ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

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For the Week of September 21, 2020

BONDS:
While some initial data last Friday should have provided support to treasury prices, subsequent Michigan consumer sentiment readings revived economic hope and pressured bond and note prices. However, it could be difficult to force bond and note prices down through consolidation support in the coming sessions without forward movement on 8 US stimulus package. In fact, uncertainty from the likelihood of a Chinese retaliation against the US due to the blockage of certain app downloads should provide an underlying measure of safe haven interest. While initial gains in bond and notes are not significant relative to recent history, the action appears to "wake up" the bull camp to start the new week.

Clearly, the treasury trade was disappointed with the lack of a definitively dovish Federal Reserve last week but given the political, economic and financial threats presented to the trade this morning, we suspect the Fed is feeling the need to become more proactive. In our opinion, the no holds barred battle over the Supreme Court has completely dashed any prospect of a stimulus package unless Republicans offer to delay the nomination until after the election in exchange for a stimulus agreement. However, the Speaker of the House has already indicated that they will go "nuclear" with the potential of a 2nd impeachment of the President if the Supreme Court vacancy looks to be filled. In looking back to recent scheduled US data, the fear of slowing recovery momentum has fully returned to center stage and the threat of a return to lock down throughout portions of Europe, the UK and the US ratchets up the fear of global slowing.

While not a significant bullish development, news that 5 major global money center banks have been thrown into controversy with suspicions of money laundering and Ponzi schemes further money might flee to the safety of US treasuries. Unfortunately for the bull camp, Monday's lone scheduled US data point is expected to show improvement but that potential bearishness could be countervailed by soothing dialogue from a Fed speech just ahead of midsession. A significant technical force for the bull camp could be very large net spec and fund short position in both bonds and notes. The September 15th Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders were net short 137,301 contracts after decreasing their short position by 13,891 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net long 85,914 contracts after net buying 33,929 contracts.

CURRENCIES:
We see the currency markets caught in a sideways consolidation range until there is a more definitive track found on the direction and pace of the global economy. Certainly, the dollar

has some support going forward from the potential of a re-ignition in US/Chinese tensions but also from the ongoing weaker action in global equities. We will continue to reiterate that the Swiss Franc, Euro and Pound are "recovery currencies" which need clear prospects of a return to global growth to resume their very definitive March through July rallies. Obviously, there is a wide-ranging list of bearish fundamental issues in the headlines to start the new week as the dollar was obviously catching an early safe-haven lift.

In fact, we hesitate to prioritize the list of dollar bullish issues but fears of a return to lock down in Europe and a high level of political uncertainty in Washington are at the top of the list. Adding into the bull case is the potential trouble in 5 major money center banks, massive declines in global equities, reduced prospects of a US stimulus agreement and finally indications that the ECB will remain flat-footed. Even the technical set up favors the bull camp with the latest positioning report showing the dollar to be "net spec short". The September 15th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 2,234 contracts and are now net short 8,577 contracts.

Obviously, the major negative facing the euro to start the new trading week is the unrelenting rise in European infections which in turn have resurrected distinct fears of another lockdown. Other bearish forces for the "recovery currency" are reduced chances of US stimulus, increased potential for profit-taking in the euro from the post panic rally and fears of noted weakness in European bank shares. Even the technical front offers bearish potential with the latest positioning report showing a very large net spec long in the euro. The Commitments of Traders report for the week ending September 15th showed Euro Non-Commercial & Non-Reportable traders are net long 236,880 contracts after net selling 11,977 contracts.

In addition to US treasuries, the Yen is being-seen-as a primary global safe-haven instrument even at the expense of gold! While it is possible that a holiday in Japan resulted in larger upside move because of thin market conditions, traders might see the Yen as a currency likely to benefit from its geographic position in Asia (away from the US and Europe) and in close proximity to the growing Chinese economy. However, with the Yen already breaking out to the highest levels since the initial US lockdown historic spike up move, it is difficult to ascertain the next resistance point on the charts.

Not surprisingly, the Swiss Franc is falling victim to the emerging threat against the global recovery from infections but also because of spillover pressure from strength in the Dollar and from weakness in the Euro. However, it is possible that the Swiss Franc will see some cushion against the selling trend because of its partial isolation in Europe and past safe-haven status. Nonetheless, a return to the bottom of the consolidation at 1.09 is possible.

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We were surprised that the Pound was not under more significant liquidation pressure, with the UK considering a return to lock down and two UK banks under potentially serious investigation. A very minor cushion for the currency is the increase in a private UK house price reading but it is unlikely that the December Pound will avoid a slide down to 1.2750. While the bias in the Canadian is down to start the week, it would appear as if the currency might avoid significant losses like other non-dollar currencies. With infection problems of its own and a slightly weaker than expected new housing price index reading expected we see at least a return to the September consolidation lows.

STOCKS:

While equity prices generally stood up to the US government intervention in the battle over TikTok, that issue is thought to have longer-term negative ramifications in the event that China retaliates and various US companies see revenues cut as a result. The bull camp should be a little discouraged that some bargain-hunting buying/rotational interest fizzled last Friday, but more specifically because of the lack of benefits from a jump in Michigan consumer sentiment readings for early September. Going forward, the bull camp appears to be increasingly dependent on some form of stimulus package agreement. Global equity markets at the start of this week dove with many markets approaching declines of 3%, with investor psychology up ended by fears of renewed lockdowns in Europe, reduced US stimulus prospects due to the fight over the Supreme Court position and because of potential trouble for 5 major global banks. As if the previously noted bearish forces were not enough, the equity markets should see additional pressure from a series of negative corporate headlines flowing from Nikola and tech sector and because of increased tensions between the US and China.

The big question for equities this week is whether-or-not there will be a significant "cave-in" in overall investor psychology as the list of concerning issues is long and of significant caliber. While the threat of a European lockdown is no less surprising than the all-out political battle in Washington, the likely removal of any chance for a stimulus agreement provides a very bearish cocktail. Fortunately for the bull camp the positioning in the S&P remains significantly "net short" (the net short is probably understated given the slide after the report of 140 points) and that could slow the slide once the December contract reaches 3200. The September 15th Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net bought 29,117 contracts and are now net short 84,629 contracts.

The big range down in the Dow futures to start the week has pierced critical consolidation low support levels and would appear to have further downside work ahead. As mentioned already, the likely removal of stimulus package potential, combined with a major problem for big world money center banks not only punctures sentiment but fans fear. Confirmation that the stimulus negotiations have ended until after the election could set the stage for a decline back to the middle of the June and July consolidation. The September 15th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 10,690 contracts after net buying 1,197 contracts.

Relatively speaking, the NASDAQ did not show the type of decline seen in other sectors of the market early this week, perhaps because the liquidation in the NASDAQ has been well underway since the first days of September. However, we see the NASDAQ under added pressure from the TikTok saga and because of trouble at Nikola. Going a step further, the escalation of US/Chinese trade conflict is likely to impact a series of Internet based companies and even Apples availability to Chinese manufactured phones. Nasdaq Mini positioning in the Commitments of Traders for the week ending September 15th showed Non-Commercial & Non-Reportable traders net sold 62,988 contracts which moved them from a net long to a net short position of 54,875 contracts.

GOLD, SILVER & PLATINUM:
Obviously, the shift early this week into a global anxiety condition from the surge in global infection counts, talk of a return to lockdowns in Europe and a sharp recovery in the dollar has put gold and silver under significant pressure. Unfortunately for the bull camp, recent mixed to slightly soft US scheduled data was generally seen as a negative, indicating an extension of deflationary slow growth selling of gold and silver might return instead of a those fears being seen as a catalyst for safe-haven buying of gold and silver. In our opinion, the death of the US Supreme Court Justice has turned up political tensions in Washington to a level that would seem to completely erase the potential of an agreement on a fresh stimulus package and if that view is given credence by the Democrats, that could send gold and many other physical commodities even lower early this week.

Surprisingly, the gold market was not getting lift from 5 major global banks being questioned in suspicious money laundering practices as that should have prompted some money to flee from banks into hard assets like gold. Adding into the avalanche of selling this week was news that gold and silver at the end of last week both saw liquidations in ETF holdings with the gold selling very minimal at 6,430 ounces while silver ETF's saw a bigger outflow of 2.2 million ounces. On the other hand, for the week gold ETF holdings increased by 248,917 ounces, but silver ETF's saw their weekly holdings reduced by 4.5 million ounces. An additional negative that might pressure gold this week is negative sentiment toward gold shares from the end of last week, as investors seemed to have lost patience with the performance of those shares in the face of soaring gold prices. As if the bear camp needs more ammunition the dollar has made a significant reversal recovery with a rally ahead potentially sparking another wave of currency related selling in gold and silver.

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As for classic physical demand, Indian dealers continue to offer discounts in an effort to attract buyers, with some dealers indicating buyers are waiting for "cheaper" prices. Given the sharp slide in gold early this week, it will be interesting to see if Indian retail consumers are enticed to buy in the coming sessions because of cheaper prices. On the other hand, Swiss gold exports to China and India rose last month, with Swiss global exports reaching a 3-month high. The September 15th Commitments of Traders report showed Gold Managed Money traders net long 165,251 contracts after net buying 10,622 contracts. Non-Commercial & Non-Reportable traders were net long 320,027 contracts after increasing their already long position by 9,338 contracts.

While we think silver has a decent chance of respecting key consolidation low support down at $26.30, the brunt of outside market forces clearly favor the bear camp and a retest of the September consolidation lows would appear to be likely. In fact, given silver's partial physical commodity market status, a definitive risk off vibe and a higher dollar all look to provide a wave of liquidation. Furthermore, investor interest in silver ETF's has continued to deteriorate and that suggests physical demand is for now the critical driving force and that driving force favors the bear camp. Unfortunately for the bull camp, the latest positioning report is the silver market shows the net long at some of the highest levels since the US lockdown started and that could leave the market vulnerable to more stop loss selling. The Commitments of Traders report for the week ending September 15th showed Silver Managed Money traders are net long 39,287 contracts after net buying 3,545 contracts. Non-Commercial & Non-Reportable traders added 6,951 contracts to their already long position and are now net long 61,886. We see the near term trading range in silver to be bound by $27.87 on the upside and by $25.98 on the downside.

Not surprisingly, the PGM markets are trading lower early this week in sync with negative sentiment flowing from equities, but also because of noted weakness in other precious metals markets. However, the palladium market might be partially disappointed by the lack of fresh assistance from the PBOC following their decision to leave interest rates unchanged. While not a significant negative, palladium ETF's reduced their holdings last Friday and saw their holdings decline for the week. On the other hand, the palladium market continues to get a wave of bullish news coverage touting the prospect of increased demand from pollution control devices, particularly following a strong rebound in Chinese car sales.

With the Chinese economic report slate this week virtually empty, and what appears to be significant trepidation in global equity markets, we see the palladium market vulnerable to a setback to start the week.

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Fortunately, for the bull camp, the latest positioning report in the palladium market shows a very modest net spec and fund long which should mitigate stop loss selling on weakness and allow for some capacity for fresh speculative buying. Palladium positioning in the Commitments of Traders for the week ending September 15th showed Managed Money traders were net long 3,902 contracts after increasing their already long position by 399 contracts. Non-Commercial & Non-Reportable traders were net long 4,064 contracts after increasing their already long position by 373 contracts.

The platinum market continues to be tied to the action in gold, silver and palladium with some correlation with global equities. Unfortunately for the bull camp, platinum prices into the new trading week were still near the middle of the last 2 months sideways consolidation which could allow noted declines without violating significant chart support points. While the net spec and fund long positioning in platinum is in the upper portion of the last 4 months range, the current net spec long is only one-third of the 2020 high net spec and fund long positioning. The Commitments of Traders report for the week ending September 15th showed Platinum Managed Money traders added 5,521 contracts to their already long position and are now net long 11,470. Non-Commercial & Non-Reportable traders added 4,849 contracts to their already long position and are now net long 26,683.

COPPER:

While the December copper contract did forge a fresh higher high for the move, it would not seem like the global environment is conducive to further gains in copper and other industrial commodities. In addition to the surging fears of lost US economic momentum the markets are also seeing renewed fears of a return to lockdown throughout Europe in-an-effort to squelch the surge of new infections. However, copper was initially lifted by an extension of the bullish Chinese copper demand argument apparently with the trade referring back to recent strength in Chinese industrial activity but depending on the magnitude of the global fear of a return to anemic global activity the Chinese demand story might be unable to support prices at such lofty levels ($1.10 above the March lows).

While the copper market has discounted periodic daily inflows to LME copper warehouse stocks (after nearly 3 months of outflows) seeing Shanghai copper stocks increase last week is something that should add to the bear's case this week. Furthermore, adjusting the most recent positioning report for the gains into the high today (plus $0.06) it is likely that the copper market is getting very close to a "record spec and fund long (67,894). Copper positioning in the Commitments of Traders for the week ending September 15th showed Managed Money traders added 7,510 contracts to their already long position and are now net long 76,697. Non-Commercial & Non-Reportable traders were net long 62,530 contracts after increasing their already long position by 1,739 contracts.

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ENERGY COMPLEX:
Bullish buzz has been drained from crude oil with signs of increased Libyan output (expected to jump to 310,000 barrels per day from just 90,000 barrels per day), renewed global demand fear from lockdown fears, less tropical storm fear (Tropical Storm Beta lacks strength and is already beyond the brunt of offshore production), a stronger dollar and from news that Indian August crude oil imports were down 23% compared to year ago levels! Certainly, the bull camp has some arguments in its favor with Chinese imports of US crude oil expected to post a new record this month. Unfortunately for the bull camp surging Chinese demand (which many think is set to abate) will not be a full offset to the threat of significant global energy demand losses in the event of widespread return to lock down. However, the fear of rising supply/slackening demand are somewhat tamped down by weekly floating storage readings falling to the lowest level since April, with the largest decline seen in the US Gulf Coast.

From a technical perspective, Brent crude oil damaged its charts with the failure below its 50 day moving average early this week and with the net spec and fund long in crude oil in the upper 25% of the range of the net spec and fund long since September 2018! The Commitments of Traders report for the week ending September 15th showed Crude Oil Managed Money traders are net long 295,388 contracts after net buying 25,900 contracts. Non-Commercial & Non-Reportable traders are net long 502,766 contracts after net selling 4,670 contracts. In conclusion, slackening economic views and fears of rising supply increases the prospect of a consistent trade below $40.00 in November crude oil. This week's Baker Hughes oil rig count, declined by one, with Canadian oil rigs operating up by 11 for a slightly negative rig count influence.

While we suspect that gasoline will find support from a very low refinery operating rate (which might be extended by Tropical Storm Beta) renewed fear of lost demand due to renewed lockdown fears sets a very negative condition to start the trading week. In fact, given the stellar rally of $0.15 off the September low in just 5 trading sessions, the need for some technical selling is significant. However, the gasoline market is not without fundamental support as the tropical storm has increased uncertainty for US refinery activity in the coming sessions and the net spec long in gasoline was not overly significant as of early last week. Furthermore, it should be noted that US gasoline inventories have declined for 6 straight weeks and the refinery operating rate has remained very low for the longest amount of time in modern history. Last week, nearly 25% of US refinery activity was off-line because of "financial disincentive" but also because of flooding.

To start the new week, fears of sustained stagnant demand in the US are accentuated by the new found negative psychological environment. Gas (RBOB) positioning in the

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Commitments of Traders for the week ending September 15th showed Managed Money traders reduced their net long position by 3,232 contracts to a net long 44,328 contracts. Non-Commercial & Non-Reportable traders are net long 61,060 contracts after net selling 2,820 contracts. While the shuttering of a large portion of US refinery activity (due to a lack of profitability and storm related issues) supports diesel prices and there are stories of fresh demand for ULSD from mixing jet fuel into fuel for ships in Asia, the overall threat against jet fuel demand remains front and center. Fortunately, for the bull camp the net spec and fund long in ULSD is nearly liquidated which could reduce the amount of stop loss selling in the event of a sustained slide in outside markets. Heating Oil positioning in the Commitments of Traders for the week ending September 15th showed Managed Money traders were net short 12,047 contracts after decreasing their short position by 6,517 contracts. Non-Commercial & Non-Reportable traders are net long 6,799 contracts after net selling 361 contracts.

We are surprised that natural gas prices are holding within proximity to last Friday's recovery bounce close with big picture risk off conditions in place early this week. However, word that cancellations of US export supply has declined for November, a slight increase in Indian and Japanese demand and spot price gains in both Europe and Asia provide support to prices. Thickening resistance above the market is seen from the return of shuttered US production from recent storms and from strength in the US dollar. On the other hand, the US temperature forecast has shifted slightly more supportive with hot temperatures stoking air conditioning demand in California, Nevada and Oregon. Certainly, natural gas has moderated its net spec and fund long positioning with the recent $0.25 slide after last week's positioning report was measured.

Unfortunately for the bull camp, the net spec and fund long position as of early last week was at the highest level since May 2017. The Commitments of Traders report for the week ending September 15th showed Natural Gas Managed Money traders are net long 121,548 contracts after net buying 3,190 contracts. Non-Commercial & Non-Reportable traders were net long 76,435 contracts after increasing their already long position by 17,858 contracts. This week's Baker Hughes US gas rigs operating report showed a gain of 2 rigs for a total of 73, which is the 10th lowest reading since Baker Hughes began to post data in July 1987. It should also be noted that Canadian gas rigs increased by one rig to stand at 34 rigs. In the end, we see the natural gas market making a major low, but long term traders should wait for a return to the vicinity of $2.42 to implement long term bullish positions.

BEANS:

November soybeans closed 15 cents higher on the session Friday, and also posted a new contract high at 1046 3/4. The market has now rallied 20.6% from the August 10th lows and technical indicators are extremely overbought. In addition, the short-term weather would suggest active harvest just ahead with a lack of rain for the next five days. However, the 6-10 day models show above normal precipitation. Producer-sellers could get active at any time. Open interest has jumped from 833,635 contracts to 963,245 during the rally. Relative strength and stochastic readings are in the 90s and are showing some divergence. The upside breakout from September 14 to new contract highs has left 1072 3/4 as the next upside target. Exporters reported the sale of 132,000 tonnes of US soybeans to China. The rally was led by meal which pushed up to the highest level since May of 2018.

While some traders see Chinese purchases as overdone, others see the tight supply from Brazil and strong farmer holding of soybeans from Argentina as a reason to suspect China will continue to buy US soybeans. Traders believe Argentine farmers have sold less than 50% of their crop as they hold on to soybeans as protection against currency uncertainties. In fact, some traders see China as a continued aggressive buyer of US soybeans ahead as this will mean less need for China to import vegetable oils, and a greater opportunity to sell meal on the world market. Argentina is the largest exporter of meal in the world and processors are having trouble getting hold of soybeans. China has the capacity to crush more soybeans. Tightness in production of other vegetable oils such as sunoil and reduced palm oil production from Indonesia are factors which continue to support vegetable oils.

Soybeans positioning in the Commitments of Traders for the week ending September 15th showed managed money traders are net long 191,774 contracts after net buying 17,867 contracts for the week. The record net long position is 253,889 contracts. Non-Commercial & Non-Reportable traders added 13,679 contracts to their already long position and are now net long 205,835. For Soyoil, managed money traders added 9,265 contracts to their already long position and are now net long 94,564. Non-Commercial & Non-Reportable traders added 12,210 contracts to their already long position and are now net long 132,428. For Soymeal, managed money traders added 11,578 contracts to their already long position and are now net long 43,697. Non-Commercial No CIT traders are net long 34,870 contracts after net buying 5,557 contracts for the week.

CORN:

December corn closed higher again last Friday, and is now up for six of the last seven trading sessions. This left the market with a gain of 10 cents on the week. The buying pushed the market up to the highest level since March 11. Exporters announced the sale of 210,000 tonnes of US corn to China. While technical indicators are showing extreme overbought readings, there is still no technical sign of a top. In addition, open interest is pushing higher which is positive, but the fund trader net long position is nowhere near a level which would be considered overbought.

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Cumulative corn export sales have reached 34.6% of the USDA forecast for the marketing year versus a 5 year average of 23.9%. News that China may have lost 5-10 million tonnes of corn due to typhoon activity added to the positive tone last week. Representatives from COFCO indicated that output in northeastern China could fall 5 to 10 million tonnes this year due to poor growing conditions as 3 typhoons hit the region. If we assume an extra 8 million tonnes being exported to China this year, ending stocks could slip to 2.110 billion, the lowest they have been since the 2015/16 season.

If we also assume a yield drop of 2 bushels/acre (still a record high), then ending stocks could slide to just 1.943 billion, not the 3 billion feared at the lows. Corn positioning in the Commitments of Traders for the week ending September 15th showed managed money traders were net long 58,556 contracts after increasing their already long position by 25,062 contracts in just one week. Non-Commercial No CIT traders went from a net short to a net long position of 29,929 contracts after net buying 32,391 contracts in just one week and the fund buying trend is a short-term positive force.

WHEAT:

December wheat closed 18 3/4 cents higher on the session Friday, and this left the market up 33 cents for the week. The buying pushed the market up to the highest level since February 21st. Talk of tightening supply from key exporters helped to provide underlying support. In addition, technical action was bullish and this might have attracted active short covering and new buying support from fund traders. Dry weather in Argentina, US and Black Sea region has traders nervous as well. There is no rain in the five day forecast for the central and southern Plains.

The 6-10 and 8-14 day forecast models show below normal precipitation and above normal temperatures for the Plains all the way out to October 3rd. Traders will monitor the planting progress report closely Monday afternoon. Ukraine's driest autumn in almost a decade is delaying plantings of crops including wheat which could increase the risk of damage over winter. Winter plantings have only just started, lagging last year's pace, and delays can make young crops more susceptible to winterkill during extreme or sustained periods of low temperatures.

Syria is tendering to purchase 200,000 tonnes of wheat, and Pakistan is in the market for 175,000 tonnes of wheat. Wheat positioning in the Commitments of Traders for the week ending September 15th showed managed money traders reduced their net long position by 8,063 contracts to a net long 15,112 contracts. CIT traders added 1,825 contracts to their already long position and are now net long 139,404. For KC wheat, managed money traders added 1,269 contracts to their already long position and are now net long 10,192 contracts.

Non-Commercial & Non-Reportable traders reduced their net long position by 1,074 contracts to a net long 13,806 contracts.

HOGS:

December hogs closed slightly lower on the session Friday after a gap higher opening and strong trade early. Ideas that US exports will pick up steam due to the ban on German pork exports to many countries helped to support. Another six cases of African swine fever have been confirmed in wild boars in the eastern German state of Brandenburg. This brings the total to 13 wild boars which have tested positive for African swine fever. The strong gains in pork values last week could be a sign that commercial traders expect more exports ahead. The USDA pork cutout, released after the close Friday, came in at $86.46, down 2 cents from Thursday but up from $80.56 the previous week. China's national average spot pig price as of September 21 was down 1.78% from the previous day. For the month, prices are down 6.21%. China officials see more balanced supply/demand for the 4th quarter.

China's hog inventory expanded for the seventh consecutive month in August, according to the agriculture ministry. Hog inventory in August rose 4.7% month over month and up 31.3% year over year. Friday's Commitments of Traders report showed managed money traders were net buyers of 8,856 contracts of lean hogs for the week ending September 15, increasing their net long to 42,472. Non-commercial, no CIT traders were net buyers of 10,756 for the week, increasing their net long to 27,146. The CME lean index as of Sep 16 was 67.84, up from 66.42 the previous session and up from 62.44 a week before. The USDA estimated hog slaughter came in at 468,000 head Friday and 193,000 head for Saturday. This brought the total for last week to 2.587 million head, up from 2.323 million the previous week but down from 2.601 million a year ago.

CATTLE:

With cattle slaughter down 2.4% for the week, and a firm tone to the cash market, futures were able to recover last week. However, if the slaughter pace picks up with futures at a stiff premium to the cash market, and with sluggish beef prices, the market is still vulnerable to long liquidation selling. December cattle closed moderately higher on the session Friday and the rally has pushed the market up to the highest level since August 21st. A better tone for the cash market last week plus continued strong gains in other agricultural markets helped to support. The USDA boxed beef cutout was up 57 cents at mid-session Friday and closed 59 cents higher at $215.64. This was down from $219.89 the previous week. It was the first time in 11 straight sessions that the cutout had increased. The average dressed steer weight for the week ending September 5th came in at 918 pounds, up from 916 the previous week and up from 893 a year ago.

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Cash live cattle continued their trend of firmer traded for the week on Friday. In Kansas 358 head traded at $103 versus an average price of $101.12 last week. In Nebraska 1,602 head traded at $103-$104 and an average price of $103.71 versus $100.96 last week. As of Friday afternoon, the 5-day, 5-area average price was $103.58, up from $101.21 the previous week. Friday's Commitments of Traders report showed managed money traders were net buyers of 998 contracts of live cattle for the week ending September 15, increasing their net long to 59,620 contracts. Non-commercial, no CIT traders were net buyers of 2,501, increasing their net long to 38,374. The USDA estimated cattle slaughter came in at 111,000 head Friday and 55,000 head for Saturday. This brought the total for last week to 645,000 head, up from 574,000 the previous week but down from 661,000 a year ago.

COCOA:

Global demand prospects over the rest of this year will continue to be an issue for the cocoa market until the Halloween holiday at the end of October. There is another late-October event that has ramped up near-term supply anxiety in the market, and that can help cocoa prices to remain fairly well supported on near-term pullbacks. December cocoa held within an inside-day range as it shook off midsession pressure to finish Friday's trading session with a sizable gain. For the week, December cocoa finished with a gain of 93 points (up 3.6%) which broke a 2-week losing streak.

Ivory Coast political tensions continue to shadow the market and have provided cocoa with significant underlying support in front of their Presidential election on October 31st. The decision by their Constitutional Count to allow current President Ouattara to run for a third straight term has not been received favorably by opposition parties, particularly with two major contenders having their candidacies rejected by the court. It was the disputed results of the 2010 election that led to an Ivory Coast civil war and an embargo on cocoa exports which fueled a rally in cocoa prices to their 21st century high. As a result, potential flare-ups of political tensions during the next few weeks raise the prospect of supply bottlenecks during the first month of the 2020/21 season. With higher minimum prices for the 2020/21 season for both Ivory Coast and Ghana, the flow of near-term cocoa supplies to their major port facilities is expected to be fairly slow.

The Eurocurrency followed through on Thursday's positive reversal with moderate gains that provided cocoa with carryover support, but that may have been offset by sizable losses in major Euro zone and US equity markets going into the weekend. Cocoa positioning in the Commitments of Traders for the week ending September 15th showed Managed Money traders were net long 40,931 contracts after increasing their already long position by 5,331 contracts. CIT traders are net long 45,329 contracts after net selling 275 contracts. Non-Commercial No CIT traders net bought 7,067 contracts and are now net long 22,777 contracts. Non-Commercial & Non-Reportable traders were net long 56,778 contracts after increasing their already long position by 8,175 contracts.

COFFEE:

While last week's brutal turnaround was fueled in part by weakness in a key outside market, coffee was clearly pressured by a bearish shift in Brazilian weather. The market should have a clearer gauge on Brazilian rainfall by Tuesday, however, and that may help coffee prices to find their footing early this week. December coffee fell back on the defensive and reached a new 5-week low before finishing Friday's trading session with a sizable loss. For a week that had no positive daily result, December coffee finished with a loss of 18.95 cents (down 14.3%) which was a second negative weekly in a row and the largest weekly loss in several years.

A more than 2.5% decline in the Brazilian currency weighed on coffee prices as it could lead to Brazil's farmers becoming more aggressive with marketing their newly harvested supply to foreign customers. Brazil's harvest of their "on-year" crop is almost done which should put them close to "peak" supply, but a record high production total has led to reports that Brazilian warehouses are nearly full. Forecasts for this week's rainfall over Brazilian Arabica-growing regions were a major source of pressure on coffee prices as it should improve prospects for their 2021/22 "off-year" crop. This rain event may last until early Wednesday and could see as much as 2 inches of rain in many areas. Keep in mind that growing regions in the Minas Gerais and Sao Paolo regions have been drier than normal over the past few months, so more rain may be needed to result in decent flowering this year.

Nicaragua's 2020/21 coffee exports were pegged at 2.6 million bags which is roughly in-line with this season's total. ICE exchange coffee stocks fell by 7,625 bags on Friday and have reached a new multi-decade low. The Commitments of Traders report for the week ending September 15th showed Coffee Managed Money traders added 3,381 contracts to their already long position and are now net long 51,831. CIT traders were net long 64,044 contracts after increasing their already long position by 307 contracts. Non-Commercial No CIT traders were net long 35,532 contracts after increasing their already long position by 2,440 contracts. Non-Commercial & Non-Reportable traders were net long 65,006 contracts after increasing their already long position by 4,065 contracts.

COTTON:

December cotton closed lower for the fourth straight session on Friday, as it continued to give back the gains it made off of hurricane concerns. The market still closed 0.85 higher for the week. After some heavy buying at the beginning of the week with the threat of Hurricane Sally bringing damaging rain and wind to southeast cotton belt, there was not much reported damage in its wake, and the inland flooding was not as bad as some had feared.

The 6-10 and 8-14 day forecasts call for above normal rainfall in the Delta and southeast and below normal in west Texas with above-normal temperatures in both, and the 1-5 day forecast shows heavy rainfall in Louisiana and eastern Texas as Topical Storm Beta approaches landfall Monday or Monday night. The storm is not expected to reach hurricane forces, but it expected to bring heavy rainfall, which could damage crops, particularly open bolls.

Friday's Commitments of Traders report showed managed money traders were net buyers of 3,364 contracts of cotton for the week ending September 15, increasing their net long to 49,828. Non-commercial, no CIT traders were net buyers of 6,910, increasing their net long to 41,743. Non-commercial & non-reportable traders combined were net buyers of 7,464, increasing their net long to 69,307. The buying trend on the part of the funds would be considered near-term bullish, but it could be short lived if it is built off of crop concerns that prove unfounded.

SUGAR:

Sugar prices have been able to extend their recovery move up to levels seen during their August consolidation zone in spite of significant weakness in a key outside market. While there have been recent bullish supply developments, the overall global outlook remains bearish which may limit further upside during the final weeks of the third quarter. March sugar came under early pressure, but was able to find strength late in the day as it finished Friday’s trading session with a moderate gain and a fourth positive daily result in a row. For the week, March sugar had a gain of 78 ticks (up 6.2%) which broke a 4-week losing streak. Sugar was able to maintain upside momentum in spite of a more than 2.5% decline in the Brazilian currency which would encourage Center-South mills to produce more sugar for exports.

Last week’s rebound in energy prices was a key source of strength for sugar as it may help to shore up Brazilian domestic ethanol demand as Center-South domestic sales from April through August were more than 20% behind last year’s pace. Keep in mind that in spite of the sharp rise in crude oil prices from their April lows, Center-South mills have devoted nearly 47% of their April-August crushing to sugar production which compares to 35.5% over that same timeframe last year. There is up to 0.50 inch of rain forecast for Center-South cane-growing regions Monday and Tuesday that may slow down harvesting and crushing, but that rain should benefit late-harvested cane. A major French producer said that their nation’s sugar beet yields would be 12% below last year’s levels, and that provided additional support as it points towards lower 2020/21 EU sugar production.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

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With less than 2 weeks left in the season, India's monsoon rainfall remains 7% nationally above the long-term average with widespread showers forecast for areas of Maharashtra and Karnataka, 2 top sugar-producing states that were impacts by last year's severe monsoon conditions. The Commitments of Traders report for the week ending September 15th showed Sugar Managed Money traders net sold 16,931 contracts and are now net long 149,541 contracts. CIT traders net sold 4,033 contracts and are now net long 255,048 contracts. Non-Commercial No CIT traders net sold 8,785 contracts and are now net long 112,489 contracts. Non-Commercial & Non-Reportable traders net sold 18,971 contracts and are now net long 235,749 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.