Commercial No CIT traders are net long 46,089 contracts after net selling 1,857 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,635 contracts to a net long 77,319 contracts.

CATTLE:

The cattle market seems to have already priced in the bearish short-term weakness in the cash market, but the surge in the boxed beef market opens the door for some strength in the cash market during

May. Consumer demand remains extremely strong and eventually packers may be needing to bid up the cash market. Packer margins are extremely profitable and they will have the incentive to move as much beef as possible at the high level. The USDA boxed beef cutout was up $2.61 at mid-session Friday and closed $2.74 higher at $296.50. This was up from $283.77 the previous week and was the highest the cutout had been since June 2, 2020. Cash live cattle trade was relatively quiet on Friday. In Nebraska 723 head traded at 119, versus an average of 122.26 the previous week. As of Friday, the 5-day, 5-area weighted average price was 119.01, down from 121.21 the previous Friday. June cattle closed higher on the session Friday after choppy and 2-sided trade. August cattle closed moderately higher.

Traders remain concerned that the feedlot operators are quick to sell due to high feed grain prices and this has kept June cattle in a long liquidation selling mode. Open interest is down to the lowest level since January 21. While beef prices are up $20 since April 15, cash and futures continue to trend lower. The USDA estimated cattle slaughter came in at 115,000 head Friday and 57,000 head for Saturday. This brought the total for last week to 649,000 head, down from 665,000 the previous week but up from 439,000 a year ago. The Commitments of Traders report for the week ending April 27th showed cattle managed money traders are net long 54,895 contracts after net selling 16,424 contracts for the week. CIT traders were net long 120,741 contracts after decreasing their long position by 3,831 contracts. Non-Commercial & Non-Reportable traders are net long 72,455 contracts after net selling 9,907 contracts.

COCOA:

Cocoa's vicious whipsaw action during Thursday and Friday left a 2-day price range that was 64 points larger than the combined range of the previous 13 sessions. Although the longer-term demand outlook remains positive, cocoa is likely to see additional downside follow-through until the market can find its footing. July cocoa stayed on the defensive after Thursday's late pullback as it remained under significant pressure all day and reached a new 2 1/2 week low before finishing Friday's trading session with a very heavy loss. For the week, July cocoa finished with a loss of 68 points (down 2.8%) for a second negative weekly result in a row, an outside week down and a negative weekly reversal from last Thursday's 6-week high.

July cocoa also posted a loss of 3 points for April after having a monthly gain of over 150 points at last Thursday's highs. Sharp selloffs in the Eurocurrency and British Pound as well as sluggish equity markets in Europe and the US were a notable source of carryover pressure on cocoa prices as they do not bode well for near-term demand prospects in Europe and North America. Several Euro zone nations expect to relax their COVID restrictions this month, but the market may be skeptical on a rebound in European demand by the end of the second quarter. In addition, a shift towards wetter weather over West African growing areas pressured the cocoa market as that should benefit the region's upcoming mid-crop production.

The Ivory Coast Coffee and Cocoa Board (the CCC) forecast their nation's cocoa production at 2.225 million tonnes which would be a 1.1% increase from last season's output. The CCC is also having trouble agreeing with exporters over reimbursement for their Living Income Differential that begun with this season's crop, which may disrupt the flow of Ivory Coast cocoa onto the world market if it is not resolved. The Commitments of Traders report for the week ending April 27th showed Cocoa Managed Money traders net sold 2,143 contracts and are now net long 12,543 contracts. CIT traders were net long 30,319 contracts after decreasing their long position by 2,642 contracts. Non-Commercial No CIT traders added 3,226 contracts to their already long position and are now net long 7,869. Non-Commercial & Non-Reportable traders added 1,548 contracts to their already long position and are now net long 34,515.

COFFEE:

In spite of bullish developments, coffee was unable to avoid end-of-week and end-of-month profit-taking and long liquidation. With a bullish supply outlook and improving demand prospects, coffee may be able to find a near-term floor early this week. July coffee was able to build on early strength, but turned to the downside at midsession before finishing Friday's trading session with a moderate loss. For the week, however, July coffee finished with a gain of 2.95 cents (up 2.1%) and a fourth positive weekly result in a row.

Global demand concerns continue to weigh on coffee prices as many restaurants and retail shops have yet to return to full operations. While some Euro zone nations are expected to relax COVID restrictions later this month, the flare-ups in new COVID cases in India has cast a shadow over global demand prospects for the second quarter. However, the US National Coffee Association reported that US coffee consumption only saw a modest reduction during the COVID pandemic as a large portion of out-of-home consumption was replaced by at-home consumption.

A more than 1.5% decline in the Brazilian currency also weighed on the coffee market as that may encourage Brazil's farmers to market their remaining 2020/21 coffee supplies. Colombia's coffee federation has discovered several new strains of the coffee rust fungus, and that may disrupt their upcoming coffee production and exports after they climbed back above a 14 million bag annualized production pace earlier this year. ICE exchange coffee stocks rose by 13,870 bags on Friday and finished April at 1.937 million bags. This was a seventh monthly increase in a row as they reached their highest month-end stocks total since March of 2020.

The April 27th Commitments of Traders report showed Coffee Managed Money traders net bought 17,314 contracts and are now net long 35,603 contracts. Coffee CIT traders hit a new extreme long of 78,159 contracts. CIT traders net bought 4,107 contracts and are now net long 78,159 contracts. Non-Commercial No CIT traders are net long 33,565 contracts after net buying 15,832 contracts. Non-Commercial & Non-Reportable traders net bought 20,180 contracts and are now net long 59,957 contracts.

COTTON:

Cotton appears to be consolidating its recent move. On Friday it closed higher, managing to retrace roughly half of its losses from the previous session with an inside trading day. The market found support from indications that China would be importing more cotton this year. The National Development and Reform Commission issued an additional 700,000-tonne quota for cotton imports in 2021, which is the equivalent of 3.2 million bales. This quota applies to non-state purchasers. How much (if any) will the additional quote increase China's purchases of US cotton?

There is one argument that they are trying to boost purchase to meet the Phase 1 agreement made with the Trump Administration back in early 2020. On the other hand, recent sanctions the US government has placed on cotton grown in Xinjiang due to the treatment of the Uighurs may send Chinese purchasers elsewhere. On the other hand, the buyers may leave politics aside and shop for the best deal. The dollar's sharp recovery on Friday makes US cotton more expensive on the world market, but this occurred after the dollar had fallen to its lowest level since late February on Thursday.

China has been the biggest purchaser of US cotton so far in the 2020/21 marketing year at 4.9 million bales, 32% of all US sales. Vietnam is the second largest at 3.0 million bales. In the most recent monthly USDA supply/demand report, China was forecast to be a net importer of 11.7 million bales (from all sources) in 2020/21, so the additional 700,000 quota implies a 6% increase over the previous forecast. Then there is the West Texas crop, which is facing severe drought. The area received some rains last week, which may have helped the crop stave off disaster, but more is needed. The 6-10-day forecast calls for above normal temperatures and below normal precipitation for the West Texas, but the 8-14 day allows for a more normal rainfall pattern.

The most recent US Drought Monitor (as of April 27) showed conditions ranging from Moderate Drought (D1) all the way up to Exceptional Drought (D4), which is the worst category. The April 27th Commitments of Traders report showed Cotton Managed Money traders are net long 58,668 contracts after net buying 6,776 contracts for the week. CIT traders were net long 78,711 contracts after increasing their already long position by 4,197 contracts. Non-Commercial & Non-Reportable traders added 11,214 contracts to their already long position and are now net long 93,283.

SUGAR:

The sugar market was able to find its footing following 3 sessions of whipsaw price action, but it will start the week and month well below last Tuesday's multi-year high. While it avoided a negative weekly key reversal, sugar remains vulnerable to additional long liquidation and profit-taking early this week. July sugar started out under pressure, but regained strength late in the day to finish Friday's inside-day session with a modest gain. For the week, July sugar finished with a gain of 10 ticks (up 0.6%) which was a fourth positive weekly result in a row.

Sharp selloffs in crude oil, RBOB gasoline and the Brazilian currency all weighed heavily on sugar going into the weekend as their weakness may encourage Brazil's Center-South mills to produce more sugar for the global export marketplace. Updated forecasts call for Brazil's Center-South cane-growing regions to have dry conditions with daily high temperatures reaching 85 degrees in many areas. This follows the extended dry weather that Center-South cane has seen since late last year, which in turn should lead to a reduction in both their 2021/22 cane crop and in 2021/22 sugar production which helped the sugar market to rally late in the day.

Pakistan's state trading agency bought 50,000 tonnes in an international tender, which is further evidence that they have shifted from a net exporter to net importer this season. Early reports have the delivery for the May 2021 ICE sugar contract around 575,000 tonnes (roughly 11,350 lots), which would be one-quarter the size of the May 2020 contract delivery that was the record high for an ICE May sugar contract.

The April 27th Commitments of Traders report showed Sugar Managed Money traders added 34,397 contracts to their already long position and are now net long 257,699. CIT traders net bought 7,651 contracts and are now net long 242,130 contracts. Non-Commercial No CIT traders are net long 190,414 contracts after net buying 30,373 contracts. Non-Commercial & Non-Reportable traders added 39,421 contracts to their already long position and are now net long 347,852.

Please contact us at 1.877.690.7303 or via email at sales@admis.com for any questions or comments on this report or would like more information about ADMIS research.

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