ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

2 November, 2020

For the Week of November 2, 2020

BONDS:
Apparently the treasury market was capable of looking beyond the large washout in equities as a safe-haven threat, and instead focused on a series of better-than-expected US schedule data points. In addition to a number of very strong GDP readings from inside and outside of the US this week, US initial claims declined, US personal income and consumption increased, Chicago purchasing managers was stronger-than-expected and Michigan consumer sentiment was better than expected, and therefore classic fundamentals justified weakness in treasuries. Treasury prices remain pinned down to very critical consolidation low support from 3 major prior visits to these levels taking place since the lockdown panic in March. The location of prices near the bottom of the last 7 months range, into the face of what could be historic economic and political conditions in the US is very surprising.

In fact, soaring infection counts in Europe and the US are extending into the new week, with Europe announcing further restrictions and yet Bond and Note prices are uninterested in that potential economic disruptive trend. Some traders are suggesting the potential for a blue wave is pressuring prices from 2 separate arguments. First-of-all, the trade is likely looking through the election to lower uncertainty and eventually less violence and protests after the dust has settled. Secondly, it is possible that a Blue Wave is telegraphing an explosion in US debt supply as spending is likely to explode and the economy (tax revenues) are likely to contract in the face of a wave of higher taxes. However, the slide in prices down to critical 2020 consolidation lows is at least partially justified by recently positive US scheduled data.

In looking ahead to the action this week, it is unlikely that US data will result in anything more than a temporary and muted reaction as the focus is on Tuesday's election. Strong Chinese economic data and expectations for significant Chinese infrastructure spending and other stimulus efforts from last week provide minimal underpin for global psychology and therefore are of little impact on Treasuries. Traders should continue to note that bonds hold a very significant net spec and fund short which would certainly add to upside volatility in-the-event that fundamentals flash bullish. The Commitments of Traders report for the week ending October 27th showed Bonds Non-Commercial & Non-Reportable traders added 1,387 contracts to their already short position and are now net short 224,450. In the T-Notes market Non-Commercial & Non-Reportable traders are net long 32,955 contracts after net selling 68,256 contracts.

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CURRENCIES:

All things considered, the action in the currency markets was fairly-benign given the potential consequences of the current historically incendiary environment. However, the recovery currencies of the euro, Swiss and Pound have corrected aggressively over the last 2 weeks and might have some of the recovery premium extracted from the large March through September rallies. Nonetheless, the recovery currencies will likely be under significant pressure if infection rates worsen over the weekend. While the Dollar failed to hold a range up move early this week, it remains near the highest levels since late September and has extended a pattern of higher highs and higher lows into a new trading week.

Apparently, the dollar looks to remain in vogue despite what could be serious concerns for US economic/political/medical conditions. While, US scheduled data has been supportive of the currency index the main focus of the currency markets appears to be on flight to quality and not macroeconomic differential returns. We see the December dollar testing 94.80 and testing levels above 95.00 through the coming 72 hours but it will take calmer than expected postelection conditions to turn the dollar out of its uptrend. The October 27th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net short 742 contracts after increasing their already short position by 285 contracts.

With another lower low for the move early this week, the euro appears to be poised to retest the late September consolidation low down at 1.1630 especially given the headlines of fresh restrictions in portions of Europe due to infection spread. However, the euro could garner some support from a sweep of favorable manufacturing PMI readings for October. Unfortunately for the bull camp, data for last month will be discounted as-long-as infections in some European areas remain out of control. The October 27th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders are net long 209,052 contracts after net selling 13,104 contracts.

The downside action in the Yen is surprising given that overall uncertainties from the virus and the US election would appear to remain very much in force. With fresh damage on the charts pushing the Swiss down to the lowest level since October 8th, the Swiss purchasing manager's report for October was the "only" disappointing PMI reading among a sweep of global PMI readings from China euro zone and the UK. We see downside targeting down at 1.0891 and will remain bearish toward the currency as-long-as it remains below 1.0970.

The charts in the Pound are uniformly bearish with a definitive lower high and lower low channel in place since the October high. While it does appear as if the favorable UK manufacturing PMI for October provided some early cushion for the currency the Press and various economists pointed out the loss of momentum in those UK figures. In the coming sessions we expect the December Pound to retest 1.2750. While the Canadian has managed to carve out a consolidation low pattern offering support around the 74.80 level, it is extremely difficult for us to discount the late October slide in the face of the deterioration in macroeconomic sentiment over the last 2 weeks. In fact, Canada has its own surging infection problem, and the administration appears to be focused on controlling the virus with support for the economy a secondary priority.

STOCKS:

Clearly, the equity market moved to factor in another layer of uncertainty and anxiety with the weakness at the end of last week. However, it is also likely that some investors decided to liquidate longs and move to the sidelines off fear that infection counts would escalate with the markets closed over the weekend and thereby cause financial pain on the opening Monday. Global equity markets at the start of this week were higher with gains near 1% and the lone exception to the bullish trend the Russian RTS index which closed fractionally lower. Economic news included Chinese manufacturing PMI which came in stronger than the prior month and above expectations. However, we doubt favorable Chinese news will be supportive against global developments with the powder keg of the US election reaching very tense levels in the coming 72 hours. Unfortunately for the bull camp, big tech sector stocks got hammered last week and the market saw the biggest weekly loss since the initial lockdown panic in the US and therefore investors enter the new week skittish. In the coming sessions, we doubt scheduled data or earnings will be of little impact.

From a technical perspective, the action in the S&P is very impressive as it respected what appears to be a building consolidation at 3250, with 3 prior clustered closings at 3274.75 providing another key pivot area. Fundamentally, investors should be wounded due to the action in tech stocks last week and we suspect risk averse investors will flee to the safety of the sidelines. For those capable of looking through the election and beyond the current infection flare, consider the purchase of off the market bull call spreads an attempt to offset extremely high premiums. The Commitments of Traders report for the week ending October 27th showed E-Mini S&P Non-Commercial & Non-Reportable traders were net long 125,021 contracts after increasing their already long position by 39,451 contracts.

The Dow futures have not forged a uniform consolidation low pattern over the prior 3 sessions as has been seen in the S&P but the market has already forged a short covering bounce from Friday's low in excess of 1000 points and that would seem to suggest something more than a temporary retracement. However, fresh longs from current levels have substantial risk and reward following the election might be undermined by violence. The October 27th Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders were net long 9,878 contracts after decreasing their long position by 2,131 contracts. As indicated already, the tech sector was hammered last week following negative, corporate revenue and earnings news from Twitter, Apple, Amazon and Facebook. We would be surprised if the NASDAQ futures this week fail to test support down at 10,660. The October 27th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net long 9,843 contracts after net selling 11,636 contracts.

GOLD, SILVER & PLATINUM:

With gold and silver prices adding to Friday's strength, it would appear as if some flight to quality buying is moving into the market ahead of the US election. Clearly, the unending infection spread in Europe is hovering over the precious metal markets and a deflationary wave of selling could be seen at any time if the US joins Europe in a wave of lockdowns. However, it should be noted that gold and silver prices are climbing against strength in the dollar for a 2nd straight session indicating a slight change of market focus. It goes without saying that this coming week is likely to offer massive two-sided volatility, with big-picture issues pivoting without notice. Certainly, the combination of what will likely be a very contentious, violent results-delayed election, combined with the accelerating spread of the virus spread increases the chances of 180-degree price turns throughout this week.

However, it is highly unlikely that a winner will be officially declared by either side of the aisle quickly as the voting process is an absolute mess, and those collecting votes are under huge scrutiny. While Chinese imports of gold from Hong Kong picked up last week and Indian jewelers are expecting Festival demand to pick up, those classic demand forces are unlikely to be given much consideration this week. In fact, Chinese and European manufacturing PMI readings were all better-than-expected but physical demand news is unlikely to be a front and center issue this week. On the other hand, funds continue to flow out of gold ETF holdings with Friday's gold outflow 99,921 ounces the 3rd straight day of withdrawals. Silver ETF's also saw an outflow of 3.2 million ounces which seems to conflict with the idea that buyers were moving back into gold and silver on Friday in anticipation of the election fireworks.

Gold positioning in the Commitments of Traders for the week ending October 27th showed Managed Money traders reduced their net long position by 3,702 contracts to a net long 131,609 contracts. Non-Commercial & Non-Reportable traders were net long 295,830 contracts after decreasing their long position by 1,102 contracts. The October 27th Commitments of Traders report showed Silver Managed Money traders added 1,708 contracts to their already long position and are now net long 41,773. Non-Commercial & Non-Reportable traders added 201 contracts to their already long position and are now net long 63,040. Longer-term silver bulls are hopeful that the passing of the election and the truncating of the infection flare at some point soon will result in better demand conditions but we feel traders should be waiting to buy a break below the late September consolidation lows down at $21.81 in December silver.

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While it would appear as if the palladium market has found some form of support at the $2,200 level, it should be noted that the washout last week was on heavy volume and little change in open interest and therefore fresh sellers might be offsetting some of the long liquidation. Additionally, big picture global (non-Chinese) macroeconomic forces should continue to apply pressure to palladium despite news that the Chinese long-term plan from last week provides significant stimulus which in turn should boost Chinese demand for palladium. In fact, one might have expected palladium to have benefited overnight from the strongest Chinese manufacturing PMI since "early 2011". Nonetheless, the palladium market is vulnerable from both chart and fundamental perspectives. The Commitments of Traders report for the week ending October 27th showed Palladium Managed Money traders were net long 4,113 contracts after decreasing their long position by 44 contracts. Non-Commercial & Non-Reportable traders are net long 3,960 contracts after net buying 4 contracts.

The charts also point down in the platinum market and the last 5 days action clearly suggests demand fears from slumping equities and rising infection counts has buyers uninterested in picking a bottom yet. In fact, even the sellers were not aggressive last week as trading volume on the large slide fell consistently. Cushioning the platinum market is the likelihood that last week's declines (after the COT report was measured) puts the net spec and fund long down to the lowest level since June 2019. The Commitments of Traders report for the week ending October 27th showed Platinum Managed Money traders net bought 2,906 contracts which moved them from a net short to a net long position of 681 contracts. Non-Commercial & Non-Reportable traders added 2,029 contracts to their already long position and are now net long 15,943.

COPPER:

The copper market last week failed to benefit from a series of very positive long-term infrastructure spending goals released from the Chinese national leadership planning council and the market this morning hasn't benefited definitively from better than expected Chinese manufacturing PMI readings for October. In fact, the Chinese PMI reading was the strongest reading since January of 2011! However, the copper market failed to benefit from a series of positive US scheduled data points last week probably because big picture election/infection issues continue to threaten near term physical demand views. In fact, fresh lockdowns in Europe and fears of similar lockdowns in the US loom in the background to start the new trading week.

Therefore, a portion of the record long spec and fund positioning is justified in moving to the sidelines and further losses of supply from labor issues in South America are still being discounted. Certainly, the net spec and fund long has been brought down with the markets slide of $0.05 but given the uncertainty toward the overall fundamental environment this week the path of least resistance favors the bear camp. The Commitments of Traders report for the week ending October 27th showed Copper Managed Money traders reduced their net long position by 3,321 contracts to a net long 88,257 contracts. Copper Non-Commercial & Non-Reportable traders hit a new extreme long of 71,372 contracts. Non-Commercial & Non-Reportable traders were net long 71,372 contracts after increasing their already long position by 2,464 contracts.

ENERGY COMPLEX:

About the most positive thing that can be said about crude oil prices is that the market managed to reject a large portion of the spike down washout. Certainly, favorable Chinese PMI data, news of a decline of 11.5% in Russian October oil production and a 20% increase in Chinese non-state 2021 oil import quotas provides some support against near term demand destruction fears. Obviously, fresh mobility restrictions in Europe and similar threats of restrictions in the US adds to the demand destruction threat. Furthermore, traders should begin to monitor the supply situations in both diesel and jet fuel, as signs are mounting that capacity or "tank top" could be seen in those products ahead. The importance of hitting storage capacity in jet fuel or diesel should not be understated with respect to crude oil prices, as a similar "tank top" situation in crude oil in April resulted in "negative" crude oil prices!

While there is another tropical storm traversing the lower Caribbean, the storm (Eta) is expected to track overland until November 7th and that is likely to pull down winds and perhaps break the storm down completely. In a longer-term bearish development at the end of last week, the Baker Hughes rig count jumped by 10 rigs up to 221 rigs operating, and that continues a recent trend that should discourage long-term bull traders. The Baker Hughes rig count has reached the highest level since May but might not cause widespread supply fears until that level is above 255. Historically, there is a minimum delay of 15 months from drilling until output.

However, in a shorter-term supply impact, the EIA indicated that overall US oil output in August fell by 3.6% due to storms and we expect September will see a similar setback, but that lost oil is in no means capable of offsetting the increase in Libyan supply which in turn boosted OPEC supply for a 4th monthly increase! We leave the path of least resistance pointing downward for the simple view that demand destruction headlines will be difficult to avoid over the coming 3 sessions, and most that will be most likely attached to the direction of US equities. Crude Oil positioning in the Commitments of Traders for the week ending October 27th showed Managed Money traders were net long 297,661 contracts after decreasing their long position by 34,599 contracts. Non-Commercial & Non-Reportable traders net sold 12,783 contracts and are now net long 534,303 contracts.

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Like crude oil the RBOB market broke down through 5 months consolidation low support and would appear to be poised to work even lower. Therefore, the gasoline market has punched below even number support around $1.00 and fresh restrictions of activity in the US clearly rekindled gasoline demand. As indicated already, the gasoline market should begin to look over its shoulder to extremely threatening supply news from Amsterdam, Rotterdam, and Antwerp with jet fuel supplies in that region climbing toward capacity storage. While the jet fuel market is simply a component of the energy complex and might not have as dominating impact on all energy prices as crude oil, the approach of capacity crude oil storage earlier this year is capable of throwing gasoline toward $0.90. Certainly, the latest COT positioning report spec long was reduced with the break of nearly $0.17 but the failure to hold $1.00 should mean that both technical and fundamental stop loss selling is ahead.

The Commitments of Traders report for the week ending October 27th showed Gas (RBOB) Managed Money traders net sold 7,872 contracts and are now net long 39,469 contracts. Non-Commercial & Non-Reportable traders net sold 6,481 contracts and are now net long 51,492 contracts. As indicated already, the fear that jet fuel supplies in the key European hub are nearing capacity storage levels and news floating supply of diesel is having trouble finding a home, creates the potential for massive declines in ULSD prices. In fact, with the macroeconomic environment and internal supply factors both favoring the bear camp, we see at least a decline below $1.00 and perhaps to $0.96. The October 27th Commitments of Traders report showed Heating Oil Managed Money traders are net short 12,443 contracts after net selling 6,240 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,433 contracts to a net long 7,381 contracts.

Despite seeing below normal US temperatures push east and encompass more than half of the US, natural gas prices were unable to a hold rally overnight. Given this week's potential off-the-wall fundamental and technical uncertainty and given that the natural gas market has outperformed almost all other physical commodity markets on the upside in the face of a persistent demand-destruction environment, we see a lot of risk for the bull camp. Furthermore, the net spec and fund long into the high has likely added to a net spec and fund long that has been sitting at record or near record spec and fund long positioning for three weeks! This week we doubt the potential for massive Chinese consumption of LNG (due to their shift toward green energy) will be enough to offset a very negative macro-economic condition.

However, it will be interesting to see if the market discounts tropical storm (Eta) that is tracking north from the southern Caribbean. However, the storm is projected to go across a significant portion of the Central American isthmus/Yucatan Peninsula and that should mitigate its strength substantially. The October 27th Commitments of Traders report showed Natural Gas Managed Money traders are net long 123,348 contracts after net selling 30,768 contracts. Non-Commercial & Non-Reportable traders net sold 21,597 contracts and are now net long 76,420 contracts. In the end, it is extremely difficult for us to suggest any physical commodity market including natural gas will avoid demand destruction fear.

BEANS:

The technical action turned more positive with the outside-day higher close on Friday. However, increasing virus cases around the world and good weather for South America helped to negate Friday's positive action and leaves the market looking like we could see a more significant corrective break. Argentina's oilseed crushers and exporting firms are set to meet again in order to come to a deal which will avoid further strikes like last week's 24-hour shutdown. On top of the potential supply difficulties from Argentina, tightness of soybean supply in Brazil could lead to further importing of food staples including soybeans, the Brazilian president indicated in a video posted on social media. He did not mention volumes involved, but with internal soybean prices near four year highs and the harvest still a few months away, there is already talk of US soybean cargoes headed to Brazil.

With China and Brazil importing US soybeans and corn, the market would appear to be in position for a resumption of the uptrend. Good weather seen in South America may have helped spark some early selling pressure on Friday. Given the large net long position from fund traders, and the weaker technical action recently, a long liquidation threat is still a possibility. Exporters reported the sale of 121,500 tonnes of US soybeans for unknown destination. For the monthly soybean crush report, traders see September crush near 5.14 million tonnes, or 171.3 million bushels. US soybean oil stocks at the end the September were seen near 1.826 billion pounds as compared with 1.775 billion at the end of September last year.

Longer-term, the market is becoming more and more concerned with the La Nina weather pattern. Short-term, traders see some rain relief in Brazil after one of the driest spells in a decade. However, below-average rain and above-normal temperature are forecast in November in key Argentine regions. The Buenos Aires Grain Exchange is already lowering their soybean and corn output for Argentina. "Most models suggest La Nina will peak in December with around half the models anticipating a strong event," the Australian Bureau of Meteorology said last week. The October 27th Commitments of Traders report showed soybeans managed money traders net bought 825 contracts and are now net long 232,717 contracts. Soybeans CIT traders hit a new extreme long of 210,231 contracts after net buying 10,739 contracts in just one week.

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For soyoil, managed money traders were net long 94,426 contracts after increasing their already long position by 12,392 contracts for the week. Non-Commercial & Non-Reportable traders net bought 18,373 contracts and are now net long 135,451 contracts. For meal, managed money traders net bought 2,655 contracts and are now net long 84,279 contracts. Soymeal CIT traders hit a new extreme long of 107,129 contracts after increasing their already long position by 317 contracts for the week. Non-Commercial & Non-Reportable traders were net long 137,476 contracts after increasing their already long position by 7,357 contracts for the week.

CORN:

Breaks look like buying opportunities as the export market continues to heat up. Weekly export sales came in at 2.24 million tonnes which was well above estimates for 700,000-1.5 million tonnes. The surge up in the US dollar over the past few days is seen as a negative force and helped to limit the advance. The market also sees good weather in Brazil as a negative factor. South Korea bought near 131,000 tonnes of corn from the US in a private deal. More talk that US corn is the cheapest in the world has help provide underlying support. The aggressive expansion in livestock production around the world could cause a significant surge in feed grain usage.

Corn futures in China are trading near $9.80 per bushel, export prices for Brazilian corn are $6.04 per bushel and Argentine prices were $5.89. US export prices in New Orleans are at $4.96 per bushel and nearby futures in Chicago are at $3.94. Eventually, world pricing will have to meet somewhere in the middle, but if China demand for corn is as high as advertised, a corrective break in US futures could represent a long-term buying opportunity. In their most recent supply/demand update, the USDA pegged world corn ending stocks for 2020/21 at 300.45 million tonnes.

However, Ukraine corn production could eventually be revised lower by 7 million tonnes, and Brazil's late plantings could cause their production to come in 5 million tonnes below current estimates. China's usage may have been underestimated by as much as 8 million tonnes, and their corn crop could be down 8.5 million from the USDA forecast. US production could also be revised down by 3 million tonnes. This could eventually lower the world ending stocks estimate to 268.9 million tonnes. This is down from 340.6 million as recently as 2017/18.

This shows how quickly strong demand from China and a few hiccups on production could make tighten supply. In addition, Brazil seems to be out of corn and should be importing US corn soon. The October 27th Commitments of Traders report showed managed money traders added 57,410 contracts to their already long position and are now net long 276,235. CIT traders are net long 339,512 contracts after net buying 9,129 contracts. Non-

Commercial & Non-Reportable traders were net long 369,553 contracts after increasing their already long position by 74,026 contracts.

WHEAT:

There is no rain in the forecast for the next five days for the Plains, but the 6 to 10 and 8 to 14 day forecast models call for above normal precipitation. Winter wheat crops are rated 41% good/excellent as compared with 56% one year ago. December wheat closed moderately lower on the session Friday and the selling pushed the market down to the lowest level since October 14th. Drier and warmer weather moving into the Plains is seen as a factor which might help improve crop conditions ahead of dormancy. The rally in the US dollar is also seen as a negative force.

Wheat futures have touched their highest prices in nearly six years as dry weather threatens global supplies of the commodity, but some analysts urge caution with months to go before the harvest. Dry conditions in Russia plus questionable crop conditions for the US Plains has provided support for the wheat market. However, Australia will soon begin harvesting a bumper crop estimated near 29 million tonnes, up 90% from a year ago. Soft red winter wheat ending stocks are projected at 108 million bushels, the lowest in six years and this assumes normal weather. The October 20 peak was the highest for the most-active contract since December 2014 as rains hit the US Plains.

Rainfall since mid-July in Ukraine has been well short of normal and traders have also indicated that key Russian winter wheat areas have seen the lowest rainfall in 30 years. In Argentina, the wheat crop is also dry, and rated poor to very poor by the Buenos Aires Grain Exchange. Keep in mind, even if both the US and Russia see a 15% loss in production, world ending stocks would still come in at a record high.

Wheat positioning in the Commitments of Traders for the week ending October 27th showed managed money traders net sold 832 contracts and are now net long 48,896 contracts. CIT traders were net long 133,335 contracts after increasing their already long position by 5,373 contracts. For KC wheat, managed money traders were net long 41,410 contracts after increasing their already long position by 3,264 contracts for the week. Non-Commercial & Non-Reportable traders are net long 37,670 contracts after net buying 510.

HOGS:

Demand fears helped to limit the rally on Friday and December hogs closed down 152 points for the week. The large discount of futures to the cash market plus a bounce in pork cutout values over the last few days may have helped support the rally. The USDA pork cutout released after the close Friday came in at $83.04, down $3.75 from $86.79 on

Thursday and down from $91.53 the previous week. This was the lowest the cutout had been since September 16th. The CME lean index as of Oct 27 was 76.27, down from 77.47 the previous session and down from 78.69 a week before. This leaves December holding a stiff discount to the cash and may provide some support.

The USDA estimated hog slaughter came in at 485,000 head Friday and 251,000 head for Saturday. This brought the total for last week to 2.683 million head, up from 2.672 million the previous week and up from 2.678 million a year ago. Friday's Commitments of Traders showed managed money traders were net sellers of 1,476 contracts of lean hogs for the week ending October 27, reducing their net long to 40,582. Non-commercial, no CIT traders were net sellers of 1,801, reducing their net long to 21,921. Non-commercial & non-reportable traders were net sellers of 2,271, reducing their net long to 42,332. CIT traders were net buyers of 842 contracts, increasing their net long to 80,297.

CATTLE:

December cattle closed slightly higher on the session Friday and this left the market closing up 472 points for the week. It was a small range as traders attempt to absorb the surge higher in prices from Thursday. There is uncertainty as to the supply impact of the surge in new cases of the virus. Some traders believe that the market may need to absorb the threat that the surge in new virus cases will slow the slaughter pace and pinch supply. Increase virus cases are likely to lead to slower demand, as the industry is now better equipped to handle the spreading of the virus without major disruptions to production.

Average dressed steer weights are at the highest average weight since October 2015. The USDA estimated cattle slaughter came in at 114,000 head Friday and 64,000 head for Saturday. This brought the total for last week to 638,000 head, down from 643,000 the previous week and down 3.2% from last year but beef production for the week was only down 0.9%. The USDA boxed beef cutout was up $1.00 at mid-session Friday and closed 78 cents higher at $208.10. This was up from $207.49 the previous week.

On Friday 734 head of cash live cattle were reported sold in Kansas at 100-106 and an average price of 105.57, and in Nebraska 2,396 head traded at 101-106 and an average of 104.91. As of Friday afternoon, the 5-day, 5-area weighted average price was 104.31, versus an average of 105.14 the previous week. Friday's Commitments of Traders report showed managed money traders were net sellers of 20,130 contracts of live cattle, reducing their net long to 14,811. Non-commercial, no CIT traders were net sellers of 16,366, reducing their net long to 4,840. Non-commercial & non-reportable traders were net sellers of 12,957, reducing their net long to 31,447.

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COCOA:

The cocoa market saw its late October recovery derailed by the flare-up in European COVID-19 shutdowns. While global demand remains a concern, cocoa prices have fallen back to bargain levels which could provide a new opportunity to approach the long side of the market. December cocoa remained squarely on the defensive as it reached a new 3-month low before finishing Friday's trading session with a sizable loss. For the week, December cocoa finished with a hefty loss of 186 points (down 7.5%), a fifth negative weekly result over the past 6 weeks and a negative weekly reversal from Monday's 4-week high.

Reports of new COVD-19 shutdowns in several European nations remained a notable source of pressure on the cocoa market as that will weaken chocolate demand from that region. In addition, heavy losses in global equity markets and a pullback in the Eurocurrency were additional source of carryover pressure. While this year's Halloween holiday activities were significantly reduced in many regions, it is now in the market's rear-view mirror as next year's holiday should hopefully see a sizable improvement in demand.

Early voting results from Saturday's Presidential election in the Ivory Coast are showing current President Ouattara with a sizable lead. While it should be little surprise to the market that he will remain in office, his candidacy has been controversial as a third consecutive Presidential term is prohibited in their constitution. As a result, opposition parties called for a boycott of the election which likely insured an Ouattara victory. While outbreaks of violence over the weekend were less than was feared, this could change as the election results become more certain, and that could lead to more political tensions which in turn will increase the chances of supply bottlenecks in November.

The Commitments of Traders report for the week ending October 27th showed Cocoa Managed Money traders added 2,708 contracts to their already long position and are now net long 13,798. CIT traders reduced their net long position by 561 contracts to a net long 33,472 contracts. Non-Commercial No CIT traders net bought 4,732 contracts and are now net long 9,080 contracts. Non-Commercial & Non-Reportable traders are net long 30,948 contracts after net buying 4,878 contracts.

COFFEE:

With increasing COVID-19 cases, the lack of progress on fiscal stimulus, and next week's election, it is little surprise that sentiment for commodities has been on the wane. One commodity that has been on the defensive since the end of third quarter is coffee, and it may be one selloff away from putting in a long-term low that may be an opportunity to approach the long side of the market. December coffee continued its coiling action as it stayed in a relatively tight range before finishing Friday's session with a modest loss. For the week, December coffee finished with a loss of 1.00 cent (down 0.9%) and a fourth negative weekly result over the past 5 weeks.

Coffee has been pressured by a negative shift in global demand expectations as several European nations go back into shutdown mode. Furthermore, Brazil has just completed the harvest of a crop that has come close to record production. Warehouses there are nearly full. But even though restaurant and retail shop demand has fallen sharply, a lot of that has been replaced by home consumption during the pandemic. In fact, several coffee roasters have seen record supermarket and internet sales this year.

ICE exchange coffee stocks fell by 318 bags on Friday, but they finished October at 1.149 million bags which was an increase of over 49,000 from their September month-end total However, that was the first monthly uptick since January and only the second in the past 19 months as ICE exchange coffee stocks are close to their lowest levels this century. Vietnam saw severe storm damage from Typhoon Molave and has a very strong Typhoon Goni expected to reach landfall over their coast later this week. Both storms are expected to significantly delay this year's harvest, but there are also concerns that it will lead to landslides that will damage coffee trees.

Colombian coffee production has fallen below a 14 million-bag annualized pace, and there are labor availability issues in Central America. The Commitments of Traders report for the week ending October 27th showed Coffee Managed Money traders reduced their net long position by 7,918 contracts to a net long 11,820 contracts. CIT traders are net long 54,162 contracts after net buying 421 contracts. Non-Commercial No CIT traders reduced their net long position by 5,840 contracts to a net long 9,648 contracts. Non-Commercial & Non-Reportable traders were net long 33,713 contracts after decreasing their long position by 5,928 contracts.

COTTON:

The sharp selloff on Friday helps to confirm that expectations for major hurricane damage to the cotton crop may have been overblown. December cotton closed sharply lower on Friday for the fourth day in a row. There is no rain in the five day forecast, but the 6-10 day forecast still calls for above average precipitation in the Georgia, eastern Alabama and the Carolinas. Traders are concerned that increasing coronavirus infections in the US and around the world will affect cotton consumption. They are also tentative going into the US election this week, particularly if there is no clear winner on Tuesday, and the election is contested. The dollar was stronger and the stocks market weaker, which added to the pressure.

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Prior to last week's selloff, the market had rallied on concerns that the most recent Hurricane, Zeta, would cause more damage to the US crop and delay harvest. This afternoon's crop progress report may provide a clue. The crop has already endured several hurricanes or tropical storms this season, and this has led to a reduction in crop expectations. Friday's commitments of traders showed managed money traders were net buyers of 5,006 contracts of cotton for the week ending October 27, increasing their net long position to 70,201. Non-commercial, no CIT traders were net buyers of 2,709, increasing their net long to 65,163. Non-commercial & non-reportable traders were net buyers of 4,528, increasing their net long to 96,658. CIT traders were net buyers of 599 contracts, increasing their net long to 78,699.

SUGAR:

Sugar’s late comeback on Friday lifted prices back into their late October consolidation zone, but it will start November with a net spec long position near multi-year high while its key outside markets are near 5-month lows. Unless global risk sentiment can regain a positive tone, sugar may be vulnerable to additional long liquidation early this week. March sugar was able to bounce back from sizable early losses and a new 2 1/2 week low, but could not climb up into positive territory as they finished Friday’s trading session with a modest loss. For the week, March sugar finished with a loss of 41 ticks (down 2.7%) which broke a 6-week winning streak as well as a negative weekly reversal from Tuesday’s 8-month high.

Sluggish energy prices remain a significant source of carryover pressure on the sugar market as they are likely to weaken the Brazilian domestic ethanol demand outlook. As a result, Brazil’s Center-South mills should continue to emphasize sugar production over ethanol production which will keep pressure on sugar prices during the fourth quarter. Drier than normal conditions are likely to negatively impact this season’s late-harvested Center-South cane crop. While 2020/21 Center-South cane crushing was running 5% ahead of last season’s pace through mid-October, Center-South sugar production was nearly 46% ahead of last season’s pace (over 10.9 million tonnes) during that timeframe.

With one month in the season already complete, the Indian government has not resolved their 2020/21 sugar export subsidy situation. While India was expected to have more than 10 million tonnes of exportable surplus at the start of the 2020/21 season, uncertainty over subsidies is likely to limit India’s sugar exports during the fourth quarter. The October 27th Commitments of Traders report showed Sugar Managed Money traders net bought 8,494 contracts and are now net long 263,050 contracts. CIT traders were net long 273,116 contracts after increasing their already long position by 5,265 contracts. Non-Commercial No CIT traders net bought 10,774 contracts and are now net long 211,334 contracts. Non-

WEEKLY MARKET SUMMARY

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Commercial & Non-Reportable traders net bought 12,348 contracts and are now net long 367,291 contracts.

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