ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

8 June, 2020

For the Week of June 8, 2020

BONDS:

As in the equity markets, the Treasury market suffered both short-term fundamental selling and what we think is long-term historical readjustment selling late last week. At the time, the March explosion from 170-00 to 190-00 in bonds was justified by the threat of a global depression with a return down to 175-00 in bonds seemingly justified by a gradual end to the shutdowns and to the winding down of infections. Now, however, it would appear as if the rebound in the economy could be better than expected and that could send prices below the panic gaps left by the realization of the US lockdown. The environment of improving global economic psychology from last week has been extended into the new trading week, and therefore it is not surprising to see bonds and notes trading lower early this week.

Obviously seeing a nonfarm payroll reading 10 million jobs above general expectations last Friday, justified (and then some) the washout of the prior 5 trading sessions. Not surprisingly, both German Bund and JGB's showed higher yields early this week, in a sign that hopes for better economic activity ahead are not limited to the US. In fact, over the weekend China posted a record May crude oil import figure which adds to the idea that China is leading (from a timing perspective) the global recovery. In looking ahead to this week's developments, the US Fed meeting on Wednesday is likely to produce some volatility, but it is unclear if the Fed will suggest the payroll bounce is a one off jump due to such large losses in the prior several months, or if the Fed will take note of the resiliency of the US economy.

However, it is largely expected within the marketplace that the Fed is likely to "keep its foot on the gas pedal until there is a medical solution to the virus problem". At this point, the best arguments for the bull camp are a significantly oversold technical condition and the potential for large flares in infections from restart and protest activities. The Commitments of Traders report for the week ending June 2nd showed Bonds Non-Commercial & Non-Reportable traders were net short 69,297 contracts after increasing their already short position by 844 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders were net short 49,613 contracts after increasing their already short position by 23,226 contracts.

CURRENCIES:

The action in the dollar late last week was somewhat curious as the last 3 weeks have seen a series of sharp declines off safe haven liquidation selling and yet today with the biggest reduction of economic anxiety in months, the dollar managed to rally. Perhaps some traders in the marketplace now view the dollar and the US as a "best rate of return" arena. We would also suggest that the dollar was significantly oversold and the euro was significantly overbought. While the dollar saw a significant extraction of safe haven premium over the prior 3 trading weeks, it appeared as if the focus of the market shifted on Friday following a jobs report that came in 10 million above what was expected. In other words, the trade saw the dollar as a more attractive yield potential than other areas and that view might be extended again early this week with US stocks outperforming European stocks and Germany posting a record decline in industrial output.

While some in the market think that the Fed will reiterate its intention to "keep its foot on the gas pedal until there is a medical solution to the virus", there are some whispers suggesting the Fed might have to acknowledge some of the massive job improvement as a statistical adjustment and that could take some of the dollar euphoria away. It should also be noted that the dollar on Friday reached what was past (extended) consolidation support. It is also likely that the dollar shifted into a net short into the Friday low. Dollar positioning in the Commitments of Traders for the week ending June 2nd showed Non-Commercial & Non-Reportable traders were net long 8,860 contracts after decreasing their long position by 7,579 contracts.

While the euro certainly deserved a large portion of the May through early June rally as speculators were looking for an undervalued currency to play for a global improvement in sentiment, the euro has now become expensive with a return to what was a restrictive consolidation resistance zone for nearly two quarters at the end of last year and earlier this year. Furthermore it goes without saying that a record decline in German industrial output figures, Italian predictions of an 8.3% 2020 contraction in GDP and significant weakness in Spanish industrial output is stoking speculative selling in the euro. Furthermore, with the euro posting a moderately large spec and fund long positioning and seeing the currency from the COT report add another 200 points, the market is bought out. Euro positioning in the Commitments of Traders for the week ending June 2nd showed Non-Commercial & Non-Reportable traders added 10,142 contracts to their already long position and are now net long 118,352.

Like other currencies, the Yen seemed to reach a critical point on the charts with the 91.00 level a past support level that the market has rejected on two prior occasions since February. Nonetheless the Yen at times earlier this year did fall below the 90.00 level and without a serious infection problem from the US re-opening, we see the currency working its way down to that level again. After what appears to be a significant blow off reversal last week, we see the Swiss heading down back into the late December to present consolidation zone, with the middle of that consolidation down at 1.0327. While the Swiss economy might perform better than the German, Italian or Spanish economies, being surrounded by poor industrial activity adds to the weight hanging over the currency.

The Pound has apparently become technically overbought as we continue to see it as a "recovery currency" which needs solid international recovery potential to drag it higher on the charts. In fact with the economist seeing the UK as one of the slower recovering economies, it is likely that the Pound will temporarily fall back below 1.25 ahead. Now that the Canadian dollar has filled the "panic gap" and the dollar might be transitioning into a currency index in favor (because of a resurgent macroeconomic differential edge), we see the Canadian running out of upside momentum soon. However the currency appears to have retained upside momentum and may trade to the March highs of 75.08 where an interim high might be forged.

STOCKS:

It goes without saying that the stock market exploded last Friday off the surprise unprecedented nonfarm payroll gain for May. In fact, the market should be surprised and gains should have been massive considering that the number was 10 million better than what was expected. It should be noted that the record jobs gain was accomplished in the face of a significant 500,000 decline in government jobs as that suggests the real economy is doing better than many might have expected. Furthermore, the breadth of different sectors (other than government) posting job gains shows broad hiring. It would appear as if equities are on a track to return to the 2020 highs, but that will clearly require a lack of troublesome flare ups from the progressive reopening.

Global equity markets were mixed at the start of this week with Asian and UK stocks higher, European stocks lower and the US market starting out on a positive track. While US stocks are not showing significant gains to start, the new trading week seeing additional gains on top of the aggressive range up move on Friday would seem to suggest that investors are still willing to put money to work without fear of paying up too much. Furthermore, it would seem as if optimism off the reopening of the economy continues to control and might continue to control unless there is a scary flare in infections.

The E-mini S&P traded higher early this week and forged a higher high for the move in a fashion that suggests the index is capable of settling in above 3200.00. Helping the index was the potential for a major merger within the drug sector, reports of surging demand for vehicles (perhaps due to the protective cocoon of individual vehicles over mass transportation) and hope toward the retail sector off a recovery in physical traffic. While the COT positioning report showed a shift from short to long by the specs, the net spec and fund long is hardly at a level that would suggest the market is out of additional buying fuel. The Commitments of Traders report for the week ending June 2nd showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 45,865 contracts which moved them from a net short to a net long position of 26,555 contracts.

The Dow futures early this week have not made a fresh higher high for the move, and that could put the opening of the NYSE into an important position. However, the bull camp is heartened by the beginning of reopening the state of New York and with other states moving to progressive stages of reopening. While many press outlets are documenting recovery in restaurant bookings in hotel occupancy rates, there are some early signs of increased infection rates in those states that are further along reopening stages. In the end, it would appear as if the Dow has found a new higher trading range that is likely to be above 27,000. From a technical perspective the Dow futures should have plenty of speculative buying capacity with the market early last week still net short!

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Dow Jones $5 positioning in the Commitments of Traders for the week ending June 2nd showed Non-Commercial & Non-Reportable traders added 931 contracts to their already short position and are now net short 22,586.
The NASDAQ has already made another new high possibly off the AstraZeneca and Gilead merger news and from hopes that improved psychology from the payroll report Friday will stoke online sales even further. Nasdaq Mini positioning in the Commitments of Traders for the week ending June 2nd showed Non-Commercial & Non-Reportable traders net bought 4,864 contracts and are now net long 9,702 contracts.

GOLD, SILVER & PLATINUM:
After a significant beating on Friday and word after the close that gold ETF's sold 205,018 ounces (breaking a 29 day streak of inflows) and a lower gold close in Hong Kong on Monday, it was surprising to see gold trading moderately higher in the early US trade this week. With silver ETF's also cutting 679,233 ounces from their holdings on Friday and the Perth Mint announcing gold and silver sales in May declined by 50%, it is also surprising to see both gold and silver higher to start out this week. We suspect both gold and silver are benefiting from classic short covering from what felt like a significant overreaction on Friday but we also suspect that both markets are catching some buying interest from expectations that the US Fed will "keep their foot on the gas pedal" until there is a medical solution to the virus.

Perhaps in a slight indirect fashion, the decision by OPEC to extend production restraint into the end of July is providing gold and silver and many other physical commodities with lift early week. However, the gold market saw significant damage on its charts at the end of last week when the US nonfarm payroll report punctured a large amount of global economic uncertainty. With the magnitude of the surprise in the jobs report (a difference of 10 million jobs from estimates to reality), it is difficult to discount the potential of a narrower and less severe recession. Gold positioning in the Commitments of Traders for the week ending June 2nd showed Managed Money traders reduced their net long position by 12,347 contracts to a net long 136,568 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 15,068 contracts to a net long 276,186 contracts.

A significant slide in silver from last week's high of $1.60 per ounce clearly injured the spec and fund long but the question is, was the hard wash enough to have forced out the weak handed longs? However, silver did appear as if it was beginning to assume a leadership role before the washout and therefore it is possible that it could transition into a physical demand driven commodity facing better demand from better economic activity and ongoing strong investment flows. One should also note that silver was not anywhere near multiyear highs like gold, and therefore the magnitude of the liquidation might be less. The June 2nd Commitments of Traders report showed Silver Managed Money traders were net long 27,173 contracts after increasing their already long position by 603 contracts. Non-Commercial & Non-Reportable traders are net long 54,774 contracts after net buying 3,881 contracts.

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With palladium showing strong recovery action on Friday and generally improving on that action again early this week, it would appear as if the market is drafting tailwinds from improving Chinese economic expectations. In retrospect, the action in the palladium market at the end of last week was really impressive considering the significant losses in gold, silver and platinum. However, there are forecasts in the market calling for a "V" bottom in gasoline demand, auto production is ramping up quickly, there is reportedly a shortage of used vehicles and China appears to be leading (from a timing perspective) the global recovery. It should also be noted that the palladium market had an extremely small net spec and fund long of 1,064 contracts early last week, leaving it as the least vulnerable precious metals market from a stop-loss selling threat.

Palladium positioning in the Commitments of Traders for the week ending June 2nd showed Managed Money traders net sold 428 contracts and are now net long 617 contracts. Non-Commercial & Non-Reportable traders were net long only 1,064 contracts after decreasing their long position by 182 contracts. Unlike palladium, the platinum market came under significant pressure Friday after violating a critical consolidation support level and prices might be on a track to retest $800 later this week. Unfortunately for the bull camp, the net spec and fund long position early last week leaves plenty of long liquidation selling fuel in place. The June 2nd Commitments of Traders report showed Platinum Managed Money traders were net long 11,827 contracts after decreasing their long position by 1,792 contracts. Non-Commercial & Non-Reportable traders are net long 24,878 contracts after net selling 815 contracts.

COPPER:

While the copper market is likely significantly overbought from a short term perspective (up $0.12 in 2 sessions and up $0.22 in 7 sessions), the market continues to get bullish fundamental headlines. In addition to hope for even better Chinese demand from a record Chinese May crude oil import figure, copper continues to see tightening exchange stocks and a flurry of press reports indicating that copper is garnering investment flows over gold and silver. In fact, last week Citi shifted bullish with rather lofty adjustment up in its 3rd and 4th quarter price forecast. With the massive range up move last Friday, the copper market clearly looks be in the midst of a historical adjustment back to a fairer equilibrium price.

In fact, LME copper warehouse stocks now down 15 sessions in a row and down in 30 of the past 31 sessions (at the same time that Shanghai weekly copper stocks have been down in 11 of the past 12 weeks), it would seem that both supply and demand are fueling the impressive second quarter rally. While the latest COT positioning report data dramatically understates the net spec and fund long (prices have gained nearly 6 additional cents) the net long in copper is probably still below the highest levels seen in 14 months. Copper positioning in the Commitments of Traders for the week ending June 2nd showed Managed Money traders went from a net short to a net long position of 2,461 contracts after net buying 7,761 contracts. Non-Commercial & Non-Reportable traders net bought 8,359 contracts and are now net short 1,626 contracts.

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ENERGY COMPLEX:

The crude oil market smashed higher at the end of last week off a quick agreement by OPEC plus to extend restraint. At times last week, the trade did not think the meeting would be held because of the inability to pull Iraq into line over compliance of the current production restraint agreement. While many will suggest that the markets were generally expecting the production restraint to be extended into the end of July already, that news combined with the surprisingly strong US jobs report suggests both supply and demand continue to favor the bull camp. In fact, over the weekend it was found that Chinese May crude oil imports hit the highest level "ever" (and have been reported to be extending the strong import pace this month) which in turn adds to the need to remove demand destruction pricing.

Even more surprising is the fact that the Saudis raised their price to Asia by the most ever and cited that those buyers don't have alternative supply. We think that is a stupid statement considering the amount of floating supply. In yet another temporarily supportive supply-side development, a tropical storm in the Gulf of Mexico has resulted in a 34% reduction in offshore production or 635,000 barrels per day of oil. In a long-term bullish supply side development, the Baker Hughes weekly US oil rig count declined by 16 to stand at only 222 rigs and that is a new low for the move in the weekly count. Canadian oil rigs operating were unchanged but stand at a mere 7 rigs.

Over the weekend, the latest Chinese trade balance data showed that their May crude oil imports came in at 11.3 million barrels per day which was a record high total. Certainly the market is rapidly moving to factor in the newfound bullish condition and with the most recent positioning report revised upward for the gains into Friday's high, it is possible that the WTI crude oil futures contract now has the largest net spec and fund long since September 2018. Crude Oil positioning in the Commitments of Traders for the week ending June 2nd showed Managed Money traders added 17,383 contracts to their already long position and are now net long 380,107. Non-Commercial & Non-Reportable traders were net long 605,164 contracts after increasing their already long position by 24,861 contracts.

We continue to reiterate last week's market chatter which indicated a strong possibility of a "V" bottom in gasoline demand. The arguments for a rapid recovery in gasoline consumption are the ongoing risk/psychological fear of using mass transportation, a strong seasonal for gasoline demand in the northern hemisphere, company requirements to undertake ground travel over air travel and a desire to get out of lockdown within the "cocoon" of personal vehicles. In looking at the charts, it would appear as if the trade is buying into the expectation of a strong recovery in demand, but we also suggest that a stubbornly low US refinery operating rates will serve to bring down gasoline stocks sharply in the weeks ahead.

In fact, with a tropical storm already impacting offshore activities, the start of the hurricane season in the Gulf of Mexico creates the added threat of down time at refineries due to weather. While the latest COT positioning report probably understates the magnitude of the net spec and fund long, the last positioning reading showed the smallest net long since October of last year and therefore the market probably retains speculative buying fuel. The Commitments of Traders report for the week ending June 2nd showed Gas (RBOB) Managed Money traders are net long 24,648 contracts after net selling 7,946 contracts. Non-Commercial & Non-Reportable traders net sold 5,537 contracts and are now net long 61,320 contracts.

The ULSD remains the least bullish fundamental petroleum market component with stocks building in the last 6 weeks and overall demand for the distillate category still wounded gravely by the lack of air travel. Certainly air travel is picking up, but few expect demand gains to be anything but marginal in the near term. However, the net spec and fund long in ULSD is extremely small at 11,225 contracts and many expect diesel demand from the restart of the economy to help ULSD climb with crude oil and gasoline. The June 2nd Commitments of Traders report showed Heating Oil Managed Money traders reduced their net short position by 351 contracts to a net short 11,784 contracts. Non-Commercial & Non-Reportable traders were net long 11,225 contracts after increasing their already long position by 5,097 contracts.

While the natural gas market has proven would-be bulls wrong consistently for the better part of 17 months, prices have shown respect for the $1.80 level on a very consistent basis since the beginning of March. While the supply situation in natural gas remains dominatingly negative, and demand has been very low for a long time one could suggest the US nonfarm payroll report could be a game changer for the natural gas market. In other words, severe demand destruction views could be poised to change somewhat. Especially with China showing record crude oil imports in May, it is possible that their natural gas/LNG imports will begin to recover. From the supply-side of the equation, the US gas rig count from Baker Hughes declined by one last week to stand at only 76 rigs which is a new low for the move. On the other hand, Canadian gas rigs increased by one but they still stand at a very low 14 total rig operating level.

While the current tropical storm in the Gulf of Mexico is not expected to seriously damage offshore facilities, evacuations from the current storm have resulted in 32% of natural gas output as of mid-Sunday being pulled off-line. Apparently 878 million cubic feet per day of natural gas output in the Gulf of Mexico is off-line. May Chinese natural gas imports came in at 7.84 million tonnes which compares to 7.73 million in April and 7.56 million during May 2019. The June 2nd Commitments of Traders report showed Natural Gas Managed Money traders added 4,161 contracts to their already short position and are now net short 11,493. Non-Commercial & Non-Reportable traders reduced their net short position by 17,600 contracts to a net short 16,740 contracts. We think it is time to speculate on a major bottom in natural gas, as global economic activity appears to be improving, China's economy is showing record crude oil imports again and natural gas has seemed to stall on weakness at the $1.80 level.

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BEANS:

A more than 3% rally in the Brazilian currency on Friday to a new 2 1/2 month high provided across-the-board support to the soy complex as it gives US exports a competitive advantage over Brazilian exports. July soybeans could not hold onto the rally last Friday as the one week surge helped to stimulate producers selling. Brazil and Argentina basis levels have been strong enough to support more active buying of US meal, and China is still buying US soybeans. However, after the surge in China buying from Brazil, China is in a position to be more patient at buying US soybeans. Aggressive selling of US meal and soybean oil on the world market has provided solid underlined support.

May Chinese soybean imports came in at 9.38 million tonnes which was an over 27% increase on last year's result, well above April's 6.71 million total and their highest monthly import total since December. With soybean spreads not offering much in the way of carry, producer selling turned active on the rally. For the USDA Supply/Demand update on Thursday, traders see old crop ending stocks down slightly to 577 million bushels, (497-630 million range) as compared with 580 million in the May update. New crop ending stocks are expected to come in near 426 million bushels, (350-572 million range), as compared with the May estimate of 405 million bushels.

World ending stocks for the 2019/20 season are expected at 101.23 million tonnes, (95.5-110.35 million range), as compared with 100.27 million in May. New crop ending stocks are expected near 98.64 million tonnes, (96-102.4 million range), as compared with 98.39 million in May. Traders see Brazil soybean production at 122.97 million tonnes versus 124 million in May. Argentina soybean production is expected at 50.64 million tonnes versus 51.00 million in May. Soybean prices were able to reach a new 7 1/2 week high on Friday after closing higher for 5 days in a row and the market was up 27 cents for the week. Soybean oil maintained upside momentum and reached a new 2 1/2 month high on Friday led by continued strength in palm oil while meal prices held within an inside-day range on Friday after a gain of $6.40 on the week or up 2.2% for December meal for the week. In addition, the prospect of more near-term Chinese purchases has helped to underpin soybean prices.

The Commitments of Traders report for the week ending June 2nd showed soybeans managed money traders are net long 6,637 contracts after net buying 824 contracts for the week. CIT traders were net long 162,894 contracts after increasing their already long position by 7,106 contracts for the week. For Soyoil, managed money traders net bought 7,392 contracts for the week and are now net long 11,376 contracts. CIT traders net bought 2,946 contracts and are now net long 84,119 contracts. For Soymeal, managed money traders were net short 50,981 contracts after increasing their already short position by 9,206 contracts in just one week. This leaves meal oversold vulnerable to short-covering. CIT traders net sold 3,874 contracts and are now net long 70,323 contracts.

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CORN:

The corn market may need some reasons to spark short-covering and see a further seasonal advance. Corn prices reached a new 7-week high last Friday. For the week, July corn finished with a moderate gain of 5 1/2 cents and a second positive weekly result in a row. Stronger energy prices remain a source of support for the corn market as they point towards improving near-term ethanol demand. Reports that China sold almost all of the 4 million tonnes of corn offered at an auction of their state reserves points towards potential demand for imports US corn and US DDG's. This is now near 8 million tonnes sold at the two weekly auctions. Widespread rainfall in the forecast for much of the Midwest kept further gains in check. For the USDA Supply/Demand update on Thursday, traders see old crop ending stocks at 2.150 billion bushels, (2.09-2.303 billion range) as compared with 2.098 billion in the May update. New crop ending stocks are expected to come in near 3.36 billion bushels, (2.897-3.595 billion range), as compared with the May estimate of 3.318 billion.

World ending stocks for the 2019/20 season are expected at 314.31 million tons, (310-319.70 million range), as compared with 314.7 million in May. New crop ending stocks are expected near 339.78 million tons, (335-346.60 million range), as compared with 339.62 million in May. Traders see Brazil production at 99.42 million tonnes versus 101 million in May. Argentina soybean production is expected at 49.83 million tonnes versus 50.00 million in May. The 7-day forecast models show a wide area all along the Mississippi River to receive 2 to 3 inches of rain, and at least 1 inch of rain for most all of the Corn Belt except for Western Dakotas and Ohio. The 6 to 10 day forecast calls for cold and dry conditions. Corn positioning in the Commitments of Traders for the week ending June 2nd showed managed money traders net sold 6,063 contracts and are now net short 282,266 contracts. CIT traders added 6,750 contracts to their already long position and are now net long 275,190.

WHEAT:

Wheat prices saw an abrupt change in fortune as they turned sharply to the downside and finished last Friday's inside-day session with a sizable loss. As a result, July wheat finished the week with a moderate loss of 5 1/2 cents. KC wheat and Minneapolis wheat also finished the day with heavy losses. The Dollar rallied from a 2 1/2 month low into positive territory after US jobs data, which pressured the wheat market as it makes US wheat less competitive on the global export marketplace. Rainfall over Russian growing areas late last month have improved the outlook for their 2020/21 crop, which was an additional source of pressure on wheat prices going into the weekend. Pakistan plans to import 500,000 tonnes of wheat to boost supply. The US harvest is said to have reached the Kansas/Oklahoma border over the weekend and yields continued to vary depending on the impact from spring freeze events and drier conditions with reports of wide range of yields. Hot and dry forecasts suggest active harvest ahead.

Conditions in the Northern Plains and Canadian Prairies remain favorable with most areas receiving rain over the weekend, including dry spots in western North Dakota. For the USDA crop production report on Thursday, traders see all wheat production at 1.85 billion bushels, (1.824-1.875 billion range) as compared with the May USDA estimate at 1.866 billion bushels. Traders see lower hard red wheat production and steady soft wheat production. For the Supply/Demand update, traders see old crop ending stocks at 979 million bushels, as compared with 978 million in the May update. New crop ending stocks are expected to come in near 897 million bushels, (820-940 million range) as compared with the May estimate of 909 million bushels.

World ending stocks for the 2019/20 season are expected at 294.63 million tonnes, as compared with 295.12 million in May. New crop ending stocks are expected near 307.74 million tonnes, (300-310.50 million range) as compared with 310.12 million in May. The Commitments of Traders report for the week ending June 2nd showed wheat managed money traders are net short 13,472 contracts after net selling 1,268 contracts for the week. CIT traders net bought 6,978 contracts and are now net long 129,390 contracts. For KC Wheat, managed money traders are net short 24,133 contracts after net buying 1,610 contracts for the week (short-covering). CIT traders net bought 1,175 contracts and are now net long 57,428 contracts. Non-Commercial No CIT traders were net short 36,724 contracts after decreasing their short position by 2,760 contracts.

HOGS:

July hogs are beginning to show some technical positive action after a sharp break from the May 4th highs. Ideas that the break was overdone and that demand could turn a bit stronger ahead helped to support the rally. Slaughter is still running below year ago levels as the packing industry is making progress but at a slow pace. The USDA estimated hog slaughter came in at 438,000 head Friday and 323,000 head for Saturday. This brought the total for last week to 2.452 million head, up from 1.949 million the previous week and up 1.7% from a year ago. This is the first time in a long time that weekly slaughter exceeded last year.

The CME Lean Hog Index as of June 3 was 55.38, down from 57.06 the previous session and down from 62.95 a week before. The USDA pork cutout, released after the close Friday, came in at $71.98, down from $73.93 on Thursday and $87.16 the previous week. This was the lowest the cutout had been since April 21. The cutout is down 40% from its historic high of $120.95 on May 11 and is below its levels from last year ($82.16) and two years ago ($77.05). Friday's Commitments of Traders report showed managed money traders were net sellers of 3,594 contracts of lean hogs for the week ending June 2, reducing their net long to just 6,679. CIT traders were net buyers of 6,409, increasing their net long to 69,765.

Monthly pork exports for April reached 641.3 million pounds, up 22.3% from last year. Exports were down from the record high in March of 701.6 million pounds. Exports to China reached a record high 230.5 million pounds as compared with 10 to 70 million pounds per month from 2013 through mid-2019. Exports represented 31.6% of total production in April which was a record high percentage. Exports to Mexico were the smallest since late 2013. Exports to Canada were the smallest since March 2017. China's national average spot pig price as of June 8th was up 1.36% from the previous day. For the month, prices were up 8.84% and down 6.43% year to date and up 102.84% versus a year ago.

CATTLE:

June and August cattle closed sharply lower on the session Friday. It's difficult for the market to determine just how far the cash market may fall in the next couple of weeks. Cash cattle are already down from $118 two weeks ago to $105 last week. Cash live cattle traded mixed in moderately low volume on Friday. In Nebraska, 1,223 head traded at $110 versus average prices of $105.83 on Thursday and $113.46 on Wednesday. In Texas/Oklahoma, 2,149 head traded at $100-$110 with an average price of $105.39 versus average prices of $105 on Thursday at $116.45 on Wednesday. As of Friday afternoon, the 5-day, 5-area average price last week was $111.97, down from $116.13 the previous week but well up from the June close of $93.90. The USDA estimated cattle slaughter came in at 116,000 head Friday and 63,000 head for Saturday.

This brought the total for last week to 636,000 head, up from 524,000 the previous week but down 4.4% from last year. The USDA boxed beef cutout was down $6.42 at mid-session Friday and closed $10.78 lower at $261.48. This was down from $363.34 the previous week and was the lowest the cutout had been since April 21. The cutout has fallen for 17 sessions in a row and is down 45% from its peak of $475.39 on May 12, but it is still up from $222.25 a year ago and $226.97 two years ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,519 contracts for the week, increasing their net long to 16,496. Non-commercial, no CIT traders were net sellers of 1,279 contracts, reducing their net long to 4,068. CIT traders were net buyers of 7,703 contracts, increasing their net long to 114,111.

COCOA:

While cocoa prices have fallen back from last Monday's 12-week high, their coiling action late last week may be evidence that they have found their footing. With improving global risk sentiment likely to give a boost to its demand outlook, cocoa may be in a good position to regain upside momentum. For the week, however, September cocoa finished with a loss of 24 points (down 1.0%). While the Eurocurrency had a sizable pullback and reversal from a 12-week high, that was more than offset by sizable gains in US and European stock markets in the wake of surprisingly good US jobs data that should help to strengthen demand prospects on both sides of the Atlantic. There is a growing consensus that the 2019/20 season will still have a global production deficit, even with the downshift in global demand due to coronavirus restrictions.

Ivory Coast and Ghana are seeing cocoa production behind last season's pace, and the remaining mid-crop output has already been impacted by extensive periods of dry weather earlier this year. The latest supply/demand update from the International Cocoa Organization showed that of cocoa's 10 largest producing nations (which account for 94% of global output), only Ecuador, Cameroon and Brazil were forecast to have increased production during the 2019/20 season. On the demand side, Asia was showing continued strength before their virus lockdowns started in February. With many of their nations ahead of Europe and North America with lifting their coronavirus restrictions, Asian second quarter grindings have a decent chance of coming in above 200,000 tonnes for a seventh quarter in a row. Cocoa positioning in the Commitments of Traders for the week ending June 2nd showed managed money traders are net short 1,663 contracts after net buying 6,727 contracts. CIT traders net bought 4,483 contracts and are now net long 34,007 contracts.

COFFEE:
With improving global risk sentiment and stronger key outside markets, coffee could see upside follow-through early this week. For the week, September coffee finished with a gain of 2.50 cents (up 2.5%) which broke a 3-week losing streak and was a positive key weekly reversal. The Brazilian currency rose by more than 3% in value Friday and reached a new 2 1/2 month high while the Colombia Peso also reached a new 2 1/2 month high, both of which provided carryover support to coffee prices as they ease pressure on their nation's producers to market their near-term coffee supply to foreign customers. The post-US jobs data surge in US and European equity markets provided additional strength to the coffee market as it points toward improved demand.

Brazil's likely record-high 2019/20 crop continues to weigh on coffee prices, but there have been fresh reports this year's harvest is running behind due in part to labor availability issues from coronavirus restrictions. Guatemala's May coffee exports were down 12.9% from last year's total, and that has put their 2019/20 exports 1.5% behind last season's pace. ICE exchange coffee stocks fell by 825 bags on Friday and have reached their lowest levels since September of 2017. The Commitments of Traders report for the week ending June 2nd showed coffee managed money traders net sold 14,116 contracts which moved them from a net long to a net short position of 6,623 contracts. Non-Commercial & Non-Reportable traders were net long 5,109 contracts after decreasing their long position by 11,258 contracts.

COTTON:
The cotton market remains in a steady uptrend and July cotton closed sharply higher last Friday as the buying pushed the market up to the highest level since March 11th. The market continued its steady rally off the April 1st contract low last week, adding to its series of higher lows and higher highs. A surprisingly strong monthly jobs reports coming on top of some dry weather concerns in Texas supported the move higher. The jobs report indicated the economy is bouncing back from the Covid-19 shutdown, which is good for apparel and home furnishings demand. There is very little rain chances for West Texas for the next seven days and the 6-10 day and 8-14 day forecasts are calling for above normal temperatures and below normal rainfall in Texas. The below normal precipitation has been in the forecast for a while, but the above normal temperatures are a new addition.

The trade will be looking ahead to this Monday afternoon's crop conditions reports to see how the Texas crop is faring. In last week's report the total US crop was rated 44% good/excellent versus 46% a year ago and a 10-year average of 55%. There were no state by state breakdowns last week. Friday's Commitments of Traders report showed managed money traders were net buyers of 9,482 contracts for the week ending June 2, which moved them from a net short position to a net long of 2,623. Non-commercial, no CIT traders were net buyers of 3,620 contracts, reducing their net short to 3,297. CIT traders were net buyers of 3,218 contracts, increasing their net long to 62,611. The spec buying trend is a short-term supportive force.

SUGAR:

Sugar prices have extended their upside breakout move as they are getting significant carryover support from key outside markets. Although the recent strength of those outside markets will have an impact on the global supply outlook, the sugar market may have gotten ahead of itself and may have limited upside. For the week, October sugar finished with a gain of 112 ticks (up 10.2%) and a third positive weekly result in a row. The Brazilian currency gained more than 3% in value and reached its highest level since mid-March while crude oil prices rallied more than $2 a barrel and reached their highest levels since early March. The combination of stronger energy prices and a stronger currency will encourage Brazil's Center-South mills to produce more ethanol and less sugar with this season's crushing. However, sugar's share of Center-South crushing this season has been over 45% which compares to 34% last season. Brazilian ethanol demand remains subdued with Center-South ethanol sales running 26% behind last season's pace over that timeframe.

India is on-track for a sizable uptick in their sugar production and expected to be the world's second largest producer of sugar during the 2020/21 season as their cane crop depends upon the precipitation from their annual monsoon. Last year's monsoon came in at 110% of the average which was the highest rainfall total since 1995, while September's rainfall was the highest in 102 years. There was significant flooding in the states of Maharashtra and Karnataka while other areas saw extensive drought conditions, and both had a notable impact on India's sugar production which fell from 34.3 million down to 28.9 million tonnes. If this year's rainfall does come in as forecast by the India Meteorological Department, it would put 2020 in the "normal" monsoon category which should be beneficial to India's cane crops. Sugar positioning in the Commitments of Traders for the week ending June 2nd showed Managed Money traders reduced their net short position by 5,652 contracts to a net short 13,921 contracts. Non-Commercial & Non-Reportable traders net bought 5,444 contracts and are now net long 64,692 contracts.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

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