ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
Not surprisingly, the treasury markets broke out to the downside in the wake of a "hot PPI" but also because of a significant jump in Michigan sentiment readings. Even more discouraging to the bull camp is the fact that the upside breakout in treasury yields failed to knock stocks down hard and in turn provide safe-haven cushion for bonds and notes. The +0.5% increase in the February PPI report leaves inflation readings on a monthly basis in the upper 90% of the readings of the last 6 years, and that fosters talk that the Fed may not remain patient.

While treasury prices did not breakout down in the early week action, they remained just above those lows as if a continuation on the downside is in the offing. With US equities poised for new highs, very strong Chinese economic data and residual fears of rising US interest rates, the bear camp has a-number-of fundamental stories in its favor. Looking in the rear-view mirror, the treasury market continues to shed investment with a disappointing 30-year treasury bond auction last week and the lure of significant rates of return in equities increasing the weight on the shoulders of the bull camps in bonds and notes.

However, the net spec and fund short in bonds continues to be massive, but it appears that technical considerations are not a priority for the trade yet. Bond positioning in the Commitments of Traders for the week ending March 9th showed Non-Commercial & Non-Reportable traders were net short 226,520 contracts after decreasing their short position by 18,916 contracts. In the T-Notes market Non-Commercial & Non-Reportable traders are net short 279,929 contracts after net buying 20,959 contracts.

CURRENCIES:
While the dollar rebounded aggressively late last week from the big spike downmove on Thursday, the market did not appear to shift fully back into a bullish posture. In fact, given the sharp jump in US rates, very positive US scheduled data and hot PPI readings, one might have expected the dollar to have ranged sharply higher. Therefore, we continue to doubt the sustainability of the rally in the dollar over the last 3 weeks. The dollar trade early this week remains within the downward channel established early last week, with traders seemingly discounting rising US yield opportunities and instead liquidating long dollar positions because of declining safe-haven interest.

However, the bull camp in the dollar remains confident in the late February and early March rally and that view is given credibility by the fact that the dollar in last week's positioning report remained net short 6,700 contracts. Surprisingly, the dollar was not undermined by much stronger than expected Chinese economic data, but expectations for even higher US treasury yields should thicken consolidation low support considerably. The Commitments of Traders report for the week ending March 9th showed Dollar Non-Commercial & Non-Reportable traders reduced their net short position by 2,309 contracts to a net short 6,700 contracts.

We see the path of least resistance in the euro pointing down with fear of virus variants in the region keeping fear of the pandemic in a front and center standing. As indicated in dollar coverage, the prospect of even higher US treasury yields leaves pressure hanging over the euro. The March 9th Commitments of Traders report showed Euro Non-Commercial & Non-Reportable traders reduced their net long position by 21,506 contracts to a net long 151,979 contracts.

While we do not see the downtrend suddenly ending in the Yen, we see the spike low early this week as a possible temporary exhaustion of the selling. In fact, at some point we think the Yen will be seen by some traders as a currency with a significant appreciation potential if the global pandemic comes under control as appears to be the case in the US. In the near-term, support at is not reliable, but short covering rallies could put the currency back up to 92.24. While rising rate expectations in the US are likely to keep the Swiss franc under pressure, we think the rejection of 1.07 and consolidation action over the prior 6 trading sessions will ultimately be a bottom. However, as in the euro, the Swiss remains vulnerable to the lingering pandemic fear in continental Europe.

The Pound appears to have forged a bottom 2 weeks ago and is likely to claw higher off speculative hope that the UK vaccination rate will help contain the presence of virus variants. In our opinion, the Pound will continue to grind higher, in correlation with US equity markets. With a new high for the move early this week and very favorable charts, the Canadian could be considered the strongest bull market in the currency space. While market views that the Bank of Canada might be first to raise interest rates might be proved in error, the Canadian appears to be in favor with an added measure of win-by-default buying possible.

STOCKS:
All things considered, the equity market performed impressively late last week in the face of another upside breakout in US treasury yields. Certainly, there was divergent action between the NASDAQ and Dow which somewhat questions the bull case but perhaps equities are becoming more comfortable with the strong likelihood of rising rates. While market chatter did not seem to focus on vaccine and therapeutic news, several new scientific twists increase the likelihood of an end to the pandemic.

Global equity markets at the start of this week were mostly higher with the exceptions the markets trading in Shanghai. Economic data of importance included much stronger than expected Chinese February retail sales and a much stronger than expected Chinese industrial production on a year-over-year basis and that shifts what was a pattern of disappointing Chinese economic news into bullish fodder for global equity markets.

In our opinion, the equity markets are likely to "buy the rumor" that the US Federal Reserve will remain steadfast in its intention to hold US interest rates down as some traders think that will ultimately result in the Fed steeping in against the track higher in US interest rates. As indicated in Treasury market coverage, seeing the Fed move to limit rising interest rates with additional bond buying could ignite inflation as that additional stimulus would be applied in the face of obvious improvement in the US economy.

In the near term, the bull camp retains control with new highs likely and hope for the Fed providing cover for investors in the coming sessions. News that the most recent daily US infection tally was only 52,504, with vaccinations of over 107 million fostering hope that more US areas will reopen or lessen restrictions. While last week's action might prove to be a one-off event, equities have managed to rise in the face of several jumps in interest rates. The Commitments of Traders report for the week ending March 9th showed E-Mini S&P Non-Commercial & Non-Reportable traders are net long 35,964 contracts after net buying 25,283 contracts.

The Dow futures have forged new all-time highs in the early going this week and some traders now project a move to century pricing up at 33,000. In our opinion, the leadership of the Dow/large cap stocks will continue as the rotation from NASDAQ/tech sector/stay-at-home stocks continues. In fact, without a jump in the daily US infection count or market suspicions that the Fed will relent and allow rising market rates the bull camp would seem to have an open field ahead. Dow Jones $5 positioning in the Commitments of Traders for the week ending March 9th showed Non-Commercial & Non-Reportable traders are net short 19,936 contracts after net selling 4,278 contracts.

With the NASDAQ mired in a sideways track over the prior 4 trading sessions and remaining 1,800 points below its February highs, it is clear it is suffering rotation to other sectors of the market. While some traders will suggest the NASDAQ is being held back by threat of regulatory change, investors are simply more interested in opening-up shares. The Commitments of Traders report for the week ending March 9th showed Nasdaq Mini Non-Commercial & Non-Reportable traders were net short 22,815 contracts after decreasing their short position by 4,744 contracts.

GOLD, SILVER & PLATINUM:
While last week gold and silver showed promise with a 3-day series of gains, the focus of the precious metals markets continues to shift daily thereby adding chop to daily price action. However, the action in the dollar has had the most consistent impact on gold and silver, with the markets showing very little in the way of reflation gains even in the face of massive "risk on" economic euphoria sessions. Even more surprising is the lack of response to a series of hot global inflation/price readings, but that influence is likely to become more prominent in the week ahead with the US Federal Reserve Open Market Committee meeting on Thursday. Obviously, interest rates and equities are now linked with "good economic news" likely bad news for stocks and other physical commodities.

In other words, the markets will be looking closely for signs that the Fed will remain committed to keeping rates down as they have "promised" accommodative policy until the US has achieved full employment. Certainly, the current global price situation is not at a self-perpetuating inflation condition yet, with that unlikely to happen until there is a growing list of countries reopening. In the meantime, the Fed has a conundrum, as their promises to keep rates down is being challenged by "the markets" with real rates rising. In our opinion, the sloppy/periodic washout action in gold and silver is justified until the global economy shows a pattern of strong expansion. In conclusion, gold and silver remain vulnerable to the uncertainty flowing from the unfolding end of the pandemic, with investors fleeing the sector (falling ETF holdings gold holdings are down 20 straight days).

Last week's rally in April gold brought the market back to the vicinity of 2 1/2-month-old downtrend channel resistance line which is seen Monday at $1,749.40. Fortunately for the bull camp, the latest positioning report shows the smallest net spec and fund gold long since the end of May 2019 and a return to last week's lows could put the market at a balanced speculative positioning. The Commitments of Traders report for the week ending March 9th showed Gold Managed Money traders reduced their net long position by 15,960 contracts to a net long 41,896 contracts. Non-Commercial & Non-Reportable traders are net long 201,330 contracts after net selling 15,107 contracts. While the outflows from silver ETF's have not been as significant as in the gold market, investors are obviously cool to the market and prices look to remain mired in a range situated around $26.00.

Like gold, silver needs pandemic headwinds to dissipate, the global economy to lurch forward and a US Fed that remains stalwart on allowing the return of inflation. In the meantime, silver remains vulnerable to corrective action down to $24.97 and to turn the tide in favor of the bull camp probably requires taking out last week's high of $26.54. Last week, silver ETF holdings declined by 8.7 million ounces but managed to see an inflow last Friday of 1.2 million ounces putting the year-to-date gain in holdings at 5.8%. Silver positioning in the Commitments of Traders for the week ending March 9th showed Managed Money traders net sold 3,829 contracts and are now net long 27,677 contracts. Non-Commercial & Non-Reportable traders were net long 56,489 contracts after decreasing their long position by 4,295 contracts.

In retrospect, palladium and platinum markets appear to have settled back into a spread trading pattern as prices have displayed a lot of divergence. In our opinion, both PGM markets retain the potential for large price gains in the event the trade begins to embrace the idea that more portions of the world will begin to reopen with industrial and jewelry demand likely to improve. Unfortunately for the bull camp, reopening in the US has yet to accelerate and areas like Europe and the UK are likely to be at least several weeks behind the US in lessening restrictions. Last week palladium ETF holdings increased by 3181 ounces but declined Friday by 685 ounces to remain 1% higher on the year.

Therefore, in the event that palladium prices return to last week's low down at $2,263.50 that could shift the net spec and fund long into a net spec and fund short thereby potentially reducing adversity against bargain-hunting buyers. Palladium is likely hemmed into a range defined as $2,400 and $2,280. The Commitments of Traders report for the week ending March 9th showed Palladium Managed Money traders reduced their net long position by 304 contracts to a net long 1,398 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 621 contracts to a net long 981 contracts.

While the platinum market suffered a moderate setback at the end of last week and is correlating with gold and silver prices instead of palladium, it looks to have thick overhead resistance from a 30-day old downtrend channel resistance line which sits on the early trade today at $1,222.80. Platinum positioning in the Commitments of Traders for the week ending March 9th showed Managed Money traders net sold 2,454 contracts and are now net long 18,160 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,040 contracts to a net long 36,430 contracts. Last week platinum ETF holdings increased by 2,355 ounces putting the year-to-date gain at 5.7%.

COPPER:
With a fresh upside breakout for the move early this week, the copper market has started out on a positive footing, with early buying the result of favorable Chinese data. In the first 2 months of 2021, China saw an increase in unwrought copper imports of 4.6%, while imports of copper ore and concentrates rose marginally. While the gains in Chinese industrial production and retail sales appear to be massive, the data is being compared to the worst of the pandemic in China last year. Nonetheless, industrial production gained 35.1% and retail sales jumped by 33.8%, while Chinese house prices increased by 4.3%.

It should also be noted that China is showing record or near record production of steel and aluminum production to feed state spending on construction, and therefore the suspect Chinese demand views of the past 4 weeks are removed. In fact, Chinese production of steel and aluminum posted records in the first 2 months of this year. Therefore, the market should see a measure of Chinese demand orientated buying and that is accentuated by a series of supply threats in both Chile and Peru. Workers in Chile rejected the company's wage offer last week and local protests are hindering transportation in Peru.

While volatility in the equity markets has been extensive and very upbeat action has been followed by definitive anxiety, the net take-away of new all-time highs in US stocks early this week should underpin the early rally in copper. While a massive net spec and fund long position has been reduced recently, it remains burdensome within the historically high range seen in positioning since November. The March 9th Commitments of Traders report showed Copper Managed Money traders net sold 14,284 contracts and are now net long 51,222 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 14,564 contracts to a net long 64,037 contracts.

ENERGY COMPLEX:
While the bias looks to remain up in the crude oil market into a new trading week, we detect a measure of exhaustion among the bull camp in crude oil. We base that opinion on the fact that strong Chinese economic data, signs of significant Chinese fuel demand and a decline in global floating storage has failed to lift prices sharply early this week. Chinese January and February apparent oil demand increased by 16.8% over last year's January and February demand, but demand in China last year was abnormally low, as the Chinese pandemic was at its zenith. In fact, favorable news on the virus front in the US combined with what appears to be more new all-time highs in certain US equity market measures, should have reignited last week's recovery rally early this week.

Apparently floating storage in crude oil over the last week declined by 3.3% and Citigroup has suggested crude prices could spike to $80.00 in-the-event that OPEC plus decides to talk up prices further with hawkish production restraint commentary. From a fundamental perspective, the crude oil market has seen a very broad list of bullish supply and demand developments, which in turn allowed the sharp recovery into last week's high. Going forward, we suspect that the wild swings in weekly inventory levels inside the US will begin to moderate, as weather-induced production setbacks have nearly dissipated, and the backlog of crude oil stocks should begin to moderate off rising refinery activity. Certainly, the trade is beginning to consistently embrace ideas that energy demand is beginning to mend and the relative tightness of US product inventories and recent jumps in refinery profitability should escalate the US refinery operating rate in the coming weeks.

From a technical perspective, the crude oil market remains at the highest spec and fund long level since August 2018 and volume fell off on the rally at the end of last week. The March 9th Commitments of Traders report showed Crude Oil Managed Money traders net bought 7,625 contracts and are now net long 390,688 contracts. Non-Commercial & Non-Reportable traders were net long 643,639 contracts after increasing their already long position by 25,253 contracts. At the end of last week, the US Baker Hughes oil rig operating count declined by one, with Canadian oil rigs operating falling by a significant 22 rigs and reaching a 9-week low. The bull camp retains a slight edge but risk on optimism is a key function of the bull case.

With a new high forged early this week, we suspect the RBOB trade will continue to factor in demand improvement. In fact, reports pointed to strong Chinese fuel demand in January and February, seasonal warming in the northern hemisphere (more activity) and declining activity restrictions (more demand) gives the bull camp a solid case. However, the most significant structural component of the bull case is the fact that the US refinery operating rate remains nearly 20% below normal which reduces product flow into inventories and that is expected to continue at-the-same-time that demand is expanding. From a technical perspective, the charts in gasoline are very uniform in their upward track with resistance and support lines fully respected over the last several weeks.

On the other hand, the net spec and fund long in gasoline is surprisingly low despite the very aggressive gains of the last 2 weeks and therefore the market retains speculative buying capacity. The Commitments of Traders report for the week ending March 9th showed Gas (RBOB) Managed Money traders are net long 60,211 contracts after net buying 5,631 contracts. Non-Commercial & Non-Reportable traders net bought 5,436 contracts and are now net long 59,490 contracts. While the diesel futures did not make a new high for the move last week, prices did finish near the highs and seemed to be linked to a very strong gasoline market. However, with the pace of air travel last week picking up significantly, spring break and better North American winter could accelerate that recovery.

As in the gasoline market, the abnormally low US refinery operating rate will make it difficult to build distillate and diesel stocks especially in the face of seasonal/recovery demand. In fact, last week's US security checkpoint numbers came in stronger than the end of the last week of the US New Year holiday and that points to growing confidence of the public to travel. Furthermore, the net spec and fund long positioning in the ULSD market remains very modest with the last net spec and fund long reading at only 25% of record long levels. Heating Oil positioning in the Commitments of Traders for the week ending March 9th showed Managed Money traders were net long 18,109 contracts after increasing their already long position by 2,973 contracts. Non-Commercial & Non-Reportable traders are net long 26,125 contracts after net selling 1,235 contracts.

In retrospect, the natural gas market continues to be one of the few physical commodities completely uninterested in the potential nearing end of the pandemic. In fact, the natural gas market could have benefited from signs of strong Chinese economic data overnight, evidence of strong Chinese fuel demand (January/February) and particularly from chatter that China will likely see increased LNG consumption as they attempt to reduce pollution from near total reliance on coal. However, China has historically avoided policies that threatened security from a need to import. On the other hand, it should be noted that China has surprised the trade with reforms designed to assist small Chinese LNG up-start importers.

While Chinese January and February power output increased by almost 20% over year ago levels (last year's power output was very low given the height of the pandemic in China) and that reduces the impressiveness of the gain. Near term US temperature forecasts are bearish with a warming trend. From a longer-term perspective, North American gas rigs operating remain significantly below the peak forged off the shale production miracle, but the overhang of supply has kept bargain-hunting buyers on the sidelines. However, it should be noted that natural gas rig operating activity has not recovered like petroleum drilling with US rigs operating last week, remaining near the lower end of the range of activity seen since 2016! While US gas rigs operating was unchanged last week Canadian gas rigs declined by 3 and posted a 10-week low.

Fortunately for the bull camp the net spec and fund long position is becoming very small and last week's downside breakout should reduce stop loss selling waves ahead. The March 9th Commitments of Traders report showed Natural Gas Managed Money traders reduced their net long position by 40,510 contracts to a net long 55,548 contracts. Non-Commercial & Non-Reportable traders are net long 22,327 contracts after net selling 20,838 contracts. The bias in the natural gas market favors the bear camp with technical damage forged this morning and US temperatures warming. Unfortunately, for the bull camp, the bias remains down and a possible re-test of sub-$2.50 is likely.

BEANS:

The soybean market held support last week and looks poised for a resumption of the uptrend soon. May soybeans closed near unchanged and up 21 cents from the lows as the soybean oil market continued to surge into new contract highs for the seventh session in a row. May meal closed sharply lower on the session and the selling pushed the market down to the lowest level since December 18. Talk of increased harvest activity in Brazil and ideas that rains this week in Argentina could help improve crop conditions helped to pressure. In addition, a rally in the US dollar added to the negative tone.

For the NOPA February crush report, traders see the crush near 168.61 million bushels, with a wide range of 158.8 to 175.3 million bushels. In February of last year the crush was 166.28 million bushels. Oil stocks are expected near 1.839 billion pounds, with a range of 1.65 billion to 1.93 billion pounds. With record cold temperatures into February, there seemed to be disruption of crushing operations which would point to low-end estimates for the report. In addition, there is plenty of uncertainty for biodiesel usage and this would point to low-end estimates for soybean oil stocks as well. On Friday, the Rosario Grains Exchange indicated that Argentina is set to lose $2.26 billion in export revenue due to poor crop conditions. The flat price break in meal has led to higher Brazilian basis and the stabilizing of the Argentine meal basis.

In the US, it was a very big pricing week due to the break. With each end user and processor knowing that there is a tight bean situation coming, each level of the meal pipeline may choose to carry a slightly larger cushion than other years. India palm oil imports fell 27% in February from a year ago to the lowest level in nine months. Soybean oil imports fell to 285,973 tons from 322,448 tonnes a year ago. Looking ahead to the new crop, soybeans will need to see good planting weather and a lack of yield problems this season to avoid extremely tight scenarios. Even the yields from the last few years are too low to avoid a tight setup.

Even with the 8.3% jump in planted acreage that the USDA has forecast for the coming year, the yield of 50.8 bushels per acre used by the USDA in their Outlook Forum (and considered trendline) would result in ending stocks of 145 million bushels and a stocks/usage ratio of 3.2%. This would be the second-lowest stocks/usage ratio on record, with this year and 2013/14 being the lowest. This leaves almost no room for a weather problem with the US crop. If yield drops just one bushel per acre from trend, ending stocks would be projected to come in at 58 million bushels with a 1.3% stocks usage. If yield were to come in at the same level as 2019, the Outlook Forum usage numbers would be 156 million bushels above the available supply, meaning ending stocks of -156 million bushels.

The March 9th Commitments of Traders report showed managed money traders are net long 159,601 contracts after net buying 4,040 contracts for the week. Non-Commercial & Non-Reportable traders added 4,921 contracts to their already long position and are now net long 187,190. For Soyoil, managed money traders were net long 99,574 contracts after decreasing their long position by 8,507 contracts for the week and the long liquidation selling trend could be seen as negative. Non-Commercial & Non-Reportable traders net sold 6,537 contracts and are now net long 139,988 contracts. For Soymeal, managed money traders net sold 1,180 contracts and are now net long 64,244 contracts. Non-Commercial & Non-Reportable traders added 2,585 contracts to their already long position and are now net long 114,990.

CORN:
The corn market has consolidated since late January but appears set for a resumption of the uptrend soon. Taiwan is tendering for 65,000 tonnes of corn. May corn managed to close higher on the session Friday and near the highs of the session as the early selloff to the lowest level since March 5th failed to attract new selling interest. Increased harvest pressure in South America was seen as an early negative force, but increase concerns for the late plantings for the second crop in Brazil and ideas that this week's rain in Argentina may not provide significant help to the yield outlook helped to support. A huge rain event across the Western Corn Belt, better weather for Argentina, and bearish outside market forces helped pressure the market last week with May corn down 6 1/2 cents for the week.

Export sales data suggests that old crop ending stocks could tighten considerably in the months ahead. Corn sales came in at 682,797 tonnes, and cumulative sales reached 90% of the USDA's forecast versus a five-year average of 69%. Looking ahead to the 2020/21 crop, even with the increase in planted area that the USDA used in their Outlook Forum forecast, the yield of 179.5 bushels per acre (and considered trendline) would result in US ending stocks of only 1.552 billion bushels and a stocks/usage ratio of 10.3%. Since 1973, there have been only six years in which the stocks/usage was under 10%. This leaves almost no room for a weather problem for the US corn crop either.

If yield drops to 175 bushels per acre (still the third highest on record), ending stocks could fall to 1.172 billion bushels and result in a 7.7% stocks/usage ratio. If yield were to come in at the same level as 2019, ending stocks could drop to 539 million bushels with a stocks/usage of 3.6%. This would be a record low. Corn positioning in the Commitments of Traders for the week ending March 9th showed managed money traders were net long 356,514 contracts after increasing their already long position by 7,968 contracts for the week. Non-Commercial No CIT traders were net long 339,802 contracts after decreasing their long position by 8,813 contracts for the week. Non-Commercial & Non-Reportable traders are net long 462,516 contracts after net selling 3,441 contracts for the week.

WHEAT:
China sold 2.26 million tonnes of wheat from state reserves at a weekly auction on March 9-10, the highest volume since late January and about 56% of the 4 million tons offered, the National Grain Trade Center said Monday. Total sales so far this year have reached 21.8 million tonnes. July Kansas City wheat closed lower on Friday led by good crop weather for the US and Europe and experienced the lowest close since January 11. For the week, the market fell 23 cents or down 3.6%. Increase moisture for the central and Western Plains helped to spark some selling and the jump in the US dollar did not help. Nebraska, Colorado, Kansas and Oklahoma all received drought busting type rains for the week ending March 19 in this helped to spark fairly aggressive selling. The 6 to 10 day and 8 to 14 day forecast models show above normal precipitation.

European milling wheat futures fell to a three week low as traders noted that Russia was still offering wheat at the Egypt tender even with the export tax. While planted area is down, EU weather so far this spring is favorable. The March 9th Commitments of Traders report showed managed money traders were net long 27,576 contracts after decreasing their long position by 4,227 contracts in just one week and the long liquidation selling trend is a short-term bearish force. CIT traders were net long 153,602 contracts after decreasing their long position by 2,684 contracts. For KC Wheat, managed money traders were net long 47,664 contracts after decreasing their long position by 4,060 contracts for the week and the long liquidation selling trend is bearish and suggests increased selling ahead if support levels are violated.

HOGS:
April hogs closed slightly lower on the session Friday with a quiet, inside trading day. This left the market with a gain of 382 points (4.4%) for the week. Talk of the short-term overbought condition after last week's rally helped to trigger some selling pressure. Strength in cattle helped provide some underlying support. June and August hogs have posted new contract highs. The USDA pork cutout released after the close Friday came in at $97.08, down from $98.68 on Thursday but up from $93.80 the previous week. The CME Lean Hog Index as of March 10 was 87.65, up from 86.76 the previous session and 84.06 the previous week.

The USDA estimated hog slaughter came in at 489,000 head Friday and 133,000 head for Saturday. This brought the total for last week to 2.583 million head, up from 2.563 million the previous week but down 2.1% from last year. Pork production for the week was down 1.3% from last year. Friday's Commitments of Traders showed managed money traders were net buyers of 154 contracts of lean hogs for the week ending March 9, increasing their net long to 74,287. Non-commercial, no CIT traders were net buyers of 4,439, increasing their net long to 49,130 contracts.

CATTLE:
The central Plains stay wet with more rain this week and the 6-14 day models show above normal precipitation for the Plains. Reopening optimism is strong and this should help support a turn up in beef demand as stimulus checks hit consumers. The cattle market closed moderately higher on the session

Friday but well off of the highs. The buying pushed June cattle up to the highest level since February 17. April cattle opened lower but has also rallied sharply. The USDA boxed beef cutout was up 35 cents at mid-session Friday but closed 80 cents lower at $225.87. This was down from $231.33 the previous week and was the lowest the cutout had been since January 22. Cash live cattle traded in moderate volume on Friday mostly steady with recent trends. As of Friday afternoon, the 5-day, 5-area weighted average price was 113.53 versus 113.61 the previous week.

The USDA estimated cattle slaughter came in at 113,000 head Friday and 53,000 head for Saturday. This brought the total for last week to 647,000 head, down from 665,000 the previous week but up 0.9% from a year ago. Beef production for the week was up 1.8% from last year. Friday's Commitments of Traders report showed managed money traders were net buyers of 1,091 contracts of live cattle for the week ending March 9, increasing their net long to 81,660. Non-commercial & non-reportable traders combined were net buyers of 351, increasing their net long to 86,552.

COCOA:

Cocoa’s lukewarm finish to last week has left the market well below its early March highs, but nearly 200 points above its mid-February lows. Although the near-term demand outlook remains in doubt, cocoa’s bullish longer-term demand prospect should keep the market well supported on near-term pullbacks. May cocoa came under early pressure and while it put together a late rebound, it still finished Friday’s trading session with a moderate loss. For the week, however, May cocoa finished with a gain of 24 points (up 0.9%) which was a third positive weekly result over the past 4 weeks and was a positive weekly reversal from Monday’s 2-week low.

A sizable pullback in the Eurocurrency weighed on cocoa prices as a weaker currency makes it more difficult for Euro zone grinders to acquire near-term supplies. Several European nations are seeing a “third wave” of COVID cases has pressured the cocoa market as it may diminish the prospects for a recovery in European demand later this year. Europe accounts for more than one-third of all global chocolate processing, and does so without a domestic source of cocoa beans.

That applies to North America as well, but the demand outlook there may be more promising as comments by President Biden point toward wider US vaccine access by the end of April and limited gatherings by the July 4th holiday. West African growing areas are near the end of their “dry” season with daily rainfall in the forecast through late next week. However, daily precipitation totals are unlikely to reach 0.5 inch while daily high temperatures will climb above 90 degrees Fahrenheit in most regions.

Cocoa positioning in the Commitments of Traders for the week ending March 9th showed Managed Money traders net bought 5,366 contracts and are now net long 34,937 contracts. CIT traders are net long 46,594 contracts after net selling 1,307 contracts. Non-Commercial No CIT traders net bought 2,010 contracts and are now net long 18,167 contracts. Non-Commercial & Non-Reportable traders were net long 56,610 contracts after increasing their already long position by 2,057 contracts.

COFFEE:

Coffee prices have regained their strength following a sharp selloff to start out March and have lifted well clear of last week’s lows. While near-term demand remains uncertain, coffee has a bullish supply outlook that can help to extend this current recovery move. May coffee was able to bounce back from early pressure and reach a new 1-week high before finishing Friday's outside-day trading session with a mild gain that was a fourth positive daily result in a row. For the week, May coffee finished with a gain of 4.15 cents (up 3.2%) which was a third positive weekly result over the past 4 weeks and was a positive weekly reversal from last Tuesday's 3-week low.

A pullback in the Brazilian currency weighed on the coffee market, but the Real had regained over 5.5% during the previous 3 sessions which eased pressure on Brazil's producers to market their remaining coffee supply to foreign customers. In addition, the prospects for global restaurant and retail shops returning to full operations later this year helped coffee prices to regain upside momentum later in the day. Europe remains a sore spot for near-term demand as several nations are seeing a "third wave" of COVID cases that could lead to fresh shutdown measures on restaurants and retail shops.

While ICE exchange coffee stocks remain close to their highest levels since last April, they fell 509 bags on Friday which was their first daily decline since late February. There is rainfall forecasts for most days this week for Brazil's south Minas Gerais Arabica-growing region, but daily total are unlikely to reach 0.25 inch. As a result, many coffee tress continue to deal with drier than normal conditions since last year that will negative impact their upcoming 2021/22 crop.

Coffee positioning in the Commitments of Traders for the week ending March 9th showed Managed Money traders net sold 7,517 contracts and are now net long 30,359 contracts. CIT traders were net long 71,777 contracts after decreasing their long position by 826 contracts. Non-Commercial No CIT traders are net long 29,470 contracts after net selling 6,815 contracts. Non-Commercial & Non-Reportable traders net sold 8,035 contracts and are now net long 56,461 contracts.

COTTON:
May cotton closed moderately lower on Friday but stayed inside Thursday's range throughout the session and the market closed slightly lower for the week. The dollar index was moderately higher, which makes US cotton more expensive on the world market. Grain markets were weaker at times during the session, and this may have made cotton longs nervous. Exports are proceeding at a good clip. Cumulative Sales have reached 96% if the USDA's forecast for the 2020/21 marketing year versus a 5-year average of 87%. This suggests there is room for the USDA to increase their export forecast in future reports. Traders may have been disappointed that the USDA did not do so in last Tuesday's monthly supply/demand update, but this does not close the door for future revisions.

It is important to keep in mind that while US and world cotton stocks are tightening, they are not historically tight. At 23.6%, the 2020/21 US stocks/use ratio is the lowest since 2017/18. The world stocks/use ratio is 80.5%, down from 96.3% in 2019/20 but the second largest since 2014/15. However, with what appear to be ever-tightening corn and soybean stocks, cotton will have to compete for acreage this summer, which should keep a floor under prices. Friday's Commitments of Traders report showed managed money traders were net sellers of 8,200 contracts of cotton for the week ending March 9, reducing their net long to 57,831. The long liquidation selling trend is seen as a short-term bearish force. Non-commercial & non-reportable traders combined were net sellers of 13,121, reducing their net long to 92,637.

SUGAR:
Sugar prices have spent the first half of March seeing coiling price action within a consolidation range, but they are starting to receive carryover support from several key outside markets. If this can continue during this week's action, sugar should be able to regain and sustain upside momentum. May sugar remained on the defensive all day as it finished Friday's inside-day trading session with a moderate loss. For the week, May sugar finished with a loss of 27 ticks (down 1.6%) which was a third negative weekly result in a row.

A modest pullback in the Brazilian currency had an outsized impact on sugar prices as a 3-day recovery move of more than 5% in value was a major source of carryover support to the sugar market. Crude oil prices also ran out of steam after their recent strength which may have fueled additional long liquidation in the sugar market, but RBOB gasoline prices maintained their strength and reached a new 23-month high. Many of Brazil's Center-South mills will be restarting their operations for the 2021/22 season, but some mills may delay the start of their crushing due to lower yields from drier than normal conditions seen over the past year.

Center-South domestic ethanol sales from last April through February were 11.5% behind last season's pace, but domestic ethanol sales during January and February were only 0.9% below last year's total. With crude oil and gasoline prices well above the levels seen a year ago, Center-South mills are likely to increase ethanol's share of crushing and decrease sugar's share of crushing. As a result, 2021/22 Center-South sugar production could decline by well over 3 million tonnes from this season's output.

The March 9th Commitments of Traders report showed Sugar Managed Money traders reduced their net long position by 13,670 contracts to a net long 194,068 contracts. CIT traders were net long 245,156 contracts after decreasing their long position by 7,558 contracts. Non-Commercial No CIT traders are net long 134,309 contracts after net selling 14,914 contracts. Non-Commercial & Non-Reportable traders are net long 289,945 contracts after net selling 16,948 contracts.

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