ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

27 May, 2020

For the Week of May 26, 2020

BONDS:

While treasury prices initially failed to hold the brunt of the rally late last week, economic and political uncertainty remain in the windshield and the bull camp should feel confident going forward. However, the US Federal Reserve chairman suggested that the economic outlook for the world is all about success from the vaccine front. While society is amazingly divided on how soon and/or if there will be a vaccine, we think severe and sustained slowing could be avoided if the scare factor from the virus is punctured by growing evidence of vaccine efficacy. Therefore, treasury prices back up to the vicinity of the April and May highs might offer the opportunity to purchase September bond and note puts for a moderately significant top in prices.

The Treasury markets are starting off on a weaker footing this week obviously because of the risk-on psychology flowing from global equity market gains. It is also likely that bonds and notes are under a measure of pressure because of hopeful news of a possible effective vaccine beyond the Moderna vaccine last week. We would also suggest that treasuries are under a bit of pressure because of upbeat German IFO sentiment readings for May especially with those readings jumping significantly above the April figures. However treasury prices should be supported as a result of the flare in tensions between the Chinese government and Hong Kong citizens especially with the Press predicting some form of US sanctions on China. Yet another potentially supportive safe haven item has surfaced with Iranian oil tanker shipments to Venezuela accompanied by Iranian air support.

The US has acknowledged the shipments as a violation of sanctions and we suspect the President will not let the situation pass without some comment or retaliation. We also expect housing data from the US to provide a measure of support but that support could be offset by slightly improved Richmond Fed manufacturing readings for May. With the US Treasury floating significant auction supply this week and yields likely to be near the highest levels since the end of March, we suspect demand for the longer dated instruments will be solid. While bonds were already net short as of last Tuesday, that positioning is by no measure oversold yet. The May 19th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 11,466 contracts to a net short 85,721 contracts. For T-Notes Non-Commercial & Non-Reportable traders reduced their net short position by 26,855 contracts to a net short 7,361 contracts.

CURRENCIES:

While anxiety and fear did not appear to be definitive in trade and political issues related to China, last week's pause in the equity market rally and negative charts in several Non-Dollar currencies leaves the dollar poised to rally back toward the May highs. However, we continue to think that the Euro and Swiss Franc are near what could be very significant lows and a vaccine could see those currencies make surprising recovery bounces. Risk on means safe haven liquidation in the dollar early this week, with the currency index seemingly on a direct path back to last week's consolidation low down at 99.00.

With yet another potential successful vaccine candidate and global equity markets all higher to start out the week, it would appear as if traders are vacating the dollar in favor of non-dollar currencies that could have significant short covering capacity. We would remain bearish toward the dollar as long as it remains below 99.60. The Commitments of Traders report for the week ending May 19th showed Dollar Non-Commercial & Non-Reportable traders added 13 contracts to their already long position and are now net long 18,410.

As indicated in the dollar coverage, traders seem to be moving into the long side of the Euro because of the potential for a significant short covering bounce. We would also suggest the bull camp is emboldened by the relative "cheapness" of the Euro and the trade's belief that the Euro zone economy will need to be pulled higher by a noted recovery in the global economy. The Commitments of Traders report for the week ending May 19th showed Euro Non-Commercial & Non-Reportable traders are net long 102,748 contracts after net selling 3,417 contracts.

The Yen appears to be under fresh pressure early this week with Japanese industry activity and price measures favoring the bear camp. It would also appear that the Yen is under a measure of safe haven liquidation with near term support and targeting seen down at 92.62. Like the Euro, the Swiss Franc has rebounded and would appear to be viewed as the greatest return currency on any sustained economic optimism. Furthermore, the Swiss Franc was significantly oversold from a 3 day high to low washout of 110 points.

Given the Pound's recovery currency status and given the risk on psychology present in the marketplace early this week from the hopes for a 2nd successful vaccine, the Pound would appear to be poised to grind out some gains. Limiting the Pound on the upside is ongoing concerning UK death toll figures and the mere lingering potential for negative UK rates. With global risk on and generally higher physical commodities, the Canadian Dollar is fully benefiting from the fresh weakness in the US Dollar. In fact the Canadian Dollar is rising in the face of a number of negative Canadian business headlines. We would remain bullish toward the Canadian as long as it maintains above 71.57.

STOCKS:

While equities have shown amazing resiliency for nearly 3 months, we detected a slight moderating of animal spirits late last week, partially because of the overbought technical condition but also because of US/Chinese relations and renewed tensions in Hong Kong. However, traders should read the tea leaves and recognize vaccine progress could surprise the markets on any given day ahead. Global equity markets were higher early this week with gains mostly above 1% but generally less than 2%. The markets were not unsettled by fresh protests in Hong Kong and from possible threats from the US to sanction China because of the new national security laws to be imposed on Hong Kong. Perhaps market sentiment was lifted by news of another potential successful vaccine.

With the June S&P already breaking out aggressively to the upside and embracing positive vaccine news over potentially unsettling developments in Hong Kong, it is clear that the bull camp has the edge to start the new trading week. The new vaccine from Novavax has begun clinical trials and there is hope among the medical community that the vaccine might offer similar success as was seen with the Moderna vaccine last week.

The important thing is the latest vaccine is a different approach which could suggest the potential success of the vaccine search is diversified in its approach. It should also be noted that the S&P was net spec and fund short as of early last week, leaving the market with significant buying capacity. E-Mini S&P positioning in the Commitments of Traders for the week ending May 19th showed Non-Commercial & Non-Reportable traders net sold 2,774 contracts which moved them from a net long to a net short position of 2,227 contracts.

Clearly the Dow stocks are not lagging behind the rest of the market early this week and that would seem to be a change of pace in favor of the bull camp. In fact the 26,000 level is likely in the event that vaccine news continues to stack up positive. It should also be noted that the Dow futures were net spec short as of early last week thereby leaving the market with buying fuel. The May 19th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net short 22,922 contracts after increasing their already short position by 894 contracts.

Not surprisingly the NASDAQ has splashed higher early this week and would appear to be on a direct path to retest the February high up at 9780.50. As in other stock index futures contracts the NASDAQ was net spec short as of early last week which should leave it with buying fuel. Nasdaq Mini positioning in the Commitments of Traders for the week ending May 19th showed Non-Commercial & Non-Reportable traders net sold 11,316 contracts which moved them from a net long to a net short position of 3,093 contracts.

GOLD, SILVER & PLATINUM:

The precious metals markets started the week out with divergence, with gold deflated as a result of a measure of economic optimism. Apparently flaring tensions between the US and China over Hong Kong failed to inspire gold buyers and with the noted declines in gold to start this week posted in the face of noted gains in silver, it is clear that gold is out-of-favor. In another negative for gold, Russian 2019 gold production came in at 343.5 tonnes for a gain of nearly 38 tonnes over 2018. However, gold ETF holdings have now increased for 22 straight days with net purchases approaching 17 million ounces. At least in today's early action, physical demand hopes flowing from higher equities and another potential vaccine candidate is serving to lift silver and other physical commodities.

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Apparently news of 164 Covid-19 cases at an Anglo-gold Ashanti mine has been discounted, perhaps because of signs that 2 other gold companies have resumed shipping gold. It should also be noted that Switzerland saw its gold exports jump from 96.2 tons in February to 131.8 tonnes in March and that should be seen as improved demand. Perhaps gold is under pressure as a result of news that Chinese April gold imports were only 4,724 kilos versus 158,842 kilos last April. While June gold has not definitively damaged its charts in the early going this week, prices appear to be poised to fail at a key support point of $1715.30.

While the most recent positioning report likely overstates the magnitude of the net spec and fund long in gold, the long positioning is large enough to facilitate follow-through selling in the event that the aforementioned support point is violated. The May 19th Commitments of Traders report showed Gold Managed Money traders net bought 12,304 contracts and are now net long 173,277 contracts. Non-Commercial & Non-Reportable traders are net long 322,806 contracts after net buying 16,537 contracts.

Unfortunately for silver bulls, silver ETF's reduced their holdings by 822,642 ounces but this year's net purchases are still within striking distance of 120 million ounces. As opposed to gold, the silver charts are positive with prices temporarily climbing above $18.00. With a risk on condition flowing from equities and lifting other commodities, traders might expect silver to settle in above that $18.00 pivot point. The May 19th Commitments of Traders report showed Silver Managed Money traders net bought 7,448 contracts and are now net long 21,117 contracts. Non-Commercial & Non-Reportable traders were net long 46,045 contracts after increasing their already long position by 6,044 contracts.

While palladium is tracking higher in the early going this week, the charts favor the bear camp with prices struggling to hold above last week's spike low. While Switzerland showed a dramatic decline in April palladium imports (relative to March), their export tally almost doubled the March shipments and that could suggest some progression back toward normal PGM market activity. Fortunately for the bull camp, the latest positioning report in palladium showed a very minimal net long and if adjusted for the action since the report it is possible that the spec and fund players are net short entering this week. The Commitments of Traders report for the week ending May 19th showed Palladium Managed Money traders were net long 864 contracts after increasing their already long position by 275 contracts. Non-Commercial & Non-Reportable traders added 553 contracts to their already long position and are now net long 1,126.

The platinum charts are in a stronger position than the palladium charts with prices taking out Friday's highs. In a minimally supportive development platinum ETF holdings have increased for 6 straight trading sessions but that news is countervailed by the fact that Swiss imports and exports for the month of April were lower with exports significantly weaker. While we continue to see platinum outperform palladium and track in sync with equities, the market is already carrying a somewhat moderate spec long positioning. The Commitments of Traders report for the week ending May 19th showed Platinum Managed Money traders were net long 11,797 contracts after increasing their already long position by 5,161 contracts. Non-Commercial & Non-Reportable traders were net long 24,841 contracts after increasing their already long position by 5,745 contracts.

COPPER:
Clearly the copper market has regained its footing after last week's poor finish, with prices springing higher despite the political uncertainty flowing from China. However seeing Chinese copper concentrate imports in April jump by 22.9% over year ago levels and seeing copper net spec short as of early last week should firm up support and allow prices to resume their uptrend pattern. The Commitments of Traders report for the week ending May 19th showed Copper Managed Money traders were net short 9,702 contracts after decreasing their short position by 3,450 contracts. Non-Commercial & Non-Reportable traders reduced their net short position by 1,290 contracts to a net short 16,242 contracts.

With July copper into last week's lows $0.05 below the level where the COT report was measured, the net short was probably inflated and that in turn likely provided some stop loss buying lift this morning. However holding back the copper market is a forecast from the International Copper Study Group that the world refined copper market in February posted a 131,000 tonne surplus. The world refined copper surplus reading for February should not be surprising as February was in the midst of the declaration of a global pandemic.

ENERGY COMPLEX:
While the July crude oil contract has not made a higher high early this week, further gains in equities and additional upbeat vaccine headlines should result in an upside breakout and the highest price since March 13th. The crude oil market was probably held back by news that Chinese crude oil imports from Saudi Arabia in April fell to the lowest level in nearly a year that news is offset by the fact that Chinese April implied crude oil stocks declined by 66%. In other words, with a large global crude oil importer seeing its internal stocks cleaned up, that should further reduce the fear of a lack of global storage space. In fact, some analysts are suggesting that the world oil market could be "balanced" several weeks out as global restart activities gathers pace. In other words, in the event that world oil producers continue to respect output cut agreements and there is evidence that more US production is being shut in by a lack of profitability, it is possible that supply and demand could intersect.

With last week's Baker Hughes US oil rig count declining by 21 and reaching the lowest level since July 2009, it is clear that US production is going to fall precipitously in the future. It should be noted that very few if any analyst/traders would have expected oil supply and demand to balance as early as June. Unfortunately for the bull camp, apparent Chinese oil demand in April declined by 2.2% relative to year ago levels but comparing post virus demand to pre-virus demand should result in soft demand readings. In looking forward, the trade sees the prospect of a bounce in Chinese oil demand ahead as small independent refiners in China are reportedly running at record input levels. The May 19th Commitments of Traders report showed Crude Oil

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Managed Money traders added 23,562 contracts to their already long position and are now net long 348,458. Non-Commercial & Non-Reportable traders were net long 582,537 contracts after increasing their already long position by 30,097 contracts.

While the gasoline market has not forged a fresh higher high for the move early this week, prices remain within striking distance of an upside breakout on the charts. We suspect that gasoline prices will continue to draft buying interest from expectations of growing seasonal demand but also because of a shift positive in cyclical demand. Unfortunately, the global product markets will be held back by fears that China is getting back to normal which would entail a significant jump in product exports throughout Asia in the weeks ahead. In a shorter term perspective, the gasoline market is likely to see support from this week's inventory data, as the US refinery rate has not recovered sharply at the same time that implied demand is likely to jump. If there is an Achilles' heel in the bull case for gasoline it is the building speculative long position.

Gas (RBOB) positioning in the Commitments of Traders for the week ending May 19th showed Managed Money traders are net long 33,941 contracts after net selling 802 contracts. Non-Commercial & Non-Reportable traders were net long 70,839 contracts after decreasing their long position by 2,035 contracts. While the ULSD market is likely to lag behind the rest of the energy complex, we think last week's highs are likely to be taken out at $1.0631. While the reopening of the US economy might not result in a sudden increase in trucking demand, we suspect that will be seen in the coming weeks. Therefore the psychological $1.00 level should generally hold up prices especially with the latest positioning report showing the ULSD market with the least long position of the entire energy complex. The May 19th Commitments of Traders report showed Heating Oil Managed Money traders are net short 8,320 contracts after net buying 2,859 contracts. Non-Commercial & Non-Reportable traders net bought 3,881 contracts and are now net long 7,965 contracts.

Obviously the natural gas market continues to remain out-of-favor, with the market clearly not garnering buying from the hope for increased demand from electric generation from a restart of economic activity. However with China import news for April negative and last week's cargo cancellations upsetting the trade, the subject of diminishing available storage space keeps significant resistance hanging over natural gas prices. However, the specs and funds in natural gas remain short nearly 25,000 contracts with that positioning obviously understated because of the washout in prices following that report. While the weather forecast out to June 8th is supportive (with much above normal temperatures throughout the Midwest and northern Plains), it could take entrenched hot temperatures to shift the focus of the gas market away from the downside.

BEANS:

The soybean market found solid buying support early this week as traders await further buying of US soybeans from China. The huge rainfall totals in parts of Brazil may also be providing underlying support as this leaves plenty of uncertainty over crop conditions. There is also growing concern with the significant uptick in coronavirus cases in Brazil, and the impact that this may have on the market. Traders believe that Brazil has oversold their current crop and have aggressively sold new crop as well. A stronger Brazilian currency, strength and energy prices and a further surge higher in the US stock market are all factors which have helped to support. Traders will be monitoring weekly crop progress for this afternoons update. Soybean prices bounced back into positive territory from a new 4 1/2 week low Friday, but still closed lower. For the week, July soybeans finished with a loss of 5 1/4 cents. The status of Hong Kong has raised tensions between the US and China, and that was a notable source of pressure across the soy complex as it dampens the outlook for additional US soy exports to China.

A modest pullback in the Brazilian currency also weighed on soybean prices as it gives an advantage to Brazilian exports over US exports. Soybeans positioning in the Commitments of Traders for the week ending May 19th showed managed money traders were net long 12,064 contracts after decreasing their long position by 20,401 contracts in just one week and the aggressive selling is a short-term negative force. CIT traders were net long 157,685 contracts after increasing their already long position by 1,531 contracts. For Soymeal, managed money traders added 18,277 contracts to their already short position and are now net short 29,404. CIT traders reduced their net long position by 3,883 contracts to a net long 75,487 contracts. For Soyoil, managed money traders went from a net short to a net long position of 2,681 contracts after net buying 10,546 contracts for the week. CIT traders are net long 79,556 contracts after net selling 2,059 contracts.

CORN:

The strong recovery in ethanol, bullish outside market forces, a surge in energy prices and positive action in the stock market are all seen as supportive short-term forces. US weather still looks mostly favorable and traders will monitor the weekly crop progress report Monday afternoon. The market seems to have priced in a very large crop in the US this year and fund traders hold a huge net short position. Any weather disruptions could support short covering. Corn prices continued to see coiling action as they finished last Friday's trading session with a minimal gain. For the week, July corn finished with a loss of 1 1/4 cents.

A sizable pullback in energy prices weighed on the corn market last Friday as it weakens the near-term ethanol demand outlook. Events both in Washington and Beijing have led to a flare-up of US/Chinese trade tensions, and that has diminished the prospects for additional Phase One US exports of corn and DDG's to China. The May 19th Commitments of Traders report showed managed money traders added 31,332 contracts to their already short position and are now net short a whopping 245,386 contracts. CIT traders were net long 273,751 contracts after decreasing their long position by 6,693 contracts. Non-Commercial & Non-Reportable traders are net short 189,601 contracts after net selling 18,433 contracts.

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WHEAT:

Wheat prices continued to see volatile price action as they turned back to the downside and finished Friday's trading session with a moderate loss. For the week, however, July wheat finished with a gain of 8 1/2 cents. KC wheat also finished the day with a moderate loss while Minneapolis wheat followed through on Thursday's negative reversal with a mild loss. A rebound in the Dollar weighed on wheat prices as it makes US wheat less competitive in the global export market. In addition, there were reports that Russia still has 850,000 tonnes of wheat available to ship before they reach their second quarter export total which weighed on wheat prices going into the weekend. Planalytics raised their 2020/21 US winter wheat yield forecast from 49.4 to 50.5 bushels per acre.

The Commitments of Traders report for the week ending May 19th showed managed money traders went from a net long to a net short position of 16,476 contracts after net selling 19,458 contracts for the week. Non-Commercial No CIT traders added 19,395 contracts to their already short position and are now net short 54,073. For KC Wheat, managed money traders went from a net long to a net short position of 15,038 contracts after net selling 18,933 contracts for the week. CIT traders are net long 57,372 contracts after net selling 4,846 contracts. Non-Commercial & Non-Reportable traders were net short 19,577 contracts after increasing their already short position by 18,643 contracts.

HOGS:

Traders were disappointed with the lack of much drawdown in the monthly cold storage report and also disappointed with the weekly export sales data. However, the market must still adjust for lower production now, and also for an expected jump in production once slaughter picks up. In addition, there is still very strong export demand to China. China imported a record 400,000 tonnes of pork and April, up nearly 170% from a year ago. China imported 1.35 million tonnes of pork in the first four months of this year, up 170.4% from the same period a year ago. July hogs closed sharply lower on the session Friday and gave back much of Thursday's gains. The market has so far held minor support at 55.80 as July hogs attempt to form a short-term low. The market continues to struggle to try to price in the weakness in pork cut-out values and the gradual increase in slaughter seen in recent weeks.

The USDA estimated hog slaughter came in at 380,000 head Friday and 250,000 head for Saturday. This brought the total for last week to 2.103 million head, up 1.5% from the previous week but down 7.8% from a year ago. Slaughter is still slow to recover as it takes time to safely bring slaughter back up to available supply. The USDA pork cutout released after the close Friday came in at $95.76, down from $106.19 on Thursday and down from $109.68 the previous week. This was the lowest the cutout had been since April 29. The CME Lean Hog Index as of May 20th was 64.59, down from 65.98 the previous session and down from 68.87 a week before. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,861 contracts of lean hogs for the week ending May 19, reducing their net long to

9,370. Non-commercial & non-reportable traders were net sellers of 3,276, reducing their net long to 20,664. CIT traders were net sellers of 1,229 contracts, reducing their net long to 62,236.

CATTLE:
The Cattle on Feed report Friday was considered very neutral and should have little impact on the market early this week. Placements for the month of April reached 77.7% of last year as compared with the average trade estimate of 77%. Marketing's for the month of April reached 75.7%, slightly above trade expectations for 74.7%. This left May 1st Cattle-on-Feed supply at 94.9% as compared with trade expectations for 94.9%. The report news is very neutral. June cattle closed sharply lower on the session Friday and the selling pushed the market down to the lowest since May 15th. The discount of futures to the cash market is providing underlined support, while increasing slaughter pace is seen as a bearish force. Cash live cattle prices were softening at the end of last week, with trade centering around 115 in Nebraska after trading up around 119 earlier. In Texas/Oklahoma, prices fell from 120 on Wednesday, 115 on Thursday and 110 on Friday.

The USDA estimated cattle slaughter came in at 102,000 head Friday and 50,000 head for Saturday. This brought the total for last week to 499,000 head, up 11.2% from the previous week but down 14.2% from a year ago. Traders remain concerned with record high beef prices that consumer demand may take a hit as well. In addition, the lack of a major drawdown in cold storage last month was disappointing to the bulls. The USDA boxed beef cutout was down 94 cents at mid-session Friday and closed $5.07 lower at $396.74. This was down from $434.32 the previous week and was the lowest the cutout had been since May 1. The cutout has declined 78.65 in the past eight sessions, a 17% decline off the May 12 high. Friday's Commitments of Traders showed managed money traders were net buyers of 1,388 contracts of live cattle for the week ending May 19, increasing their net long to 13,204. Non-commercial, no CIT traders were net buyers of 1,171, increasing their net long to 4,110.

COCOA:
Over the past 3 weeks, cocoa has traded in a 169 point price range as the market has been impacted by an uncertain demand outlook and bearish near-term supply news. While cocoa has had 3 negative weekly results in a row, the market has only fallen by 8 points over that timeframe. With a positive shift in global risk sentiment early this week, cocoa should see upside follow-through. For the week, July cocoa finished with a loss of 5 points (down 0.2%). Cocoa's late turnaround coincident with a rebound in European and US equity markets that lifted those indices well above their early lows, which in turn helped to soothe near-term European and North American demand concerns. The Eurocurrency extended its pullback to a 1-week low on Friday, but was able to regain lost ground early this week which should also benefit cocoa prices as it will help Euro zone grinders to acquire near-term supplies. While West African growing areas are seeing consistent rainfall, daily rainfall totals have been fairly low as many regions have seen below-average precipitation over the past few weeks. With extended dry weather earlier this year, the below average rainfall will have an additional negative impact on this year's

mid-crop output which makes it more likely that Ivory Coast and Ghana will have their full-season production fall below last season's total. In addition, the drier than normal weather should have a negative impact on harvest. Cocoa positioning in the Commitments of Traders for the week ending May 19th showed managed money traders were net short 6,861 contracts after increasing their already short position by 106 contracts. Non-Commercial & Non-Reportable traders were net long 5,547 contracts after increasing their already long position by 942 contracts.

COFFEE:
Coffee fell to the lowest level since the 2020 lows in early February Friday, but supportive outside forces have helped to support solid gains early this week. For last week, July coffee finished with a loss of 3.25 cents (down 3.0%) and a fifth negative weekly result over the past 6 weeks. While many regions around the world are starting to relax their restrictions, coffee's demand prospects remain subdued as long as many restaurants and retail shops are closed or have limited operations. Coffee continues to be pressured by Brazil's 2020/21 "on-year" crop which is likely to reach a record high total. In spite of an early start this year, Brazil's harvest was only 13% complete as of May 19th which compares to 16% last year and a historic average of 15%, and is due in large part to labor availability issues from coronavirus restrictions.

However, Safras and Mercado are forecasting Brazil's 2020/21 coffee exports will come in at 40 million bags which compares to 34 to 35 million during the 2019/20 season. ICE exchange coffee stocks were unchanged on Friday, but they remain nearly their lowest levels since September of 2017 and on-track for a thirteenth monthly decline over the past 14 months. The Commitments of Traders report for the week ending May 19th showed managed money traders were net long 11,982 contracts after decreasing their long position by 1,177 contracts. CIT traders reduced their net long position by 760 contracts to a net long 42,464 contracts. Non-Commercial & Non-Reportable traders were net long 21,005 contracts after decreasing their long position by 146 contracts.

COTTON:
July cotton closed lower for the second straight session on Friday, still under the influence of what appears to be a hook reversal top from Wednesday. China's aggressive new security policy against Hong Kong raises more concerns about US/China relations. President Trump warned that Washington would react "very strongly" if Beijing went ahead with its new security law. This sentiment was echoed by other leaders in the US government and around the world. This raises concerns about Chinese cotton demand, as well as global stability. In its May update, the USDA pegged US cotton ending stocks for 2020/21 at a whopping 7.70 million bales, up from 7.10 million in 2019/20 and a 13-year high. The estimate assumed a 6.7% jump in exports for the new crop season, which could be considered optimistic towards China's and the world's demand prospects.

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The US crop is off to a very fast start, and the soil moisture profile for much of the planting areas is nearly ideal. As of May 17, 44% of the US crop was planted, compared to 39% for the same time last year. Texas was 46% planted versus 33% for the same time last year. That happens to be 10 year average as well. Friday's Commitments of Traders report showed managed money traders were net buyers of 5,324 contracts of cotton for the week ending May 19, reducing their net short to 9,684. Non-commercial, no CIT traders were net buyers of 1,124 contracts, reducing their net short to 7,264. Non-commercial & non-reportable traders were net buyers of 3,967, increasing their net long to 6,542. CIT traders were net buyers of 2,313 contracts, increasing their net long to 59,184. ICE deliverable stocks totaled 5,830 bales on May 21, unchanged from the previous session but up from 3,579 a week prior.

SUGAR:

Sugar is finding solid support from crude oil and other outside market forces early this week. The market finished last week's trading on a downbeat note as sluggish ethanol demand is adding to an already bearish global supply outlook. Until ethanol prospects improve, sugar may be vulnerable to a near-term pullback. For the week, July sugar finished with a gain of 55 ticks (up 5.3%) which was a third positive weekly result over the past 4 weeks. Sugar found carryover pressure from energy prices which recovered from severe losses early in the day but could not climb out of negative territory by the close. Crude oil prices are stronger early this week while the Brazilian currency rallied to a new 3 1/2 week high on Monday, which may give an early boost to sugar prices this week. The USDA released their biannual update as they forecast global 2020/21 sugar production would increase 21.899 million tonnes to 188.077 million. While consumption would reach a record high total of 177.795 million tonnes, this would project a global 2020/21 production surplus of over 10 million tonnes.

The USDA pegged Brazil's total production (not just Center-South) at 39.480 million tonnes (up 9.555 million) with sugar's share of crushing coming in at 46%. India's 2020/21 sugar production was pegged at 33.705 million tonnes (up 4.805 million) while EU 2020/21 sugar production will come in at 17.680 million tonnes (up 427,000). The USDA also forecast Thailand's 2020/21 production at 12.900 million tonnes (up 4.650 million) which is in sharp contrast to trade estimates calling for Thai sugar output to see little improvement due to extensive drought conditions. China's April sugar imports came in at 120,000 tonnes which were 63% below last year's total, and that resulted in their 2020 sugar import total of 530,000 tonnes nearly 3% behind last year's pace. Sugar positioning in the Commitments of Traders for the week ending May 19th showed managed money traders were net short 36,117 contracts after decreasing their short position by 15,306 contracts. Non-Commercial & Non-Reportable traders were net long 40,680 contracts after increasing.

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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