ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

7 July, 2020

For the Week of July 6, 2020

BONDS:

Last Thursday's European data included a lower than expected reading for Euro zone unemployment. The eagerly awaited US employment situation report had a non-farm payrolls increase of 4.8 million which was well above market expectations. The unemployment rate fell to 11.1% which was well below forecasts as well, but average hourly earnings came in slightly below estimates. Factory orders were below forecasts while the international trade balance showed a larger than expected monthly deficit. Treasuries bounced back from early pressure and returned to positive territory by the close of last Thursday's trading session.

Treasury prices continued to show narrow daily ranges early this week which is surprising considering the magnitude of the gain in US nonfarm payrolls last month. However, the bifurcation in the treasury markets continues with the presence of the Fed's control of the yield curve clearly present. Another reason for the sideways chop in the treasury markets over the prior 3 weeks is the fact that soaring US infection counts have prevented markets from fully embracing positive data.

Furthermore, the international view is that US economic activity beyond the job sector remains somewhat anemic. Therefore Monday's ISM non-manufacturing readings could take on temporary importance especially with one data point today estimating July activity to be improved. Given the potential for slightly improved US data, strong equity market gains and some hope for action on another US stimulus program, we see a minimal downward bias in Bond prices.

CURRENCIES:

The Dollar rallied from a 1-week low to post a mild gain for last Thursday's trading session. A better than expected set of US jobs data helped the Dollar regain upside momentum going into the holiday weekend. The Eurocurrency and British Pound were both pressure by a setback in EU/UK Brexit talks while the Swiss Franc benefited from safe-haven inflows to grind out a modest gain. With a very optimistic start to the trading week in equities, reports of new all-time high foreign holdings of yuan bonds and the residual optimism from last week's blowout US nonfarm payroll result, fresh weakness in the dollar was not surprising. In fact, the dollar broke out to an 8 day low with the bull camp needing something very strong from Monday morning's ISM non-manufacturing readings just to avert a slide down to the next key support point.

The euro clearly righted the ship after some choppy to lower action last week, and we attribute that to the strength in global equities, expanding recovery expectations for China and the much stronger than expected US payroll reading from last week. It is somewhat surprising to see the euro rally in the face of a much weaker than expected German factory orders release and also in the face of a disappointing Spanish industrial output reading. However seeing better-than-expected (nearly 30 points above the prior month) overall Euro zone retail sales for May helps the euro balance recent economic report news.

Global optimism specifically toward the recovery in China gives the bear camp in the Yen the initial edge this week. However the currency might see some support later this week in the event that a JGB auction attracts notable interest. The Swiss Franc has made a very definitive upside extension this week and would appear to be poised to return to at least the June high up at 1.0695. While it may be very premature to suggest and not backed by the economist crowd, we think the Swiss Franc might be garnering some measure of long term anticipatory inflation buying.

The Pound has certainly benefited over the prior 3 trading sessions from growing hope of fresh support for the UK economy from tax cuts but also from a much stronger than expected UK construction PMI reading for the month of June! While we are not overly bullish toward the Pound overall global conditions and favorable chart action should allow for the currency to grind up toward the top of the recent consolidation. The Canadian Dollar has forged an 8 day high despite market fears that the Canadian stimulus efforts will continue to lack urgency. The Canadian might also be limited by financial concerns for the Canadian oil industry and because of today's Bank of Canada business Outlook survey. Nonetheless chart action in the Canadian is bullish and a retest of the top of the recent consolidation is possible.

STOCKS:

Global markets were able to build onto early strength and held onto a positive tone for long portions of last Thursday's trading session. A meeting of EU and UK Brexit negotiators was cancelled and there were reports of increasing coronavirus cases in several states which dampened global risk sentiment. However, the stronger than expected US jobs data continued to provide underlying support. US equity markets fell back from morning highs but went on to post sizable gain during last Thursday's trading session.

Global equity markets at the start of this week were higher with gains in Chinese markets in excess of 5%. Hopes for further Chinese economic recovery ahead, the ability to discount the threat from US infections and a glimmer of hope for a successful vaccine have given investors a green light to start the new trading week. It is also possible that some investors see the potential for progress on yet another US stimulus package with the Administration announcing its support for direct "checks" and bonuses for those exiting unemployment.

With a significant range up 16 day high in the S&P to start out this week, technical analysts are projecting a return to 4 month highs up at 3220.00. News of a Berkshire Hathaway buyout, surging optimism toward China's recovery and an Uber/Postmates all-stock buyout, there are a number of bullish classic fundamental forces adding to the bull track. It should also be noted that cash on hand in Wall Street accounts remains at very significant levels and the most recent futures positioning report (new data will be released after the close on Monday) have very minimal net long reading and so the market should have plenty of buying fuel.

The Dow has also forged an 8 day high off a series of buyouts and from favorable US payrolls and vehicle sales last week. The Dow might also be supported by forecasts that dividend cuts are set to slow as companies regain revenues from the restart. We would remain bullish toward the index as long as it maintains above 25,438. Not surprisingly, the NASDAQ also knifed up to another new all-time high and appears to be poised to run even higher. A buyout by Uber and recent strong Tesla 2nd quarter deliveries gives the index fuel for a potential run at 11,000 this week.

GOLD, SILVER & PLATINUM:

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Despite some initial weakness, the charts structure of gold remains bullish with prices sitting just under the prior session's high and within $21 of contract and 8 year highs. However, concerted gains in global equity markets and growing optimism toward the Chinese recovery have dented some of the safe haven allure of gold to start the trading week. In fact, gold prices in India had declined for the 4th straight trading session following a series of new record high gold prices, and that has prompted some Indian metals analysts to warn that record high prices of gold are likely to prompt selling. Even China is showing signs of muted interest in gold lately with two straight months of net mainland China gold "exports" to Hong Kong.

However the dollar is showing noted weakness early this week and a trade below last week's low of 96.79 early Monday should provide some currency related buying interest in gold. Looking forward, the macroeconomic uncertainty question could be partially addressed through a wave of US ISM nonmanufacturing readings for the month of June. However there will also be a preliminary ISM nonmanufacturing PMI reading for the month of July and projections have it recovering to growth/no growth level of 50.0. While the gold market has periodically been able to embrace the uncertainty over the US infection counts over the fear of slumping physical demand, the infection story doesn't seem to be front and center in the markets.

On the other hand, consistent flow into gold ETF's, combined with stellar quarterly price action in gold has reawakened investment interest in both gold and silver. As of the end of last week, net year to date gold ETF purchases were 20.2 million ounces with silver ETF holdings increasing by 10.7 million ounces, and those net purchases to date approaching "200 million ounces". As we have indicated a number of times in the last several months, the net purchases by ETF's in both gold and silver (if continued into the end of the year) could go a very long way in offsetting the slump in Chinese and Indian physical demand. With the US infection counts likely to continue to rise, the trade will be watching for any sign of waning momentum in the number of new infections with the 50,000 per day level a key pivot point this week. The trend is up, but the risk to longs is increasing and the bull camp will need a combination of virus fears, fresh economic slowing fears and a resumption of weakness in the dollar to set up a rally pattern this week.

Despite strength in gold and silver last week and generally positive economic views toward China, the palladium market saw prices erode last week in a sign that the bias in prices remains down. With trading volume declining on the rally off the late June low, it would not appear as if the bull camp has the capacity to shift the trend. In fact, the palladium market showed very little support from a much stronger than expected June vehicle sales reading and more importantly, the market did not benefit from an out of the park favorable US jobs report. In the end, it would appear as if the environment for PGM demand is improving but that pace is not capable of turning the head of the palladium market. In the platinum market, the bias also remains down from the charts with the market also unable to benefit from what appears to be a gradually improving demand environment.

COPPER:

With China reportedly seeing reductions in some treatment and refinery charges for copper concentrate in the coming quarter, bullish futures spread pricing, reports of more lost production in Chile and a very large 8,525 single day decline in LME copper warehouse stocks that puts the bull camp in charge to start the trading week. In fact, part of the global rally in equities was attributed to growing optimism toward the Chinese economy and that adds directly to copper demand hopes.

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To a lesser degree, the market should continue to draft support from the very strong US payroll reading last week and from hope that the US could get together on a US stimulus package. From a shorter term perspective, term structure pricing in copper is indicative of tightening supply but that could be tempered by weekend dialogue suggesting that Chinese copper demand is entering a slow seasonal period ahead. Also limiting copper at the start of this week is the fact that Shanghai copper stocks last week increased by 14,347 tonnes which is a 14.4% increase and the build broke a 7 week pattern of declines.

ENERGY COMPLEX:

With another new high for the move early this week, the trend in the August crude oil contract remains up especially given an extension of global economic optimism. Apparently current supply and demand conditions have allowed Saudi Arabia to raise their August crude oil prices into Asia by a full $1.00 and that suggests demand is strong! It should also be noted that term structure pricing in Brent crude oil futures remains bullish and expectations of continued contraction in North American supply remains in a front and center position. In fact, headlines this morning are pointing to a financial reckoning for the Canadian oil industry which has seen its rig operating counts fall to extremely low levels. Certainly seeing ongoing record US daily infection counts is a limiting force but as in the equity markets, the energy trade doesn't seem to be concerned yet.

Certainly strong northern hemisphere seasonal demand is combining with the reopening of the global economy for increased consumption, with the trade also being provided with consistent signs of lower production from both OPEC plus and North America. At the end of last week, the Baker Hughes oil rig count declined by 3 to stand at 185 rigs operating. On the other hand, Canadian oil rigs operating increased by 2 but the number of rigs operating in Canada is only 6 for the entire country! A potentially supportive geopolitical issue this week is a legal effort by the US to seize gasoline from 4 Iranian tankers destined for Venezuela as that could result in some form of retaliation/flare-up of tensions in the Middle East.

It should be noted that the virus infection situation in Iraq is getting so bad that it is possible that the country could temporarily collapse and stall export activity. In a slight negative development, it should be noted there are some signs of conflict between Angola and OPEC regarding Angola's compliance with production restraint and there has been some discussion about energy prices reaching levels that could resurrect some US production. On the other hand, the crude oil contract remains roughly $2 per barrel below the gap left by the panic from the pandemic and for us that is equilibrium price targeting.

In the event that the US does legally seize 4 gasoline tankers from Iran (destined for Venezuela) that could create some temporary weakness in the cash market but in the long term, that is probably a supportive issue from those willing to put supply premium in prices off the rising threat against overall Middle East supply flow. Unfortunately, it would appear that summer travel in the US could decline for the first time in 11 years because of the recent flare-up in virus infections with others suggesting that so many unemployed people will increase "stay-cations". In retrospect, last week's inventory news was generally supportive for gasoline with the refinery operating rate still showing 24.5% of total US refinery capacity off-line.

Unfortunately for the bull camp, implied gasoline demand remains 0.9% below year ago levels and gasoline stocks have a surplus of 25.8 million barrels compared to year ago levels.

Nonetheless, the charts are bullish in gasoline, but open interest has declined consistently since the market regained $1.20 (in the August contract) and that could suggest the market has entered price areas that are no longer deemed "cheap". In the ULSD market, it would appear as if thickening resistance around $1.25 will restrain the trade especially when one considers that distillates and diesel stocks have annual surpluses of 47.3 million and 46.8 million barrels respectively. On the other hand, weekly implied distillate demand has pulled within 50,000 barrels per day of year ago levels and that shows some hope for a recovery to normal.

With the US temperature forecast dramatically expanding the above normal temperature area to further to the west and north, a huge psychological lift from a buyout in the natural gas transportation storage space and a supportive weekly US injection reading from last week, the range up extension early this week is not that surprising. The weekly natural gas storage report showed an injection of only 65 bcf. Total storage stands at 3,077 bcf or 17.8% above the 5 year average. Over the last four weeks, natural gas storage has increased 363 bcf. While it would appear as if the short covering tilt remains in natural gas, we suspect the gas market has now shifted from a net spec short to a net spec long. With the wizard of Wall Street (Berkshire Hathaway's Warren Buffett) purchasing a company involved in the distribution and storage of natural gas, some traders see that as a sign of a long-term bottom in natural gas prices.

However, supply and demand fundamentals up front remain bearish, but the US weather forecast has become more supportive with above normal heat engulfing a very large portion of the country until July 18th. Furthermore, a number of long term demand forces are shifting positive with both India and China recently projecting more imports and demand. In fact, China is apparently considering launching a LNG futures contract with the country expecting total gas demand to double by 2035. The country also expects its LNG import capacity to grow by 150 to 340 metric tonnes per year. Last week, the US gas rig operating count increased by one to stand at 76 while the Canadian gas rigs operating increased by 3 but stand at only 12.

BEANS:

A hot and dry weather forecast is enough to spark more buying as the market builds a weather premium. With rain events this week possibly missing Illinois, Indiana and Ohio, the weather outlook carries a bullish tilt. China was a noted buyer of 126,000 tonnes of US soybeans on Thursday, but the short-term sluggishness in the cash basis (contra seasonal) is a negative force. The late selloff in soybean oil was also seen as a negative development on Thursday. The most recent Drought Monitor released Thursday showed stressed areas in North Dakota, mid-section of Illinois and large portions of Indiana.

The basic supply/demand fundamentals remain positive for the soybean market, and if China were to emerge as an aggressive buyer in the second half of the year, the market could be set for a continued uptrend. If we plug the new planted acreage number into the supply/demand table from June, and use the current USDA yield estimate, ending stocks would come in at 411 million bushels, down from 585 million in 2019/20 and 909 million for 2018/19. If we lower yield by 3%, ending stocks would drop to 287 million bushels. This seems to be enough of a reason for new crop soybeans to build a weather premium.

The weekly export sales report showed that for the week ending June 25, net soybean sales came in at 241,700 tonnes for the current marketing year and 841,700 for the next marketing year for a total of 1,083,400. Cumulative soybean sales have reached 100.3% of the USDA forecast for the 2019/2020 (current) marketing year versus a 5 year average of 100.0%. Net meal sales came in at 143,000 tonnes for the current marketing year and 13,000 for the next marketing year for a total of 156,000. Cumulative meal sales have reached 90.7% of the USDA forecast for the 2019/2020 (current) marketing year versus a 5 year average of 92.1%.

Net oil sales came in at 2,800 tonnes for the current marketing year and none for the next marketing year. Cumulative oil sales have reached 97.5% of the USDA forecast for the 2019/2020 (current) marketing year versus a 5 year average of 89.9%. In the first five months of the year, China's imports of American agricultural products reached 19% of the total target for 2020 that was set in the Phase 1 trade pact with the US. Soybean aggregate imports have reached $3.6 billion through May versus $13.9 billion in 2017.

CORN:

Recent weather forecasts had looked rather threatening all the way out to July 19th, but there is a good rain event for Minnesota and the western half of Iowa for Wednesday-Friday and this is badly needed rain as central Iowa has seen no rain for a week. This rain event helped spark aggressive selling in corn on Thursday. Corn prices were unable to shake off early pressure and finished with a sizable loss. For the week, December corn finished with a gain of 28 1/4 cents. Given the extensive net short position held by fund traders, and the threat of stressful conditions for parts of the Midwest into pollination, the market could be in a position for a further advance.

The US Drought Monitor shows developing dryness in central Illinois and much of Indiana. The 5-day, 6-10 day and 8-14 day forecasts show little or no rain for much of the eastern third of Iowa, Illinois, Indiana and Ohio. Crop conditions have been okay in these areas up to this point, but by July 19 they could be under stress, and this could impact yield. Above normal temperatures are in the forecast for the next two weeks. If we plug the new planted area number into the supply/demand table from the June WASDE report, ending stocks would come in at 2.498 billion bushels. This would still be up from the 2.103 billion bushels in 2019/20 and the 2.221 billion in 2018/19, but it would be down considerably from the June estimate of 3.323 billion. If we lower yield by 3%, ending stocks would drop to 2.043 billion. This seems to be enough of a reason for fund traders to exit much of their massive net short position.

If the rest of the world supply/demand numbers stay relatively unchanged, and US yield is down 3% from trend, world ending stocks would come in around 305 million tonnes, the lowest since the 2014/15 marketing year. A decision by the EPA to postpone a biofuel blending mandate also weighed on corn prices as it will weaken ethanol demand. The weekly export sales report showed that for the week ending June 25, net corn sales came in at 361,100 tonnes for the current marketing year and 262,700 for the next marketing year for a total of 623,800 tonnes. Cumulative sales have reached 93.8% of the USDA forecast for the 2019/2020 (current) marketing year versus a 5 year average of 95.5%. China was a noted buyer of 202,000 tonnes of US corn on the daily export wire.

WHEAT:

The wheat market followed corn higher last week but gave back part of the gains on Thursday. On Friday, European million wheat futures jumped 1% to a three week high. The wheat harvest is just getting underway in France, and traders expect German wheat harvesting to begin in a few more weeks. Dry weather is needed in Germany. The French wheat crop is rated 56%

good/excellent as compared with 75% last year. Traders noted that flour millers and Thailand bought 55,000 tonnes of Canadian wheat, and also 175,000 tonnes of feed wheat. With a slow start to harvest, Russia wheat exports are expected to fall in July.

Traders see July exports near 2 million tonnes, about 1 million tonnes lower than the same month a year ago. SovEcon lowered Russia wheat production to near 80.9 million tonnes from 82.7 million as their previous estimate. The lower EU and Ukraine crop should allow for better exports from August through December. However, the arrival of the Australian crop by January could make Russia wheat less competitive in the first half of next year. Argentina's wheat area was reduced to 6.5 million hectares from the previous 6.7 million and is 71.3% complete versus 58.1% last week.

Weekly export sales for the week ending June 25th showed wheat sales at 414,300 tonnes for the current marketing year and 75,000 for the next marketing year for a total of 489,300 tonnes. Cumulative sales have reached 28.1% of the USDA forecast for the 2020/2021 (current) marketing year versus a 5 year average of 28.8%. Sales need to average 381,000 tonnes per week to reach the USDA forecast.

With the good rains now and in the forecast for North Dakota, traders are less concerned of a major production hit. However, some damage was done with the hot and dry spell and traders will continue to monitor crop conditions closely. The lack of a major production problem for any of the Northern Hemisphere exporters would suggest the market faces record world stocks for the 2020/2021 season. This could limit any wheat advance if wheat tries to follow the other grains higher early this week.

HOGS:

The hog market seems to be in position for a decent recovery bounce as producers seem more current with marketings, and pork cut-out values are on the rise. The USDA pork cutout released after the close Thursday came in at $66.46, up $3.01 from Wednesday and up from $63.84 the previous week. The cutout has traded in a relatively narrow $7 range between $62.25 and $69.23 since June 12. For the month of May, US pork exports reached 617.8 million pounds, up 20.8% from a year ago. Exports to Mexico hit the lowest level since at least 2013. Exports to China hit a record high for any month and reached 253.26 million pounds. Exports to Canada were also sluggish.

We should point out that monthly pork exports as a percent of total production for the month of May hit a record high 32.9%. Exports normally represented near 18% to 26% for much of the past decade. The market continue to probe for a short-term low. August hogs closed near unchanged Thursday after trading inside Wednesday's range. US pork export sales for the week ending June 25th totaled 39,151 tonnes, up from 24,076 the previous week and the highest weekly total since April 30. Cumulative sales for 2020 have reached 1.254 million tonnes, up from 924,200 a year ago and the 5-year average of 731,100. China was the largest buyer this week at 21,639, followed by Mexico at 8,429. Mexico is the largest buyer this year at 509,200 tonnes, followed by Mexico at 295,600 and Japan at 140,600.

The CME lean index as of June 30 was came in at 45.28, up from 45.24 the previous session and 45.10 a week before. The USDA estimated hog slaughter came in at 461,000 head yesterday. This brings the total for the week so far to 1.867 million head, up from 1.846 million last week at this time and up 10.7% from a year ago. More than 1,000 workers at a JBS SA pork plant in Brazil, or a quarter of those tested, were infected with Covid-19, according to figures from the Labor Prosecutor's Office. The company said in a statement it implemented its contingency plan just after getting the first case confirmed at the plant, helping to avoid further contamination among workers.

Brazil has become a new coronavirus epicenter with the number of infections only trailing the U.S. Mato Grosso do Sul is in Brazil's agriculture heartland. Since last week, China suspended meat imports from more than 20 plants in different countries that had reported Covid-19 outbreaks, including four Brazilian facilities, one owned by JBS. The move raises concerns about more suspensions. China's national average spot pig price as of July 06 was up 1.91% from the previous day. For the week prices are up 1.91%, up 2.38% for the month and up 8.79% year to date and up 117.2% versus a year ago

CATTLE:

Cash live cattle traded decent volume last Thursday at generally slightly lower prices than Wednesday and steady to $1 lower than the previous week. In Kansas 6,101 head traded at an average price of 94.15, in Nebraska 4,787 at 95.37, and in Texas/Oklahoma 6,101 at 93.74. The 5-day/ 5-area average price last week as $94.92, down from $96.18 the previous week. This leaves August cattle at a significant premium to the cash market. August live cattle broke out of their month long range on Thursday to trade to their highest level since May 29th. The market drew support from a surprisingly strong US jobs report, which bodes well for US beef demand going forward. The USDA boxed beef cutout was up 16 cents at mid-session yesterday and closed 6 cents higher at $205.44. This was down from $208.26 the previous week and $219.25 a year ago. Average dressed steer weights for the week ending June 20th came in at 890 pounds, down from 896 the previous week and up from 864 a year ago.

The USDA estimated cattle slaughter came in at 121,000 head yesterday. This brings the total for the week so far to 484,000 head, up from 479,000 last week at this time and up from 366,000 a year ago. While cattle slaughter last week was up 1.5% from a year ago, beef production jumped 5.3% because of the higher weight. US beef export sales for the week ending June 25 came in at 12,326 tonnes, down from 24,373 the previous week and below the average of the previous four weeks of 19,275. Cumulative sales for 2020 have reached 541,100 tonnes, down from 568,500 last year at this time but above the 5-year average at 483,400. The largest buyer this week was Japan at 3,782 tonnes, followed by South Korea at 2,398 and Taiwan at 1,716. China was in sixth place at 265 tonnes.

COCOA:

The cocoa market is well into oversold territory and at bargain price levels, but cocoa may require more that stronger outside markets to improve its near-term demand outlook. For last week, however, September cocoa posted a sizable loss of 207 points (down 8.7%) which was a fourth negative weekly result over the past 5 weeks and was a negative weekly reversal from Monday's 3 1/2 week high. Stronger European, US and Chinese equity markets provided cocoa with carryover support as they provided some badly-needed help for the near-term demand outlook in several major regions. While Asian shares maintained their strength on Friday, European shares took a negative turn which contributed to London cocoa posting a negative daily result. Thursday's late pullback in the Eurocurrency was followed by a modest rebound in Friday, and that may keep further cocoa price gains in check as that will make it more difficult for Euro zone grinders to acquire near-term cocoa supply.

This season's Ivory Coast cocoa exports through the end of May were running 1% behind last season's pace while their cocoa product exports were running 4.5% behind last season's pace over that same timeframe. Although that is due in part to lower cocoa supply, many in the market will see that shortfall as a sign of weaker demand. There is a general consensus that all 3 major grindings regions (Europe, Asia, and North America) will see a year-over-year decline for their second quarter grindings result. Until the European and North American results are released on July 16th, however, it may be difficult to gauge the magnitude of the second quarter's grinding shortfall.

COFFEE:

Coffee prices have lifted clear of their June low in spite of a record high Brazilian crop. If the global demand outlook can show further improvement, coffee should be able to extend its recovery move. For the week, however, September coffee finished with a gain of 6.55 cents (up 6.8%) and a second positive weekly result in a row. Reports that June Honduran coffee exports were nearly 30% below last year's total provided the coffee market with early support as that level of shortfall points towards lower supply more than a downshift in coffee demand. While Costa Rica's June exports were more than 5% above last year, their 2019/20 full-season exports are 2% behind last season's pace. Reports that top Central American producer Guatemala is leaving the International Coffee Organization due to financial hardship could be an early sign that their coffee production could see a sizable dropoff over the next few seasons.

There is very tight near-term supply in Vietnam with several months before their 2020/21 harvest begins, but that has been offset by an increase in near-term Indonesian supply. A modest pullback in the Brazilian currency weighed on coffee prices as a weak currency gives more incentive to Brazil's farmers to market their newly-harvested coffee to foreign customers. Colombia's coffee production last month came in at 1.362 million bags which was 12% above the comparable period last year and their highest monthly output total so far this year. However, this was only the second month during 2020 that Colombia's coffee production has exceeded their previous year's total, while June was the first month this year that exports exceeded last year's comparable total. ICE exchange coffee stocks rose by 2,265 bags on Thursday and are higher for the month of July, but remain more than 376,000 bags lower for the year.

COTTON:

There is a chance of rain for the next 24 hours for the Lubbock, Texas region, and this could ease stress ahead of what looks to be a harsh weather period for the next few weeks. Some isolated areas of the Panhandle are receiving up to 1 1/4 inches, but most areas are expected to see 1/2 inch or less. Traders will monitor the weekly crop progress report closely tonight, and the amount of moisture near Lubbock for signs of short-term direction. The forecast turns hot and dry this week and for the next two weeks. Both the 6-10 and 8-14 day forecast call for above normal temperatures and below normal precipitation across the eastern two-thirds of the nation with the exception of the far north and the Gulf Coast and Florida, which show normal to above normal precipitation. This could cause Texas crop condition to decline in the next few weeks.

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A strong payrolls report lent underlying support to the market, yet the growing number of Covid-19 infections in the US is keeping demand concerns alive. Thursday's weekly Export Sales report showed US cotton sales for the week ending June 25 at 67,296 bales for the 2019/20 marketing year and 246,191 for 2020/21 for a total of 313,487. This was up from 170,586 the previous week and was the highest combined total since June 4. Cumulative sales for 2019/20 have reached 16.993 million bales, which is the highest in a least a decade. A year ago, sales had reached 15.263 million, and the 5-year average is 13.137 million. Cumulative sales have reached 122% of the USDA's forecast for the marketing year versus a 5 year average of 107%.

China sold 8,060 tonnes of cotton from state reserves on Friday, which was the entire offering. The Chinese government has stated that it plans to sell its stockpiles to make room for new supplies. The fact that the 100% of the offer was taken could be a sign of strong demand. As a result of the timely arrival of the Monsoon in India, 87% more area has come under cultivation (for all crops) so far this season compared to last year at this time, according to The Economic Times. There were reports that the area under cotton has doubled. An agricultural official has stated that that they expect cotton production to go up due to the timely monsoon.

SUGAR:

Sugar prices have been able to retrace their late June selloff, due in large part to carryover support from outside markets. While it should benefit from improvement in global risk sentiment, the global supply outlook remains firmly bearish which should limit upside. For the week, October sugar finished with a gain of 62 ticks (up 5.3%). A rebound in energy prices was a source of carryover support as their extended recovery move may help to shore up Brazilian domestic ethanol demand prospects. In addition, reports of near-term supply bottlenecks at the Brazilian port of Paranagua due to windy conditions provided additional support. There is mostly dry weather in the forecast for Brazil's Center-South cane growing region through the middle of next week, and that should help to keep harvesting and crushing delays to a minimum. 2020/21 Center-South sugar production through the first half of June was more than 57% ahead of last year's pace with cane crushing only 8% ahead of last year's pace.

Sugar's share of Center-South crushing has been above 46% this year which compares to 34% last year, and that increase continues to hold in spite of the rally in crude oil and gasoline prices over the past few months. While first half June Center-South domestic ethanol sales were 17% behind last year's pace, that followed April and May sales totals that were 30% and 29% below last year's result. Although it has diminished in intensity over the past week, this year's Indian monsoon rainfall was 12% above the long-term average through Sunday with Central India 21% ahead of the longer-term average. With the monsoon covering the entire nation now, that should benefit India's cane production during the 2020/21 and 2021/22 seasons. While Thailand's sluggish production outlook has grabbed market headlines, their export shortfall is likely to be made up by India and Brazil who are both heading for sizable 2020/21 exportable surpluses.

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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