ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

22 June, 2020

For the Week of June 22, 2020

BONDS:
In addition to pressure from another positive day in global equities, the treasury market were undermined as a result of revelations last Thursday that the US Fed's balance sheet declined for the first time since the beginning of the virus situation which in turn indicates a drop in emergency funding interest. It goes without saying that the downside in treasuries might be limited because of the renewed surge in US infections in the Southwest. Underpinning the market from significant downside action is commentary from the Fed's Rosengren indicating that the US economy will probably need additional assistance. While Treasury prices are tracking higher to start out this week, the potential lift from surging US infection rates is dampened by the fact that US equities do not appear to be concerned about that economic threat.

Apparently the markets are hopeful that the infection jumps are largely the result of the normal progression from the Northeast and Northwest initial breakout zones to other previously unaffected areas. However, the inability to put the spread under complete control is very troublesome and has sparked a number of headlines expressing concerns of a 2nd wave of lockdowns. From a technical perspective, the bond market retains buying fuel from a net spec and fund short positioning reading and given a 5 day high early this morning prices might continue to claw higher until they reach a recent consolidation high up at 178-14.

Bonds positioning in the Commitments of Traders for the week ending June 16th showed Non-Commercial & Non-Reportable traders net short 72,343 contracts after net buying 34,155 contracts. While the note market also showed a 5 day high early this week, ranges are expected to be even tighter than in the bond market with support in the market (from a recent consolidation high) very close to this week's early highs. The note market had a nearly flat speculative positioning early last week and stop loss buying on upside chart point violations might be limited. In the T-Notes market, Non-Commercial & Non-Reportable traders were net short 93 contracts after decreasing their short position by 41,267 contracts.

CURRENCIES:
It would appear as if macroeconomic expectations for North America are improving despite the US infection spread and horrifically bad Canadian retail sales. However, some might suggest that the infection problem in the US is actually sparking renewed safe haven buying of the dollar. However, the British pound came under significant additional selling pressure late last week as the market was made aware of exploding UK government debt. Despite what appeared to be a risk off global session at the start of this week, the dollar index has started off on a weaker footing.

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In the past, the dollar has benefited from uncertainty even when that uncertainty emanates from the US. However, given the aggressive surge of infections in at least four US states, the potential of lockdowns returning that should provide solid support under the dollar will firm. Dollar positioning in the Commitments of Traders for the week ending June 16th showed Non-Commercial & Non-Reportable traders net sold 10,470 contracts which moved them from a net long to a net short position of 5,142 contracts.

Despite what appears to be rising headwinds for the global economy, the euro appears to have found some value on its charts around the 1.12 level. However, we see a rally in the euro off a noted expansion of virus concerns in the US as a very difficult proposition. Nonetheless we see thin support likely to hold early but a failure price at 1.1189 could reverse the early bias and send the Euro sharply lower. The Commitments of Traders report for the week ending June 16th showed Euro Non-Commercial & Non-Reportable traders net bought 20,202 contracts and are now net long 155,221 contracts.

The Yen does not appear as if it is benefiting from the news of record daily infection counts from the World Health Organization. Furthermore, the Yen already sits near the upper end of the last 2 months consolidation range and has been unable to rally up through the 94.00 level since early May. Given the lack of fundamental direction for the Yen the currency may encounter resistance at 94.00.

While the Swiss has shown the ability to build a support point around 1.0523, a general pattern of lower highs and lower lows has existed for 5 days and the Swiss would not appear to have the fundamental condition to avoid more erosive action this week. A likely target in the days ahead is seen at 1.0501.

With the global infection counts undermining global economic psychology and CBI industrial trends survey readings for June remaining in deep contractionary territory, the path of least resistance in the Pound is pointing down. In fact, with the Bank of England governor indicating the potential for a reversal of quantitative easing (when it appears rates are set to rise), that suggests the Bank of England won't allow for as much growth as the US Fed before tapping on the brakes. Therefore the bias in the Pound is down.

The Canadian dollar also started the week on a negative technical track with added pressure seen from projections late last week that the Canadian economic recovery was likely to chop in both directions for several quarters. However the currency might see some support from Bank of Canada comments that seem to downplay Canadian use of subzero rates. Nonetheless the charts favor a slow downward track.

STOCKS:

After starting out on a very firm footing last Friday, equities gave ground perhaps because pushback against Apple App Stores having to close in several states due to coronavirus infection spikes, fear of what the weekend might bring with respect to overall US infections, reports that US ports will be closed to cruise ships until mid-September and because of the record slide in Canadian retail sales in April. It is also possible that some retail small investors have bank profits and have moved to the sidelines after significant recent gains. Global equity markets at the start of this week were mixed with gains and losses minimal. News included a WHO report that a record daily increase in coronavirus cases was posted on Sunday, the People's Bank of China meeting left interest rates unchanged and New Zealand credit card spending in May dropped by 21%. While US markets seem to be discounting surging US infection counts we think the risk to longs is on the rise and the markets are likely to extend last week's corrective slide.

By and large we see the downtrend of last week and the general June downtrend extending this week, especially with the September S&P this morning forging a 4 day low early off growing infection anxiety. In fact it would appear as if the September S&P is destined for a retest of levels below 3000, unless US scheduled data this week manages to post strong enough data to offset the virus headlines. However the net spec and fund long in the S&P is very minimal and therefore stop loss selling might be very limited and outright fresh selling restricted unless the threat of lockdown becomes front page news again. The Commitments of Traders report for the week ending June 16th showed E-Mini S&P Non-Commercial & Non-Reportable traders reduced their net long position by 30,435 contracts to a net long 3,996 contracts.

Obviously the return of record infection numbers has investors off balance early this week, despite what was projected to be a 200 point higher opening in the Dow Jones industrial average. However American Airlines yesterday indicated it is looking for $3.5 billion in "new financing" and a Pepsi food processing factory in Beijing has been closed due to an infection. With other US companies seeing their imports to China blocked because of new infection the bear camp has a number of arguments in their favor early this week. We see a test of levels below 25,000 this week and would remain bearish toward the Dow as long as it trades below 25,990. Dow Jones $5 positioning in the Commitments of Traders for the week ending June 16th showed Non-Commercial & Non-Reportable traders were net short 30,297 contracts after increasing their already short position by 13,348 contracts.

While the NASDAQ made a fresh 4 day low at the start of this week, it has rejected that probe lower somewhat definitively and the market looks to start the week with a positive opening. Nonetheless, the outperforming NASDAQ should not be fully immune to the new infection problem and therefore the risk facing buyers is increasing. Furthermore, uptrend channel support is a long way down at 9604.50. Nasdaq Mini positioning in the Commitments of Traders for the week ending June 16th showed Non-Commercial & Non-Reportable traders added 24,025 contracts to their already long position and are now net long 28,074.

GOLD, SILVER & PLATINUM:

While the gold market did not hold all of the early gains, the August gold contract did reach up to the highest level since May 18th off growing fears of a return to economic uncertainty because of a resurgence of virus cases. Therefore, the infection situation is likely to be the focal point of the trade this week, especially if there appears to be the potential for a return to lockdowns. While speculators added 16,248 contracts to their net gold long last week, the overall net spec and fund long is still near the lowest levels of the last 12 months. Gold positioning in the Commitments of Traders for the week ending June 16th showed Managed Money traders are net long 143,070 contracts after net buying 15,765 contracts. Non-Commercial & Non-Reportable traders added 16,248 contracts to their already long position and are now net long 277,799.

While bullish sentiment was shored up by Goldman's upward gold price forecast adjustment (last week), that news was countered by a subsequent Citi-Bank forecast that projected gold prices to average $60 lower than current levels for this year. Indian gold prices surged to record highs (partially a function of the weakness in the currency) and while that highlights buyers are not deterred by high prices, traders need to watch for signs that prices are indeed beginning to restrict purchases by the 2nd largest global consumer of gold. In a potential important signal of a sustained surge in gold prices ahead, wealthy global investors are reportedly pushing money into gold because of the fear that the virus situation will leave unrelenting and historical stimulus flowing into the global economy and in turn could ignite inflation.

Unfortunately for the bull camp in silver, last week's action was not nearly as impressive as in the gold market from a technical perspective as prices merely managed a 6 day high and appeared to run into some form of resistance at the $18.00 level. However, the longer-term view toward silver remains upbeat, with investment inflows to ETF's expected to continue and with silver prices still sitting more than $2 below their 2020 highs investors should not be deterred. The June 16th Commitments of Traders report showed Silver Managed Money traders were net long 27,573 contracts after increasing their already long position by 3,963 contracts. Non-Commercial & Non-Reportable traders are net long 49,615 contracts after net selling 1,171 contracts.

The palladium market continues to miss out on the strength in the gold and silver markets which in turn suggests it is trading classic demand fundamentals. Therefore, the trend looks to remain down especially with the renewed surge in global infections leaving the threat against demand in a front and center position. In fact, investment flows to palladium have been very low, with inflows to palladium ETF's since the early May period only 11,000 ounces. Furthermore, holdings remain within close proximity to the lowest levels since their inception. In our opinion, the palladium market continues to suffer from a backlog of supply built up from the global shutdown and therefore prices are unlikely to be balanced until the nearby contract falls down to $1,750. Fortunately for the bull camp, the net spec and fund long was very minimal at just over 1,000 contracts which could mean declines by stop loss selling will be measured. The June 16th Commitments of Traders report showed Palladium Managed Money traders net bought 10 contracts and are now net long 856 contracts. Non-Commercial & Non-Reportable traders were net long 1,110 contracts after decreasing their long position by 80 contracts.

Like the palladium market, the charts in platinum remain negative and demand fundamentals continue to overcome forecasts that the market will ultimately achieve a deficit at the end of this year. Unfortunately, the net spec and fund long in platinum is larger and therefore more vulnerable than the positioning in palladium. Platinum positioning in the Commitments of Traders for the week ending June 16th showed Managed Money traders are net long 8,749 contracts after net selling 1,488 contracts. Non-Commercial & Non-Reportable traders are net long 20,753 contracts after net selling 2,360 contracts. A likely near term target in July platinum is seen down at $792.40.

COPPER:

The path of least resistance continues to point upward in copper with the market apparently unconcerned about a new record global daily infection count. A decline in Shanghai copper warehouse stocks at the end of last week keeps the Chinese demand outlook positive especially if China issues another scrap copper import quota this week. While not a major negative, copper enters this week with a slight limiting force from the International Copper Study Group forecast that the world refined copper market at the end of the first quarter was in a surplus of 1,000 tonnes.

Nonetheless, seeing a physical commodity market with a minimal surplus following the economic carnage of the 1st quarter is a victory for the bull camp. While the latest positioning report is likely understated given that prices from the report have rallied sharply, the overall net long is still very modest and the market probably retains speculative buying capacity. The June 16th Commitments of Traders report showed Copper Managed Money traders were net long 9,092 contracts after decreasing their long position by 4,885 contracts. Non-Commercial & Non-Reportable traders were net long only 10,426 contracts after decreasing their long position by 90 contracts.

ENERGY COMPLEX:

Given deterioration of the macroeconomic condition from escalating fears of infection counts in several US states, the crude oil market is justified in showing some minor corrective action. However, in a surprising development, the positioning report in crude oil last week showed a reduction of the net spec and fund long by 26,379 contracts which suggest the market retains buying fuel going forward. Crude Oil positioning in the Commitments of Traders for the week ending June 16th showed Managed Money traders net sold 26,982 contracts and are now net long 354,363 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 26,379 contracts to a net long 590,251 contracts. Late in the US session on Friday, the bull camp was given added assistance with news that the Baker Hughes oil rig operating count declined by 10 to reach the lowest since June 2009. Furthermore, the rigs operating are only 10 rigs away from reaching the overall 2009 low of 179.

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Another factor capable of providing some cushion against initial weakness is that oil price structure signals from futures contract pricing are projecting a continuation of the tightening of supplies. However, the crude oil market is facing a fresh negative from reports that the lock down in India resulted in noted demand destruction, with May Indian oil imports falling down to the lowest levels since the beginning of 2016. Furthermore, the market is still working off a historical surplus but seeing US oil production last week reach the lowest level in 15 months could help to cushion the market if demand fears escalate this week. In fact, the amount of US oil production reduced from the peak is approaching 2 million barrels per day which could eventually mean US status as the world marginal swing producer has nearly dissipated. Going forward, the supply-side of the equation continues to support the bull case while demand expectations enter the new week vulnerable especially if there are any discussions of shutting down/isolation in US infection hotspots.

With positive demand signals for fuels in Asia (in the form of increased volume flow for June) and bullish term structure pricing in futures, the gasoline market retains an underlying bullish track. However, there are clearly economic headwinds facing the RBOB market and the bull camp will need some help from this week's inventory reports to avoid corrective action. From a technical perspective, the gasoline market has yet to return to the "bottom of the panic gap" which sits above the market at $1.31. However, there were some regional cash product price setbacks at the end of last week due to pipeline issues, and US infections obviously rekindle the prospect of a return to lockdown this week. Fortunately for the bull camp, the June rally of $0.22 and the last 6 day rally of $0.19 have not left the market overbought. In fact, last week the speculative positioning declined and the overall long position remains well below this year's high! The June 16th Commitments of Traders report showed Gas (RBOB) Managed Money traders net bought 406 contracts and are now net long 22,520 contracts. Non-Commercial & Non-Reportable traders were net long 57,454 contracts after decreasing their long position by 170 contracts.

In looking back, last week's EIA data was somewhat discouraging for the bull camp in RBOB as stocks did not fall as much as anticipated under the belief that the low US refinery operating rate and improve demand would tighten inventories. Nonetheless, if US infections can remain under partial control, we see fairly solid support in the August RBOB contract at $1.2219. The ULSD market is likely to continue its "following status" of crude and gasoline prices and given spillover weakness from those markets early this week, the bear camp should be emboldened. In fact, the market appeared to show a bit of exhaustion last week with a new 90 day high followed by a moderate setback from the high. It should also be noted that ULSD has seen a decline in open interest on the prior 6 days gains which could also suggest the $1.25 level is some form of resistance. Fortunately for the bull camp, the specs are not in great numbers and that could leave the market with buying fuel and less stop loss selling capacity. The June 16th Commitments of Traders report showed Heating Oil Managed Money traders reduced their net short position by 1,707 contracts to a net short 10,981 contracts. Non-Commercial & Non-Reportable traders are net long 15,086 contracts after net buying 3,160 contracts.

We continue to see the current bounce in natural gas as a technical reaction, as near term supply and demand fundamentals continue to be bearish. While the US inventories as a percentage of the 5 year average have contracted for 5 straight weeks, the surplus to the 5 year average remains substantial at a 16.9% surplus. From a longer-term supply perspective, gas prices should see some support this week from news that the US Baker Hughes gas rig count declined by 3 which is a new record low as far back as the Baker Hughes report has been produced. Furthermore, Canadian gas rigs operating declined by 2 and stand at only 12, which is the lowest rig operating count in 20 years! From a technical perspective, the gas market remains only moderately net spec and fund short now but did add 27,345 contracts to that short in the last positioning report.

Natural Gas positioning in the Commitments of Traders for the week ending June 16th showed Managed Money traders net sold 46,684 contracts and are now net short 59,641 contracts. Non-Commercial & Non-Reportable traders net sold 27,345 contracts and are now net short 39,560 contracts. While some will suggest natural gas might have found some form of solid value with last week's lows, some of the gains are the result of temporary developments in the form of a series of minor outages in the US and Norway and because of a temporary rise in US temperatures. Lastly, prices rallied last week on declining volume and open interest and there are some demand threats from the US infection count gains in several states to start today. Therefore, we see rallies as corrective bounces with significant resistance likely at $1.80 and a fresh failure taking place with a trade back below $1.688.

BEANS:

A hot and wet 2-week forecast looks near ideal for seeing improving crop conditions over the near term. This could help limit the buying this week, and the market may see some back and fill type action. The weather, combined with continued talk that soybean planted acreage is higher than in the last USDA report could also help to pressure. The July/November soybeans spread has gained nearly 9 cents in the past few weeks which is a positive technical development. November soybeans closed 4 3/4 cents higher on the session Friday and experienced the highest close since March 11th. This left the market up just one cent on the week. News that China and US trade negotiations are continuing, and talk that China will buy more US soybeans helped to support. In addition Brazil soybeans for export are priced well above US so traders are hopeful that China buys US soybeans over the near term.

December meal put in a high for the week last Monday and closed near the lows of the week, down $1.30 on the day. December soybean oil closed sharply higher on the session and experienced the highest close since March 6. The June 16th Commitments of Traders report showed soybeans managed money traders added 807 contracts to their already long position and are now net long 21,183. CIT traders net sold 5,840 contracts and are now net long 164,238 contracts. For Soyoil, managed money traders added 4,730 contracts to their already short position and are now net short 4,786. Non-Commercial & Non-Reportable traders were net long 13,614 contracts after decreasing their long position by 5,629 contracts. For Soymeal, managed money traders net bought 4,778 contracts and are now net short 48,208 contracts. Non-Commercial & Non-Reportable traders are net long 4,647 contracts after net buying 3,108 contracts.

CORN:

With a bearish weather forecast over the next two weeks, it will be difficult to find aggressive new buyers given the sluggish demand tone. There seems to be plenty of rain for most key growing areas over the next week, while the 6 to 10 day and 8 to 14 day forecast models now show a warm and wet weather trend. Traders indicate that the second crop Brazil corn harvest is about 8% complete. Brazil trading firm Safras and Mercado pegged the 2019/20 Brazil corn production at 108.4 million tonnes as compared with 101.5 million tonnes as their previous estimate. December corn closed 2 1/2 cents higher on the session Friday and this left the market up 2 1/4 cents for the week.

The market experienced the highest close since June 8th and the second highest close since April 14th. This is impressive action given what is considered bearish weather. News that China might buy 2 to 3 million tonnes of US corn and also buy US ethanol helped to support. Corn positioning in the Commitments of Traders for the week ending June 16th showed Managed Money traders are net short 270,751 contracts after net buying 26,561 contracts. CIT traders reduced their net long position by 1,414 contracts to a net long 277,118 contracts. Non-Commercial & Non-Reportable traders were net short 195,631 contracts after decreasing their short position by 21,293 contracts.

WHEAT:

The wheat market remains in a steep downtrend and the short term technical action looks weak. In addition, anecdotal yield reports suggest strong yields for the winter wheat crop, and there appears to be rain in the forecast for the Dakotas. IKAR raised their Russia wheat crop estimate to 79.5 million tonnes from 78.00 million previous and from 74.5 million this past season. Russian wheat exports are now expected at 37 million tonnes, up from 35 million as previous forecast. The technical action is bearish and while slightly oversold, technical indicators have not reached an extreme. September wheat closed 3 1/2 cents lower on the session, and this left the market down 22 1/2 cents for the week. The active winter wheat harvest continues to pressure the market and traders are hopeful that lower prices might attract increased demand. The lack of a major weather issue for international exporters, plus expectations for China to continue to produce more than they consume for the eighth year in a row has helped to pressure.

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September Minneapolis wheat closed slightly lower on the session, but up 9 3/4 cents for the week. The June 16th Commitments of Traders report showed wheat managed money traders net sold 4,883 contracts and are now net short 30,251 contracts. CIT traders are net long 125,694 contracts after net selling 1,086 contracts. Non-Commercial & Non-Reportable traders were net short 36,140 contracts after increasing their already short position by 10,103 contracts. For KC wheat, managed money traders net sold 8,752 contracts and are now net short 27,490 contracts. CIT traders reduced their net long position by 2,722 contracts to a net long 55,749 contracts. Non-Commercial & Non-Reportable traders were net short 35,946 contracts after increasing their already short position by 11,585 contracts.

HOGS:

The hog market remains in a steep downtrend in the short-term news flow remains mostly negative. China has suspended poultry imports from a Tyson Foods plant where hundreds of employees tested positive for virus. Trade frictions with China could intensify short-term due to customs issues, and this could leave more meat for US consumers to absorb. Traders will monitor the USDA hogs and pigs report closely this week as a short-term jump in production due to the backlog of hogs in the country, and this could clash with evidence of increasing sow slaughter over the past several months. This might be supportive to deferred contracts. Slaughter this week was up 5.4% from a year ago as plants get back to more normal capacity. Like in the US, Brazil slaughterhouses are having a tough time keeping employees from catching the virus. The market opened higher Friday with hopes that China would fulfill its phase 1 trade agreement with the US, and that they would purchase additional pork from the US. However fears of new restrictions on food moving to China helped to trigger selling, and the market closed sharply lower on the day.

China's customs authority has asked food exporters to China to sign a declaration that there produce is not contaminated by Novell coronavirus. The CME lean index as of June 17 was 46.44, down from 47.37 the previous session and down from 49.99 a week before. The USDA estimated hog slaughter came in at 457,000 head Friday and 290,000 head for Saturday. This brought the total for last week to 2.587 million head, up from 2.451 million the previous week and up from 2.454 million a year ago. The USDA pork cutout, released after the close Friday, came in at $63.70, down 29 cents from $63.99 on Thursday and down from $69.23 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 285 contracts of lean hogs for the week ending June 16, increasing their net long to 8,156. Non-commercial & non-reportable traders were net buyers of 2,141, increasing their net long to 16,375.

CATTLE:

The Cattle on Feed report last Friday was considered bearish across the board. Placements for the month of May reached 98.7% of last year as compared with the average trade estimate of 96.1% of last year, 81.2%-102.2 range. Marketing's for the month of May reached 72.5% vs expectations for 73.9% of last year (72.7-76.8 range). This left June 1st Cattle-on-Feed supply at 99.5% of last year as compared with trade expectations for 98.7% with a range of 95.5 to 100% of a year ago. The report news is bearish and if the cash tone is weaker early this week, the market looks vulnerable to more selling. Fears that China is increasing restrictions on imports of food helped to pressure the market as this could force beef to compete in an environment where pork and poultry supplies swell. This is partially offset by China's trade war with Australia which might spark some increase in beef sales to China. The USDA estimated cattle slaughter came in at 119,000 head Friday and 59,000 head for Saturday.

This brought the total for last week to 656,000 head, down from 658,000 the previous week and down from 668,000 a year ago. Slaughter was down 1.8% for the week from last year and beef production was up 1.5% from last year. The USDA boxed beef cutout was up 77 cents at mid-session on Friday and closed 16 cents higher at $213.72. This was down from $230.64 the previous week. It was the first time the cutout had increased since May 13! Cash live cattle in Kansas traded in light volume at $98 on Friday, towards the bottom end last week's range. The five-area, five-day weekly average price was $100.82 as of Friday afternoon, down from $104.86 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,558 contracts of live cattle for the week ending June 16, reducing their net long to 17,326. Non-commercial, no CIT traders were net sellers of 2,059, taking them from a net long position to a net short of 1,188.

COCOA:

Cocoa has a bullish supply outlook to provide underlying support, but it has been unable to overcome what many analysts see as a weak global demand. While prices are well into bargain territory, cocoa will have trouble sustaining upside momentum until demand prospects improve. For the week, September cocoa finished with a loss of 67 points (down 2.9%) which was a third negative weekly result in a row. Following a dry season, West Africa has seen an uptick in rainfall during the past few weeks.

However, heavy showers this month have caused flooding that has obstructed the supply flow of beans to port facilities, and caused issues with drying beans that could lead to moldy near-term supplies. A negative shift in global risk sentiment has eroded cocoa's near-term demand outlook. The June 16th Commitments of Traders report showed managed money traders are net short 7,801 contracts after net selling 5,262 contracts for the week. Non-Commercial & Non-Reportable traders are net long 5,478 contracts after net selling 6,501 contracts.

COFFEE:

Coffee will start this week less than 1.50 cents away from a new contract low as the market continues to be pressured by global demand concerns and likely record high 2020/21 crop from Brazil. Prices have fallen less than 2.50 cents during June, however, which could indicate that the market's bearish set-up has been mostly priced-in. For the week, September coffee finished with a loss of 1.10 cents (down 1.1%) which was an eight negative weekly result over the past 10 weeks. The Brazilian currency regained more than 1.2% in value which provided coffee with early support as that eases pressure on Brazil's farmers to market their near-term supply to foreign customers. However, the negative shift in global risk sentiment put the market back on the defensive as it weakened coffee's global demand outlook.

While several major companies are reporting a sizable jump in supermarket sales, many nations still have coronavirus restrictions in place. As a result, restaurant and retail shop sales are likely to remain subdued during the third quarter. Brazil has been far and away the world's largest coffee producer for many years, and the 2020/21 season will be an "on-year" for their Arabica crop which follows a biannual on/off year cycle. As a result, the USDA is projecting their coffee production to come in at 67.9 million bags, up 8.4 million from the 2019/20 season and a new record high total. ICE exchange coffee stocks rose by 2,250 bags on Friday, but they remain in close proximity to last Thursday's multi-year low. Coffee positioning in the Commitments of Traders for the week ending June 16th showed managed money traders added 8,923 contracts to their already short position and are now net short 22,901 contracts. Non-Commercial & Non-Reportable traders were net short 7,525 contracts after increasing their already short position by 6,429 contracts.

COTTON:
With a mostly hot and dry forecast for West Texas, and with Monday afternoon's crop progress update likely to show the Texas crop struggling, the market may be in position to see a continued uptrend. December cotton closed just 29 points higher on Friday and 78 points higher for the week last week. This was fairly impressive action, given the weakness seen in the stock market. The trade appears more optimistic about the US export situation, as Thursday's export sales report seemed to confirm that US export shipments are keeping pace with the record sales. This makes them more confident that the USDA will raise the 2019/20 export forecast in future supply/demand reports, which would tighten the ending stocks outlook for the US.

The 6-10 and 8-14 day forecasts are calling from above normal precipitation across most of Texas, but an area of below normal rainfall in the far western part of the state seems to be expanding. If the rainfall expected in the next several weeks comes up short, this could raise additional concerns about the crop, especially in light of the dry conditions seen up until recently. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,569 contracts of cotton for the week ending June 16, reducing their net long to 2,951. Non-commercial, no CIT traders were net sellers of 3,330, reducing their net long to 552. Non-commercial & non-reportable traders were net sellers of 5,199, reducing their net long to 16,289. ICE certified stocks came in at 32,026 bales as of June 18, the first increase all week.

SUGAR:
Sugar remains on-track for a sizable gain for June, but has been unable to retest a monthly high posted on June 10th. While it has received recent carryover support from key outside markets, huge output increases from its top-2 producing nations will make it difficult for sugar prices to

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extend their second quarter upmove well above its recent consolidation zone. For the week, October sugar finished with a gain of 8 ticks (up 0.7%) which was a fourth positive weekly result over the past 5 weeks. Sugar found carryover support from both of its key outside markets as the Brazilian currency regained more than 1.2% in value while crude oil prices reached a new 1 1/2 week high. Keep in mind that in spite of Friday's rebound, Brazil's currency has lost 9% in value over the past 2 weeks and remains in close proximity to a record low from early May. In addition, prospects for record high sugar production from Brazil and a sharp jump in India's sugar production during the 2020/21 season likely kept further gains in check going into the weekend.

After several seasons in which mills emphasized ethanol, the sizable drop in energy prices is expected to shift a large portion of Brazil's cane crushing over to sugar. As a result, the USDA expects Brazil to produce 39.48 million tonnes of sugar during the 2020/21 season, up 9.55 million from 2019/20. The USDA has also forecast India's 2020/21 at 33.705 million tonnes which would be a 16% increase from 2019/20. The EU, China, the US and Mexico are all widely expected to have production increases during the 2020/21 season as well. Many analysts expect Thailand to show little improvement from this season's multi-decade low due to extensive drought conditions, and that will have an impact on the global market as they export most of their output. The June 16th Commitments of Traders report showed managed money traders net bought 17,175 contracts and are now net long 29,199 contracts. CIT traders were net long 229,872 contracts after increasing their already long position by 6,094 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.