ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

24 August, 2020

For the Week of August 24, 2020

BONDS:

The action in the bond and note markets to end last week was very impressive as prices remained strong directly in the face of US scheduled data that should have resulted in a selling wave. Some are suggesting that the bounce in the dollar combined with very disappointing European PMI readings has resulted in money flowing toward the US while others indicate that slowing fears continue to hover in the background. On the other hand, recent US infection data as of August 20th showed only 9 states with increasing infection rates, 17 states with level infection rates and 25 states with declining infection rates and that would not seem to provide treasuries with classic safe haven buying interest.

The Treasury charts remain bullish with last week's general pattern of higher highs and higher lows extended into the early Monday action. Apparently, US Treasury bulls are not as unnerved with the surprise emergency use authorization for plasma treatment as prices remain just under 3-week highs. While the Jackson Hole Fed symposium will impact prices throughout the week the keynote speech by the Federal Reserve chairman is not scheduled until Thursday and therefore the trade will likely parse other Fed speeches for any telltale sign of the Fed's current stance. It is possible that U.S. bonds and notes are drafting some support from a People's Bank of China injection and also from a Chinese investor poll predicting record defaults at the end of this year.

However, the trade appears to be downgrading US/Chinese trade tensions following last week's very aggressive purchases by China of US grain and increased talk of Chinese purchases of US energy. With the most recent positioning report in bonds showing a "net short", the potential for short covering buying remains in place this week with a potential critical pivot point in the September bond contract at 180-00. Bond positioning in the Commitments of Traders for the week ending August 18th showed Non-Commercial & Non-Reportable traders were net short 119,748 contracts after decreasing their short position by 5,205 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net long 173,286 contracts after net buying 51,403 contracts.

CURRENCIES:

Last week’s strength in the dollar appeared to be the result of soft European data, stronger than expected US PMI/existing home sales readings and perhaps because of statistics showing the US infection condition is showing signs of moderating. As of August 20th, states were posting increases in infection counts, 17 states were showing level infection counts and 25 states were showing declining infection counts and therefore some of the negative economic fear toward the US economy appears to be moderating. While the dollar has started off under some pressure this week, last week's rally still echoes in the marketplace and may discourage some would be sellers.

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In retrospect, seeing Congress fail to provide fresh stimulus to the US economy and instead the only provided a cash infusion to the US Post Office therefore the dollar is likely to slip in the early trade this week. In fact, it would appear as if the National activity index from the Chicago Fed will provide some measure of selling, especially with the early trade showing global interest in riskier currencies. The Commitments of Traders report for the week ending August 18th showed Dollar Non-Commercial & Non-Reportable traders net sold 142 contracts and are now net short 8,962 contracts.

While the risk on vibe throughout the world is not definitive, the euro bulls look to have control out of the gate and might be helped psychologically by signs of minimal progress between the US and EU on trade negotiations. However, the euro clearly rejected a sub-1.18 trade this morning and therefore may be looking for a continuation of a long-term uptrend pattern. The Commitments of Traders report for the week ending August 18th showed Euro Non-Commercial & Non-Reportable traders hit a new extreme long of 264,598 contracts. Non-Commercial & Non-Reportable traders added 5,236 contracts to their already long position and are now net long 264,598.

With a general risk on environment in place because of stronger global equities and treatment news from the US, it would appear as if resistance over the Yen has thickened. Unfortunately for the bull camp the Yen last week definitively failed with an early rally and appears to have settled back into a 95.00 to 94.00 range. While the charts and Swiss are not as definitively upbeat as those in the euro, we see last week's rejection of levels below 1.0947 as a potential solid low/plateau from which the Swiss can resume its uptrend.

Despite a general risk on mentality throughout global markets to start the trading week, the British Pound appears to be limited on its charts. Perhaps the Pound is off balance due to a lack of progress on the exit talks. While the September Canadian has not broken out to the upside in the early going this week, we expect that action at some point later in the week. Underpinning the Canadian dollar is a record June retail sales reading from last week which in turn is fanning hopes of recovery but a 3rd straight week of gains on the charts gives added technical confidence to the bull camp.

STOCKS:

While the equity markets continued to show a narrow quasi-lack of upside momentum, one can't argue with the bull's results. Clearly the markets were assisted by John Deere stock and its all-time high stock price, but also because US scheduled data was better than expected and indicative of growth. In fact, US existing home sales managed to reach the highest level since 2007 and the PMI readings have bested expectations and are sitting well into the growth zone which begins at 50.0.Global equity markets early this week were higher with gains ranging from 0.15% to as high as 2.25% in Germany. Strength in global equities are likely to be flowing from the emergency use authorization of plasma treatment in the US. In other slightly positive news, both American Airlines and Delta Air Lines have moved forward with novel efforts to clean/sanitize their planes in efforts that might give travelers more confidence.

Not surprisingly, another new high in the S&P early this week extends bullishness into another trading week with the bull camp obviously cheered by what appears to be further treatment progress on the virus. However, the S&P from at least one technical measure is not anywhere near overbought levels with the last positioning report showing the market to be "net spec and fund short". Granted the COT positioning is understated given that the S&P has rallied 28 points from the level where report was measured. The Commitments of Traders report for the week ending August 18th showed E-Mini S&P Non-Commercial & Non-Reportable traders reduced their net short position by 19,486 contracts to a net short 181,566 contracts.

While the Dow largely diverged with the rest of the markets over the prior 2 weeks it has come alive to start the new trading week and has broken out to the highest level since late February in a fashion that suggests it is now joining the uptrend. Obviously, the hope for a fresh effective treatment provides investors with new found confidence and it is also possible that some money is moving to Dow stocks from other sectors because of the idea that they are undervalued relative to the highflying tech issues. While not as large of a net spec and fund short, the Dow futures as of early last week were net short and that should leave plenty of speculative buying fuel in place. The August 18th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders net bought 1,817 contracts and are now net short 692 contracts. The NASDAQ has continued its definitive leadership role with a sharp push higher into uncharted territory. The Commitments of Traders report for the week ending August 18th showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net long 28,181 contracts after increasing their already long position by 10,834 contracts.

GOLD, SILVER & PLATINUM:

Apparently, the gold market has not been undermined following higher global equities and progress on treatment for the coronavirus as prices were tracking positive in the early going this week. At the end of last week, gold ETF's added 19,376 ounces for 5th straight day of additions, bringing their year to date purchases up to 25.7 million ounces. Unfortunately for silver bulls, silver ETF's reduced their holdings by 4.4 million ounces on Friday and the daily changes in silver ETF holdings are becoming choppy and two-sided in what some say is a breaking down of the bull vibe! Last week gold ETF's increased their holdings by 287,531 ounces, while the net silver ETF reduction on the week was 6.74 million ounces.

While the gold trade is supposedly upbeat on potential support from the Fed this week from the Fed symposium, the Fed Chairman does not speak until Thursday and that could result in a lot of speculative two-sided chop as other speakers shape the markets expectations for the Fed Chief address. Working against the bull camp is the fact that Shanghai gold and Indian gold prices were lower early this week with Indian gold prices down for a 4th straight session on Monday. The bear camp is beginning to project lost momentum as a sign of a top while others simply point to the lack of ongoing expansion in the Fed balance sheet as a sign that the Fed is content to take a wait and see approach.

Furthermore it would also appear as if the US infection count has declined which in turn is discouraging fresh speculative buying. In fact, as of August 20th, the US had only 9 states reporting a trend of rising infections with 17 states reporting level infection rates and 25 states reporting declines! While the net spec and fund long in gold has come down considerably, it remains 59,000 contracts above the June 9th level which in turn was the lowest since June 2019. Therefore, gold should not be considered "mostly liquidated" yet.

The August 18th Commitments of Traders report showed Gold Managed Money traders were net long 155,274 contracts after increasing their already long position by 5,145 contracts. Non-Commercial & Non-Reportable traders were net long 310,872 contracts after increasing their long position by 4,472 contracts last week. The August 18th Commitments of Traders report showed Silver Managed Money traders were net long 31,615 contracts after increasing their already long position by 8,666 contracts. Non-Commercial & Non-Reportable traders net sold 432 contracts and are now net long 50,722 contracts.

The silver market showed significant volatility at the end of last week, and in our opinion the charts were freshly damaged creating the potential for a sub $25.00 trade likely early this week especially the event of further strength in the dollar, spillover selling pressure from gold and or in the event of more new highs in US equities. However, it is possible that silver will show some divergence with gold in the event a risk on vibe from better US infection news is present in the headlines. Unfortunately for the bull camp, the net spec and fund long position is still 17,000 contracts above what we would consider to be "mostly liquidated".

The palladium market is once again trading within a tight coiling pattern, but the market did show a jump in trading volume last Thursday and Friday in a fashion that could suggest consolidation low support is credible. Unfortunately, the outlook for gold and silver favors the bear camp and that should increase resistance hanging over the top of palladium. In retrospect, optimistic views toward the Chinese economy and strong Chinese vehicle sales last month have done almost nothing to lift palladium which in our opinion signals a market destined to remain within a trading range. Palladium positioning in the Commitments of Traders for the week ending August 18th showed Managed Money traders are net long 3,296 contracts after net selling 122 contracts. Non-Commercial & Non-Reportable traders are net long 3,515 contracts after net selling 88 contracts.

Clearly the charts in the platinum market were damaged again on Friday with prices falling down to the lowest level since July 30th in a move that was primarily the result of spillover weakness from gold but also because of a lack of confidence in the forward global economic outlook. On the other hand, platinum ETF holdings have seen 13 straight days of inflows and a significant continuation of that trend could eventually begin to provide investment demand excitement for the bull camp. Last week platinum ETF holdings increased by 27,189 Troy ounces and are presently 6.5% above year ago levels. Platinum positioning in the Commitments of Traders for the week ending August 18th showed Managed Money traders are net long 14,730 contracts after net selling 681 contracts. Non-Commercial & Non-Reportable traders net bought 213 contracts and are now net long 28,169 contracts.

COPPER:

With a significant reversal and failure at the end of last week, the copper market would appear to be back in a corrective mode but risk-on sentiment from global equities, a 13 year low in LME stocks and spillover lift from sharp gains in other base metals (Nickel hit a 9 year high early Monday) should help to cushion prices. While the weekly Shanghai copper stocks change last week failed to provide the bull camp with fresh evidence of recovering demand in China, LME copper stock declines leave the overall supply situation generally supportive.

On the other hand, the Congo announced an export ban waiver for copper concentrate, and it is possible that spillover pressure from weak precious metals prices, weakness in energy prices and selling from a strengthening dollar will result in a substantial give back of the August 13th through August 19th blistering rally. The August 18th Commitments of Traders report showed Copper Managed Money traders added 13,567 contracts to their already long position and are now net long 60,974. Non-Commercial & Non-Reportable traders were net long 46,689 contracts after increasing their already long position by 9,908 contracts.

ENERGY COMPLEX:

At this point we see the threat against US supply from the twin tropical storms as moderated with one storm expected to come on shore well ahead of the 2nd storm. However, the 1st storm is expected to make landfall as a category 2 storm so that leaves some uncertainty in place. It would also appear as if the storm landfall points have shifted toward the West which in turn has pushed back the landfall timing. While the track of the storms is unpredictable the westward shift and the lack of serious strengthening over the weekend should mean the 58% of Gulf coast shutdowns will be quickly spooled back up by late on Wednesday as the storms moves up into the Mississippi Valley. Nonetheless, a measure of risk sentiment remains in place from the storms and that has combined with a risk on mentality to put prices in a positive track to start out this week’s trading.

However, we think deteriorating demand views will return in the coming trading sessions (off renewed fears of infection counts in Europe and Asia), and we also think last week’s report suggesting OPEC plus overproduced oil from May through July, helps to thicken overhead resistance on the charts at the August highs. Another force thickening overhead resistance for crude oil prices is news that crude oil in floating storage remains 270% above year ago levels with that level so steady over the last 7 days to suggest that global supply and demand are now balanced and a backlog of supply from global shutdown remains in place. On the other hand, cash markets are showing signs of prompt demand and it is difficult to discount the threat against US production/distribution until the storms have passed.

Unfortunately for the bull camp, recent US production figures have steadied and ideas that US production might have found a bottom were seen from last week's US rig operating count which jumped by "11 rigs". The jump in the Baker Hughes rig operating count was the first notable jump since March and was the highest rig count in 7 weeks. Canadian oil rigs drilling increased by one, but news that crude oil rail shipments in Canada fell to an 8 year low in June suggest the export flow from Canada is likely to remain slow. Part of that softening Canadian export demand is probably the result of a 13.2% rally in the Canadian dollar since the middle of March. While the net spec and fund long in the crude oil market is not particularly large, it is near some of the highest levels of the last 2 years range. The August 18th Commitments of Traders report showed Crude Oil Managed Money traders net sold 6,639 contracts and are now net long 334,399 contracts. Non-Commercial & Non-Reportable traders net sold 2,525 contracts and are now net long 570,175 contracts.

While the gasoline charts at times last week showed deterioration, the October contract has already managed a fresh higher high early this week in a fashion that should embolden the bull camp. Apparently the losing battle against sagging US gasoline demand (from the lack of spooling up of the US economy), has not discouraged fresh buying and that is very surprising considering the news late last week of a jump in European gasoline production in July of 6.9% from June. Perhaps reports of increased clean fuel flows toward Asia and the hope from the Virus treatment front is attracting fresh speculative buying in hopes of a week-long risk on market condition. The increase in fuel flow toward Asia is seemingly explained by reports that Chinese July gasoline exports were 28.2% below year ago levels which indicates that China has yet to return to its status of a major fuel export player throughout Asia.

While it is possible that gasoline might be seeing some speculative buying off the potential for disruptions of US refinery activity from the looming storms it would not appear as if wind speeds will not be enough to damage or knockout production. On the other hand, with a double storm threat there could be epic flooding which in turn would put some temporary production halts in place. However, US cash product prices at the end of last week jumped off pipeline issues and perhaps are beginning to catch some speculative buying off the potential that some of the vast array of US refineries situated around the Gulf of Mexico will see some limited disruption from the dual storms. Gas (RBOB) positioning in the Commitments of Traders for the week ending August 18th showed Managed Money traders are net long 53,818 contracts after net buying 11,153 contracts. Non-Commercial & Non-Reportable traders were net long 71,739 contracts after increasing their already long position by 7,838 contracts.

With the sharp range down failure last Friday putting prices down to the lowest level since July 30th, the ULSD market made it clear that it is still the weakest component of the energy complex. Obviously, news that a major US air carrier was moving to cut flights highlights the dismal demand picture for jet fuel. Apparently, a weekly decline in European jet fuel stocks is of little help to prices which appear to be poised to slide below the $1.20 level. While not overly vulnerable to spec long selling the latest positioning-report showed a net long in excess of 25,000 contracts which would seem to be enough fuel to throw October ULSD prices down to the last key low of $1.19. The August 18th Commitments of Traders report showed Heating Oil Managed Money traders net bought 5,202 contracts which moved them from a net short to a net long position of 4,740 contracts. Non-Commercial & Non-Reportable traders net bought 1,880 contracts and are now net long 25,169 contracts.

In an extreme amount of volatility, natural gas at the end of last week made a 6-day low and then exploded into a recovery that put prices right back within close-proximity of their 2020 highs. Obviously, news that US Gulf shut-in natural gas production was already in place as of last Friday combined with the likelihood of even more production being closed until the storms pass, provides a strong basis for strength. While the story of strong US LNG exports has contributed a lot to the bull case recently, we expect the tropical storm situation to dominate the first two trading sessions of the week. However temperatures in US are now expected to decline and it is likely that gas production will be resumed in the Gulf quickly without noted damage to off shore platforms.

Last Friday's Baker Hughes US gas rig operating count showed a decline of one while Canadian oil rigs increase by one. Tropical storm Laura is expected on land on Thursday while Tropical Storm Marco is expected to go onshore on Tuesday. The August 18th Commitments of Traders report showed Natural Gas Managed Money traders net sold 347 contracts and are now net long 122,393 contracts. Non-Commercial & Non-Reportable traders are net long 37,037 contracts after net buying 966 contracts. While the near term, fundamentals of demand from exports remain in place US temperatures are shifting bearish and the charts are building overhead consolidation resistance under the $2.60 level.

BEANS:

In our opinion, the bull camp is holding on to decreasing chances of a late hit to the crop from pockets of dryness and that, combined with very high historical good to excellent crop conditions suggests prices have adequately factored the uncertainty from the storm and have also partially factored in surging export demand. Some areas of the Midwest remain too dry and there has been little rain in the last seven days, and also little rain in the forecast for the next six days. However, the 6-10 day forecast shows above normal precipitation for all of the Midwest.

With the advanced progress of the crop this year, it is questionable if the dry weather will cause much damage. Some traders are hopeful that the tropical storms in the Gulf Coast could move up to provide moisture. India soybean production could jump by 32% for 2020 to reach 12.25 million tonnes as monsoon rains falls have been ample. Tighter than expected vegetable oil stocks recently has supported strong soybean oil prices, and the jump in India soybean production could ease some tightness. In addition, traders believe palm oil production could recover for both Indonesia and Malaysia.

Recent dryness in Argentina and Brazil is also a concern. Traders are concerned that La Nina may develop in the fourth quarter of 2020 which could raise the risk of below normal rainfall for Brazil and parts of Argentina. Plantings are normally increasing into mid-September so it is still too early for the dryness to be a factor. With normal weather, Brazilian production is likely to reach a record high. For the Pro Farmer crop tour, tour participants see the soybean crop at 4.362 billion bushels with an average yield of 52.5 bushels per acre. This compares with the August USDA estimate of 4.425 billion bushels with a yield of 53.3 bushels per acre.

If we plug in the Pro Farmer estimate for production into the USDA report, ending stocks would drop to 547 million bushels, still down from 615 million bushels this year and a record 909 million bushels last year. With the dryness in the past week, traders expect crop conditions to decline again this week. Last week 72% of the crop was rated good/excellent as compared with 53% last year. The bull camp may be disappointed with the lower close Friday after daily exports came in at a whopping 368,000 metric tonne sale of US soybeans to an unknown destination and a 400,000 metric tonne sale of soybeans for delivery to China.

The August 18th Commitments of Traders report showed soybeans managed money traders added 80,194 contracts to their already long position and are now net long 107,058 contracts. Non-Commercial & Non-Reportable traders added 97,907 contracts to their already long position and are now net long 124,020. For soyoil, managed money traders are net long 57,524 contracts after net buying 5,381 contracts for the week. CIT traders are net long 103,888 contracts after net buying 5,791 contracts. For soymeal, managed money traders net bought 40,270 contracts for the week which moved them from a net short to a net long position of 10,979 contracts. Non-Commercial & Non-Reportable traders are net long 46,125 contracts after net buying 35,559 contracts for the week.

CORN:

While the soybean fundamentals leave both US and world ending stocks ample, the potential loss in production for the state of Iowa could be enough to tighten ending corn stocks considerably from recent expectations. China imported 910,000 tonnes of corn in July, up 136.5% from last year. Cumulative corn imports this year reached 4.57 million tons, up 30.7% from last year's pace. Dry weather in the northeast growing regions is threatening production at a time when demand is expanding from the hog and poultry feed industry. China has been buying hefty amounts of U.S. corn, which have gone some way to meeting its commitments under the phase one trade deal with America.

The Pro Farmer crop tour pegged the corn crop at 14.820 billion bushels with an average yield of 177.5 bushels per acre. This is down from 15.278 billion bushels from the USDA August update, and the 458 million bushels decline in ending stocks would push stocks down to 2.298 billion bushels as compared with 2.756 billion by the USDA. This would leave ending stocks similar to last year and well below the 3 billion bushels feared by many of the bears. December 2020 corn futures were trading near 404 1/2 at this time last year, which leaves current prices down near 16% from a year ago. As opposed to the soybean charts, the corn chart Friday shifted sentiment away from the liquidated bias that was in position for most of the trading week.

It should be noted that the crop tour did project lower than average Iowa yields and that could help corn prices hold up above last week's spike low. On the other hand, the corn market should be supported as a result of another US export sale of 405,000 metric tonnes of corn for delivery to China during the 2020/2021 marketing year. French corn crop conditions worsened for a sixth week in a row to 62% rated good or very good as of Aug. 17, versus 65% a week earlier. Dry weather and heat has threatened French corn output.

Corn positioning in the Commitments of Traders for the week ending August 18th showed managed money traders are net short 110,499 contracts after net buying 61,862 contracts for the week. Non-Commercial No CIT traders were net short 132,622 contracts after decreasing their short position by 61,637 contracts for the week. Non-Commercial & Non-Reportable traders were net short 65,512 contracts after decreasing their short position by 74,942 contracts.

WHEAT:

China imported 930,000 tonnes of wheat in July, up 325% from a year ago. This left year to date wheat imports at 4.28 million tonnes, up 116.3% from last year. Short covering has been a positive force for the wheat market recently, and the COT update shows fund traders still hold a hefty net short position. The upside may be limited by massive world wheat stocks, but some key exporters are having a difficult time with crop conditions. While the Argentina crop plantings are just finishing up, frost hit some of the wheat areas and this could cause some permanent damage. The new crop has already been suffering from drought-like conditions so the frost damage could be significant. Egypt imports are likely to drop this season from last year. Turkey is in the market to import 390,000 tonnes of red milling wheat in their recent tender. Syria is tendering for 200,000 tonnes of soft wheat from the EU or Black Sea region. December wheat was able to shake off early pressure on Friday and reach a new 2 1/2 week high, and the market managed to jump 25 1/2 cents for the week.

December KC wheat posted a 3 1/2 week high for a gain of 21 cents for the week. SovEcon raised their estimate for 2020/21 Russian production by 300,000 tonnes to 81.2 million which was a source of early pressure. In addition, a sharp rally in the Dollar also weighed on wheat prices as it makes US wheat less competitive in the global export marketplace. This morning, IKAR raised their Russia wheat crop estimate to 82.5 million tonnes, up from 82 million previous. The Commitments of Traders report for the week ending August 18th showed managed money traders are net short 12,474 contracts after net buying 3,058 contracts for the week. Non-Commercial & Non-Reportable traders reduced their net short position by 7,900 contracts to a net short 14,655 contracts. For KC Wheat, managed money traders reduced their net short position by 7,587 contracts to a net short 27,005 contracts. Non-Commercial & Non-Reportable traders net bought 9,983 contracts and are now net short 21,701 contracts.

HOGS:

The hog market has seen a solid recovery rally off of the late June lows, and the buying has left the market slightly overbought. The sharp drop in pork cut-out value on Friday is a concern for the bulls but record monthly imports of pork from China for July is seen as a positive force. Cumulative US export sales for the year have reached 1,456,446 tonnes, up from 1,039,725 last year at this time and a record high. While slaughter last week was up 3.4% from a year ago, pork production was up 4.9% from last year and the market will need to absorb large weekly slaughters in the weeks ahead. China imported 430,000 tonnes of pork for July which was up 136% from a year ago. Cumulative imports for 2020 reached 2.56 million tons, up 156% from a year ago pace.

The USDA pork cutout released after the close Friday came in at $72.96, down $2.53 from Thursday and down from $74.42 the previous week. This was the lowest the cutout had been since August 12. The CME lean index as of Aug 19 was 55.41, up from 55.08 the previous session and 53.48 a week before. The USDA estimated hog slaughter came in at 476,000 head Friday and 227,000 head for Saturday. This brought the total for last week to 2.618 million head, up from 2.559 million the previous week and 2.531 million a year ago. The Commitments of Traders for the week ending August 18 showed managed money traders were net buyers of 1,642 of lean hogs for the week, increasing their net long to 19,927. Non-commercial & non-reportable traders were net sellers of 427, reducing their net long to 22,296.

CATTLE:

The Cattle on Feed Report was bearish against trade expectations, especially for the deferred contracts. July placements at 111.0% of last year were above the upper end of trade expectations ranging from 107.7% to 108.7%. Marketings came in at 99.4%, slightly below average expectations but within the expected range. This brought the August 1 on-feed number to 101.5% of last year, which was above the average estimate and above the expected range. These numbers were bearish across the board, as the lower marketings and higher on-feed number reflected larger than expected near term supply, while the higher placements number projected to higher supply in the future.

October live cattle closed lower on Friday and down to the lowest level since August 12th. This was despite stronger beef prices and strong cash cattle markets last week. The USDA boxed beef cutout was up 61 cents at mid-session Friday and closed 56 cents higher at $225.94. This was up from $214.24 the previous and was the highest it had been since June 16. The cutout has increased for 12 sessions straight and has increased $22.37 during that time. It is possible that traders are worried that the pre-Labor Day retailer buying is reaching a peak, even though that is not evidenced in beef prices. Cattle weights are still heavy, which means beef production is not likely to back off soon.

Cash live cattle traded in light volume last Thursday at prices that were mostly steady with earlier in the week ($106) and up $2 from the previous week. The USDA estimated cattle slaughter came in at 116,000 head Friday and 66,000 head for Saturday. This brought the total for last week to 652,000 head, up from 640,000 the previous week but down from 657,000 a year ago. Friday's Commitments of Traders showed managed money traders were net buyers of 12,155 contracts of live cattle for the week ending August 18, bringing their now net long to 57,767. Non-commercial & non-reportable traders were net buyers of 9,741, increasing their net long to 63,529.

COCOA:

Cocoa continues to face pressure from global demand concerns that will not be fully soothed until most areas of the world has ended or sharply reduced their coronavirus restrictions. Improving global risk sentiment was able to fuel a significant turnaround last Friday, however, and that may help the cocoa market to regain lost ground. For the week, December cocoa finished with a loss of 45 points (down 1.8%) which was a second negative weekly result in a row. A sharp selloff in the Eurocurrency became a source of early pressure as a weaker currency makes it more difficult for Euro zone grinders to acquire near-term supplies. Fitch Solutions forecast a global production surplus of 100,000 tonnes this season and 53,000 tonnes during the 2020/21 season. Fitch also said that while global grindings will remain "weak", they would recover from their current levels while global demand growth will come in at 2.5% versus global production growth of 2.2%.

Starting on Friday, many West African growing areas will have several days in a row with wet weather, although most regions should have daily rainfall totals of 0.25 inch or lower. However, there are reports that Nigeria will delay the start of their 2020/21 main crop harvest due to a recent extended spell of dry weather. Cocoa positioning in the Commitments of Traders for the week ending August 18th showed managed money traders added 3,191 contracts to their already long position and are now net long 21,067. CIT traders net bought 2,027 contracts and are now net long 44,425 contracts. Non-Commercial & Non-Reportable traders are net long 35,732 contracts after net buying 1,404 contracts.

COFFEE:

Although the coffee market will start out this week well below the early August highs, coffee should be able to maintain an upside bias. December coffee was able to shake off heavy early losses Friday as it went on to post a moderate gain and for the week, December coffee finished with a gain of 3.35 cents (up 2.9%) which broke a 2-week losing streak. A more than 1% pullback in the Brazilian currency was a source of early pressure on the market as it encourages Brazil's producers to market their near-term supply to foreign customers. However, a rebound in global risk sentiment helped to support. While there is dry weather forecast for Brazil's Arabica-growing regions through the middle of next week, there are cool temperatures early this week in some areas.

ICE exchange coffee stocks fell by another 15,958 bags on Friday, and with 6 sessions left to go in August are down more than 253,000 bags (15.9% lower) for the month. This is already the largest outright monthly decline since December 2004 and the largest percentage monthly decline since October 1998. The vast majority of ICE exchange coffee stocks are located at warehouses in Antwerp, Hamburg and Bremen, so their sharp August decline is a positive sign for European near-term demand prospects. The Commitments of Traders report for the week ending August 18th showed managed money traders were net long 27,782 contracts after increasing their already long position by 4,005 contracts for the week. CIT traders were net long 58,571 contracts after increasing their already long position by 3,460 contracts. Non-Commercial & Non-Reportable traders were net long 41,048 contracts after increasing their already long position by 4,710 contracts.

COTTON:

The cotton market has found significant support from outside market forces recently, and the hot and dry weather in West Texas has added to the positive tone. The surge in the stock market and decent export news has added to the positive tone. Unless there is significant damage to the Delta crop, the weather this week looks mixed. The COT report shows a hefty net long position so it will be important to see positive news to extend the recent rally. December cotton managed to see a gain of 143 points for the week last week. The market had been encouraged by a fairly upbeat export sales report on Thursday that showed US cotton export sales for the week ending August 13 at 132,973 bales. This was up from 15,691 the previous week and was the highest weekly total since June 25. Export shipments totaled 421,533 bales for the week, the highest since April.

China took the most at 191,800, followed by Vietnam at 82,108. The strong numbers for China may have been particularly encouraging. The 5-day forecast has no rain in west Texas but ample rainfall hitting the Delta with two tropical storms likely to make rainfall this week in Louisiana. The 6-10 day and 8-14 day forecast models show above normal precipitation for all of Texas which might help to ease crop concerns after recent hot and dry weather. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,061 contracts of cotton for the week ending August 18, increasing their net long to 40,899. Non-Commercial & Non-Reportable traders were net sellers of 148 contracts, reducing their long to 55,137.

SUGAR:

With an overbought condition basis the COT report, and the outlook for big supply ahead, sugar could turn lower at any time. China sugar imports for July reached just 310,000 tonnes, down 30% from last year. Cumulative imports for the year reached 1.56 million tonnes, up 4% from last year's pace. For the week, October sugar finished with a loss of 27 ticks (down 2.1%) which broke a 3-week winning streak. Sluggish energy prices were a source of early pressure as they should keep Brazilian domestic ethanol demand subdued. In addition, a pullback in the Brazilian currency added pressure as it encourages Center-South mills to produce more sugar for export. Sugar has seen a multi-year trend towards higher consumption, but that has been slowed this year by the coronavirus. Thailand is expected to have a second season in a row with sugar production near multi-decade lows, and that has an outsized impact on the market as they have been a major exporter for years. Dry weather and beet disease issues have the EU looking at lower production as well for 2020/21.

However, those production losses should be more than offset by a huge upsurge in Brazilian production. Brazil's Center-South mills have raised sugar's share of their crushing efforts from 34.3% last season to nearly 47% so far this season. Recent Unica biweekly updates show that the rebound in energy prices has not led to a reduction in sugar's share of crushing. For the past four months, Brazilian domestic ethanol consumption has been running 22% below last year. As a result, Brazilian 2020/21 sugar production is expected to come in above 39 million tonnes, an increase of nearly 10 million from 2019/20 and a new record high. A large portion of their output is exported, and the recent decline in the Brazilian currency provides more incentive for mills to export sugar.

Brazil's 2020/21 sugar exports are expected to reach 28 million tonnes, well above their 2019/20 level and close to a record high. India's monsoon rainfall has been 5% above normal this year which should benefit their cane crops for this season and next. Their 2020/21 production could climb back above 32 million tonnes, more than 10% above 2019/20. This would likely result in a second straight year of record exports. The Commitments of Traders report for the week ending August 18th showed managed money traders were net long 170,963 contracts after increasing their already long position by 25,084 contracts for the week. Non-Commercial & Non-Reportable traders are net long 271,387 contracts after net buying 32,669 contracts.

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