ADM
ADM Investor Services, Inc.

Weekly Futures Market Summary

by the ADMIS Research Team
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BONDS:
In retrospect, we see the rally in bonds over the prior 2 weeks as a corrective bounce in a bear market. Certainly, 8 days of disappointing US scheduled data added to the pulse up in treasury prices, as did a veritable avalanche of dovish US Federal Reserve dialogue. On the other hand, with last Thursday's high in bonds prices return to a very steep downtrend channel resistance line, and in the event US infections due to post a lower low and the lowest infections since the beginning of October, that could result in new contract lows in bonds and notes.

The fundamental bias flowing in the marketplace should be supportive of bond and note prices, with financial fears stoked by a hedge fund's $20 billion weekend margin call, spiking infection readings and minor losses in early US equity prices. Furthermore, the flow of US economic news from February activity has consistently favored the bull camp recently but the Treasury markets have not shown definitive upside sensitivity to disappointing February data so far. Certainly, the trade is discounting the February data because of the reduction in activity from the ice and cold that settled throughout a large portion of the central United States.

On the other hand, there does not appear to be an inordinate amount fear that the weekend hedge fund margin call will cause a systematic failure or if it will result in a simple ripple impact on other firms. However, flight to quality lift for bonds and notes is not definitive in the early going suggesting that unsettling news is not spooking the markets. While we expect the current US infection surge will abate in the weeks ahead, in the near term the treasury bond market is massively net spec and fund-short, and traders should not discount the potential for a sudden explosion in prices from a stop loss buying wave.

The March 23rd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders reduced their net short position by 13,954 contracts to a net short 177,296 contracts. For T-Notes Non-Commercial & Non-Reportable traders are net short 203,237 contracts after net buying 49,135 contracts. Developments of importance early this week included news that the ship blocking the Suez Canal could be freed at high tide, but ships backed up for transit of the canal are nearing 400.

CURRENCIES:
With the dollar falling back in the face of disappointing US personal income and personal spending data, the argument that the dollar rally is the result of more attractive yielding opportunities in the US than in other areas was given added credence. However, this week could be a significant test of the dollar bulls resolve if US daily infections extend the pattern seen since late January with a downside breakout in the daily infection rate to the lowest level since October 4th.

The path of least resistance is pointing up in the dollar at the start of a news week but as in many other financial markets, traders seem to be cautious in assuming fresh positions. In addition to the potential safe-haven lift from the US hedge fund margin call story, the dollar was also drafting support from renewed anxiety from a number of virus fronts. Pushed into the market we give the edge to the bull camp as-long-as the dollar index maintains a price above 92.63. The March 23rd Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders net sold 287 contracts and are now net long 8,567 contracts.

With infection hotspots in the euro zone projected to worsen and given what is likely to be significant extension of restricted activity rules, the macroeconomic influence on the euro has return to a patently negative standing again. About the most positive thing that can be said about the euro at this juncture is it is approaching levels that in the past have been credible support. Euro positioning in the Commitments of Traders for the week ending March 23rd showed Non-Commercial & Non-Reportable traders were net long 129,476 contracts after decreasing their long position by 914 contracts.

The Yen was apparently significantly oversold from technical and fundamental perspectives, as it has held above last Friday's spike low trade and managed that in the face of a definitive deterioration in global economic sentiment. However, the currency was significantly sold out after 4 days of declines of 220 points. Surprisingly, the Swiss franc held up despite an extension of bearish conditions that resulted in last week's slide of 230 points. However, with fears of infections back in the face of the markets again, economic data from the US also tempering global prospects, the Swiss lacks bullish fundamental arguments against an extension down to 1.06 this week.

Of all the markets, the British Pound showed the most surprising action with a 4-day high forged in the face of a pair of concerning global events. While UK data was supportive, and the UK is progressing with its inoculation program, the rally in the Pound seems out of place. On the other hand, seeing the Pound rally in the face of concerning conditions, could be a sign of ultimately favor and the beginning of a near term return to 1.40. With a series of lower highs and lower lows in the Canadian dollar, the US Dollar showing signs of resuming last week's grind higher, the fundamental and technical set up in the Canadian is bearish and the short-term trend is down.

STOCKS:
While the US stock market appeared to have made a turn back in favor of the bull camp late last week, for some the rate of gain was disappointing. Nonetheless, the market has seen extreme daily threats of rising interest rates moderate and has also been presented with a 100 day/200 million vaccination target by the Biden Administration. In other words, the accumulation of 135 million vaccinations should begin to drop the daily infection rate at a brisker pace and that should provide a euphoria extension for US stocks in the coming week.

Equity market action early this week was mostly higher in Asia, with European action mixed and the US markets favoring negative territory early on. Early developments of importance included news that a hedge fund over the weekend was presented with a $20 billion margin call (fostering systematic risk fears) and news that the ship blocking the Suez Canal could be freed at high tide later Monday. However, it should be noted that US infection counts last week jumped back to the highest level in a month and the infection situation in Europe appears to be worsening with the situation in Brazil extremely concerning.

The equity markets started the week off balance but have not shown excess anxiety in the face of two issues that could have been capable of creating a "very negative market event". The chatter from Wall Street does not appear to be signaling a chain reaction from the hedge fund margin call and with some global equity markets trading higher, renewed infection anxiety did not result in concerted weakness.

From a technical perspective, the 2-day low to high bounce of 125 points at the end of last week should leave the S&P technically overbought and the net spec and fund long (adjusted into the high Friday) was likely the longest in 5 weeks. The March 23rd Commitments of Traders report showed E-Mini S&P Non-Commercial & Non-Reportable traders net sold 24,791 contracts and are now net long 25,243 contracts. In short, our view is the market should be diving sharply lower this morning but instead prices are absorbing negative stories.

As in the S&P, the bias in the Dow from a fundamental perspective was pointing down, but the magnitude of initial declines suggested that those issues were not creating undo anxiety. Nonetheless, the initial bias is down with infection anxiety assuming control over what has recently been a positive vaccination storyline. The March 23rd Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders are net short 7,541 contracts after net buying 5,998 contracts.

With the NASDAQ forging very modest gains at the end of last week its technical vulnerability could be relatively less than other sectors of the market. However, traders should be aware of the potential for the NASDAQ to hold up better and potentially diverge on the upside in the event infection counts spark a return to "stay-at-home" investor rotation. Nasdaq Mini positioning in the Commitments of Traders for the week ending March 23rd showed Non-Commercial & Non-Reportable traders net sold 571 contracts and are now net short 19,524 contracts.

GOLD, SILVER & PLATINUM:

While the US dollar has not forged an upside breakout early this week, it came within ticks of a fresh high, and gold and silver have likely seen a portion of their selling off that situation. While the initial weakness is probably part of a risk off/fear of renewed slowing (from jumps in various global infection readings), investors have continued to pull back from both gold and silver ETF's. Last week gold ETFs reduced their holdings by 893,283 ounces, with silver holdings reduced by 9.7 million ounces. In fact, the outflow from ETF instruments has begun to spark frequent press coverage touting even more significant outflows ahead.

In our opinion, the gold market will need to find a fresh bullish theme quickly or the exit of investment money will perpetuate ahead. Critical statistics regarding the potential impact of a wholesale gold ETF liquidation are a recent record gold stockpile in ETFs of 3,500 metric tonnes (end of October data) with those holdings equaling 1 full year of global annual mined supply. Adding into the negative investment flow news is word that the gold market has been the worst performing asset in the Bloomberg commodity index this year, with that story touting the rise in interest rates as the primary cause of the migration.

However, the markets might see some support from expectations of positive Chinese purchasing managers data for March to be released later this week. Certainly, gold and silver have seen pressure from rising interest rates moderate, but the question of where interest rates are ultimately headed could see a major junction later this week, following the release of US nonfarm payrolls for the month of March. While not a direct tick for tick influence, the direction of energy prices could become more important this week, given that energy prices also look to be poised to make a key trend decision.

On the other hand, adjusting the most recent spec positioning in gold for the post COT report price decline, likely puts the net spec and fund long in gold at the lowest level since the end of May 2019. The Commitments of Traders report for the week ending March 23rd showed Gold Managed Money traders added 1,269 contracts to their already long position and are now net long 56,010. Non-Commercial & Non-Reportable traders are net long 197,893 contracts after net selling 7,761 contracts. Unfortunately for the bull camp in gold, oversold technical readings and a leveled spec position is more than countervailed by a lack of bullish supply or demand arguments.

As indicated already, the silver market managed to test and reject the sub $25.00 price level for four consecutive sessions, but the $25.00 level has been a very important junction for over 8 months and the failure should not be discounted! Like the gold market, the silver market is also pulling down its overbought net spec and fund long positioning with adjustments to the last positioning report following the failure last week likely lowering the silver net spec and fund long to the lowest level since June 2020.

The March 23rd Commitments of Traders report showed Silver Managed Money traders were net long 22,895 contracts after decreasing their long position by 3,018 contracts. Non-Commercial & Non-Reportable traders are net long 50,369 contracts after net selling 3,667 contracts. The charts remain bearish with gold and silver last week forging series of lower lows and lower highs. In fact, with silver entering the new week by knifing through even number/consolidation low support around the $25.00 level, the next support level is lowered to $24.435. In April gold appears to have little in the way of support until $1,700.

The charts in palladium market finished last week extremely bullish but embracing the bull case is difficult with classic longer-term fundamentals supporting the bull case still fuzzy and short term influences this morning bearish. In fact, without labor or Covid interrupted mine production event, the key force behind the rally in palladium appears to be the hope for improvement in global auto sales and therefore increased global auto catalyst input material in the 2nd half of this year.

Obviously, China is part of any large global demand increase in commodities and economic data from China over the past 3 weeks has been indicative of a plateau, or a modest deceleration of their impressive initial post Covid recovery and that should have dampened palladium demand expectations. Furthermore, the palladium market into last week's close had prices sitting more than $1,500 per ounce above the price of platinum. Nonetheless the palladium market retains a surprisingly small net spec and fund long positioning despite the 2-month low to high rally of $500 an ounce!

In fact, adjusted into the high forged after the COT report was measured, the net spec and fund long in palladium remains 4,000 contracts below the high spec long of the past 13 months and at one-eighth the size of the all-time-record spec long forged in 2013. Palladium positioning in the Commitments of Traders for the week ending March 23rd showed Managed Money traders were net long 3,117 contracts after increasing their already long position by 879 contracts. Non-Commercial & Non-Reportable traders were net long 3,155 contracts after increasing their already long position by 1,095 contracts. The trend is up and a quick move to $2,750 in the June palladium contract is possible if global equity markets show consistent risk on sentiment this week.

The platinum market continues to be the "black sheep" of the PGM complex with a series of lower lows and lower highs forged directly in the face of strong palladium prices. While it is a very difficult undertaking to substitute auto manufacturing inputs, other industrial uses for platinum should begin to pull demand from palladium. However, we get the sense that some traders are using platinum as a hedge against long palladium positions and obviously the demand story for platinum is significantly less impressive given its primary demand source diesel engines.

In yet another surprisingly negative impact, the platinum market remains significantly net spec and fund long, despite prices falling from $1,348 in February, down to the early March low of $1,110! The March 23rd Commitments of Traders report showed Platinum Managed Money traders were net long 20,630 contracts after increasing their already long position by 411 contracts. Non-Commercial & Non-Reportable traders were net long 38,252 contracts after decreasing their long position by 964 contracts.

COPPER:
In retrospect, the action in the copper market over the last 45 days is clearly justified by the events from both scheduled data and from the global virus situation. From a 10,000-foot overhead view, it-is-clear that Chinese growth moderated or plateaued or temporarily paused around their New Year's holiday.

It is also apparent that a series of US data points for February were soft and the net result has been a 30 day sideways to slightly lower chop in copper prices. It should also be noted that labor issues are not a big threat to supply at present, global copper warehouse stocks are rising, previously highflying industrial material prices in China have fallen back from record highs, and aggressive global vaccination rates have yet to stem the pace of infections.

Lastly, the net spec and fund long in copper remains well above what used to be extremely high net spec and fund long positioning. The Commitments of Traders report for the week ending March 23rd showed Copper Managed Money traders added 970 contracts to their already long position and are now net long 45,540. Non-Commercial & Non-Reportable traders were net long 56,647 contracts after decreasing their long position by 2,876 contracts.

ENERGY COMPLEX:
While we have been skeptical of the bull case in crude oil for the last 2 weeks, it is difficult to argue against the market’s ability to stand up to negative outside market forces. In fact, the May crude oil

contract forged a 5-day high despite financial market problems and a lot of infection surge worries. Even more impressive is the fact that oil prices were showing a positive track in the face of fresh hopes that the Suez Canal blockage will be ended with a high tide later on Monday. However, the real supportive force for prices was news that Russia will support a rollover of OPEC plus output levels into the month of May. Tempering that supportive stance from Russia is their desire for a small production increase for themselves. Traders should be aware that the OPEC plus ministers will meet April 1st and it is likely all parties will posture in the press in the coming days thereby stoking volatility.

Yet another negative development discounted by the early trade this week is a rise in global floating crude oil storage of 4.5% last week. On the other hand, within that weekly floating storage increase is news that Asian-Pacific floating storage fell by 1.5% with the biggest buildup seen in Europe and that keeps overall demand hope slightly in favor of the bull camp. Unfortunately for the bull camp, the revival of anxiety from a surge in infections from around the globe keeps the prospect of demand destruction lurking in the wings. The Commitments of Traders report for the week ending March 23rd showed Crude Oil Managed Money traders net sold 16,778 contracts and are now net long 376,241 contracts. Non-Commercial & Non-Reportable traders net sold 6,889 contracts and are now net long 622,231 contracts. Fortunately for the bull camp, supply issues are dominating over macro conditions that threatened demand.

We see the near-term trading range in May gasoline defined as $2.07 on the upside and $1.8945 on the downside which suggests a widening of price swings. Fortunately for the bull camp in gasoline, demand is likely improving slightly each week and overall, the US refinery operating rate remains very low with 18.4% of US capacity off-line last week and that should leave the prospect of tightening US gasoline supply in place. Keep in mind, EIA gasoline inventories remain at a 7-million-barrel deficit to year ago levels. Granted refining margins are more attractive, and a normal seasonal increase in refining activity will likely up the supply of US product flowing to the market. Therefore, as we have been indicating for several weeks, it remains a race between the recovery in demand and the recovery in product supply flow.

While the US gasoline inventory reading at the IEA shows a 7-million-barrel year-over-year deficit, reports of significant flow of European gasoline to the US, partially negates the US shortage of stocks and the slow pace of production of gasoline. However, despite the breakneck gains in RBOB prices since November ($0.80), the net spec and fund long in gasoline remains surprisingly low. The Commitments of Traders report for the week ending March 23rd showed Gas (RBOB) Managed Money traders were net long 63,230 contracts after decreasing their long position by 4,045 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 2,314 contracts to a net long 58,901 contracts.

In the near term, it appears as if the bull camp maintains an edge in the ULSD market, and without a significant and sustained return risk off slowing mentality again, we expect gasoline to post a lot of trade above $2.00 this week. We see a similar situation in ULSD with demand rising slowly and with US production still running very low. However, the fundamental condition in the distillate market highlights a well-supplied market and demand needs to improve soon. The Commitments of Traders report for the week ending March 23rd showed Heating Oil Managed Money traders were net long 16,056 contracts after decreasing their long position by 4,749 contracts. Non-Commercial & Non-Reportable traders net sold 4,909 contracts and are now net long 26,156 contracts.

In retrospect, the natural gas market forged impressive action last week as it managed an upside breakout and generally sustained that higher action into the close. While there is a section of below normal temperatures in the eastern quarter of the US out to April 10th the ability to ramp up natural gas consumption off cold weather, is diminishing by the week. Fortunately for the bull camp, the latest positioning report showed gas to have added to its net spec and fund short positioning and that could result in less fresh selling.

The Commitments of Traders report for the week ending March 23rd showed Natural Gas Managed Money traders went from a net short to a net long position of 6,351 contracts after net buying 9,129 contracts. Non-Commercial & Non-Reportable traders were net short 18,797 contracts after increasing their already short position by 2,003 contracts. Last week, the Baker Hughes gas rig count was unchanged and the 5th week in a row with no change. The Baker Hughes Canadian gas rig operating count declined by one and that was a 12-week low! In our opinion, to extend last week's recovery bounce probably requires renewed demand optimism from headlines flowing from China or from US Gulf Coast export facilities.

BEANS:

Traders remain nervous with active harvest in South America and with feeding demand in China. May soybeans closed sharply lower on the session last Friday as the limit down action for soybean oil help pull futures lower. Palm oil was down more than 4% and this helped drag the market lower. May soybeans closed 15 3/4 cents lower on the week. December meal closed just slightly lower on the week and December soybean oil traded down to the lowest level since March 4. South America weather looks favorable for increased harvest activity over the near term and this may have added to the bearish tone.

Longs in soybean oil trade continue to try to solve the oil balance sheets. Argentina has the oil and a big crush rate ahead. US premiums, however, suggests the opposite. There are rumors that Argentina oil could move through Europe and then to the US as a way to avoid heavy duties. The Argentine crush pace is at a near record pace for the first quarter and this should weigh on product prices. A key weekly reversal for May soybean oil is a bearish technical development. The new policy agenda in the US is expected to boost US production of renewable diesel. This is coming at a time when the crushing pace is expected to ease off in the old crop season as soybean supplies remain tight.

There are still rumors that two cargoes of Argentina soybean oil are moving to the US. The surge in vegetable oil prices occurred at the same time that crude oil prices have fallen. In addition, a seasonal increase in palm oil production is expected over the next 4 to 5 months and this should add to the negative tone for the market. For the USDA reports at the end of the month, traders see soybean planted area at 90.1 million acres (88.9-91.3 million range) as compared with 83.1 million acres last year. March 1 soybean stocks are expected at 1.537 billion bushels, (1.440-1.825 billion range) as compared with 2.255 billion bushels last year. Weather permitting, US producers will strongly favor corn and this could leave soybean plantings a little lower than the USDA Outlook Forum estimates. The stocks report at the end of the month will determine just how tight ending stocks could be. Argentina and much of Brazil are dry for the next week and this could boost harvest activity.

Soybean positioning in the Commitments of Traders for the week ending March 23rd showed managed money traders are net long 162,853 contracts after net buying 6,813 contracts for the week. Non-Commercial & Non-Reportable traders were net long 181,155 contracts after increasing their already long position by 4,085 contracts. For Soyoil, managed money traders are net long 93,977 contracts after net selling 4,709 contracts for the week and the long liquidation selling trend is seen as a short-term bearish force. Non-Commercial & Non-Reportable traders reduced their net long position by 13,920 contracts (long liquidation) to a net long 127,092 contracts. For Soymeal, managed money traders are net long 57,620 contracts after net selling 3,616 contracts for the week. Non-Commercial & Non-Reportable traders net sold 2,966 contracts and are now net long 107,443 contracts.

CORN:
The continued weakness in China corn plus the outlook for US weather are seen as short-term negative forces. The market seems to have the demand fundamentals to see a resumption of the uptrend, but the US weather looks favorable for an early start to fieldwork, and this could spark further long liquidation selling as speculators still hold a hefty net long position. Weakness in the Brazilian currency, a sharp run-up in the US dollar and further collapse in crude oil prices this week were all seen as bearish forces. For the USDA Acreage report, traders see 93.1 million acres (92.0-94.5 million range) as compared with 90.8 million acres last year. The weekly export sales report showed the third highest weekly current year net sales on record at 4.481 million tonnes. Cumulative sales have reached 98.4% of the USDA forecast for the 2020/2021 marketing year versus a 5 year average of 73.7%. Given the cumulative export sales data, it would be easy to increase the export estimate for 2020/21 by 150-400 million bushels which would decrease ending stocks the same amount.

For our what-if scenario, we will assume that 2021/22 beginning stocks are 150 million bushels lower than the current USDA forecast. If so, and we use the average trade estimate for the Planting Intentions report of 93.1 million acres, ending stocks for the new crop season come in at 1.51 billion bushels or 10% stocks/usage ratio. This assumes a record yield of 179.5 bushels per acre. Keep in mind that stocks/usage has been under 10% just six times since 1973. If we assume a slightly lower yield at 175 bushels per acre (still the third-highest ever) ending stocks slip to 1.131 billion bushels or a stocks usage of 7.5%. This would be the lowest stocks/usage since the 2012/13 season. For the Quarterly Grain Stocks as of March 1st, the average analyst estimate for corn stocks is around 7.770 billion bushels (7.573-7.980 billion range) as compared with 7.952 billion bushels last year. Fears of a bearish report emerge from talk of slow ethanol demand in the last quarter.

May corn closed 5 1/4 cents lower for the week. The USDA Secretary of Agriculture indicated that China could be doing more buying of US biofuels and distillers dry grains. Corn positioning in the Commitments of Traders for the week ending March 23rd showed managed money traders are net long 388,175 contracts after net buying 17,275 contracts for the week. The buying is positive and the record net long is at 429,189 contracts. Non-Commercial & Non-Reportable traders net bought 18,864 contracts and are now net long 479,851 contracts. In Brazil, moderate to heavy showers fell over the south while it remained mostly dry in the central and north this weekend. This will help immature corn and soybeans in the south but safrinha corn will see unwelcome dryness and cause concern as we get closer to the start of the dry season.

WHEAT:
July Kansas City wheat traded down to the lowest level since December 21st and this negated the reversal action on Friday. Even with the bounce Friday, the market closed down 16 3/4 cents for the week. The market seems to have priced-in much of the bearish short-term demand forces, and the outlook for good crop conditions for most of the Northern Hemisphere growing areas coming out of dormancy. However, the two week outlook for the Plains has very little rain and warmer than normal temperatures and this may help provide some underlying support. Chicago wheat closed higher on the session Friday, but lower for the fourth week in a row.

The five day forecast has almost no rain for Nebraska, Kansas, Oklahoma and Texas. The 6 to 10 day forecast calls for hot and dry weather and the 8-14 day models show warm weather continuing with above normal rains for the Dakotas and normal precipitation for the central and southern Plains. For the key USDA grain reports at the end of the month, traders see wheat planted acres near 44.9 million acres (43.0-46.4 million range) as compared with 44.3 million acres last year. Spring wheat acres are expected near 11.7 million acres compared with 12.3 million last year and winter wheat acres are expected near 31.8 million acres from 30.4 million last year. March 1 wheat stocks are expected near 1.271 billion bushels (1.227-1.405 billion range) as compared with 1.415 billion last year.

The Commitments of Traders report for the week ending March 23rd showed managed money traders were net long 8,160 contracts after decreasing their long position by 9,365 contracts in just one week. Non-Commercial & Non-Reportable traders were net long 15,865 contracts after decreasing their long position by 3,015 contracts. For KC Wheat, managed money traders reduced their net long position by a whopping 12,100 contracts in just one week to a net long 26,242 contracts. Non-Commercial & Non-Reportable traders were net long 19,889 contracts after decreasing their long position by 12,805 contracts.

HOGS:
April hogs gaped higher and posted new contract highs for the fourth session in a row on Friday, and for the 8th of the last 9 trading sessions. The market closed up 650 points (6.9%) for the week. The market is extremely overbought technically but open interest also remains in a steady uptrend as fund traders build a net long position. June hogs also traded sharply higher on the day. The USDA hogs and pigs report showed that hog supply is down about 2% from trade expectations and this supported the strong gains. The supply was below the low end expectation which helped to drive the market higher. The CME Lean Hog Index as of March 24th was 94.59 up from 93.85 the previous session and up from 91.24 the previous week. This leaves April hogs holding a large premium to the cash market. The USDA pork cutout, released after the close Friday, came in at $106.45, down from $108.03 on Thursday but up from $101.82 the previous week.

The USDA estimated hog slaughter came in at 487,000 head Friday and 142,000 head for Saturday. This brought the total for last week to 2.551 million head, up from 2.524 million the previous week but down 8.2% from a year ago. Pork production for the week was down 7.2% from a year ago. Friday's Commitments of Traders report showed managed money traders were net buyers of 262 contracts of lean hogs for the week ending March 23, increasing their net long to 76,095. Non-commercial & non-reportable traders were net sellers of 361 contracts, reducing their net long to 83,149. China's national average spot pig price as of March 29 was down 2% from the previous day. For the month, prices are down 7.1% and down 27.5% year to date. If there was a serious supply issue due to another wave of AFS in China, pig prices would likely be higher, not lower.

CATTLE:

April cattle closed 55 points higher on the session last Friday and experienced the highest close since February 25th. The market gained 170 points for the week. June cattle pushed up to the highest level since March 18. The short-term demand outlook remains very strong and with the rally in beef prices, cash markets look higher again this week. The USDA boxed beef cutout was up $1.95 at mid-session Friday and closed $1.21 higher at $237.66. This was up from $229.99 the previous week and was the highest the cutout had been since March 1. Cash live cattle traded in light volume on Friday at $116-117, about $1-2 higher than the previous week. The 5-day, 5-area weighted average as of Friday was $115.49, up from $114.21 the previous week.

The USDA estimated cattle slaughter came in at 115,000 head Friday and 56,000 head for Saturday. This brought the total for last week to 646,000 head, up from 627,000 the previous week but down 5.7% from a year ago. Beef production for the week was down 5.4% from last year. Friday's Commitments of Traders report showed managed money traders were net sellers of 4,005 contracts of live cattle for the week ending March 23, reducing their net long to 79,555. Non-commercial, no CIT traders were net sellers of 6,740 contracts for just one week, reducing their net long to 53,313. Non-commercial & non-reportable traders were net sellers of 6,114, reducing their net long to 83,507.

COCOA:

Cocoa prices have been weighed down by near-term demand concerns for several weeks, but they finished last week’s trading with two positive daily results in a row as they climbed back above their 200-day moving average. Unless global risk sentiment can end the second quarter on an upbeat note, cocoa may have trouble extending its recovery move. May cocoa found early support and was able to bounce back from midsession pressure as it finished Friday’s trading session with a minimal gain. For the week, however, May cocoa finished with a loss of 35 points which was a third negative weekly result over the past 4 weeks.

Concerns over a “third wave” of new COVID cases in the Euro zone weighed on cocoa prices as it should keep European demand subdued through the second quarter. The Euro zone accounts for over 30% of global cocoa processing with Netherlands and Germany 2 of the top 4 grinding nations, so continued lockdown measures will have a negative impact on chocolate consumption. While they remain in close proximity to their recent lows, renewed strength in the Eurocurrency and British Pound provided cocoa with carryover support later in the session.

After cocoa’s close on Friday, US equity markets had a sharp rally that could lead to stronger Asian and European equities which can provide cocoa with carryover support during today’s action. Many West African growing areas have little to no rainfall in the forecast through early next week, with daily high temperatures reaching above 95 degrees Fahrenheit in many of those regions. While soil moisture levels are still considered adequate, these conditions are likely to have a negative impact on upcoming West African mid-crop production.

Cocoa positioning in the Commitments of Traders for the week ending March 23rd showed Managed Money traders were net long 31,442 contracts after decreasing their long position by 3,386 contracts. CIT traders are net long 48,043 contracts after net buying 475 contracts. Non-Commercial No CIT traders are net long 12,415 contracts after net selling 5,175 contracts. Non-Commercial & Non-Reportable traders are net long 50,271 contracts after net selling 6,129 contracts.

COFFEE:
Several commodities have been negatively impacted by the prospect of lower near-term demand, one of which is coffee. While those demand issues are unlikely to be resolved soon, coffee continues to have a bullish supply outlook. May coffee was able to overcome a new 2-week low in the Brazilian currency as it finished Friday's trading session with a sizable gain. For the week, May coffee finished with a loss of 0.50 cent as the market just missed out on a positive weekly reversal from a 5-week low but was a third negative weekly result in the past 4 weeks.

The major component in coffee's bullish supply outlook is Brazil's upcoming "off-year" of their biannual crop cycle, which normally leads to a sizable drop in output but is enhanced this year with their major Arabica growing regions experiencing drier than normal conditions since last year. These conditions were extended by the La Nina weather event, so many analysts expect Brazil's 2021/22 coffee production to decline by at least 30% this season with some forecasts calling for as much as a 50% decline. Colombia's coffee federation estimated their first half 2021 coffee production will come in around 6 million bags, which would be 2.4% below last year. Colombia's production during January and February came in higher than last year, which implies their March-June output could decline by nearly 7% from last year. Guatemala, Honduras and Nicaragua are still recovering from back-to-back severe storms last November and should also have a negative impact on global Arabica coffee production.

ICE exchange coffee stocks fell by 250 bags on Friday but have risen more than 415,000 bags since the start of this year which reflects lukewarm European demand. On the other hand, US green coffee stocks reached a 5 1/2 year low as of the end of February. Coffee positioning in the Commitments of Traders for the week ending March 23rd showed Managed Money traders net sold 8,328 contracts and are now net long 19,239 contracts. CIT traders net sold 1,049 contracts and are now net long 72,868 contracts. Non-Commercial No CIT traders net sold 6,637 contracts and are now net long 21,587 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 7,683 contracts to a net long 46,581 contracts.

COTTON:
May cotton turned higher after breaking key support at 78.30, which is a 50% correction of the July 24-February 25 rally. The market turn higher from an extreme oversold technical condition and the turn higher in the US stock market, some weakness in the US dollar and a sharp rally in crude oil were all seen as positive forces. May cotton closed 194 points higher on the session Friday and this left the market down 430 points for the week, or down 5%. Talk of commercial buying on the break helped to provide some support. Traders see improving demand over the near term as the global economy re-opens. Export sales are running well ahead of the pace to reach the current USDA projection, but traders

remain nervous that shipments to China could be disrupted if political uncertainty persists and there are issues with forced labor.

Traders will monitor the acreage report this week closely as corn and soybeans are competing with cotton land in the South. A quarrel over allegations of human-rights abuses in China continues as Beijing announced retaliatory sanctions on individuals in the U.S. and Canada and the corporate fallout spread. Tensions have flared over reports of forced labor being used to harvest cotton in China's western province of Xinjiang, accusations that Beijing routinely dismisses as politically motivated lies. Cotton positioning in the Commitments of Traders for the week ending March 23rd showed managed money traders reduced their net long position by 462 contracts to a net long 59,191 contracts. CIT traders reduced their net long position by 413 contracts to a net long 76,638 contracts. Non-Commercial & Non-Reportable traders were net long 92,146 contracts after decreasing their long position by 3,988 contracts.

SUGAR:
Since reaching a multi-year high in mid-February, sugar prices have lost nearly 13% in value as they continue to be pressured by weakness in key outside markets. This has led to the sugar market falling into oversold price levels, which could set the stage for additional short-covering over the final sessions of the first quarter. May sugar held within a fairly tight inside-day range before finishing Friday's trading session with a moderate gain. For the week, however, May sugar finished with a loss of 57 ticks which was a fifth negative weekly result in a row.

The Brazilian currency had a third daily decline in a row as it lost more than 4% in value over that timeframe, and that weighed on sugar prices as continued weakness in their currency may encourage Brazil's Center-South mills to produce more sugar for export. Energy prices were able to regain upside momentum at the end of a volatile trading week, however, and that that provided sugar with badly-needed carryover support as that could help to strengthen Brazilian domestic ethanol demand.

Despite their recent pullback, crude oil prices remain at levels seen during the 2018/19 and 2019/20 season when Center-South mills kept sugar's share of crushing below 36%. Although Brazil's recent flare-up of new COVID cases may limit driving demand, Center-South domestic ethanol sales during the first half of March came in above last year's total. Early forecasts for this year's India monsoon season call for rainfall to come in between 96% and 104% of the long-term average.

There are reports that co-op mills in India's state of Maharashtra have sold less than half of their October-February quota. With Thailand looking at a second season in a row with low production, however, a significant portion of India's sugar stocks could make their way into the global export marketplace over the next few months.

The March 23rd Commitments of Traders report showed Sugar Managed Money traders were net long 176,942 contracts after decreasing their long position by 14,436 contracts. CIT traders net bought 1,739 contracts and are now net long 246,338 contracts. Non-Commercial No CIT traders were net long 115,014 contracts after decreasing their long position by 16,376 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 27,772 contracts to a net long 260,335 contracts.

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