ADM Investor Services, Inc.

WEEKLY MARKET SUMMARY

25 January, 2021

For the Week of January 25, 2021

BONDS:

The Treasury market tracked positive late last week, but remained stuck within the recent consolidation range as if waiting for signs of which way the infection flare is headed. Limiting bonds and notes on the upside were favorable US scheduled data from Services, Manufacturing and Composite PMI readings for January (preliminary). In our opinion, seeing infections jump back above 200,000 next week could set the stage for an upside breakout in Bonds toward 170-00. While global equity markets are not throwing off definitive economic concern early this week, the mixed openings combined with disappointing German business moral, a wave of US travel restrictions from countries with mutated virus strains and a looming US Federal Reserve meeting leaves the bull camp with an edge.

From a longer-term perspective, it should be noted that China last year topped the global list of foreign investment inflows with $165 billion and that could mean interest in US Treasuries is indeed abating. In the short-term, a number of countries have been banned from traveling to the US (because of mutations) and therefore it would not appear as if the US is getting closer to opening up again. Yesterday's US infection count was 179,000 and traders should see any consistent readings above 210,000 as a bullish development for Treasuries, while it could take a series of daily counts below 140,000 to renew selling pressure off the idea of the nearing end to the pandemic.

As for the stimulus package, we think the bull camp should be emboldened by Senator Schumer’s indications that the Impeachment trial will continue and start February 8th meaning that the stimulus effort is going to see divided time. Seeing divided attention in Washington involving a highly political issue clearly pushes the timing of a signed stimulus package into the future. Unfortunately for the bear camp, a portion of the trade continues to "look through" the end of the pandemic with the idea that the US economic recovery will survive. However, the net spec and fund short in bonds is large enough to foster a retest of the mid-January consolidation high at 169-22 this week. The Commitments of Traders report for the week ending January 19th showed Bonds Non-Commercial & Non-Reportable traders net bought 19,356 contracts and are now net short 210,803 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders are net short 83,981 contracts after net buying 98,031 contracts.

CURRENCIES:

The Dollar initially managed to respect even number support at 90.00 late last week. However, the lack of strength in the index in the face of a risk-off condition flowing from infection predictions and a lack of focus on the stimulus in Washington highlighted a bull market insensitive to bullish fundamentals. On the other hand, strength in the Euro and Swiss franc was very impressive and that was managed in the face of conditions that could have sunk high flying recovery currencies. The Dollar did not seem to be under pressure from news that China last year topped the list of countries with the largest foreign direct investment flow, which in turn pushed the US out of the top 5 in foreign direct investment.

As with equities, it would appear as if the currency markets will continue to "look through" the tail end of the widespread US restrictions on activity, at the same time that a portion of the trade thinks upcoming US policies will facilitate a resumption of the downtrend in the dollar. While few doubt that the US Federal Reserve will take "action" in this week's meeting, reiteration of the duration of low rates by the central bank may keep would be buyers of the dollar on the sidelines. The January 19th Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net bought 929 contracts and are now net short 12,073 contracts.

As indicated already the currency markets continue to look beyond what is thought to be the last bulge in US infections, but the euro should be undermined as a result of a 6-month low in German business morale. The January 19th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders net bought 5,907 contracts and are now net long 221,099 contracts. Another new high in the NASDAQ to start the trading week, undaunted expectations of an eventual US stimulus package and news that China saw the most direct foreign investment last year apparently fosters additional safe-haven liquidation selling in the Yen. While the Swiss franc showed some corrective action at the start of this week, there would appear to be solid support at 1.1250 on the charts. Unfortunately for the bull camp, German data overnight undermines sentiment toward the Swiss franc which has a series of resistance signals pegged located around 1.1320.

The Pound remains undaunted and retains the role of leadership currency to start the new trading week. In fact, the Pound seems to have ignored news that infections from the new South African Covid-19 strains are surfacing in concerning numbers in the UK. Furthermore, the Pound remains strong despite very dire economic projections from a former Prime UK Minister but perhaps the trade is cheered by reports of quicker UK vaccinations. Obviously, the Canadian was technically overbought into last week's highs with some traders also suggesting it was fundamentally overbought. However, the Dollar looks to remain off balance and the Canadian seems to have respected 21-day moving average support.

STOCKS:

The stock market followed international markets lower late last week as we think that dire infection and death count forecasts from the US President prompted a shift in overall market sentiment in favor of the bear camp, or at least prompted longs with profits to bank and move to the sidelines. Disappointment from IBM and Intel earnings and weakness in those share prices likely contributed the corrective action. Global equity markets at the start of this week were mixed with markets in Asia generally higher and the rest of the world tracking lower. Economic news of importance included a 6-month low in German IFO business morale. The markets appear to be anxious to start the week because of a flurry of US travel restrictions and from news that the impeachment trial scheduled for February 5th remains a priority to the Democrats over finishing and distributing a stimulus package. Infections yesterday in the US were 171,844 cases with the current hotspots New York, South Carolina, Georgia, and Arizona.

The stock market continues to look through the nagging daily infection counts, a lack of actual progress on a stimulus package and ongoing Chinese infection headlines. Perhaps the markets are cheered by Presidential comments that the US cannot wait for the $1.9 trillion US stimulus and perhaps there is some misguided buying off ideas that the Fed will provide the markets with a lift later this week. However, the markets should be discouraged somewhat by disappointing German business sentiment and concerns that new mutations appear to be more life threatening than the initial strain! Nonetheless, the bias is up as investors lack alternatives and "economic hope" remains in place. E-Mini S&P positioning in the Commitments of Traders for the week ending January 19th showed Non-Commercial & Non-Reportable traders net bought 17,655 contracts which moved them from a net short to a net long position of 7,278 contracts.

The Dow futures waffled below last week's top but above the 21-day moving average at 30,658 and seemingly remaining within an uptrend pattern. Favorable news on GE from the return of the 737 Max and the potential for some optimism flowing from the virtual business Conference in Davos gives the bull camp a very minor edge today. We will suggest that the last 6 days of US infections are showing signs of moderating and California is considering lessening restrictions. Furthermore, the Dow futures (like the S&P) should see less stop loss selling with the futures and option positioning net spec and fund short. Dow Jones $5 positioning in the Commitments of Traders for the week ending January 19th showed Non-Commercial & Non-Reportable traders net sold 1,171 contracts and are now net short 7,734 contracts. There was no waffling in the Nasdaq to start the week with a new high on the charts and the idea that stay at home tech stocks will continue to feed off a restricted US economy, with the next upside target is seen at 13,590. The January 19th Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders added 7,088 contracts to their already long position and are now net long 28,121.

GOLD, SILVER & PLATINUM:

While expectations remain upbeat for a US stimulus package, it would not appear as if effort on the assistance is a high priority in Washington and without signs that the US economy will be cushioned into the end of the pandemic, deflationary fears are likely to hold gold and silver prices down. In fact, seeing the US move to restrict incoming travel from a long list of countries with new virus mutations adds to the deflationary/slowing environment and that thickens overhead resistance. From a technical perspective, February gold sees resistance from last week's consolidation highs. The action in the dollar index has been less important to gold over the last 25 days because the dollar has been locked in a tight range just above 90.00 and is offering little trend direction.

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Highlighting a lack of fresh speculative interest in the precious metals sector recently is a lack of consistent investment flow into gold and silver ETF's. Last week, gold ETF's reduced their holdings by 4,232 ounces while silver ETF's posted a large weekly increase of 23.9 million ounces which some suggest highlights silver's potential new leadership role. In our opinion, as long as infections rage, lockdowns will continue and there will be more fear of slowing/deflation than growth/inflation in the coming sessions. On the other hand, Asian gold prices are seeing premiums and there are expectations that the Chinese New Year will stir some demand in the region. We also think last week's spike low reiterates solid value/support in April gold, especially with the net spec and long positioning in gold moderating along with prices.

The Commitments of Traders report for the week ending January 19th showed Gold Managed Money traders reduced their net long position by 274 contracts to a net long 104,996 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 1,719 contracts to a net long 282,900 contracts. Unlike gold, the silver market has not seen as much chart damage and has not seen a noted turn down in ETF investment flow patterns yet and that could help the March contract respect support. However, like gold, the silver bulls need improved economic sentiment or temporary re-tests of the spike low could be seen. The January 19th Commitments of Traders report showed Silver Managed Money traders net sold 1,900 contracts and are now net long 41,495 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 109 contracts to a net long 71,693 contracts.

While we do not think the platinum bull trend has come to an end, we do see some two-sided corrective action ahead unless global equities resume their upward march. Unfortunately for the bull camp, the net spec and fund long in platinum into the high Friday was probably the largest since last February and therefore some additional back and fill action is likely. The January 19th Commitments of Traders report showed Platinum Managed Money traders were net long 20,404 contracts after increasing their already long position by 346 contracts. Non-Commercial & Non-Reportable traders were net long 35,228 contracts after increasing their already long position by 206 contracts. The charts in the palladium market favor the bear camp with demand expectations neutral at best, spillover pressure from gold and silver likely early this week. The Commitments of Traders report for the week ending January 19th showed Palladium Managed Money traders net sold 157 contracts and are now net long 3,233 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 442 contracts to a net long 2,974 contracts.

COPPER:

Like a number of other physical commodity markets at the end of last week, the copper market fell back sharply in sync with a number of physical markets. A portion of the current weakness might be fear of an upcoming lull in Chinese manufacturing copper demand during the New Year holiday, but a nagging return of infection headlines from Jilin province in China should be discouraging buyers and encouraging sellers. In a longer-term bullish development direct foreign investment in China topped the list of global investment flows and that should bolster views toward the Chinese economy ahead. Furthermore, the copper market should be underpinned by ongoing declines in LME and Shanghai copper stocks with the Shanghai copper stocks last week falling to the lowest levels since December 2011.

On Monday morning, LME copper stocks declined by 5,600 tonnes which is a large daily decline and a continuation of the trend of tightening exchange stocks. While we think the market found value at the spike low Friday of $3.62, we are troubled by signs that soaring industrial material prices in China have shown signs of softening! Unfortunately for the bull camp, the net spec and fund long in copper remains extremely overbought and without improved economic sentiment prices are likely to remain in the lower portion of the last month's trading range. The January 19th Commitments of Traders report showed Copper Managed Money traders added 1,924 contracts to their already long position and are now net long 78,373. Non-Commercial & Non-Reportable traders added 1,290 contracts to their already long position and are now net long 78,265.

ENERGY COMPLEX:

While the bull camp has had the ability to absorb bearish supply and demand news consistently for the last 10 months, we get the sense that bearish fundamentals are stacking up and prices are expensive in the face of a 58-million-barrel year over year US surplus. We would suggest that expectations for a recovery in US energy demand continue to be pushed farther into the future and it is also possible that the Chinese are slightly forward bought after building storage aggressively into the winter. Certainly seeing 5 straight weeks of increased US refinery operating activity will serve to increase the call/demand for physical US crude oil. The market might see some support from news that global floating storage declined by a noted 7.9% last week and the bulls should also be cheered from news that East Coast fuel demand is strengthening, with bridges and tunnels in the New York Metro area appearing to have returned to year ago levels.

It does appear as if the 7-day moving average of daily infections has turned down and last week's US infections the lowest since the week before Christmas there is the potential for a plateau. While not a short-term physical impact, it was noted that the weekly Baker Hughes Rig count showed an increase of 2 last week which was the highest reading since May 8th and the "9th" straight week of increases! The Commitments of Traders report for the week ending January 19th showed Crude Oil Managed Money traders net bought 4,776 contracts and are now net long 354,920 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 12,008 contracts to a net long 593,248 contracts. EIA crude stocks rose 4.352 million barrels and are 58.457 million barrels above year ago levels. Also, crude stocks stand 39.251 million barrels above the five-year average. Crude oil imports for the week stood at 6.045 million barrels per day compared to 6.239 million barrels the previous week. The refinery operating rate was 82.50% up, 0.50% from last week compared to 90.50% last year and the five-year average of 90.00%.

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While we see the charts in RBOB as negative to start the trading week, the market did soundly reject the slide as if selling exhausted or it was the selling contingents was not overly large in size. In fact, with the latest positioning report showing a reduction in the Net spec and fund long and the market falling nearly $0.03 from the report, it is possible that the overbought condition was indeed moderated. The market might draft minimal support from news that New York Metro vehicle travel has returned to year ago levels, from a decline in EIA gasoline stocks last week and from a jump in the annual gasoline stock deficit to 14.8 million barrels. Furthermore, the implied gasoline demand reading jumped by over 600,000 bpd but remains 500,000 bpd below year ago levels. In the end, we think the easy money has been made by the bull camp and that increased volatility and perhaps a range trade might be see unless the global macroeconomic outlook improves. The Commitments of Traders report for the week ending January 19th showed Gas (RBOB) Managed Money traders were net long 80,636 contracts after increasing their already long position by 827 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 3,536 contracts to a net long 94,126 contracts.

EIA distillate stocks rose 457,000 barrels and stand at 17.626 million barrels above last year and 12.084 million above the five-year average. Distillate imports came in at 460,000 barrels per day compared to 346,000 barrels the previous week. Average total distillate demand for the past four weeks was down 0.29% compared to last year. The ULSD market also rejected a washout at the end of last week, but we see the charts as vulnerable especially given relatively high US infection counts over the weekend, merely normal winter temperatures ahead and given the fact that EIA distillate and diesel stocks last week saw their annual surplus readings increase. Like gasoline, the Distillate market continues to post slack demand with the implied distillate demand this week ticking up but remaining 500,000 barrel per day under year ago levels. The Commitments of Traders report for the week ending January 19th showed Heating Oil Managed Money traders added 6,042 contracts to their already long position and are now net long 9,177. Non-Commercial & Non-Reportable traders net bought 4,071 contracts and are now net long 34,390 contracts. EIA gasoline stocks fell 259,000 barrels and are 14.815 million barrels below last year and 7.857 million below the five-year average. Average total gasoline demand for the past four weeks was down 9.05% compared to last year. Gasoline imports came in at 504,000 barrels per day compared to 383,000 barrels the previous week.

The charts remain bearish, the weather is also bearish (little less so early this week) and news on Chinese demand has been less frequent and therefore, the bear camp in natural gas retains an edge. While we suspect that the most recent COT report overstates the magnitude of the net spec and fund long (after the sharp extension down after the report), we do not think the market is "mostly liquidated" yet but we do think the rate of declines will now slow and perhaps stop. In fact, seeing a smaller Chinese LNG company help a bigger national Chinese oil firm secure winter supplies, highlights strong residual Chinese demand. In looking forward, US weather is negative with two-thirds of the US seeing above normal temperatures out to February 6th.

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While not a short-term impact, it should be noted that the weekly Baker Hughes Rig operating count increased by 3 and reaching the highest level since April 17th and that is compounded by the fact that Canadian gas rigs operating increased by 5 to reach the highest in 11 months! Natural Gas positioning in the Commitments of Traders for the week ending January 19th showed Managed Money traders reduced their net long position by 16,893 contracts to a net long 59,387 contracts. Non-Commercial & Non-Reportable traders added 4,815 contracts to their already long position and are now net long 33,593. The bias is down with the next target seen at the even number $2.40 level. The next key pivot point is seen down at $2.387 and it could take a rally back above $2.5490 to dampen bearish control. The weekly natural gas storage report showed a draw of 187 bcf. Total storage stands at 3,009 bcf or 7.0% above the 5-year average. Over the last four weeks natural gas storage has declined 565 bcf.

BEANS:

Weather maps were a little wetter for Argentina for the next two weeks as compared with weekend forecast, which is bearish. The market traded higher early this week as there was a little less rain in the two week forecast for Argentina Sunday as compared with Friday. This, along with strong demand signals helped to support the early bounce. With a large spec long position and the market seeing a drop of more than 4% on Friday, we cannot rule out additional long liquidation selling pressures. In a Reuter's poll, Brazilian production is expected to come in near a record harvest of 132.2 million tonnes as compared with 131.79 million as the December estimate and near 125 million tonnes produced last year. March soybeans closed 58 1/2 cents lower on the session Friday, and the selling pushed the market down to the lowest level since January 4.

The weekly export sales report showed that for the week ending January 14, net soybean sales came in at 1,817,696 tonnes for the current marketing year (750,000 to 1.5 million expected) and 831,000 for the next marketing year (350,000 to 600,000 expected) for a total of 2,648,696. Cumulative soybean sales have reached 94.5% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 75.6%. If we were to adjust the annual forecast to put cumulative sales at the average pace, exports would increase by 597 million bushels. We do not think it is out of the question to expect an increase of near 50 million in the February report. In addition, exporters reported a daily sale of 136,000 tonnes of US soybeans to China.

Net meal sales came in at 468,515 tonnes (100,000-400,000 expected). Cumulative meal sales have reached 52.3% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 56.4%. Net oil sales came in at 52,291 tonnes (10,000-30,000 expected). Cumulative oil sales have reached 44.4% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 46.5%. The Commitments of Traders report for the week ending January 19th showed soybeans managed money traders reduced their net long position by 14,587 contracts to a net long 151,898 contracts. Non-Commercial & Non-Reportable traders net sold 17,813 contracts and are now net long 209,074 contracts. For soyoil, managed money traders reduced their net long position by 2,837 contracts to a net long 90,699 contracts. Non-Commercial &

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Non-Reportable traders reduced their net long position by 7,443 contracts to a net long 127,883 contracts. For Soymeal, managed money traders reduced their net long position by 6,777 contracts to a net long 77,631 contracts. Non-Commercial & Non-Reportable traders net sold 7,831 contracts and are now net long 130,907 contracts.

CORN:

The extent of the long liquidation selling break is questionable. The two-week weather outlook had a little less rain for Argentina on Sunday than was expected on Friday. However, the updated forecast shows better coverage over the next two weeks which could ease crop concerns. March corn fell 5.8% for the week and this opens the door for additional long liquidation selling pressure. Demand factors remain very strong and this may provide some support as well. Corn positioning in the Commitments of Traders for the week ending January 19th showed Managed Money traders were net long 349,495 contracts after decreasing their long position by 25,219 contracts. This is a long liquidation selling trend. Non-Commercial & Non-Reportable traders were net long 520,764 contracts after decreasing their long position by 10,334 contracts. Ukraine's economy ministry has revised higher there 2020 corn harvest to 30.3 million tons from 29.3 million and increased the export outlook for the 20/21 season to 23.5 million tons from 22.3 million previous.

March corn closed sharply lower on the session Friday and the selling pushed the market down to the lowest level since January 12. For the week, March corn closed 31 cents lower. The weekly export sales report showed that for the week ending January 14, net corn sales came in at 1,437,562 tonnes for the current marketing year and 46,430 for the next marketing year for a total of 1,483,992. Traders were expecting sales to come in near 600,000 to 1.2 million tonnes. Cumulative sales have reached 72.3% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 53.3%. If we were to adjust the annual forecast higher to put cumulative sales at the average pace, exports would increase by 908 million bushels.

Therefore, we do not think it is out of the question to expect an increase of near 300 million in the February report. Ethanol production for the week ending January 15 averaged 945,000 barrels per day. This is up 0.43% vs. last week and down 9.9% vs. last year. Total Ethanol production for the week was 6.615 million barrels. Corn used in last week's production is estimated at 95.47 million bushels. Corn use needs to average 94.5 million bushels per week to meet this crop year's USDA estimate. Stocks were 23.628 million barrels. This is down 0.27% vs. last week and down 1.7% vs. last year.

WHEAT:

March wheat closed sharply lower last Friday as the selling pushed the market down to the lowest level since January 11. For the week, March wheat fell 41 cents or 6%. Russia wheat export prices were down last week. The weekly export sales report showed that for the week ending January 14, net wheat sales came in at 329,647 tonnes as compared with trade expectations for 250,000 to 650,000 tonnes. Cumulative sales have reached 79.8% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 76.1%. Traders see sluggish demand and news of a little higher Russian production forecast then expected as short-term bearish forces. In addition, there is above normal precipitation in the forecast for the US Plains for much of the next two weeks. Wheat prices are on the rise in China as livestock producers in China are using more wheat due to sky high corn prices.

The Climate Prediction Center released their latest outlooks for March-May and June-August. The March-May timeframe shows increased chances of above normal temperatures and below normal precipitation across the Southern Plains. Wheat positioning in the Commitments of Traders for the week ending January 19th showed Managed Money traders net bought 3,631 contracts and are now net long 20,618 contracts. Non-Commercial & Non-Reportable traders net bought 7,980 contracts and are now net long 30,290 contracts. For KC Wheat, Managed Money traders net bought 3,031 contracts and are now net long 58,093 contracts. Non-Commercial & Non-Reportable traders were net long 59,361 contracts after increasing their already long position by 1,666 contracts.

HOGS:

The hog market remains in a steep uptrend as pork values continue to advance and the market has built up a strong premium to the cash. Perhaps demand is improving as the economy opens up and it is possible that consumers are stocking up on meat due to expanding cases. The USDA pork cutout, released after the close Friday, came in at $81.34, up $2.58 from $78.76 on Thursday and $78.78 the previous week. This was the highest the cutout had been since January 11. April hogs closed sharply higher on the session and the buying pushed the market up to the highest level since November, 2019. Ideas that short-term demand continues to come in better than expected and that consumer demand might be showing some consumer hording has helped to support. The market saw better pork exports and this helped to support as well. US pork export sales for the week ending January 14 totaled 45,172 tonnes, up from 23,782 the previous week and the largest since December 24.

Cumulative sales for 2021 have reached 414,129 tonnes, up from 212,672 last year and a 5-year average of 197,203. Mexico was the largest buyer this week at 13,227 tonnes, followed by China at 9,745 and Canada at 5,012. Mexico has the most commitments for 2021 at 119,332 tonnes, followed by China at 110,528 and South Korea at 36,796. Pork cutout values at midsession came in at $83.90, up $3.64 on the day. The CME Lean Hog Index as of January 20 was 65.40, down from 65.67 the previous session and down from 65.87 the previous week. The USDA estimated hog slaughter came in at 490,000 head Friday and 327,000 head for Saturday. This brought the total for last week to 2.738 million head, up from 2.641 million the previous week and 2.707 million a year ago. Pork production for the week was up 2.9%. Friday's Commitments of Traders report showed managed money traders were net sellers of 2,664 contracts of lean hogs for the week ending January 19, reducing their net long to 36,078. Non-commercial & non-reportable traders were net sellers of 5,000, reducing their net long to 31,786.

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CATTLE:

The Cattle on Feed Report was considered bearish. Placements for the month of December came in at 100.8% from trade expectations for 97.1% of last year (93-100 range). Marketing's during December came in at 101% of last year as compared with expectations near 100.6% of last year (99.2-101.8 range). As a result, the January 1st On-Feed supply came in at 100.1% of last year from expectations near 99.5% of last year (98.8-99.9 range). With the strong rally on Friday which left futures at a huge premium to the cash market, the report should spark more active selling. With steer weights at a record high for this time of the year, producer selling could also turn more active. Beef prices were up 4.6% for the week last week while beef production was up 3.6% from last year. The USDA boxed beef cutout was up $1.85 at mid-session Friday and closed $1.62 higher at $222.82. This was up from $212.92 the previous week and was the highest the cutout had been since December 8.

Cash live cattle ended last week close to where it ended the previous week. As of Friday afternoon, the five-day, five-area average price was 109.43 versus 109.49 the previous week. April cattle closed sharply higher for last Friday's session and the buying pushed the market up to the highest level since February of last year. February cattle also trading sharply higher on the day even with the news that steer weights remain very heavy and increased last week during a period when weights normally decline. Positioning ahead of the cattle on feed report may have sparked some buying. Strong gains in the beef market over the last week have traders more optimistic that cash cattle can trade higher next week. US beef export sales for the week ending January 14 came in at 24,500 tonnes, up from 16,835 the previous week and the highest they have been since November 12. Cumulative sales for 2021 have reached 226,743 tonnes, up from 166,600 last year and above the five-year average of 129,285. Japan was the largest buyer this week at 4,870 tonnes, followed by China at 4,290 and South Korea at 3,499.

South Korea has the most commitments for 2021 at 59,590 tonnes, followed by Japan at 42,535, Hong Kong at 41,252, and China at 30,116. The USDA estimated cattle slaughter came in at 119,000 head Friday and 69,000 head for Saturday. This brought the total for last week to 657,000 head, up from 651,000 the previous week and 644,000 a year ago. Beef production last week was up 3.6% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 3,400 contracts for the week ending January 19, increasing their net long to 46,227. Non-commercial & non-reportable traders combined were net sellers of 369, reducing their net long to 52,534. CIT traders were net buyers of 4,346 contracts, increasing their net long to 119,823.

COCOA:

Cocoa's whipsaw price action last week led to 3 negative daily results in a row as near-term demand concerns remain a major source of pressure. Cocoa did manage a positive weekly result, however, and that may provide some evidence that the late December and early January lows may hold for a while. May cocoa came under sharp early pressure and reached a 1-week low, and then put together a sizable rebound before finishing Friday's trading session with a moderate loss. For the week, however, May cocoa finished with a gain of 4 points which was a second positive weekly result in a row.

A sharp selloff in the British Pound fueled arbitrage selling of New York cocoa, and sluggish global equity markets combined with a general "risk off" mood in commodity markets to further pressure cocoa prices early in the day. Weakness in equity markets (particularly in Europe) point towards subdued first quarter global demand, and that was further reinforced by news reports last week that cocoa beans are starting to pile up at Ivory Coast farms and co-ops. While there were indications that exporters are moving a large amount of forward sales from the fourth quarter timeframe to the first quarter, that may be a period in which global demand could improve due to more widespread COVID vaccine usage.

Reports that the EU urged Ivory Coast to prepare for stricter sustainability laws later this year adds a wrinkle to the demand outlook, but longer-term demand prospects should still remain positive. A shift back towards normal "dry" season weather over West African growing areas provided late support as that is likely to have a negative impact on the region's upcoming production. Although a La Nina weather event normally brings wetter than normal conditions to West African growing areas, this La Nina has overlapped with the region's "dry" season so any lasting benefit to cocoa trees may be limited at best.

The January 19th Commitments of Traders report showed Cocoa Managed Money traders added 333 contracts to their already long position and are now net long 26,617. CIT traders are net long 49,316 contracts after net buying 812 contracts. Non-Commercial No CIT traders were net long 14,090 contracts after increasing their already long position by 86 contracts. Non-Commercial & Non-Reportable traders net bought 1,028 contracts and are now net long 48,810 contracts.

COFFEE:

Last week's choppy price action in the coffee market has left prices more than 7.50 cents below their 4-month high from mid-January as near-term demand concerns remain a source of pressure. Coffee continues to hold above all 3 major moving averages, however, as it has a bullish longer-term supply outlook that can underpin prices early this week. May coffee was unable to shake early pressure as it reached a 1 1/2 week low before finishing Friday's trading session with a sizable loss. For the week, May coffee finished with a loss of 4.05 cents (down 3.1%).

The Brazilian currency remains a source of carryover pressure as it lost over 2% in value on Friday. With Brazilian coffee exports expected to remain at high levels during the first quarter, a weak Brazilian currency will provide even more incentive for Brazil's producers to market their remaining near-term supply to foreign customers. On the other hand, the Brazilian government agency Conab has forecast their nation's upcoming 2021/22 crop (which is an "off-year" in their biannual crop cycle) to come in 21% to 30% below this season's total.

There are people in Brazil's coffee industry who feel Conab's range of estimates is too optimistic due to a La Nina weather event that will keep drier than normal conditions in place through the end of the first quarter. As a result, they feel Brazil's 2021/22 crop may be as much as 50% below this season's output total. The demand side remains problematic for the coffee market as ICE exchange coffee stocks rose 17,855 bags on Friday to reach their highest level since August. ICE exchange coffee stocks (mostly held at Euro zone ports) are on track for the largest monthly gain in over 8 years, and that reflects sluggish European near-term demand prospects.

The January 19th Commitments of Traders report showed Coffee Managed Money traders added 8,386 contracts to their already long position and are now net long 24,483. Coffee CIT traders hit a new extreme long of 71,838 contracts. CIT traders added 3,392 contracts to their already long position and are now net long 71,838. Non-Commercial No CIT traders were net long 23,646 contracts after increasing their already long position by 7,632 contracts. Non-Commercial & Non-Reportable traders were net long 50,733 contracts after increasing their already long position by 8,313 contracts.

COTTON:

March cotton closed sharply lower on Friday, but it stayed within Thursday's range-up day throughout the session. Cotton was relatively strong when compared with the collapse in grain markets. The dollar closed higher and the S&P 500 lower. Both moves were negative to cotton. US cotton export sales for the week ending January 14 came in at 292,355 bales for the 2020/21 (current) marketing year and 39,511 for 2021/22 for a total of 331,866. This was down from 376,338 the previous week and was slightly above the four-week average at 327,959. Cumulative sales for 2020/21 have reached 12.157 million bales, up from 11.859 million last year at this time and the highest since 2010/11. Sales have reached 86% of the USDA's forecast for the marketing year versus a five-year average of 73%.

The largest buyer this week was Vietnam at 123,705 bales (2020/21 and 2021/22 combined), followed by Pakistan at 77,060 and Bangladesh at 55,595. China cancelled 23,329 bales, but last week they bought 151,197. China has the most commitments for 2020/21 at 4.332 million bales, followed by Vietnam at 2.138 million and Pakistan at 1.292 million. Friday's Commitments of Traders report showed managed money traders were net sellers of 1,849 contracts of cotton for the week ending January 19, reducing their net long to 67,853. This is a long liquidation selling trend. Non-commercial, no CIT traders were net sellers of 1,357, reducing their net long to 61,013. Non-commercial & non-reportable traders were net sellers of 1,795, reducing their net long to 98,030.

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SUGAR:

While sugar has seen a positive shift in global demand prospects during the past few months, prices may have gotten ahead of themselves with their mid-January updraft. Unless the market can find fresh carryover support, sugar prices are likely to remain on the defensive early this week. May sugar came under early pressure and was unable to sustain a midsession rebound as they finished Friday's trading session with a moderate loss. For the week, May sugar finished with a loss of 50 ticks (down 3.2%) that broke a 5-week winning streak and was also a negative weekly key reversal from last Tuesday's multi-year high.

Sugar was pressured by forecasts for daily rainfall over Brazil's Center-South cane-growing areas through early next week which should provide some relief to their upcoming 2021/22 cane crop that has seen drier than normal conditions over the past few months. The Brazilian currency lost more than 2% in value on Friday, and that was another source of pressure on sugar prices as a weaker currency encourages Center-South mills to produce more sugar for the global export marketplace. In addition, crude oil prices posted sizable losses that in turn put further carryover pressure on the sugar market as that may weaken Brazilian ethanol demand which had shown signs of improvement since December.

If crude oil prices hold above $50, however, those Center-South mills should start out the 2021/22 season in early April with ethanol production likely to have a larger share of crushing that with this season. Widespread COVID vaccine use later this year should provide a boost to global sugar consumption, and trade groups in top importer Indonesia are expecting their nation to see a 10% increase in sugar exports this year. However, there was talk that Chinese firms may pull back on their first quarter imports as they are currently well-supplied.

Sugar positioning in the Commitments of Traders for the week ending January 19th showed Managed Money traders are net long 219,307 contracts after net selling 524 contracts. CIT traders reduced their net long position by 5,292 contracts to a net long 266,522 contracts. Non-Commercial No CIT traders net bought 7,338 contracts and are now net long 173,079 contracts. Non-Commercial & Non-Reportable traders added 745 contracts to their already long position and are now net long 333,817.

Please contact us at 1.877.690.7303 or via email at sales@admis.com for any questions or comments on this report or would like more information about ADMIS research.

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