ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

10 August, 2020

For the Week of August 10, 2020

BONDS:

US treasury prices broke down late last week after reaching a somewhat overbought technical condition into the highs earlier in the week, but also because two days of slightly positive jobs related data improved economic psychology. We also suspect some selling of treasuries was seen off market views that a stimulus will be put in place even if the size of the stimulus bill could be disappointing. Nonetheless, the US yield curve did flatten in a sign that some of the markets fear of a deceleration of growth is taking place. In retrospect, a certain amount of corrective selling should be expected in treasury bonds and notes following several positive US jobs related data points last week.

However, looking forward the US infection count is likely to assume the steering wheel in the treasury markets this week with some of the counts last week showing signs of "leveling off" and any further evidence along those lines could be justification for treasury prices to continue to fall back toward the mid-July consolidation lows. On the other hand, US/Chinese relations soured further over the weekend with China moving to retaliate against the US with the sanctioning of certain US individuals and the Fed's Evans was very direct in his call for more fiscal support for the US economy providing some cushion for Treasury prices.

Obviously, the US executive action to step in and provide some support to the US economy provides a minimal amount of selling as that cushions US economic psychology and provides fresh interest in US equities, potentially at the expense of US treasuries. While not as significant as other jobs related data points from the US the job openings and labor turnover report could garner more interest than usual. On the other hand, the expectations for the JOLTS report are for a slightly softer reading than was seen in the prior month. The August 4th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 95,874 contracts after net selling 13,751 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders added 27,034 contracts to their already long position and are now net long 201,141.

CURRENCIES:

We think the bounce in the dollar index late last week was partially the result of an oversold technical condition, the inability to break below 92.50 and because US jobs data pointed to some stability in the US economy. In other words, we do not think the dollar index is garnering safe haven interest as the gains in the dollar took place in the face of sharp declines in gold and treasury bonds. While the Dollar index has not forged a higher high for the move early this week, the bias is pointing upward and the international view toward the US is improved slightly by the US executive order and potentially from news that US infection counts are beginning to slow.

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On the other hand, it is unclear what the ultimate impact on the dollar will be in the event that US infections are reined in, as that could return the dollar to a-safe-haven liquidation focus. We expect little reaction to the job openings report but some residual support from US/Chinese tensions. The August 4th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net short 7,995 contracts after increasing their already short position by 20 contracts.

Fresh damage on the euro chart early this week could be accentuated in the event that the currency fails to hold psychological support at 1.1750 especially with a European confidence reading for August remaining in deeply negative territory. While it is difficult to ascertain the ultimate impact on the euro, a leveling of US infection counts looks to favor the bear camp in the near term. The Commitments of Traders report for the week ending August 4th showed Euro Non-Commercial & Non-Reportable traders hit a new extreme long of 248,472 contracts. Non-Commercial & Non-Reportable traders were net long 248,472 contracts after increasing their already long position by 25,183 contracts.

Apparently big picture economic sentiment is positive to start the trading week and the Yen appears to be under a modest amount of safe haven selling because of that sentiment. Near term downside targeting in the September Yen is seen at 94.20 with lower support and another target seen down at 93.96. With the dollar showing signs of upside follow-through, the euro under pressure and the Swiss unemployment rate for July unchanged, the fundamental and technical environment favors further declines in the Swiss Franc. Initial targeting in the September Swiss Franc is seen down at 1.0897.

The Pound appeared to be under a slight measure of corrective selling action to start this week with short-term technical signals last week reaching overdone levels and that condition accentuated by a resurgence of flows toward the US dollar. Downside targeting in the September Pound is seen at 1.2984. Not surprisingly, the Canadian dollar is also under pressure to start this week in the wake of further strength in the US dollar and from Canada's action to retaliate against US tariffs last week. However, the Canadian jobs report was better than expected and that should help to cushion the currency down at targeting of 74.51.

STOCKS:

The equity markets chopped around both sides of unchanged late last week with the monthly nonfarm payroll report supportive but apparently not strong enough to countervail recent fears that the rate of growth in the US economy might be sputtering. Clearly suggestions that some measures (7 day moving average of infections and new infection daily rates) are not being embraced as bullish developments, perhaps because of the disappointment regarding a quick solution on the stimulus impasse.

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Global equity markets overnight were mixed at the start of this week with gains generally seen throughout Asia (with the exception of the TOPIX), mixed action in Europe and initially higher action in the US. In general, the bias in US equities remains supportive despite potential negatives flowing from fresh Chinese sanctions and from ongoing Washington ineptitude. As we are indicating in many other markets this morning, traders need to be monitoring the US infection count, as there were signs last week of a possible "leveling out" of the new cases.

With a fresh higher high for the move, some lift from the weekend executive action and calls from a Fed member for quick fiscal action provides the S&P with several bullish themes to start the new trading week. When one also considers the E-mini S&P holds a net spec and fund short position in excess of 173,000 contracts, there is certainly plenty of technical short covering buying fuel in reserve. In the event US infections are indeed leveling, that sets up an easy target of contract highs up at 3396.50. The August 4th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders added 14,017 contracts to their already short position and are now net short 173,081.

With lift provided by other index measures at the start of this week, a fresh higher high for the move and the highest trade since February 25th, the bull camp has early control over the Dow futures contract. In fact, short-term technical indicators remain in a buying mode and like many other markets signs of minimal leveling of US infection counts could prompt more notable upside gains. Dow Jones $5 positioning in the Commitments of Traders for the week ending August 4th showed Non-Commercial & Non-Reportable traders are net short 6,701 contracts after net buying 187 contracts.

While the buyout of TikTok continues to populate the headlines, the overall market environment, charts and investor confidence in big tech should provide the NASDAQ with plenty of bullish fodder. It goes without saying that any leveling of US infection counts will likely spring the NASDAQ toward the 12,000 level this week. Nasdaq Mini positioning in the Commitments of Traders for the week ending August 4th showed Non-Commercial & Non-Reportable traders were net long 23,001 contracts after decreasing their long position by 7,596 contracts.

GOLD, SILVER & PLATINUM:

While gold and silver prices were showing higher action early this week, a certain measure of short covering bounce was to be expected given the massive declines last Friday! However, China moved to sanction US officials and some corporate executives and the markets are expecting further fireworks when US/Chinese officials address their conflicts in upcoming meetings. Limiting the upside is the executive action taken by the US President to support the US economy in the light of the failure by Congress to act last week. Other minor limitations for the bull camp to start today are a slightly higher dollar trade and news that gold ETF's last Friday reduced their holdings by 102,468 ounces breaking an extended daily inflow streak. However, gold ETF's still added 923,100 ounces to their holdings last week.

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Some traders have tempered their bullishness off the potential decline in safe-haven interest in the event that a slight tailing-off of US infection readings from last week is extended this week. From the demand front, evidence of the strong and ongoing investment interest is a major underpin/bullish force for prices, especially after a weekend forecast from the World Gold Council indicated global ETF's in July added 166 tonnes, which annualized is getting near to consuming half of all world demand for gold. Certainly Chinese gold demand remains disappointing (especially the face of recovering Chinese data), but Chinese gold prices are seeing record discount pricing and with further economic strength, that key demand source should rebound. It should be noted that Chinese gold production has declined to meaningless levels, with annual consumption last year at 900 tonnes and that should mean China imports will recover.

India on the other hand, saw its gold consumption fall to around 700 tonnes last year, and demand is likely to be significantly lower in 2020.
In conclusion, soft Chinese and Indian physical demand are disappointing for the bull camp but are more offset by surging investment/ETF demand, which given an added kicker of sustained currency or safe-haven support is clearly justification for record highs. Gold was overbought at last week's high and in need of corrective action, but recent spec and fund positioning remains very modest considering historic high price levels. The August 4th Commitments of Traders report showed Gold Managed Money traders were net long 173,473 contracts after decreasing their long position by 1,037 contracts. Non-Commercial & Non-Reportable traders are net long 323,086 contracts after net buying 2,635 contracts.

Like the gold market, silver was in need of a corrective action, but the metal might see more aggressive liquidation because of several daily ETF "outflows" last week. However, on Friday silver ETF's saw an inflow of 4.6 million ounces, which left their net weekly holdings up by 8.4 million ounces. Obviously, the silver market's $7.50 an ounce/8-session rally left the market short-term overbought and vulnerable to wide swings. However, the gold silver ratio continues to suggest silver is very cheap and total year to date silver ETF purchases are 272 million ounces which in turn is closing in on 75% of total world physical demand. While Silver COT report figures this week understate the net spec long (because of the rally after the report), the silver spec long remains half the high spec long seen so far in 2020 and only one-third the size of the record spec and fund long. The Commitments of Traders report for the week ending August 4th showed Silver Managed Money traders net sold 623 contracts and are now net long 31,539 contracts. Non-Commercial & Non-Reportable traders added 4,021 contracts to their already long position and are now net long 56,320.

We suspect that the massive reversal in palladium at the end of last week had its nexus from the washout in the gold market. Certainly, a partial risk off environment combined with a significant jump in the dollar fostered profit-taking which likely spiraled given that palladium was fresh off a $128/5-session rally. While it is possible that palladium has been drafting recent strength from the ongoing evidence of recovery in the Chinese economy (physical demand hope), we do not detect a consistent focus on that argument. Therefore, palladium should continue to take significant direction from gold and silver, but in the event that prices follow-through on the downside early this week, that could quickly reduce the net spec and fund long positioning to a "mostly-liquidated" status. Palladium positioning in the Commitments of Traders for the week ending August 4th showed Managed Money traders net sold 330 contracts and are now net long 3,373 contracts. Non-Commercial & Non-Reportable traders were net long 3,725 contracts after decreasing their long position by 395 contracts.

The corrective action in October platinum was not as aggressive as the slides seen in gold, silver and palladium Friday with the market showing some signs of periodic bargain-hunting buying on weakness. As opposed to palladium, platinum continues to see positive ETF investment inflow with holdings at the end of last week up 3.5% over year ago levels. With total platinum ETF holdings sitting at 3.4 million ounces, that is significant relative to last year's total world platinum demand of 6.3 million ounces. The platinum market is also holding a very minimal net spec and fund long position with any trade this week below $920 likely to rid the market of many weak handed longs. The August 4th Commitments of Traders report showed Platinum Managed Money traders reduced their net long position by 3,810 contracts to a net long 13,261 contracts. Non-Commercial & Non-Reportable traders were net long 25,525 contracts after decreasing their long position by 1,906 contracts.

COPPER:

The massive washout in copper prices at the end of last week would seem to be a serious overreaction to a minor shift in fundamental conditions. However, the copper trade should have been unnerved by a failure to pass a US aid package, from an escalation of US/Chinese trade tensions and from a noted increase in weekly Shanghai copper stocks. Certainly, another weekly build in Shanghai copper warehouse stocks of 12,942 tonnes (a gain of 8.1% on the week) insinuates a recent trend of softening demand for copper at the main Chinese warehouse. On the other hand, the trade continues to discount the build in Shanghai copper stocks as a result of arbitrage and not necessarily a weak demand sign. In fact, LME warehouse stocks continue to plummet with a daily decline string nearing 40 days and the net change last week in global warehouse stocks showing a notable decline despite the Chinese inflow.

Granted, a sharp bounce in the dollar and significant liquidation selling in gold applied some big picture macroeconomic demand inspired pressure last Friday, but that should be tamped down following news that a mining union in Peru says as many as 12,000 miners have the virus and from news that Chinese July copper imports reached a record level. In the end, it would appear as if the copper trade fears a serious breakdown in US/Chinese relations during this week's talks. From a technical perspective, the copper market was certainly vulnerable to long liquidation given the loftiness of this week's net spec and fund long positioning. Copper positioning in the Commitments of Traders for the week ending August 4th showed Managed Money traders are net long 53,733 contracts after net selling 5,918 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,906 contracts to a net long 44,968 contracts.

ENERGY COMPLEX:

While initial gains in crude oil prices early this week are not significant, we suspect they are the result of a slight improvement in global market sentiment, recent favorable Chinese data, the US executive action over the weekend to support the US economy and from news that large oil companies have put in place plans for production cuts of 1 million barrels per day. On the other hand, the US crude oil market is facing higher dollar action early this week following a lack of definitive lift last week from a supportive US payroll report and from a promised production cut from Iraq. In fact, positive fundamental news last week failed to prevent a breakdown on the charts at the end of last week. Going forward, crude oil prices are likely to find fundamental support from expectations of a 3rd straight week of US crude oil inventory declines. However, the most recent statistics from China showed crude oil imports into August 7th basically holding steady with July 31st readings and declining relative to the figure released on July 24th.

It is possible that significant tension in Lebanon could prompt some measure of tensions in the Middle East, and therefore that situation deserves monitoring. The crude oil market might derive very minimal support from a 4-rig decline in the weekly Baker Hughes oil rig operating report, as that puts US rigs operating at the lowest level since July 15th of 2005. Generally speaking, the supply-side of the equation looks to be somewhat supportive of the bull case with the demand side of the equation also supportive but very vulnerable to the US infection counts and this week's US/Chinese trade talks. In the near term, we cannot rule out a temporary probe's below $40.00 but on breaks to that level the net spec and fund long in crude oil could fall to the lowest level since early April. The Commitments of Traders report for the week ending August 4th showed Crude Oil Managed Money traders net bought 7,047 contracts and are now net long 353,730 contracts. Non-Commercial & Non-Reportable traders net bought 3,350 contracts and are now net long 580,744 contracts.

Like the crude oil market, the gasoline market also suffered some chart damage at the end of last week and would seem to be vulnerable to additional but narrow downside work. Fortunately for the bull camp, the net spec and fund long positioning in gasoline is already relatively small and therefore a return to the early August lows could make the nearly "flat". On the other hand, the weekly implied gasoline demand figures remain disappointing, as they have not managed to return to year ago levels and are likely to remain low due to a large wave of US schools deciding to revert to virtual learning. It should be noted that US EIA gasoline stocks have built consistently this summer as evidence that demand has been so poor that stocks have rebuilt even in the face of a refinery operating rate with nearly 20% of capacity idled! The August 4th Commitments of Traders report showed Gas (RBOB) Managed Money traders added 1,218 contracts to their already long position and are now net long 37,730. Non-Commercial & Non-Reportable traders net bought 4,015 contracts and are now net long 60,564 contracts.

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While we see ULSD in a slight corrective track to start the trading week credible chart support levels are fairly close-in, implied demand figures are nearing year ago levels and the net spec and fund long remains very narrow. The Commitments of Traders report for the week ending August 4th showed Heating Oil Managed Money traders were net short 2,245 contracts after decreasing their short position by 1,421 contracts. Non-Commercial & Non-Reportable traders net bought 8,637 contracts and are now net long 26,637 contracts. Initial downside support and targeting in September ULSD is seen at $1.2111.

It is very difficult to determine price direction in a market that appears to be in a long-term shift in fundamental views. However predicting natural gas prices is made even more difficult by the fact that the market has now corrected massively from historic low pricing during the past 4 weeks. Apparently, classic supply fundamentals continue to be very burdensome, but the trade is beginning to shift its focus toward better demand ahead. Unfortunately for the bull case, the US gas rig operating count was unchanged at 69 last week but that reading also ties for the 2nd lowest reading since July 1987 and therefore one could suggest supply is in the process of being brought down. It should be noted that Canadian gas rigs increased by one last week and reached a 19-week high. While we think the longs have substantial risk from current price levels, we see credible support at $2.136 to begin the week but to respect that level might require ongoing improvement in overall market psychology and further evidence of improving US gas exports. While the rally in natural gas in the first 2 weeks of August seems to be overdone and misguided, the ability to consolidate and hold nearly all of those gains into this week suggests some form of fundamental change.

While there is a tropical storm being monitored in the eastern Atlantic its organization is not known yet, and that storm would not affect production areas this week. In looking at the weather forecast for the US out to August 22nd, it would appear as if some of the above normal temperatures in the Northeast have been eliminated with a large section of the southeast now showing normal temperatures. Furthermore the shorter term US temperature forecast has the area of much above normal temperatures expanding in the Southwest and that should result in a significant amount of air conditioning demand. While the latest COT positioning report shows natural gas to have only a modest net spec and fund long, we assume that positioning is understated due to the rally after the report was measured. The August 4th Commitments of Traders report showed Natural Gas Managed Money traders net bought 55,575 contracts and are now net long 98,118 contracts. Non-Commercial & Non-Reportable traders were net long 12,852 contracts after increasing their already long position by 9,065 contracts.

BEANS:

With more than 1 inch of rain expected for Iowa and parts of Illinois this week, the long liquidation selling trend of last week should continue. With the rain, traders will be more confident in record type yield potential for the crop. The 8-14 day model also showed temperatures should come in below normal. Slower than expected palm oil production out of Indonesia may help provide some support last week and the active pace of soybean imports from China could also support, but the active exports from South America and the outlook for Brazilian producers to see a sizable increase in plantings is an offset. Brazilian producers have seen good profits due to high internal prices and a weak Brazilian currency.

While demand news remains strong, fears of huge yield and big production ahead helped to trigger long liquidation selling on Friday with November soybean down 10 1/2 cents on the session, and down to the lowest level since June 30. The market closed down 25 cents for the week. Exporters reported a sale of 456,000 tonnes of US soybeans to China which was the largest single day's sale since June 11. The Malaysian Palm Oil Board reported stockpiles fell to 1.70 million tonnes, the lowest since June 2017, from 1.90 million tonnes a month earlier. This was a little higher than expected and production was also a little better than expected and sparked a sharp break early this week. The third straight monthly decline leaves palm oil stocks about 30% lower than a year ago. Benchmark futures traded in Malaysia have surged about 40% from May's low of 1,946 ringgit a ton, staging a stunning comeback after the pandemic decimated a bull run earlier this year.

The average trade estimate for US soybean 2020/21 ending stocks is 526 million bushels, with estimates ranging from 430 million to 689 million. This would be up from 425 million in the July report. Yield is expected near 51.2 bushels/acre (range 50 to 53) which would be 1.4 bushels per acre above the July report. We have seen a yield estimate as high as 54.2 bushels per acre, and if we plugged that into the USDA's demand data from the July report, it would put ending stocks near 791 million bushels. The average estimate for production is estimated at 4.26 billion bushels (range 4.15 to 4.40 billion), which would be 124.5 million bushels above the July report. The average estimate for world soybean 2020/21 ending stocks estimates is 98.0 million tonnes, an increase of 2.9 million from the July report. Estimates range from 94 to 104 million.

Brazil's soybean crop is estimated at 125.4 million tonnes (range 122 to 127 million) versus the July estimate of 126.0 million. Soybeans positioning in the Commitments of Traders for the week ending August 4th showed managed money traders net sold 17,942 contracts and are now net long 44,219 contracts. For soybean oil, managed money traders are net long 48,333 contracts after net buying 10,784 contracts. Non-Commercial & Non-Reportable traders were net long 68,336 contracts after increasing their already long position by 14,227 contracts. For meal, managed money traders added 1,521 contracts to their already short position and are now net short 20,985. Non-Commercial & Non-Reportable traders are net long 11,109 contracts after net selling 8,885 contracts.

CORN:

The outlook for an inch of rain or more this week in Iowa and parts of Illinois should be enough to keep the short-term trend down. While getting oversold, news of contract lows for meal,

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Kansas City wheat and Minneapolis wheat just adds to a bearish tone for feedgrains and corn. December corn closed 3 cents lower on the session Friday and this left the market with a 6 1/4 cents loss for the week as the market managed to match contract lows. Positioning ahead of the USDA report plus bearish outside market influences like the surge up in the US dollar helped to pressure.

While the US supply outlook remains burdensome, there are some concerns over lower production due to weather for China and Ukraine which could impact the world supply/demand report and there is also talk of more soybean acres and perhaps less corn acres for South America. US corn yield is expected to come in near 180.5 bushels per acre (range 177.5 to 183.3), up 2.0 bushels/acre from July. The average production estimate is 15.180 billion bushels (range 14.820 to 15.400 billion), up 176.5 million from July. US 2020/21 ending stocks are expected to come in near 2.820 billion bushels (range 2.622 to 3.061 billion), up 176 million from July. This would be the highest ending stocks total since the 1987/88 marketing year.

World corn ending stocks are expected to come in around 314.9 million tonnes (range 311 to 340 million), up 4.3 million from the July. Corn positioning in the Commitments of Traders for the week ending August 4th showed managed money traders added 29,540 contracts to their already short position and are now net short 172,820. In April of 2019, the net short position reached 322,215 contracts. Non-Commercial No CIT traders are net short 200,842 contracts after net selling 39,301 contracts. Non-Commercial & Non-Reportable traders were net short 146,828 contracts after increasing their already short position by 37,030 contracts.

WHEAT:

September wheat lost 35 3/4 cents last week as the larger than expected crops from Canada, Ukraine and Russia have helped to spark aggressive selling. The selling pushed the market down to the lowest level since July 7th. IKAR increased their Russia production forecast for the third time in two weeks. Widespread downpours in some of Australia's key growing areas in the past week have increased confidence the country will have a bumper wheat harvest following years of drought-affected production. Rains were heavy around much of southern Western Australia in the past week, with 2 inches in some areas on Sunday. Government forecaster ABARES raised its wheat production estimate by 25% in its June outlook, after a favorable start to the planting season. It sees wheat output at 26.7 million tonnes in 2020-21, a 76% surge from a year earlier, according to the report and some traders now see a crop as large as 29 million tonnes. Exports are expected to rise 85% to 16.5 million tons. Pakistan is tendering to purchase 1.5 million tonnes of wheat.

Traders will monitor Monday afternoon's crop progress report after improving spring wheat conditions last week. The technical action is bearish and while technical indicators are oversold, they are still not at an extreme. US all wheat production is expected to come in near 1.833 billion bushels (range 1.810 to 1.860 billion), up from 1.824 billion in July. Winter wheat production is estimated at 1.22 billion bushels, the same as July. US 2020/21 all wheat ending stocks are expected to come in around 948 million bushels, up 6 million from July. Estimates range from 899 million to 1.011 billion. World wheat ending stocks are expected to come in around 314.7 million tonnes (range 309.1 to 320.0 million), which is slightly lower than the July estimate. This would still be a record high and well above previous one. Larger than expected yields in Russia and Canada and recent rains in Australia have helped keep ending stock estimates high.

The Commitments of Traders report for the week ending August 4th showed Wheat managed money traders were net long 1,178 contracts after decreasing their long position by 521 contracts. CIT traders added 3,957 contracts to their already long position and are now net long 128,013. Non-Commercial & Non-Reportable traders were net short 5,724 contracts after increasing their already short position by 2,709 contracts. For KC wheat, managed money traders net sold 6,785 contracts and are now net short 25,811 contracts. Non-Commercial & Non-Reportable traders were net short 24,203 contracts after increasing their already short position by 6,314 contracts.

HOGS:

The technical action is bullish with the upside break-out on Friday as product prices continue to move higher in a period of hefty supply. The USDA pork cutout released after the close Friday came in at $71.42, up $1.46 from Thursday and up from $64.67 the previous week. This was the highest the cutout had been since July 21st. The price action is especially impressive given the active slaughter pace and higher weights with pork production last week up 9.9% from last year. October hogs closed sharply higher on the session but off of the highs. The buying helped push the market up to the highest level since July 17th. Ham prices have surge higher in the last couple of trading sessions and this helped support higher pork values and more demand from packers to hold live inventory. The CME lean index as of Aug 5 was 52.78, down from 52.92 the previous session and down from 53.56 a week before.

The USDA estimated hog slaughter came in at 474,000 head Friday and 230,000 head for Saturday. This brought the total for last week to 2.534 million head, down from 2.538 million the previous week but up 7.8% from a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,850 contracts of lean hogs for the week ending August 4, increasing their net long to 13,571. Non-commercial, no CIT traders were net sellers of 4,688, increasing their net short to 6,455. Weekly export sales news last week was disappointing to the bulls and the monthly exports were the lowest since September. Exports to China totaled 170.3 million, down from the all-time high of 253.3 million in May.

CATTLE:

Beef prices are inching higher as the weekly slaughter pace remains below year-ago levels. We continue to believe that the slaughter pace will pick up steam soon as market-ready cattle on feedlots looks burdensome. As long as slaughter remains below last year, beef could stay firm, but production could swell if the slaughter begins to come in above year ago levels. The average dressed steer weight for the week ending July 25 came in at 903 pounds, up from 899 the previous week and up 869 a year ago. The 5-year average weekly weight for that week is 876.4 pounds. October cattle closed moderately lower on the session Friday and it was the lowest close since July 29th. Technical traders were active sellers but a jump in hog prices and a firm tone to boxed beef cut-out values helped to support.

August cattle traded up to 103.70, the highest since July 17 as traders expect cash cattle to continue to push higher over the near term. The USDA estimated cattle slaughter came in at 109,000 head Friday and 60,000 head for Saturday. This brought the total for last week to 633,000 head, down from 638,000 the previous week and down from 647,000 a year ago. The USDA boxed beef cutout Friday closed 81 cents higher at $205.47. This was up from $203.26 the previous week and was the highest the cutout had been since June 30. Friday's Commitments of Traders report showed managed money traders were net buyers of 4,557 contracts of live cattle for the week ending August 4, increasing their net long to 38,179. Non-commercial & non-reportable traders were net buyers of 3,169, increasing their net long to 46,558.

COCOA:

Cocoa prices have only had one negative daily result over the past 11 sessions as the market continued to benefit from improving global risk sentiment. Although it is near-term overbought and vulnerable to a pullback, cocoa looks to be heading towards higher price levels. December cocoa was able to push to a new 5-month high overnight. For the week, December cocoa finished with a gain of 95 points (up 4.0%) and a third positive weekly result in a row. There has been increasing concern that a recent shift towards drier weather will negatively impact West African production, and that has been a source of strength. Most growing areas in Ivory Coast and Ghana will receive one or two days with minimal precipitation through the middle of next week, and that may lead to dialed-back expectations for the 2020/21 main crop output. In addition, simmering political tensions in the Ivory Coast gave an additional boost to cocoa prices as it appears that their current President Ouattara will seek a third term in spite of a 2-term limit in their constitution.

Early trade forecasts are calling for a global production surplus during the 2020/21 season due in large part to diminished demand, so a slumping Eurocurrency is a negative. However, the continued strength in Euro zone and US equity markets is an offset and bodes well for cocoa demand prospects. Cocoa positioning in the Commitments of Traders for the week ending August 4th showed managed money traders net bought 23,904 contracts which moved them from a net short to a net long position of 6,110 contracts and the buying trend is a short-term positive force. Non-Commercial No CIT traders went from a net short to a net long position of 3,308 contracts after net buying 22,110 contracts in just one week.

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COFFEE:

A 12.50 cent decline (down 9.7%) from midsession Wednesday to midsession Friday helped to correct the short-term overbought condition. For the week, December coffee finished with a loss of 3.70 cents (down 3.0%) which broke a 3-week winning streak and was a negative weekly reversal from Wednesday's 4 1/2 month high. Concern over harvesting issues with several major producing nations provided support to the market over the past few weeks as the Safras & Mercado consultancy pegged Brazil's 2020/21 Arabica harvest at 79% completed versus 91% at this point last year. The Brazilian currency lost more than 1.5% in value and reached a 3 1/2 week low, however, and that fueled end-of-week long liquidation as a weaker currency encourages Brazil's farmers to more aggressively market their near-term supply to foreign customers.

Guatemalan coffee exports last month were over 29% below last year's total which has kept their full season total well behind last season's pace. ICE exchange coffee stocks fell by 55,238 bags on Friday and dropped below the 1.5 million level for the first time since June 2017 and are more than 123,000 bags lower (down 7.8%) than their July month-end total. The Commitments of Traders report for the week ending August 4th showed managed money traders went from a net short to a net long position of 16,418 contracts after net buying 22,511 contracts for the week and the buying is a short-term positive force. Non-Commercial No CIT traders net bought 19,205 contracts which moved them from a net short to a net long position of 12,793 contracts.

COTTON:

December cotton plummeted last Friday in a steep selloff that took it to its lowest level since July 31, for the biggest daily decline in four months. Traders apparently became concerned that the market may have rallied too far and were anxious to level positions ahead of this week's USDA crop reports. There has been an underlying tone of concern about demand destruction from the coronavirus and with the recent flare-up in US-China tensions. On the other hand, Chinese purchases of US cotton have been strong this year, and earlier last week, it appeared that the two nations were set to work on reinforcing the phase 1 trade agreement at a scheduled on-line meeting between trade representatives on August 15. However, on Thursday, President Trump announced sweeping bans on US transactions with Chinese owners of the messaging app WeChat and the video sharing app TikTok, and this raised tensions further.

Dry weather in Texas has been a concern, but it's possible that the market got to a point where it had already priced-in the potential damage to the crop. The 6-10 and 8-14 day forecasts are still calling for above normal temperatures and below normal precipitation across most of Texas, but they also show ample moisture in the Delta and the southeastern US.
Friday's Commitments of Traders report showed managed money traders were net buyers of 5,700 contracts of cotton for the week ending August 4, increasing their net long to 31,335. Non-commercial, no CIT traders were net buyers of 4,521, increasing their net long to 20,341.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

10 August, 2020

Non-commercial and non-reportable traders were net buyers of 8,444, increasing their net long to 46,093.

SUGAR:

Sugar prices spent the first week of August coiling within a relatively tight trading range. Unless it can find fresh carryover support from key outside markets, sugar will be vulnerable to a further correction. For the week, October sugar finished with a gain of 3 ticks (up 0.2%) and a second positive weekly result in a row. A more than 1.5% decline in the value of the Brazilian currency weighed on sugar prices Friday as a weaker currency encourages their nation's Center-South mills to produce more sugar at the expense of ethanol. The India Sugar Mills Association said that their nation's 2019/20 sugar demand would be roughly in-line with 2018/19's 25.5 million tonnes, while their 2019/20 sugar exports would reach a record high. India's monsoon rainfall nationally is now back to being roughly in-line with the long-term average, and that should benefit cane production during their 2020/21 and their 2021/22 seasons.

The latest Unica report on Brazilian Center-South output will be released early this week and is expected to show sugar production during the second half of July was 30% to 40% above the comparable period last year in spite of a slight year-over-year decline in cane harvest. The Unica report is also expected to show Center-South mills continue to increase sugar's share of crushing to above 48% which compares to 37% last year. Sugar positioning in the Commitments of Traders for the week ending August 4th showed managed money traders net bought 28,278 contracts and are now net long 117,261 contracts. Non-Commercial & Non-Reportable traders net bought 46,373 contracts and are now net long 209,245 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.