ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

30 November, 2020

For the Week of November 30, 2020

BONDS:

The Treasury markets were able to regain upside momentum as they finished last Friday's trading session with sizable gains. The November FOMC meeting minutes showed that several members were discussing lengthening the weighted average maturity of Fed Treasury purchases, the FOMC should "enhance" their guidance for asset purchases and that some members were expressing concern in regard to the pace of asset purchases, particularly with agency MBS securities, provided underlying support to Treasuries. The latest Japanese leading economic index, the German Gfk survey, French consumer confidence and Tokyo CPI came in below trade forecasts. While there were better than expected readings for French GDP and French CPI, the latest readings for Italian business confidence and Italian consumer confidence were lower than forecast.

With members of the Fed last week discussing lengthening maturities in their purchase plans, China injecting $30 billion for liquidity purposes overnight and a 3-week low in German Bund Yields, the environment for US treasuries should favor the bull camp to start the new week. Last week, the Fed purchased $135 million in US corporate debt in action that would seem to suggest the Fed thinks the US economy and the markets overall still need assistance. In fact, economists have also stepped up their views that the US recovery is beginning to dissipate due to the return to widespread restrictive activity rules in the wake of the largest infection surge of the entire US crisis.

In looking ahead to this week's important monthly payroll readings, this week's poll of economists peg nonfarm payrolls to have gained by only 520,000 which is the lowest addition of job since April! It should also be noted that US initial claims have increased for 2 weeks in a row which in turn could mean Friday's payrolls will be softer than expected. Certainly, December bonds are short term overbought with the pulse up/breakout move overnight but the lead month "March contract" did not breakout up yet and is not as overbought as the December contract. Going forward, we leave the bias with the bull camp with pending home sales likely to be a slight pressure on prices before the Dallas Fed manufacturing business index provides support to bond and note prices.

CURRENCIES:

The Dollar remained on the defensive over the holiday break as it reached a new 2020 low before finishing Friday's trading session with a moderate loss. Improving global risk sentiment led to safe-haven outflows from the Dollar, while reports that the Fed will lengthen their average maturity of Treasury purchased also became a source of pressure. Reports that the EU and UK remain far apart on several issues in their Brexit negotiations weighed on the Pound late this week. The Swiss Franc found fresh support from indications that a Swiss referendum vote this week could result in an inflow of funds back to Switzerland.

Clearly, the trend in the dollar was extended with a downside breakout, with the index reaching the lowest level since April 2018. While some will suggest that the liquidation in the dollar is the result of a draining of global anxiety over the pandemic end, it would appear as if the US economy is beginning to show signs of faltering and the US is certainly considered the global "hotspot" of the pandemic and therefore the reasons to sell the dollar are coming from all sides of the spectrum. In yet another potential fundamental negative it is possible that the Fed will be forced to provide support for the economy especially if the Fed sees this Friday's nonfarm payroll report as problematic.

Not surprisingly, the euro has forged a fresh higher high for the move and would appear to be poised to retest the 2020 high up at 1.20375. European economic news early this week was of little consequence, with the data mostly price-related measures which continue to offer little tangible economic direction. In the end, despite the ongoing infection problem in Europe, the charts favor the bull camp in the Euro with the potential for gains in the euro this week commensurate with big gains last week.

While the strength in the Yen at the start of this week was not overly impressive, a combination of selling in the dollar and just under the surface risk off sentiment leaves the bull camp with a dual edge. Even though Japanese retail trade and industrial production readings on a year-over-year basis were positive, that news was offset by a slightly weaker than expected month over month industrial production reading for October.

While the gains in the Swiss franc are not as impressive as the gains in the euro, it has extended last week's impressive rate of gain and looks to be poised to return to its 2020 highs. Adding into the upward track in the Swiss franc was better than expected Swiss retail sales for October and a stronger than expected Swiss KOF leading indicator reading for November.

With the clear downside breakout in the US dollar to start the week and much better-than-expected UK mortgage approvals, the path of least resistance is pointing up in the Pound. The Canadian dollar has also extended last week's rally impressively and appears poised to return to its 2020 high up at 77.36. Apparently, the Canadian trade is unconcerned about the extension of Canadian travel restrictions and reports of a massive Canadian deficit due to the pandemic.

STOCKS:

Global markets had a bumpy ride to finish out last week, but were able to regain a mildly positive tone by the close of last Friday's trading session. While reports that EU officials were travelling to London for talks was initially seen as positive, reports that the EU and UK were far apart on several issues weighed on sentiment. In addition, reports that an Iranian nuclear scientist was assassinated caused a modest increase in global risk anxiety. However, early reports on Black Friday sales were better than the market's dialed-down expectations which provided a boost to several market sectors. As a result, major US equity indices finished Friday in positive territory and were led to the upside by the Nasdaq.

Global equity markets at the start of this week were mixed with most markets lower, but the markets in London and Frankfurt managed minimal gains. From China, the market saw the PBOC inject $30 billion for liquidity and China also posted strong nonmanufacturing and manufacturing PMI for November. Unfortunately for the bull camp, there would appear to be some disappointment with Black Friday sales (beyond the big four web-based retail giants). While the S&P should derive some minimal lift from a buyout offer in the financial information sector, that lift is heavily countervailed by reports from the European Union prodding the incoming US administration to clarify its positioning on a digital tax.

Nonetheless, the market appears to be capable of continuing to claw higher, despite surging US infections/hospitalizations in a sign that hope for an end to the pandemic is expected in the foreseeable future due to the success of 2 vaccine trials. The bias is up but the market does not appear to be poised to get its normal fundamental lift from Black Friday sales results. On the other hand, the lack of black Friday brick-and-mortar sales is likely to produce significant cyber Monday sales reports today.

As indicated already brick-and-mortar sales from black Friday were disappointing and therefore the Dow and S&P are likely to lag-behind the NASDAQ on rallies this week. On the other hand, it is possible that the NASDAQ will forge enough gains to "drag" the Dow into positive territory at times today. With a higher high for the move early this week, the NASDAQ looks poised to return to record high pricing in the coming sessions. Unfortunately for the bull camp, the NASDAQ will be saddled with a lack of optimism toward non-tech/non-electronic business prospects.

GOLD, SILVER & PLATINUM:

Clearly the gold and silver trade continues to "look through" the unrelenting flare of infections in the US, as prices continue to fall sharply off lofty vaccine expectations. Furthermore, gold and silver prices have continued to fall sharply despite the assistance of a fresh downside breakout in the dollar. While a smattering of countries added to their Central Bank gold reserves in October, the net gains in holdings were in no way significant enough to offset the bearish tide of psychology in the market. Not surprisingly, gold and silver ETF holdings at the end of last week continued to decline with gold ETF's declining for a 5th straight day and silver ETF's posting their 9th straight day of declines. While we continue to be amazed in the amount of flight to quality long liquidation in the marketplace (as evidenced by the unrelenting selling during risk on sessions), the market appears to have more long liquidation ahead and perhaps some fresh outright selling in reserve.

In fact, Citigroup cut their gold ETF projection of net investment in ETF's by 75 tonnes from a previous forecast, but they also suggested that net inflows were still expected to reach 800 tonnes on the year. However, gold should see some support from news that China stepped up and injected $30 billion into its financial system early today in an apparent effort to ease liquidity tightness into the end of the year. The magnitude of the net spec and fund long position in gold will be released on Monday (delayed due to the holiday) and with gold prices down $112 since the last report, it is likely the net spec and fund long will be at some of the lowest levels since June 2019. In conclusion, the path of least resistance is pointing down with little in the way of support under the markets this morning.

While the January platinum contract did not make a fresh higher high for the move, it should be noted that investment into platinum ETF's has started to show a pattern of inflows. In fact, last week platinum saw ETF holdings increase by 113,089 ounces, with the year to date gain in holdings now 12%! However, the platinum market is fighting against a trend of liquidation in other precious metals markets and is sitting on month to date gains in excess of $100 per ounce into late November. In the last positioning report, the platinum market showed a net spec and fund long of 22,224 contracts and since that report the market has added $44 per ounce. While we think the trend will remain up in platinum, we suspect outside markets will exert some countertrend selling early this week. After a 2-day low to high $100 rally last week, the palladium market deserves some corrective action in sympathy with weakness in gold and silver. Unfortunately for the bull camp, palladium ETF's have not seen the same interest as Platinum ETF's which in turn is a negative leading indicator for palladium prices in the current environment.

COPPER:

The copper market continues to be the "odd man out" in metals and most commodity markets, with prices surging higher despite weakness in equities, signs of renewed US/Chinese tensions and escalating Chinese/Australian tensions. However, the copper market continues to anticipate strong demand from China and the maintenance of generally tight global supply. In fact, LME copper warehouse stocks continue to decline on a daily basis while Shanghai copper warehouse stocks have also consistently declined, thereby leaving total world copper exchange stocks at much lower levels than anyone expected through a global recession period.

The bull camp is undeterred by escalating Australian/Chinese trade tensions even though China moved to block Australian copper imports. However, the trade has seen signals from China that they intend to "stockpile" critical supplies to feed their growing economy and to meet government rules regarding inventories of strategic industrial commodities the trade expects more buying of copper by Chinese companies. The strong demand argument from China was given added credence with Chinese nonmanufacturing and manufacturing PMI readings coming in better than expected and stronger than in the prior month.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

30 November, 2020

ENERGY COMPLEX:

Despite stronger than expected Chinese PMI data, a significant downside breakout in the US dollar and expectations that OPEC plus is discussing extending oil production restraint, prices have forged a 3-day low in the early going on Monday. Perhaps the trade is partially undermined as a result of a risk off mood in global equities or from countervailing arguments that OPEC plus has some members in favor of gradually expanding production starting in January. In fact, Russia appears to be in opposition to Saudi Arabia on the length of the extension of production restraint and it is well known that Iraq and the UAE are looking to break ranks with the alliance. While the COT positioning report was delayed due to last week's US holiday, we suspect that report adjusted into the highs last week will result in the net spec and fund long in crude oil reaching the highest level since August. Underpinning prices to start the week is news that crude oil in floating storage declined by 5.4% last week and in turn reached the lowest level since April.

Furthermore, the most important component of that floating storage report showed Asia Pacific floating inventories down 14% and at the lowest level since May. In a suspect positive Saudi Arabia has raised its Arab light by $0.65 per barrel to Asian customers for January sales as some see that as a sign that Asian demand is strong enough to absorb an increase in prices while others think that will deter demand. In the end, with crude oil prices staging a low to high rally in November of $12.26, the market is clearly vulnerable to any sign of deterioration in non-Chinese economic conditions. On the other hand, many commodity markets like crude oil, RBOB and copper have shown the ability to discount non-Chinese demand fears and instead embrace prospects for surging Chinese demand. However, reports of possible US Black-List designations for some Chinese oil companies create Chinese demand concern for US oil.

Like the crude oil market, the gasoline market has also shown an extension of last week's late corrective weakness with some traders indicating euphoria from the vaccines was overpriced. In fact, disappointment from restrictions of US travel through an important driving holiday hangs over the gasoline market but miles driven might eventually prove to be better than dismal forecasts. The products in general might garner support from news that Indian fuel sales increased on a month over month basis, reports that China will boost jet fuel imports ahead of their lunar new year holiday and from signs that fuel oil in floating storage off Singapore dropped on a week over week basis.

In the end, the initial corrective track could be accentuated further in-the-event that this week's implied gasoline demand readings fail to bounce off the holiday week. While the increase in jet fuel consumption in the US from the recent holiday is helpful, a sustained jump in air travel is not likely until infection rates in the US began to plateau again and travel restrictions are removed. However, news that China will begin to import jet fuel ahead of its lunar new year holiday should provide some cushion to a market that is extremely overbought following a low to high rally in November 36.5 cents!

While January natural gas did forge a 3-day low early Monday, the market soundly rejected that slide and has returned to the vicinity of last week's highs. The market should see support from a fresh downside breakout in the dollar, especially after reports that US LNG exporters have already loaded a record 81 cargoes this month. In yet another longer-term demand positive, Bloomberg overnight carried an estimate that Chinese demand for LNG moved by truck from import facilities will increase by 15% next year versus 2020. It should also be noted that US export capacity continues to expand at-the-same time that Chinese LNG import terminals have expanded their capacity by 4.6% on a year-over-year basis. While the trade is suggesting the US temperature forecast has shifted positive, we do not see that in our weather maps with above normal and normal temperatures seen over 80% of the US.

BEANS:

January soybeans traded lower on the session last Friday, but held minor support and the market rallied to close higher on the day. Dryness concerns for parts of southern Brazil and Argentina helped to support. Weakness in the dollar added to the positive tone. The weekly export sales report showed that for the week ending November 19, net soybean sales came in at just 768,071 tonnes from trade expectations for 700,000 to 1.4 million tonnes. Shipments remained very strong at 2,412,200 million tonnes. Cumulative soybean sales have reached 86.7% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 58.9%. Sales need to average 195,000 tonnes per week to reach the USDA forecast.

Net meal sales came in at 138,144 tonnes vs. 100,000-300,000 tonnes expected. Cumulative meal sales have reached 39.4% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 43.6%. Sales need to average 169,000 tonnes per week to reach the USDA forecast. Net oil sales came in at 26,302 tonnes for the current marketing year and 558 for the next marketing year for a total of 26,860. Cumulative oil sales have reached 32.8% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 32.8%. The market is on guard about December deliveries and there were no deliveries overnight.

CORN:

The upside breakout early this week is bullish and leaves 444 as next upside target. March corn closed sharply higher on the session last Friday with a new high close for the life of contract. Dryness concerns in South America persist, and export news remains strong. On top of the weekly export sales report, exporters reported the sale of 302,160 tonnes of US corn for delivery to Mexico. South Korea bought 60,000 tonnes. The weekly export sales report showed that for the week ending November 19, net corn sales came in at 1,665,614 tonnes which was above expectations. Cumulative sales have reached 62.5% of the USDA forecast for the

2020/2021 marketing year versus a 5 year average of 40.1%. Sales need to average 544,000 tonnes per week to reach the USDA forecast.

Given the current pace and the fact that China has been an aggressive buyer, the USDA could easily adjust exports higher by near 150-200 million bushels. China was a significant buyer of sorghum last week with total sales at 335,800 tonnes. Consultancy firm Safras & Mercado sees the first corn crop this year at just 19.052 million tons, 18% down from last year and down from the October forecast of 22.85 million tonnes. Plantings for the second crop, however, should be up 6% or so. Traders see the 10 day South America forecast showing rains for northern Argentina which will boost conditions, but traders also see 35% of corn in Argentina and southern Brazil with abnormal heat and ongoing soil moisture loss.

WHEAT:

The wheat market closed higher with a quiet, inside trading day last Friday. The weekly export sales report showed that for the week ending November 19, net wheat sales came in at 795,698 tonnes. Sales were led by 333,000 tonnes to China which was the largest since March. Cumulative sales have reached 68.0% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 63.9%. Sales need to average 209,000 tonnes per week to reach the USDA forecast. Deteriorating crop conditions in the US and southern Russia have helped to provide underlying support. South Korea bought 47,630 tonnes of milling wheat from Australia. Egypt strategic reserves of wheat are sufficient for more than five months according to a government statement.

HOGS:

Traders view the short-term supply as adequate and the sluggish export sales news was enough to spark selling pressures last Friday. However, short-term demand tone remains firm and China prices jumped. Pork net sales for the week ending November 19th were 25,486 tonnes, 18,844 for 2020 and 6,642 for 2021. The 2020 sales were the smallest weekly net sales since August 6th for this marketing year. The 2020 cumulative sales were 1.98 million tonnes versus 1.67 million last year and a five-year average of 1.19 million. Top purchasers for the week were: Mexico at 9,359, Japan at 3,913 and China at 2,470. Shipments for the week totaled 40,935 tonnes which is the highest since May 14th. Total shipments for 2020 are 1.71 million tonnes with 269,374 tonnes outstanding. Shipments to China for the week were 14,415 tonnes which was the largest for the week. China's outstand sales were 87,413 tonnes. China has the most commitments at 724,082 tonnes, followed by Mexico at 538,770.

February hogs experienced an outside day and a lower close last Friday. The USDA pork cutout, released after the close Friday, came in at $79.03, up $1.73 from $77.30 on Wednesday and up from $77.94 the previous week. This was the highest the cutout had been since November 16. China's national average spot pig price as of November 30 was up 5.2% from the previous day.

For the month, prices are up 8.88% and down 6.84% year to date and down just 1.14% versus a year ago. The CME lean index as of November 24 was 67.38, down from 67.70 the previous session and from 69.32 a week before. The USDA estimated hog slaughter came in at 480,000 head Friday and 380,000 head for Saturday. This brought the total for last week to 2.350 million head, down from 2.711 million the previous week but up from 2.322 million a year ago.

CATTLE:

With the turn down in beef prices, a continued surge to near record highs for steer weights and continued slow restaurant demand, the market looks vulnerable to at least a short-term downside correction. February cattle experienced choppy trade early Friday but pushed moderately lower on the day into the close. Outside market forces continued to carry a positive tilt, but there is some short-term demand concerns given the active virus cases. The USDA boxed beef cutout was down $1.21 at mid-session Friday and closed $2.21 lower at $242.85. This was up from $237.70 the previous week. This was the first time the cutout had declined since November 13 and only the second time since October 28.

Average dressed steer weights for the week ending November 14 came in at 930 pounds, up from 924 the previous week and 912 a year ago. The 5-year average weekly weight for that week is 911.4. On Friday cash live cattle traded steady to firmer than Wednesday, which were also up about $1 from the previous week. In Kansas, 1,132 head traded at 110-111 and an average price of 110.95 versus 109.90 the previous week. In Nebraska, 1,174 head traded at 111 versus an average price of 109.87 the previous week. In Texas/Oklahoma 842 head traded at 111 versus an average price of 110.01 the previous week.

US beef export sales for the week ending November 19 showed net cancellations of 15,543 for 2020 and cancellations of 1,511 for 2021 for a total 17,054 canceled. This was the poorest weekly showing since October 2019. Even so, total commitments for 2020 at 903,235 tonnes are up from 868,396 last year and a five-year average of 766,499. A total of 16 countries showed net cancellations this week (2020 & 2021 combined), but the main one was South Korea at -14,031. They were followed by Mexico at -3,362, Hong Kong at -2,044, Canada at -945, and Taiwan at -716. Japan was the biggest buyer at 2,746, followed by China at 2,054. The USDA estimated cattle slaughter came in at 115,000 head Friday and 88,000 head for Saturday. This brought the total for last week to 564,000 head, down from 665,000 the previous week but up from 555,000 a year ago.

COCOA:

Cocoa's volatile post-holiday trading was able to avoid an end-of-week pullback and a potential negative weekly key reversal. The market has a 461 point monthly gain going into the final trading session of November, however, so cocoa remains vulnerable to additional long liquidation early this week. March cocoa had a wild finish to the week as it started with a gap-higher opening, dropped down into negative territory and then rallied late in the day to finish Friday's trading session with a sizable gain. For the week, March cocoa finished with a gain of 54 points (up 2.0%) and a fourth positive weekly result in a row.

Improving global risk sentiment, stronger global equity markets and positive early Black Friday sales reports provided early strength to cocoa prices as they help to soothe fourth quarter demand concerns. November's huge monthly gains gave many longs pause for thought heading into the weekend as it encouraged significant long liquidation and profit-taking at midsession. The market pivoted back to the upside later in the day due to reports that over 100,000 tonnes of cocoa were prevented from being exported at Nigeria's main port of Lagos.

While this situation is likely to be resolved over the near future, this caused fresh anxiety to the market as it is the latest supply bottleneck to occur with a major West African producer late this season. Ivory Coast port arrivals should remain ahead of last season's pace with their latest weekly reading, but Ghana and Nigeria are also likely to remain behind last season's comparable output totals through the end of this year. Ecuador appears headed for record high cocoa exports for a second season in a row and may benefit from grinders looking to avoid paying the Living Income Differential for Ivory Coast and Ghana cocoa, but they may be the only major cocoa producer to have a significant 2020/21 output increase.

COFFEE:

Brazil's near-record 2020/21 crop has been a source of pressure on coffee prices, but the market appears to be shifting focus towards an upcoming production outlook that is significantly more bullish. If global demand prospects continue to mend, coffee is in a good position to extend this recovery move through year-end. After 3 sessions of consolidation, March coffee saw an abrupt change in fortune as it built onto a gap-higher opening and reached a 10-week high before finishing Friday's trading session with a sizable gain. For the week, March coffee finished with a gain of 6.15 cents (up 5.2%) and a fourth positive weekly result in a row.

While there were already widespread expectations that Brazil's upcoming "off-year" crop will decline from this season's total, the Volcafe trade house forecast Brazil's 2021/22 production will drop 33% from 2020/21 levels. Brazil has had extensive periods of dry conditions already this year, so the prospect that a La Nina weather event will continue through the first quarter of 2021 could result in crop damage and is very likely to result in a sizable cut in yields. Vietnam's 2020/21 harvest was only 10% completed last week with heavy rainfall over the weekly expected to cause even more delays, and they are not expected to reach full speed until mid-December.

That is over a month behind normal, and comes as Center American output has been delay by this month's severe storms. In addition, improving global risk sentiment and reports that French COVID-19 restrictions are starting to ease were a source of additional support as they are expected to improve coffee's European near-term demand outlook. ICE exchange coffee stocks fell by 1,408 bags on Friday for a second decline in a row. While they should still finish November with a second monthly increase in a row and their second largest monthly increase in over 2 years, back to back decline could indicate that European near-term demand is on the mend.

COTTON:

March cotton closed higher last Friday but safely inside the week's range. It did manage to close higher for the second week in a row, however, and it was the highest weekly closed for the nearby contract since April 2019. The trade reacted positively to the weekly export sales report which showed US cotton export sales for the week ending November 19 coming in at 354,689 bales for the 2020/21 (current) marketing year and 38,480 for 2021/22 for a total of 393,169. This was the highest weekly number since September 10 and the second highest since the marketing year began on August 1. Cumulative sales for 2020/21 have reached 9.588 million bales versus 10.121 million last year and 9.517 at this point in 2018. Cumulative sales have reached 71% of the USDA's forecast for the marketing year versus a five-year average of 60%.

The largest buyer last week was Vietnam at 169,458 bales (2020/21 & 2021/22 combined), followed by Bangladesh at 89,399 and China at 65,048. China still has the most commitments for 2020/21 at 3.421 million bales, followed by Vietnam at 1.678 million. Traders may be wondering if today's Crop Progress report will show and effect on the harvest from last week's heavy rainfall in the Delta and parts of the southeast. As of last week's report, the harvest was running right at the 10-year average pace. Today's scheduled Crop Progress Report is the last until April. ICE warehouse stocks fell to 115,929 bales on November 25, a decline of 5,180. This is the lowest they have been since November 17.

SUGAR:

Sugar was able to find its footing after the holiday break, but an inability to sustain an early recovery move on Friday has left the market well below its mid-November highs. With sugar still on-track for a seventh monthly gain in a row, the market remains vulnerable to additional long liquidation early this week. March sugar found significant support early in the day, and then proceeded to give back most of those gains as it finished Friday's trading session with a modest gain that nonetheless broke a 5-session losing streak. For the week, however, March sugar finished with a loss of 39 ticks (down 2.6%) which broke a 3-week winning streak and was only the second negative weekly result since early September.

Drier than normal conditions over Brazil's Center-South cane-growing region with a La Nina weather event already underway provided sugar with early support as it points toward lower yields for this season's late-harvested cane as well as lower sugar production next season. Keep in mind that the latest UNICA supply report showed this season's Center-South sugar production is running more than 11.5 million tonnes ahead of last season's pace while Center-South mills continue to devote over 41% of their crushing towards sugar production. Sluggish energy prices and a pullback in the Brazilian currency were late sources of carryover pressure on sugar prices as they will further encourage Center-South mills to keep sugar's share of crushing well above last season's levels.

The USDA's biannual supply/demand update cut their global production and global consumption forecasts and reduced their 2020/21 estimates for Thailand's production and exports. However, the USDA is now projecting Brazil to have 2020/21 production at 42.06 million tonnes and 2020/21 exports at 32.02 million tonnes, both of which will be record high totals. The USDA also raised India's 2020/21 exports from 5.0 million to 6.0 million tonnes which would be a new record high, which shows some optimism that they will sort out this season's export subsidy.