Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Not surprisingly, the Treasury markets spiked higher last Friday after a serious miss on the magnitude of the April payroll gain. However, the bond and note markets failed to hold the gains and at times after the jobs report prices were trading in "negative territory". As indicated in other financial market coverage, the very disappointing April jobs figures have probably pushed back the Fed's timing on tapering. Obviously, the Treasury bond market deserved its sharp spike up rally to the highest price since the beginning of March in the wake of a very significant "miss" on the nonfarm payroll reading for April. For many traders and analysts, that means the Fed will be on hold for longer. However, there are signs that other major global central bankers are poised to begin "tapering" and that could eventually begin the process of rotation away from the US.

In fact, foreigners boosted holdings of Chinese sovereign bonds to a record level last month which highlights a huge competition among countries to sell their debt. The trade will focus on signs of inflation and the action in US equities but unfortunately for the bull camp, last Friday's range up reversal failure was carved out on the highest trading volume since April 15th and that would seem to shift the short-term trend in favor of the bear camp. While the net spec and fund short probably fell on the bond rally in the last 3 days of last week the market prefers a large net short positioning and that should provide selling interest on rallies to 160-00. The Commitments of Traders report for the week ending May 4th showed Bonds Non-Commercial & Non-Reportable traders were net short 194,636 contracts after increasing their already short position by 2,855 contracts. For T-Notes Non-Commercial & Non-Reportable traders reduced their net short position by 1,156 contracts to a net short 159,863 contracts.

CURRENCIES:
We were somewhat surprised in the dollar's decline last Friday, as disappointing US jobs figures (some sources indicate the miss of expectations was the largest in decades) could have lifted the dollar sharply off renewed economic uncertainty. On the other hand, US interest rates fell and with the disappointing jobs data that probably extends the period of low rates in the US further into the future and that in turn could make other sovereign instruments more attractive as the pandemic winds down and economies recover. Not surprisingly, the dollar has ranged down again early this week and would appear to be headed below 90.00.

We suspect that slide is the result of a much weaker than expected US nonfarm payroll reading as that clearly pushes back tapering and in turn suggests low yields in the US will remain in place while yields in other countries might increase. Therefore, the US yield differential edge is likely to shrink and perhaps reverse and potentially retest the February spike low. Commitments of Traders report for the week ending May 4th showed Dollar Non-Commercial & Non-Reportable traders were net long 5,343 contracts after decreasing their long position by 154 contracts.

While the euro has not forged significant gains early this week, the dollar is clearly under noted pressure and the recovery currencies (Euro, Swiss franc, Canadian dollar) should be poised to take further advantage of that weakness. The trade saw a positive Sentix investor confidence reading for May from the Euro zone as that index leapt from 13.1 to 21. While the market is short-term overbought technically the currency would appear to be poised to regain 1.22. Euro positioning in the Commitments of Traders for the week ending May 4th showed Non-Commercial & Non-Reportable traders are net long 139,071 contracts after net buying 3,807 contracts.

While the Yen has hooked up over the past 4 trading sessions, the currency appears to be set to remain within a trading range bound by 91.00 and 93.00. The big question for the bull camp is whether-or-not the trade will restart the early April rally and in turn push prices toward the 93.50 level? With a significant bounce/rally already in place, the Swiss franc has soared above its 100-day moving average at 1.1055. While the Swiss franc has seemingly focused on the ebb and flow of global sentiment, it should see some residual support from a 0.2% decline in its April Swiss unemployment rate. We think the trend will remain up in the Swiss especially given the washout in the Dollar.

With the impressive 2-day range up move in the British pound of 100 points, a 2 1/2 month upside breakout on the charts and a hotter than expected Halifax house price release, the Pound looks to be on a track to retest 1.4250 later this week. Not surprisingly, the Canadian dollar has extended sharply into new contract highs and is benefiting in the face of weakness in the dollar and at times is benefiting in the face of strength in the dollar. Surprisingly, a very poor Canadian jobs reading for April has not undermined the Canadian dollar as was seen in the dollar and therefore, the bull camp appears to have a firm handle.

STOCKS:
Clearly, the significantly weaker than expected nonfarm payroll reading last Friday sparked buying of equities under the assumption that US interest rates would be held down for longer. In fact, seeing the nonfarm payroll gain come in at one quarter of the expectations significantly deflates recent fears that the Fed would begin to taper its asset purchases. In conclusion, favorable conditions look to extend with investors willing to pay up. Global equity markets at the start of this week were evenly mixed without geographic pattern. Overnight economic news of importance included a softer than expected Australian retail sales gain of 1.3% relative to expectations of 1.4%. It appears as if the markets have found a sweet spot with the US economy growing but not growing enough to quickly return jobs lost during the lock down.

While the new high move in the S&P was not impressive in scope, the index continues to lead the markets. It should be noted that the Thursday and Friday rally was done on only average volume indicating the breath of the bull camp might be narrow. From a technical perspective, the market is becoming overbought with the market from the COT report mark off into the high this morning rallying 80 points. Therefore, the positioning report is clearly understated. The Commitments of Traders report for the week ending May 4th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 16,154 contracts after decreasing their long position by 62,199 contracts.

Like the S&P, the Dow futures continue to lead the markets higher with another new all-time high early today. However, the market has posted a massive 5-day rally of 1200 points and has seen open interest jump sharply. Therefore, the market appears to have momentum and reserve speculative buying capacity. The May 4th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 298 contracts and are now net long 897 contracts.

The NASDAQ continues to falter despite new highs in both the S&P and Dow. While not directly related it is possible that tech sector stocks are under some suspicious following the hack of the Colonial pipeline as that national threat is likely to result in a wave of regulatory scrutiny and requirements. We see a near term corrective targeting at 13,589 and to turn the tide around will likely require a trade above 13,770. The Commitments of Traders report for the week ending May 4th showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net short 24,317 contracts after net selling 10,408 contracts.

GOLD, SILVER & PLATINUM:
The question for the gold and silver trade this week is which markets will show up as both markets have had a lot of starts and stops and have had difficulty trending. Certainly, seeing the dramatic downside thrust in the dollar and a cyber-attack on a key US pipeline provides a bullish fundamental foundation to start, which is needed to underpin the markets after large-concentrated gains last Thursday and Friday. On the other hand, seeing gold and silver rally following a significant downside "miss" on the monthly US nonfarm payroll report suggests that both markets saw buying off a likely extension of very low US interest rates. In fact, with the US likely to hold rates down and continue to provide bond buying at-the-same time that other central banks are preparing to "taper" that could result in a significant narrowing of the US interest rate premium over other sovereign yields. In addition to an extension of extremely low interest rates, the threat of inflation is surging in a list of exchange traded commodities at-the-same time that non-traded industrial input prices are spiking.

In fact, China will post factory gate prices this week with some economists predicting a gain of 6.6% which should be enough to spark inflation concerns at the People's Bank of China. On the other hand, India seems to be moving toward a nationwide lockdown and that could send Indian gold imports back down to minuscule levels. Fortunately for the bull camp, both gold and silver ETF holdings increased last Friday with silver holdings gaining 1.6 million ounces. In a very minor supply-side supportive development, Russian first quarter gold output declined by 5% or by 2.8 tonnes. While the small specs and funds added to their net long last week, the net spec and fund long positioning remains at less than half of the record spec and fund long posted in February of last year! Gold positioning in the Commitments of Traders for the week ending May 4th showed Managed Money traders net bought 2,979 contracts and are now net long 66,133 contracts. Non-Commercial & Non-Reportable traders were net long 208,318 contracts after decreasing their long position by 3,563 contracts.

While the silver market showed periodic divergence with gold last week, prices still posted a low to high rally of $1.95. In a positive technical sign, silver gains last week were posted on rising open interest in a sign that silver could be poised to join the inflation party. However, we see silver as restrained by "risk off" market days and significant resistance up at $28.00. The net spec and fund long in silver adjusted for the gains last week suggest that the market retains a moderate amount of buying capacity. The Commitments of Traders report for the week ending May 4th showed Silver Managed Money traders were net long 43,426 contracts after increasing their already long position by 6,098 contracts. Non-Commercial & Non-Reportable traders were net long 70,450 contracts after increasing their already long position by 4,970 contracts.

While the palladium market ranged down sharply last Friday and carved out a high to low washout of nearly $200 an ounce, the market rebounded and closed an impressive $102 from the low. It should be noted that palladium open interest continues to rise suggesting that traders are not overly anxious about record price levels. On the other hand, trading volume on last week's washout was the most significant since the middle of March indicating the market has toned down the bull's control. In retrospect, the palladium market has seen a significant amount of bullish demand news from stellar Chinese trade data and from record US vehicle sales, and therefore it could be difficult to replicate the type of optimism that pushed palladium above $3,000 an ounce. However, UBS forecast palladium prices to average $3,100 by the end of June with a projected deficit of 1 million ounces. Fortunately for the bull camp, the net spec and fund long positioning in palladium remains unbelievably low at 3,878 contracts, but that is attributable to the markets low trading volume of around 3,000 contracts a day. The May 4th Commitments of Traders report showed Palladium Managed Money traders were net long 4,428 contracts after increasing their already long position by 153 contracts. Non-Commercial & Non-Reportable traders net bought 121 contracts and are now net long 3,878 contracts.

In a strange twist, the net spec and fund long positioning in platinum remains at a lofty level of 37,946 contracts but trading volume in platinum is more substantial than in palladium at roughly 18,000 contracts a day. Platinum positioning in the Commitments of Traders for the week ending May 4th showed Managed Money traders are net long 20,336 contracts after net buying 217 contracts. Non-Commercial & Non-Reportable traders are net long 37,946 contracts after net selling 164 contracts. The bull camp in platinum needs speculators to rotate from record priced palladium to cheaper platinum as industrial users have not been found to be inclined to substitute.

COPPER:
Strength in iron ore (a record high) and indications that Chinese smelters will buy less copper concentrate (pollution control buy refined copper outside the country) provides the market with bullish buzz to start the new trading week. With a massive range up thrust into new all-time high ground again and Goldman projecting a further rise of 10% in the coming 12 months, the copper market appears to be a primary inflation tool. In fact, with signs of a strong Chinese economy last week and tightening LME copper stocks that leaves both supply and demand in favor of the bull camp. However, the bull camp should be careful pressing prices as lead and zinc (also base metals) do not appear to be taking part in the aggressive rallies in copper, lumber, iron ore, and steel, and that casts some doubt on views that copper is operating in a different economy.

From the supply-side of the equation, the fight between the Chilean government and mining companies continues with a royalty bill moving on to the Senate. However, it is unclear if higher royalties will cut production in the short term. While the net spec and fund long in copper remains below record levels adjusted for the gains after the report ($0.36) the market is obviously approaching record long status. The Commitments of Traders report for the week ending May 4th showed Copper Managed Money traders are net long 66,421 contracts after net buying 10,906 contracts. Non-Commercial & Non-Reportable traders were net long 64,812 contracts after increasing their already long position by 2,268 contracts.

ENERGY COMPLEX:
With the gasoline market flaring aggressively on the upside and crude oil forging minimal gains, it-is-clear that the focus of the energy complex is the Colonial product pipeline shutdown. Apparently, analyst suggest that widespread fuel shortages in the US could be seen if the pipeline remains shut for 4 to 5 days. Another supportive development for US crude is a report that significant amounts of crude is moving towards Europe with the recent slide in the dollar potentially giving US exporters a slight price edge. However, India appears to be moving toward a nationwide lockdown and that could make the demand loss from India even more severe than was expected. Fortunately for the bull camp, the US crude oil supply deficit to year ago figures leaves supply generally tight, especially considering that recent US export data has been very strong.

In fact, seeing the US dollar extend on the downside again this week should make US exports even more attractive to the world. While the net spec and fund long in crude oil is reaching overbought positioning, we would not count out additional speculative buying activity. In fact, the trade has been presented with a 32% decline in global floating storage this morning. The May 4th Commitments of Traders report showed Crude Oil Managed Money traders added 12,158 contracts to their already long position and are now net long 384,436. Non-Commercial & Non-Reportable traders added 15,925 contracts to their already long position and are now net long 602,743. In conclusion, with a slight correction at the end of last week and fears of more dramatic reductions in Indian oil imports, the pipeline shutdown could be the deciding factor on price direction this week. Last week, the Baker Hughes rig operating count posted a gain of 2 rigs in the US and a gain of 2 rigs in Canada.

With the gasoline market late last week showing a high to low correction of $0.10 and the shutdown of the largest US fuel pipeline, the gasoline market should be the leadership market early this week. According to officials the pipeline will need to be shut down by more than 2 or 3 days to be a significant impact on supply, but the pipeline moves more than 2.5 million barrels of fuel every day or about 45% of all fuel consumed on the East Coast. As in the crude oil market, the US gasoline supplies remain tight relative to year ago levels into the biggest demand season of the year. With the seasonal demand increase likely magnified by surging "opening up" demand, gasoline prices could surge above $2.23. In fact, depending on the duration of the pipeline shutdown, it is possible that speculative craziness could send prices much higher than would be expected.

On the other hand, significant buying off the pipeline shutdown will likely be challenged suddenly when the pipeline reopens. Fortunately for the bull camp, the net spec and fund long in gasoline remain surprisingly low considering the amount of gain in prices from last November. The Commitments of Traders report for the week ending May 4th showed Gas (RBOB) Managed Money traders were net long

69,330 contracts after increasing their already long position by 5,900 contracts. Non-Commercial & Non-Reportable traders net bought 8,988 contracts and are now net long 70,451 contracts. The diesel market will also be impacted by the pipeline problem with some airports (Atlanta the largest US airport) heavily reliant on jet fuel through the system. We see critical support in diesel at $1.98 and expect prices to rally until a reopening time for the pipeline is set. Heating Oil positioning in the Commitments of Traders for the week ending May 4th showed Managed Money traders added 1,108 contracts to their already long position and are now net long 19,515. Non-Commercial & Non-Reportable traders are net long 28,794 contracts after net buying 424 contracts.

The US pipeline shutdown is unlikely to have a direct impact on the natural gas market this week. However, the potential for strong Chinese purchases of natural gas were improved last week my stellar Chinese trade figures. Unfortunately for the bull camp, the US weather outlook shows three fourths of the US with normal to above normal temperatures out to midmonth with below normal temperatures isolated on the West Coast. The weekly Baker Hughes gas drilling rig count increased by 7 making the rigs operating the highest since March 2020. Canadian gas rigs also increased by 2 with 38 rigs operating.

Natural Gas positioning in the Commitments of Traders for the week ending May 4th showed Managed Money traders added 16,480 contracts to their already long position and are now net long 50,584. Non-Commercial & Non-Reportable traders were net short 30,060 contracts after decreasing their short position by 5,628 contracts. We favor the bear view to start the trading week as natural gas has once again faltered at $3.00 prices and has forged 8 days of consolidation just under that level. Furthermore, the net spec and fund short in natural gas has been brought down significantly thereby reducing the potential for stop loss buying. We would also note that the natural gas market lacks a definitive bullish theme capable of bringing prices above what has been extremely thick resistance ($3.00) since last September.

BEANS:
July soybeans closed sharply higher on the session Friday and into new contract highs, reaching a peak of 1599 1/2 and trading up to the highest level since October 2012. November soybeans also closed sharply higher on the day and posted new contract highs for the second session in a row. With the continued strong advance in corn, buyers turned active for meal and July meal pushed up to the highest level since January 20. Palm oil stockpiles in Malaysia rose 7.1% to 1.55 million tonnes in April from a month earlier. Weather and profitability are the key factors that affect planting decisions between late winter up until the crops are in the ground. The largest increase in soybean plantings was in 2014 with a gain of 3.346 million acres. May 2014 Soybeans rallied from $12.50 in early February to $15.32 by the end of April, significantly increasing the incentive to plant beans.

Looking at the supply/demand setup for soybeans in 2021/22, adding 1.5 million acres to planted area and using a trend yield of 50.8 bushels per acre could put ending stocks at 142 million bushels and result in a stocks/usage ratio of 3.2% stocks. If yield comes in at 50.2 bushels (the same as last year), ending stocks could fall to 91 million bushels with a 2% stocks/usage ratio. For the May USDA supply/demand report on Wednesday, the average pre-report estimate for US soybean 2021/22 ending stocks is 133 million bushels with a range of 110-200 million. The average estimate for 2020/21 (old crop) ending stocks is 118 million bushels (105-130 million range), versus 120 million estimated last month.

Traders expect new crop soybean yield to come in at 50.9 bushels per acre, up from 50.2 last year.

World 2021/22 ending stocks are expected to come in at 89.4 million tonnes (78.7-100 million range). Old crop ending stocks are expected at 86.7 million tonnes (84.6-90.1 million range) versus 86.9 million in the April update. If the corn crop in Brazil continues to shrink, meal usage could increase around the world. For the week, November soybeans gained 93 3/4 cents. Updated weather forecasts sparked aggressive buying at midday on Friday led by meal and corn. In Argentina, there seems to be active harvest and good producer selling and Brazil is also seeing better activity. Very aggressive meal buying was noted on the board on Friday and traders will monitor the cash markets closely to see if cash follows futures. Meal is the cheap protein compared with many alternatives and should find some support, but the US cash markets remain very soft.

The May 4th Commitments of Traders report showed managed money traders reduced their net long position by 5,215 contracts to a net long 174,799 contracts. Non-Commercial & Non-Reportable traders were net long 201,438 contracts after decreasing their long position by 11,040 contracts. This is a long liquidation selling trend. For soyoil, managed money traders were net long 87,505 contracts after decreasing their long position by 5,082 contracts for the week (also long liquidation). Non-Commercial No CIT traders net sold 7,638 contracts and are now net long 49,670 contracts. For meal, managed money traders are net long 54,150 contracts after net buying 64 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 4,030 contracts to a net long 109,862 contracts. There were 14 contracts delivered against May soybeans overnight which pushed cumulative deliveries to 380. There were two meal contracts delivered and zero oil.

CORN:
The corn market closed sharply higher on the session Friday and closed higher each day last this week to reach the highest level since March of 2013. Dryness in Brazil is bringing the crop size down every day that it does not rain. There is talk that the Brazil crop could fall to as low as 85 million tonnes, or down 24 million from the last USDA estimate, if there is no rain for the rest of the month. This seems unlikely but Brazil has entered the dry season and it cannot be ruled out.

Brazil's second (Safrinha) corn crop had the slowest planting in a decade and has been hurt by the driest April in over two decades. In the Brazilian state of Parana, the percentage of the corn crop in good condition has fallen from 92% to 62% in the space of two weeks! The market remains extremely overbought but found strength from news that China bought 1.36 million tonnes of US corn. Exporters also announced a sale of 188,468 tonnes of US corn sold to unknown destination.

The largest increase in corn plantings (from the USDA Prospective Plantings reports in late March to the Planted Acreage reports in late June) was in 2007 with a gain of 2.434 million acres. For the 20 years in which the estimate increased, the average gain was 851,000 acres. With the strong price gains since February, we expect corn plantings to be revised higher by near 2.5 million acres. With cumulative US export sales so strong, we would expect the USDA to raise its export forecast in upcoming reports. This would lower beginning stocks for the new crop season.

Adding 2.5 million acres to planted area and using a trend yield of 179.5 bushels per acre (which would be a record), ending stocks could come in near 1.343 billion bushels, with a relatively tight stocks/usage ratio of 8.9%. Even with a record increase in acreage, the market will need a record yield to hold ending stocks near current levels. If yield comes in at 172 bushels per acre (the same as last year), ending stocks could fall to 702 million bushels and result in a stocks/use ratio of 4.6%, a record low. If yield reaches the same as two years ago at 167.5 bushels per acre, ending stocks could slide to 317 million bushels.

For Wednesday's USDA supply/demand report, the average trade estimate for US corn 2021/22 ending stocks is 1.327 billion bushels (1.100-1.622 billion range). Old crop ending stocks are expected to come in at 1.275 billion bushels (1.135-1.361 billion range), down from 1.352 billion in the April report. New crop yield is expected to come in at a record 179.4 bushels per acre (range 176-182), up from 172 in 2020/21. Corn production is expected at 15.029 billion bushels versus 14.182 billion in 2020/21. Brazil's production is estimated at 103.2 million tonnes (99-106.5 million range) versus 109 million in April.

World ending stocks for 2020/21 are expected at 279.4 million tonnes, (range 275.0-285.3 million) versus 283.9 million tonnes in the April update. For the new season, ending stocks are expected to come in around 284 million tonnes. The Commitments of Traders report for the week ending May 4th showed managed Money traders reduced their net long position by 6,115 contracts to a net long 372,548 contracts which is a long liquidation selling trend. Non-Commercial No CIT traders added 18,933 contracts to their already long position and are now net long 354,564.

WHEAT:
July wheat closed moderately higher on the session Friday, but the rally fell short of the April 27 peak. For the week, July wheat gained 27 cents. Continued strong gains for the corn market should help increase wheat feeding and July Kansas City wheat posted a new contract high. European wheat futures traded higher last week with the May contract at the highest front month price since December 2012 at its peak Friday, but the market closed down 3.8% on the session. Demand factors remain mostly positive while supply factors continue to carry a slightly negative tilt. French wheat conditions declined for the fourth week in a row but remain in pretty good shape.

An inflationary tilt to commodity markets and a drop in the US dollar were seen as positive forces. The May USDA Supply/Demand and Production report is expected to show 2021/22 wheat ending stocks at 751 million bushels (644-941 million range) as compared with 852 million bushels this year. For the 2020/21 season, ending stocks are expected near 850 million bushels from 852 million last month. US all wheat production is expected at 1.877 billion bushels (1.769-1.976 billion range) as compared with 1.826 billion bushels this year. Hard red winter wheat production is expected at 711 million bushels from 659 million bushels last year. Soft red winter wheat production is expected at 309 million bushels from 266 million last month.

World wheat ending stocks for the 2021/22 season are expected at 297.7 million tonnes (283.7-320 million range) as compared with 295.5 million tonnes this year. For the 2020/21 season, ending stocks are expected at 294.7 million tonnes (290-302 million range) as compared with 295.5 million tonnes in the April update. The five day forecast models show no rain for the Dakotas, much of Nebraska and the eastern half of Kansas. However, the 6-10 day forecast models show above normal precipitation for the Dakotas and the 8-14 day forecast models show above normal precipitation centered in eastern South Dakota and covering all of the Dakotas, Nebraska, Kansas and Oklahoma.

The May 4th Commitments of Traders report showed managed money traders reduced their net long position by 2,676 contracts to a net long 10,723 contracts. Non-Commercial & Non-Reportable traders were net long 24,029 contracts after decreasing their long position by 1,076 contracts. For KC wheat, managed money traders added 3,962 contracts to their already long position and are now net long 34,000. Non-Commercial & Non-Reportable traders added 2,594 contracts to their already long position and are now net long 31,909.

HOGS:
June hogs closed sharply lower on the session Friday and August hogs also closed sharply lower on the day after posting a contract high and the lower close is a key reversal and suggests a significant top may be in place. Futures were under pressure in spite of a collapse in the US dollar and strength in most other commodity markets. Ideas that China import demand for meat and for pork will taper off as the year progresses has helped to pressure. Hog futures in China fell nearly 7% today which is the biggest decline since the contract launched in January. Hog prices have fallen sharply since late April and hit 20.29 yuan per kilogram on Monday, the lowest level since August 2019 as large-volume of heavy pigs continued to go to slaughter. China's national average spot pig price as of May 10 was down 4.83% from the previous day. For the month, prices are down 9.66% and down 43.5% year to date.

The CME Lean Hog Index as of May 5 was 108.55, up from 107.89 the previous session and up from 106.89 the previous week. This leaves June hogs holding a hefty premium to the cash market. The USDA estimated hog slaughter came in at 462,000 head Friday and 15,000 head for Saturday. This brought the total for last week to 2.408 million head, down from 2.454 million the previous week but up from 1.804 million a year ago. The USDA pork cutout, released after the close Friday, came in at $111.70, down from $112.21 on Thursday but up from $108.72 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 460 contracts of lean hogs for the week ending May 4, increasing their net long to 71,577. Non-commercial & non-reportable traders were net buyers of 2,584, increasing their net long to 79,903.

CATTLE:
June cattle closed higher on the session last Friday but well off of the highs. The buying pushed the market up to the highest level since April 27. The red-hot beef market continues to provide support and talk that cash cattle prices have stabilized and have the potential to trade higher in the next few weeks due to massive packer profit margins has helped to support. The USDA boxed beef cutout was down 41 cents at mid-session Friday and closed 49 cents lower at $305.88. This was up from $296.50 the previous week. Cash live cattle trade was quiet on Friday, with 734 head reported in Kansas at 119 versus an average of 118.47 last week. As of Friday afternoon, the 5-day, 5-area weighted average price was 118.26, down from 119.01 the previous week. Lower trades in Nebraska last week pulled the average down.

The USDA estimated cattle slaughter came in at 111,000 head Friday and 57,000 head for Saturday. This brought the total for last week to 638,000 head, down from 649,000 the previous week but up from 476,000 a year ago. The average estimated dressed cattle weight came in at 828 pounds last week, down from 830 the previous week but up from 820 a year ago. The 5-year average weekly weight for that week is 804.4 pounds. Estimated beef production for the week came in at 527.3 million pounds, up from 388.9 million a year ago. Friday's Commitments of Traders report showed managed money traders were net sellers of 6,030 contracts of live cattle for the week ending May 4, reducing their net long to 48,865 (long liquidation). Non-commercial, no CIT traders were net sellers of 5,547, reducing their net long to 33,709. Non-commercial & non-reportable traders were net sellers 7,531, reducing their net long to 64,924.

COCOA:
While many commodities have had a strong start to 2021, the cocoa market has been a notable laggard. There have been signs that cocoa demand is starting to rebound from its pandemic low. As a result, pent-up chocolate demand could set the 2021/22 season up with a more balanced supply/demand outlook. July cocoa shook off early pressure and extended last week's recovery move by reaching a new 1-week high before finishing Friday's trading session with a sizable gain. For the week, July cocoa finished with a gain of 81 points (up 3.4%) which broke a 2-week losing streak and was a positive weekly reversal from Tuesday's 6-month low.

Sizable gains in the Eurocurrency and British Pound provided cocoa with carryover support as they should help European grinders with acquiring near-term supplies. In addition, stronger equity markets gave a further boost to cocoa prices as they should help to shore up the near-term global demand outlook. There have been signs that cocoa demand is starting to rebound from its pandemic low. European 1st quarter grindings were down 3% from 2020, but they were up 3.5% from 2nd quarter 2020 and nearly 4% above the 4th quarter. North American 1st quarter grindings market the second quarter in a row with a year-over-year increase.

Asian 1st quarter grindings were 3.1% above 2020 and their largest 1st quarter grind on record. A key factor causing the reduction in cocoa demand has been the lockdowns that restricted retail shop operations and travel between nations. With several case-count flare-ups in Europe over the past few months, prospects for a demand recovery were pushed further into the future. France and Netherlands have announced plans to relax their COVID restrictions later this month, and the Euro zone is planning to allow travelers from the US this summer. The subdued demand has led to a buildup in West African supply, but the recent surge in Ivory Coast weekly port arrival totals may be an indication that the supply overhang is being worked down.

The May 4th Commitments of Traders report showed Cocoa Managed Money traders went from a net long to a net short position of 902 contracts after net selling 13,445 contracts. CIT traders were net long 31,287 contracts after increasing their already long position by 968 contracts. Non-Commercial No CIT traders net sold 16,583 contracts which moved them from a net long to a net short position of 8,714 contracts. Non-Commercial & Non-Reportable traders net sold 16,499 contracts and are now net long 18,016 contracts.

COFFEE:
After a nearly 14 cent rally in just 2 sessions, coffee was unable to sustain upside momentum. Given the market's price action late in the day, however, near-term pullbacks should continue to present fresh opportunities to approach the long side of the market. July coffee was pressured early in the day and dropped sharply again at midsession, but then rallied late in the day to finish Friday's trading session with a relatively moderate loss. For the week, however, July coffee finished with a gain of 11.45 cents (up 8.1%) and a fifth positive weekly result in a row.

The sizable Wednesday/Thursday rally encouraged end-of-week profit-taking and additional long liquidation when coffee prices fell under early pressure. The Brazilian currency rallied up to a new 16-week high late in the day, which provided carryover support to the coffee market as that eases pressure on Brazil's farmers to market their remaining 2020/21 coffee supply in front of their upcoming harvest. Severely dry conditions in Brazilian coffee-growing areas also helped the market to regain upside momentum going into the weekend.

The 2021/22 season will be an "off-year" for Brazil's biannual crop cycle which normally results in a drop in coffee production from the previous season. With the near-drought conditions seen since late last year, Brazil's Arabica production is expected to decline by at least 30% this year which could pull global production to its lowest level since the 2015/16 season. ICE exchange coffee stocks rose by 9,600 bags on Friday and are already more than 57,000 bags above their April month-end total, putting them on track for an eight monthly increase in a row which would be the longest monthly build streak since January 2019.

The Commitments of Traders report for the week ending May 4th showed Coffee Managed Money traders were net long 39,240 contracts after increasing their already long position by 3,637 contracts. Coffee CIT traders hit a new extreme long of 78,433 contracts. CIT traders net bought 274 contracts and are now net long 78,433 contracts. Non-Commercial No CIT traders added 304 contracts to their already long position and are now net long 33,869. Non-Commercial & Non-Reportable traders are net long 62,527 contracts after net buying 2,570 contracts.

COTTON:
December cotton closed moderately higher last Friday, but July closed lower. Both markets briefly traded up through last Thursday's highs but rejected them. The dollar broke sharply, with the June Dollar Index falling below last week's low to its lowest level since February 26, which should be supportive to cotton. The S&P 500 went to new all-time highs, which is supportive to the cotton market as well. In addition, lumber and copper pushed to new all-time highs as industrial commodities continue to be well supported from global money managers. There is also an inflationary tilt for most agricultural markets. The 1-5-day forecast calls for some light rainfall in west Texas with heavier amounts in the eastern part of the state.

The 6-10-day forecast offers a glimmer of hope for rain in west Texas with normal precipitation expected with those chances increasing somewhat in the 8-14 day. Friday's Commitments of Traders report showed managed money traders were net sellers of 493 contracts of cotton for the week ending May 4, reducing their net long to 58,175. Non-commercial, no CIT traders were net sellers of 3,140, reducing their net long to 58,731. Non-commercial & non-reportable traders were net sellers of 4,337, reducing their net long to 88,946.

SUGAR:
Sugar lost upside momentum late last week as it was impacted by the ebb and flow of key outside markets. Positive global risk sentiment and a bullish supply outlook continue to underpin the market, as sugar looks to be heading for new high ground over the next few weeks. July sugar saw choppy action as it was unable to sustain upside momentum before finishing Friday's trading session with a modest loss.

For the week, however, July sugar finished with a gain of 51 ticks (up 3.0%) and a fifth positive weekly result in a row.

Sluggish energy prices put early carryover pressure on the sugar market as that could weaken Brazilian domestic ethanol demand. The Brazilian currency reached a new 3 1/2 month high late in the day, however which provided support for sugar prices as that should ease pressure on Brazilian mills to produce sugar for the global export marketplace. While the La Nina weather event is on its way out, one area of the world that is critical to global commodity production is still feeling its impact. A La Nina normally brings drier than normal weather to Brazil and Argentina, and major Center-South cane-growing regions have little rain in the forecast through early next week.

The Brazilian 2021/22 Center-South cane crop harvest had a late start in some regions as producers held back in order to increase yields, and many analysts forecast that it could decline 10% or more from the 605 million tonnes in 2020/21. If crude oil and gasoline prices continue to rise, this could draw more of the crop to ethanol production and away from sugar production. All in all, it could result in Center-South sugar production declining by 6 million tonnes from last season. An official with the All India Sugar Trade Association said that India should reach their government's 2020/21 sugar export target of 6 million tonnes earlier than expected. If that target is reached or exceeded, it would be India's second record high export total in as many seasons.

The Commitments of Traders report for the week ending May 4th showed Sugar Managed Money traders were net long 250,467 contracts after decreasing their long position by 7,232 contracts. CIT traders net sold 455 contracts and are now net long 241,675 contracts. Non-Commercial No CIT traders net sold 10,128 contracts and are now net long 180,286 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,691 contracts to a net long 341,161 contracts.

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