ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

11 January, 2021

For the Week of January 11, 2021

BONDS:
Like the equity markets, the Treasury markets continue to look beyond significant near-term, medical, political, and economic threats as prices fell nearly 1 point in bonds in the face of a contraction in US Non-Farm payrolls. However, it is likely that new highs in equities combined with a jump in earnings in the jobs report keeps hope of inflation and climbing rates in the equation. Technically, Treasury prices forged a fresh lower low early this week which suggests the market has a prevailing downward bias into the new trading week. Typically, a surprise nonfarm payroll result fosters 2 days of market reaction but last week's disappointing nonfarm payroll report had almost no supportive influence on prices leading many to conclude that some form of long term "adjustment" in pricing/yields is underway.

Clearly, traders think the nonfarm payroll results increase the odds of aggressive fiscal spending next year, but a member of the Fed has suggested the "flood" of stimulus is likely to abate. On the other hand, the Fed's Clarida expects the US economy is headed for an "impressive" year ahead and the yield curve has shown signs of steepening. Going forward, the trade will be presented with a series of US treasury auctions this week but given the highest yield since the first quarter, it is possible demand for these instruments will improve.

While the net spec and fund long in bonds was moderated into the end of December, the high to low washout in bonds, in the month of January so far has been 4 1/2 points which should rebuild the net spec and fund short near record levels! The Commitments of Traders report for the week ending January 5th showed Bonds Non-Commercial & Non-Reportable traders are net short 186,930 contracts after net selling 23,964 contracts. T-Notes positioning showed Non-Commercial & Non-Reportable traders net sold 853 contracts and are now net long 51,428 contracts.

CURRENCIES:
In our opinion the Dollar, Euro, Swiss, and Yen all posted temporary countertrend corrective action at the end of last week. However, the dollar probably saw some fresh flight to quality buying in the wake of a US nonfarm payroll contraction which is the first monthly loss of jobs since April. The Dollar continues to show short covering and perhaps is beginning to see flight to quality buying off an extension of record daily US infections, a delay in US stimulus, a clear trend of softening US data and what from appears to be a full-blown Congressional attempt to remove a President before his term ends next week. Therefore, we expect additional hard fought and measured gains in the Dollar. In fact, with a net spec and fund short in the Dollar last week, the bull camp should benefit from ongoing technical short covering. The January 5th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders reduced their net short position by 109 contracts to a net short 14,727 contracts.

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The Euro extended on the downside to start the trading week which will likely foster further stop loss selling of a rather inflated net spec and fund long. Furthermore, the Euro should see its standing as a recovery currency contribute to the selling, as US political wars, soft US scheduled data and the lack of a quick US stimulus package means the main engine of the world economy is back in a precarious position. With the Euro the primary recovery currency over the last several months it could be especially vulnerable to ideas that the world recovery might end. Euro positioning in the Commitments of Traders for the week ending January 5th showed Non-Commercial & Non-Reportable traders net sold 733 contracts and are now net long 204,409 contracts.

Despite economic slowing evidence in the US, hot Chinese inflation data and extremely high political uncertainty in the US, the Yen continues to slide on its charts. In other words, the Yen does not appear to be sensitive to a return of flight to quality buying conditions, but we expect the currency to respect support. The Swiss is undermined because of the downshift in global economic conditions in the wake of developments last week in the US. In fact, given the extreme overbought condition of the Swiss and its long-held dominating leadership as a recovery currency, we would not underestimate the magnitude of corrective action ahead.

As indicated several times, the world economic recovery is back in question because of unending infections which in turn continue to push restrictive activity rules into the future. In fact, UK health officials are predicting the worst weeks of the pandemic directly ahead. Therefore, the Pound looks to see recovery currency premium extracted. Even the Canadian is feeling the pressure of the ongoing recovery in the Dollar, with disappointing Canadian jobs data from last week sparking talk of the need for more aggressive support for the Canadian economy.

STOCKS:

The equity market discounted record daily US infections, patently disappointing monthly payroll data and a very concerning letter from the speaker of the house to the members of the house suggesting nuclear weapons should be guarded against the use by an unstable president and posted new highs. Clearly a number of financial markets continue to maintain the capacity to look through the crisis to better times ahead, and that is likely the result of stimulus expectations and hope of an acceleration of vaccinations.

Global equities were mostly lower at the start of this week with the exceptions the markets in Tokyo, Moscow, and Hong Kong which posted gains around 1%. Chinese Consumer Prices for December on a month over month basis jumped by 0.7% compared to expectations of a gain of 0.4%. With the prospect of work on US stimulus derailed by a Congressional focus on removing the President, the US economy assumes a backburner status. In fact, the lack of forward progress toward $2,000 checks leaves small business failures in a front and center position at the same time that political uncertainty extends further beyond the election. While the S&P is showing some retrenchment early today, the Index did forge a new high helping the bull camp discount disappointing payrolls, a lack of focus in Washington on stimulus and another record US infection count over the weekend.

However, the trend is up, and investors do not appear to be poised to exit equities to snap up a slight uptick in US interest rates. However, while the market might be short term overbought from the charts, the latest positioning report confirms the S&P Index retains significant buying capacity with the net spec and fund positioning only recently shifting from net short to net long. The Commitments of Traders report for the week ending January 5th showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 8,343 contracts which moved them from a net long to a net short position of 514 contracts. Critical support is seen at 3775 and resistance/targeting is seen at 3829.

The Dow futures showed more corrective action from the Friday high than other segments of the market and that is likely the result of ongoing record US infection rates fears, of slack US bank earnings ahead and what appears to be another impeachment effort. Obviously, the latest delay in working toward direct payments from another stimulus package hurts all companies and consumers, but big companies are exposed to the realization that lockdowns will be extended with opening up stocks undermined again. Fortunately for the bull camp the latest positioning report had the Dow anything but overbought in spec positioning. Dow Jones $5 positioning in the Commitments of Traders for the week ending January 5th showed Non-Commercial & Non-Reportable traders are net short 6,332 contracts after net buying 453 contracts.

With a new record daily US infection count over the weekend, signs of backlash against Twitter shares (because of the Trump account suspension) and renewed fears of regulation against Big-Tech has investors concerned. Nasdaq Mini positioning in the Commitments of Traders for the week ending January 5th showed Non-Commercial & Non-Reportable traders were net long 28,954 contracts after increasing their already long position by 5,337 contracts.

GOLD, SILVER & PLATINUM:

While February gold managed to reject a lower low dip early this week, the charts were damaged again, and the bias remains down despite the higher early trade. Obviously, hot Chinese inflation provides some long interest as inflation in China could result in China becoming an inflationary spark for the rest of the world. However, a portion of the trade think the Chinese inflation was a one-off event caused by extreme cold but in our opinion, inflation is a rise prices regardless of the origin. It is difficult to ascertain the current focus of the gold and silver trade as last week's hard break appeared to be the result of views that political uncertainty in the US might moderate.

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On the other hand, seeing a mob attack the Capitol and seeing the Speaker of the House make it known she was fearful of the President using nuclear weapons did not lift prices, and that is a function of markets discounting Washington. However, the focus on removing the President will clearly derail the $2,000 checks promised by the Senate leader from New York. While not a significant force going forward, the Dollar has shown signs of strengthening and that adds a bearish fundamental factor to the bear's technical edge to start the trading week. Other bearish influences facing gold and silver to start the new trading week are rising interest rates and signs that the US economy is indeed losing forward motion. In other words, it is difficult to talk inflation when slowing and deflation evidence are swirling in the marketplace.

With the February gold contract falling $115 from the last COT report measurement, it is likely that the net spec and fund long is near some of the lowest levels since May of 2019. Gold positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders were net long 152,129 contracts after increasing their already long position by 15,268 contracts. Non-Commercial & Non-Reportable traders are net long 323,309 contracts after net buying 19,093 contracts. Next consolidation low support and a likely target is seen down at $1,820. Like gold, the silver market has severely damaged its charts again this morning and that will likely keep some would-be fundamental bargain hunting futures buyers on the sidelines.

Fortunately for the bull camp, silver ETF's last week added 5.07 million ounces to their holdings and that could signal investors are willing to accumulate silver on weakness. Certainly, the slide of $3.00 from the last positioning report mark-off has reduced the net spec and fund long in silver but the market was near the largest net long since the beginning of March and therefore selling fuel is likely in abundance. Silver positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders net bought 180 contracts and are now net long 47,633 contracts. Non-Commercial & Non-Reportable traders net bought 1,415 contracts and are now net long 79,636 contracts.

As in many physical commodity markets last week, the PGM markets also saw a big picture macroeconomic washout at the end of last week and the spillover from that action is likely to give the bear camp an edge to start the new trading week. In fact, given slack US jobs data, Washington distracted from stimulus work and a higher Dollar, more downside is expected. Near term downside targeting in March Platinum is seen at $1,055 but more reliable support is seen down at $1,037 especially in the event gold and silver restart the bearish tide with outsized declines. With the platinum market exploding for an eight-day low to high rally of $212 and given a net spec and fund long near the highest level since March 2020 early last week, there could be plenty of stop loss selling capacity poised to enter the trade early this week. However, it should be noted that Platinum ETF's last week added 24,224 ounces to their holdings and a trend of inflows could begin to have a noted impact on prices in the weeks ahead.

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The January 5th Commitments of Traders report showed Platinum Managed Money traders added 2,466 contracts to their already long position and are now net long 20,583. Non-Commercial & Non-Reportable traders are net long 34,985 contracts after net buying 1,826 contracts. With a relatively small net spec and fund long in platinum, a decline to $1,000 could almost completely liquidate the net spec and fund long. The January 5th Commitments of Traders report showed Palladium Managed Money traders were net long 4,091 contracts after increasing their already long position by 800 contracts. Non-Commercial & Non-Reportable traders were net long 4,313 contracts after increasing their already long position by 863 contracts.

COPPER:

While March copper reversed from a new high last Friday and has extended the chart damage early this week, the uptrend looks to remain intact. However, the market is significantly overbought, the Dollar is stronger and LME copper stocks posted an unusual daily build of 2,525 tonnes Monday morning. We would also note weakness in Chinese Steel rebar prices (Industrial material prices in China have been a leading indicator for copper) but that outside market pressure might be largely offset by hot Chinese inflation readings. However, the market was also presented with news that Peruvian copper output in November declined 2.4% because of Covid-19 precautions.

Going forward, the bull camp should be confident as global exchange stocks continue to tighten toward 10-year lows and there continues to be concern that the new strain of the virus might threaten some mining activities ahead. While the most recent positioning report did not register a new high spec and fund long, if one adjusts the positioning for the rally of $0.09 cents following the report, the market is certainly right on record long levels to start the new trading week. The January 5th Commitments of Traders report showed Copper Managed Money traders net sold 1,238 contracts and are now net long 80,768 contracts. Non-Commercial & Non-Reportable traders are net long 80,218 contracts after net selling 2,186 contracts.

ENERGY COMPLEX:

While the crude oil market has managed to discount further delays in recovery of US and European energy demand, we wonder if that capacity is about to run out. In fact, we see softer US data, further delays in US stimulus checks, a rising Dollar and signs that China might be poised stem rising industrial material prices as a bearish cloud hanging over an overbought market. We also think crude oil is running ahead of its internal fundamentals, off the idea that supply will be restricted from OPEC+ over the mid-term as that reduction might only last a couple months. Furthermore, statistics pegged global floating storage of crude oil continued to run 51% above year ago levels last week with some traders indicated that is a sign of softening global demand. It should also be noted that adjusted for the rally after the last COT report was measured, February crude oil into the high Friday had rallied $2.75 from the report and that could put the net spec and fund long up to some of the highest levels since April of 2019!

Crude Oil positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders reduced their net long position by 2,129 contracts to a net long 331,655 contracts. Non-Commercial & Non-Reportable traders are net long 589,251 contracts after net buying 7,502 contracts. While not a direct near-term negative for crude prices, the most recent Baker Hughes weekly rig count jumped by 8 to stand at 275 rigs operating. The week's rig count is the highest since May 8th. Even more surprising is the 35-rig count jump in Canada which pushes that activity up to the highest level since March 13th. Unfortunately for the bull camp, the Dollar is showing signs of trending higher, the US stimulus effort has been replaced with a "Get Donald" campaign and recent US data has softened which makes it even more important for the bull camp to see positive Chinese data and positive Chinese oil bookings.

The rally in the gasoline market last week was very aggressive and would seem to telegraph the markets ongoing "hope" that demand will recover sooner than economists, politicians and medical experts expect. From a technical perspective, the RBOB market is significantly short term overbought with the January low to high rally so-far, a blistering $0.19. In fact, since the last positioning report February RBOB has gained almost 10-cents and that probably puts the net spec and fund long at the highest level since April of 2020. Gas (RBOB) positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders added 1,957 contracts to their already long position and are now net long 72,906. Non-Commercial & Non-Reportable traders are net long 93,937 contracts after net buying 3,945 contracts.

It should also be noted that the US refinery operating rate is climbing toward the highest levels since August and that might be expected to increase US product supply. Fortunately for the bull camp last week, gasoline stocks saw a year of year deficit of 10.5 million barrels. Even the ULSD market is joining in on the very impressive wave of gains in the energy complex and has managed the gains despite no sign of improvement in air travel but also in the face of a noted weekly jump in distillate stocks and a 19-million-barrel year over year surplus. The bias is up but the approach of $1.60 could be psychological resistance. The January 5th Commitments of Traders report showed Heating Oil Managed Money traders reduced their net long position by 5,885 contracts to a net long 4,387 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,278 contracts to a net long 31,749 contracts.

With a slightly warmer US temperature forecast and a report that despite a decline in global gas production of 3.6%, consumption failed to prevent a net build in supply. In fact, the forecast from Oslo indicated that global gas demand fell by 2.5% and therefore the bull camp is facing ideas that without a quick recovery outside of China or without extreme and entrenched cold weather in the US and Europe, prices are likely to be limited under the $2.75 level. However, given signs of strong ongoing Chinese purchases extending into the future, we see last week's consolidation low at $2.61 as a credible support level early this week. In fact, Chinese winter buying is likely to expand rather than contract with very cold weather expanding and Beijing recording the coldest temperature since the 1960's last week! With reports of many grids in China hitting peak power loads last week, it was not surprising to see the Chinese national electric grid load posting a new record.

However, macroeconomic slowing evidence from the US, hot infection counts in many geographical areas and US supplies more than adequate (stocks running 6.4% above their five-year average) the bull case is weakened. Weekly gas rig operating counts were negative with the US rig-count up 1 to the highest since April 2020 and Canadian gas rigs operating up a shocking 23 to reach the highest levels since March 6th. The Commitments of Traders report for the week ending January 5th showed Natural Gas Managed Money traders net bought 13,238 contracts and are now net long 44,892 contracts. Non-Commercial & Non-Reportable traders were net long 17,126 contracts after decreasing their long position by 10,172 contracts. We remain bullish toward natural gas longer term but suggest would-be buyers hold out for a return to consolidation support. Long term, it is possible that cumulative Chinese winter buying will shift the global supply and demand equation in favor the bull camp and prices could eventually tack above $4.00 later this year.

BEANS:
There is some rain in the forecast for this week, but Argentina looks completely dry for January 16th until January 23 and this will likely be seen as a very bullish factor. March soybeans posted a new contract high this morning. On top of the potential production losses in Argentina, China has resumed the purchase of US soybeans with a Friday purchase of 204,000 tonnes of US soybeans. March soybeans closed sharply higher on the session Friday and pushed to new 6 1/2 year highs. Talk of China buying US cargoes plus a drier forecast for Argentina helped to support. For the week, March soybeans closed 63 3/4 cents higher. Meal closed moderately higher but did not reach a new contract high and soybean oil closed slightly lower on the day with an inside trading session. The Commitments of Traders report for the week ending January 5th showed Soybeans Managed Money traders are net long 175,827 contracts after net selling 20,660 contracts for the week. Non-Commercial & Non-Reportable traders were net long 234,115 contracts after decreasing their long position by 9,267 contracts. For Soyoil, Managed Money traders are net long 112,917 contracts after net selling 72 contracts. Non-Commercial & Non-Reportable traders were net long 156,907 contracts after increasing their already long position by 2,753 contracts.

For meal, Managed Money traders are net long 84,594 contracts after net selling 4,893 contracts for the week. Non-Commercial & Non-Reportable traders net sold 6,131 contracts and are now net long 132,450 contracts. For the USDA supply/demand report tomorrow, traders are looking for US 2020/21 soybean ending stocks to come in around 139 million bushels (expected range is 105-166 million). This would be down from 175 million in the December report and would be the lowest reading since 2013/14, when stocks fell to 92 million. The stocks/usage ratio would come in at 3%, which would approach the record low of 2.6% from 2013/14. World ending stocks are expected to come in around 82.66 million tonnes (75-85 million range), down from 85.64 million in December. The crop production report is expected to show US 2020/21 soybean production at 4.158 billion bushels (4.084-4.260 billion range), down from 4.17 billion in the previous update from November. For the quarterly grain stocks report, traders are looking for December 1, 2020 soybean stocks to come in around 2.92 billion bushels (2.775-3.215 billion range), down from 3.252 billion the previous year.

CORN:

The forecast plus a continued surge in China corn prices are bullish short-term forces. There is some rain in the forecast for this week, but Argentina looks completely dry for January 16th until January 23rd and this will likely be seen as a very bullish factor. March corn closed higher on the session Friday but was unable to take out Wednesday's high. The market remains extremely overbought technically, but a drier forecast for Argentina helped to support more buying. Open interest continues to surge higher as fund traders remain active. For the week, March corn closed 12 1/4 cents higher. The Commitments of Traders report for the week ending January 5th showed managed money traders were net long 349,888 contracts after increasing their already long position by 17,843 contracts for the week. CIT traders net bought 6,982 contracts and are now net long 409,078 contracts.

Corn Non-Commercial & Non-Reportable traders hit a new extreme long of 513,160 contracts, up 38,519 contracts in just one week. For the supply/demand report, traders are looking for US 2020/21 corn ending stocks to come in around 1.599 billion bushels (1.400-1.782 billion range), down from 1.702 billion estimated in December. World corn ending stocks are expected to come in around 283.5 million tonnes (269.00-287.96 million range), down from 288.96 million in December. If the South American production estimate falls by 7 million tonnes and US ending stocks drop 7 million as well, world ending stocks could fall to 274 million tonnes. If Argentina's drought continues, world stocks will drop further. US corn production is expected to come in around 14.470 billion bushels (14.319-14.997 billion range), down from 14.507 billion estimated in November. December 1 corn stocks are expected to come in near 11.951 billion bushels (11.590-12.305 billion range) versus 11.327 billion for December 1, 2019.

WHEAT:

March wheat closed lower on the session Friday and pushed down to the lowest level since the previous Friday. The lower close for the week after making a six year high is considered a key weekly reversal and a bearish technical development. March Kansas City wheat also closed lower on the day and also experienced a key weekly reversal. The market may find support from the other grain markets to start the week but the USDA report may be a reminder that beginning world stocks for the 2021/22 season are at a record high. Wheat positioning in the

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For the winter wheat seedings report, traders are looking for the total US 2021/22 winter wheat number to come in near 31.528 million acres (30.395-32.5 million range) up from 30.415 million last year. Hard red winter wheat seedings are expected to be around 22.14 million acres, up from 21.362 million last year. Soft red winter acreage is expected to be near 5.884 million acres (5.441-6.260 million range) up from 5.564 million last year. For the supply/demand report, US all wheat ending stocks for 2020/21 are expected to come in near 859 million bushels (837-900 million range), down from 862 million in the December report. This would put US ending stocks at their lowest level since 2014/15. World wheat ending stocks for 2020/21 are expected to come in near 315.37 million tonnes (310.00-318.36 million range), down from 316.5 million in the December report. This would still leave world ending stocks and the stocks/usage ratio at record levels. For the quarterly grain stocks report, traders are looking for December 1 wheat stocks to come in around 1.695 billion bushels (1.585-1.827 billion range), down from 1.841 billion on December 1, 2019.

HOGS:

February hogs closed lower for the 4th session in a row on Friday. The market experienced pressure even with the strength in the cash and pork product markets. The market remains overbought and vulnerable to a pullback but that probably is with the February contract with the premium to the cash. The CME Lean Hog Index as of January 6 was 62.96, up from 62.42 the previous session and up from 59.86 the previous week. The USDA estimated hog slaughter came in at 487,000 head Friday and 391,000 head for Saturday. This brought the total for last week to 2.849 million head, up from 2.168 million the previous week and up from 2.695 million a year ago. Pork production reached 621.4 million pounds, up 6.1% from last year. If the estimated slaughter is not dramatically revised, both slaughter and production reached a new record all-time high for the week. Packer margins were high coming out of the holiday period and this helped the market quickly clean-up any hogs backed up.

The USDA pork cutout released after the close Friday came in at $79.27, up 94 cents from $78.33 on Thursday and up from $77.25 the previous week. This was the highest the cutout had been since November 16. The rally for the week is impressive given the record high weekly production. The deferred contracts might find support on a pullback given the pork and cash news as fund trader buying has been active recently and open interest is on the rise. Friday's

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Commitments of Traders report showed managed money traders were net buyers of 3,307 contracts of lean hogs for the week ending January 5, increasing their net long to 37,077. Non-commercial & non-reportable traders were net buyers of 8,354, increasing their net long to 37,389. CIT traders were net buyers of 1,471 contracts, increasing their net long to 85,018.

While cash hog prices in China have remained firm, the debut of futures in China showed a 12% drop in September futures on Friday and the market fell 8% today as traders see a significant jump in pork production in China in the months just ahead. US pork weekly export sales for the week ending December 31 came in at the lowest since August 6th. US all pork exports for the month of November totaled 632.737 million pounds, up from 589.117 in October and the highest monthly total since April. China imported 167.763 million pounds, up from 135.613 million in October and the highest since June.

CATTLE:

The cattle market continues to consolidate near the December highs as a short-term negative demand tone clashes with the outlook for better demand once the vaccines are more widespread. The winter storms seem to have missed the southern and western Plains which is a slight negative. The surge in open interest in the last few weeks has been impressive. The USDA boxed beef cutout was up 74 cents at mid-session Friday and closed 99 cents higher at $206.80. This was down from $209.35 the previous week. Cash live cattle ended last week very close to where they were the previous week. In Kansas 1,072 head traded at 111-112 and an average price of 111.62. In Nebraska 865 head traded at 110. We estimate that as of Friday, the 5-day, 5-area average price was 111.41 versus 111.42 the previous week. February cattle closed moderately lower on the session Friday while June cattle closed slightly lower and near the highs of the day.

Cattle slaughter for the week came in at 651,000 head, up 1.2% from last year. The USDA estimated cattle slaughter came in at 117,000 head Friday and 68,000 head for Saturday. This brought the total for last week to 651,000 head, up from 515,000 the previous week and up from 643,000 a year ago. Beef production came in at 544.9 million pounds, up 2.9% from last year. Friday's Commitments of Traders report showed managed money traders were net sellers of 3,013 contracts of live cattle for the week ending January 5, reducing their now net long to 45,988 contracts. Non-commercial & non-reportable traders were net sellers of 1,946, reducing their net long to 58,984. CIT traders were net buyers of 1,799 contracts, increasing their net long to 108,445.

COCOA:

Cocoa prices continue to have trouble sustaining upside momentum as near-term demand concerns remain a front and center issues for the market. There will be critical demand data starting later this week that will provide evidence of cocoa’s demand outlook and if the market can hold above the mid-December lows, cocoa may be in a good position to begin a longer-term recovery move. March cocoa saw initial follow-through from Thursday's positive reversal, but then it lost strength at midsession before it finished Friday's trading session with a moderate loss. For the week, March cocoa finished with a loss of 87 points (down 3.3%) which broke a 2-week winning streak.

The continued strength in European and US equity markets provided cocoa with carryover support as that helped to soothe the market's near-term demand concerns in both regions. However, a sharp pullback in the Eurocurrency weighed on cocoa prices as that could make it more difficult for Euro zone grinders to acquire near-term supplies. The series of major fourth quarter grindings total will begin with the North American result released after Thursday's close. While North America has been a relative laggard in cocoa demand growth over recent years, keep in mind that ICE exchange cocoa stocks (which are located at East Coast US ports) fell by 16% during the fourth quarter and reached their lowest levels since January. The fourth quarter European grindings result may be the most impacted by COVID shutdowns, and that result will released on January 20th.

There is light rainfall in the forecast for West African growing areas early this week. However, the region shift back into a normal "dry" season weather pattern with daily high temperatures consistently above 90 degrees Fahrenheit that is likely to have a negative impact on late main crop and early mid-crop cocoa production. The January 5th Commitments of Traders report showed Cocoa Managed Money traders are net long 27,147 contracts after net selling 274 contracts. CIT traders are net long 50,094 contracts after net buying 1,544 contracts. Non-Commercial No CIT traders are net long 11,848 contracts after net buying 347 contracts. Non-Commercial & Non-Reportable traders were net long 47,290 contracts after increasing their already long position by 2,155 contracts.

COFFEE:
Coffee had a rough start to the new trading year, but a late-week recovery has lifted prices back to levels seen during their late December consolidation zone. While global demand will remain an area of concern over the next few months, coffee has a positive longer-term supply/demand outlook that can help the market maintain upside momentum this week. March coffee extended its January selloff to a new 4-week low, but then regained upside momentum to finish Friday's outside-day trading session with a sizable gain and a positive daily reversal. For the week, however, March coffee finished with a loss of 4.55 cents (down 3.5%) which broke a 4-week winning streak and was a negative weekly reversal from last Monday's 3 1/2 month high.

The Brazilian currency lost early strength and reached a new 6 1/2 week low late on Friday, and that weighed on coffee prices as that may encourage Brazil's farmers to market their remaining 2020/21 "old crop" coffee supply to foreign customers. However, reports that Honduras needs to find a large amount of temporary harvest workers due to current COVID restrictions. Colombia is also having problems with finding enough harvest workers while Honduras,

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Guatemala and Nicaragua were already experiencing supply problems following back-to-back severe storms during November. Rising COVID case counts and ongoing shutdown measure continue to negatively impact restaurant and retail shop coffee consumption.

ICE exchange coffee stocks rose by 17.895 bags on Friday and have risen more than 65,000 bags above the December month-end total during the past 5 sessions. Most of the ICE exchange coffee stocks are located at the Euro zone ports of Antwerp, Hamburg and Bremen, and this increase reflects the severe lockdown measures seen in several European nations over the past few weeks. Coffee positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders are net long 22,057 contracts after net selling 33 contracts. CIT traders are net long 62,696 contracts after net buying 2,210 contracts. Non-Commercial No CIT traders are net long 21,837 contracts after net selling 1,285 contracts. Non-Commercial & Non-Reportable traders were net long 49,380 contracts after increasing their already long position by 1,116 contracts.

COTTON:

For Tuesday's monthly USDA report, US cotton 2020/21 ending stocks are expected to come in at 5.39 million bales versus 5.70 million in the December report. US production is expected to come in at 15.66 million bales (range 15.10-16.00 million) versus 15.95 million in December. US exports are expected to come in at 15.02 million (range of 14.48-15.25 million) versus 15.00 million in December. World ending stocks are estimated to come in at 97.51 million bales (range 97.00-98.00) versus 97.52 in December. World production is expected at 113.80 million versus 113.90 in December. March cotton closed near unchanged on Friday after spending most of the day inside Thursday's range.

The dollar closed stronger for the third session in a row after trading to its lowest level since March 2018 on Wednesday, and a stronger dollar is not supportive to US cotton exports. However, the US stock market traded to new all-time highs on Friday, which is supportive to cotton consumption. Friday's Commitments of Traders report showed managed money traders were net buyers of 2,283 contracts for the week ending January 5, increasing their net long to 70,712. Non-commercial & non-reportable were net buyers of 5,512 contracts for the week, increasing their net long to 102,197. ICE warehouse stocks fell to 68,740 bales as of January 7, down from 69,527 the previous day and the lowest they have been since November 5.

SUGAR:

While sugar managed to post a fourth positive weekly result in a row, it finished the week 73 ticks below last Thursday’s multi-year high. Global risk sentiment and energy prices may be moving in its favor, but sugar remains vulnerable to additional long liquidation early this week. March sugar had trouble sustaining upside momentum, but managed to finish Friday’s trading session at unchanged levels. For the week, March sugar finished with a gain of 11 ticks (up 0.7%). A positive tone to global risk sentiment provided sugar with early support as that points towards improving global demand prospects.

ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

11 January, 2021

The world's top 2 sugar importing nations (Indonesia and China) are showing early signs that they will maintain strong import demand during the first quarter. In addition, widespread COVID vaccine distribution in developed economies should have a positive impact on global sugar consumption. A late pullback in the Brazilian currency to a new 6 1/2 week low weighed on sugar as that may encourage Center-South mills to favor sugar production over ethanol production in their remaining crushings for this season. Many Center-South mills have wound down this season's operations, so the upcoming Unica report on Center-South supply during the second half of December may only have a limited impact on market sentiment.

Thai Sugar Mills said their nation's 2020/21 cane harvest was running more than 45% behind last season's pace and while there was a delayed start to this season's harvest, this provides more evidence that Thailand will have a second season in a row with very low sugar production. There is rainfall in the forecast for Brazil's Center-South cane-growing regions through the middle of next week with expected daily totals of at least 0.25 inch each day. This can help to ease concern from drier than normal conditions last year and a La Nina weather event through the end of the first quarter.

Sugar positioning in the Commitments of Traders for the week ending January 5th showed Managed Money traders added 28,109 contracts to their already long position and are now net long 229,622. CIT traders net bought 5,144 contracts and are now net long 276,412 contracts. Non-Commercial No CIT traders were net long 182,980 contracts after increasing their already long position by 29,220 contracts. Non-Commercial & Non-Reportable traders were net long 350,174 contracts after increasing their already long position by 44,631 contracts.

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