ADM Investor Services, Inc.

# Weekly Futures Market Summary

**by the ADMIS Research Team**
**March 8, 2021**

**BONDS:**

Clearly the treasury bond market deserve to forge another new low in the face of the much stronger than expected US nonfarm payroll gain of 379,000! Even more surprising is the fact that leisure and entertainment jobs jumped by 286,000 in a sign that the opening-up sector of the US economy is starting to come alive. On the other hand, adjusted into the lows last Friday, we suspect that the treasury bond market was holding a record spec and fund short and therefore the technicals are overdone.

While Treasury bonds have not forged new lows in the early going this week, prices are pointing down and hovering just above another downside breakout point. Going forward, it would appear as if Treasury prices will remain under pressure from fears of rising inflation, rising rates and signs of improved economic conditions.

However, the inflation story continues to be hotly debated in some sectors of the market, with the Fed adamant that inflation is not sparked yet, with some analysts noting significant price gains in a number of indicators. Other market players will argue that inflation has not taken hold yet, as gold precious metal prices are falling precipitously and employment in the US remains dramatically below pre-pandemic levels. On the other hand, the US and China will post monthly inflation data later this week, and Brent crude oil climbed back above $70 for the first time since before the pandemic surfaced.

Historically, it can take two trading sessions to factor in a surprise monthly US payroll result and given ongoing optimism on the state of US vaccinations and US infections the bear camp has plenty of ammunition. While some economists will suggest that Chinese import data was discouraging, we find it difficult to label a 22% year-over-year increase as a negative. While the net spec and fund short in the most recent positioning report did not register a new record "short" in Bonds, adjusted for the declines after the report (nearly 4 points) we suspect the Bond market is now holding a record short! I

In short, the market is obviously technically overdone, but given the stimulus, declining US infections, ramped up US vaccinations and an out of the ballpark positive nonfarm payroll reading for February, fundamentals project even more declines ahead. The March 2nd Commitments of Traders report showed Bonds Non-Commercial & Non-Reportable traders are net short 245,436 contracts after net selling 40,194 contracts. For T-Notes Non-Commercial & Non-Reportable traders were net short 300,888 contracts after increasing their already short position by 151,718 contracts.

**CURRENCIES:**
Once again the US dollar was on fire late last week with international money rushing toward the US to grab higher yields despite the fact that yield differentials are not significant on a historical basis. However, given a much stronger than expected February nonfarm payroll gain, acceleration of US vaccinations and news of regions reopening, the dollar looks to continue to be the leadership currency. Not surprisingly, the dollar remained king at the start of this week with the positives continuing to stack up. While the primary driving force for the dollar is the attractiveness of US treasury yields, money is also flowing toward the US in hopes of better yields in equities following the long-awaited passage of a $1.9 trillion stimulus package.

Yet another attraction for foreign capital is the idea that the US has gained the advantage in the battle over the virus and that the pandemic will come to a virtual end sooner than expected. In fact, the US vaccination rate is rapidly expanding and projected timing for vaccinating all those who want vaccinated is being pulled forward. This week the US is likely to surpass 100 million vaccinations, with total positive cases approaching 30 million and daily infections currently averaging only 55,000. In retrospect, the much stronger-than-expected US nonfarm payroll report provides tailwinds. The March 2nd Commitments of Traders report showed Dollar Non-Commercial & Non-Reportable traders were net short 9,009 contracts after decreasing their short position by 4,131 contracts.

With the dollar retaining a full head of bullish steam into the new trading week and European data from Germany disappointing, the euro looks to remain in a freefall. Euro positioning in the Commitments of Traders for the week ending March 2nd showed Non-Commercial & Non-Reportable traders reduced their net long position by 22,869 contracts to a net long 173,485 contracts. While the Yen did not forge a fresh new low for the move early, we suspect that will be seen in the coming hours. Apparently, the market has little interest in what was a very positive sweep of Japanese coincident and leading economic index readings for January as those numbers jumped sharply. In retrospect, the Yen appears to be suffering ongoing wholesale liquidation of safe-haven premium at the same time that global traders are fleeing dismal Japanese yield prospects for the near future.

Not surprisingly, the Swiss has also continued the freefall seen in almost every other actively traded non-dollar currency. In addition to money exiting the Swiss for better yields in the US dollar, the Swiss is also undermined as a result of an uptick in Swiss February unemployment. In conclusion, inside and outside market forces favor the bear camp. Certainly, the Pound has held up somewhat impressively against the onslaught of the dollar rally, but the bear camp continues to control into the new trading week. However, the path of least resistance is down, and we suspect the market will fail at support as money continues to expect the US to exit lockdown quicker than the UK with the US economy already showing signs of accelerating. In our opinion, the Canadian should hold up better than all other non-dollar currencies against a rising US dollar, as Canadian home prices are surging, Canadian exports to the US jumped sharply and the Bank of Canada has indicated its next move will be to taper asset purchases.

**STOCKS:**
All things considered, the action in the US stock markets late last week was impressive as the markets stood up to a much stronger-than-expected US nonfarm payroll report and to a surge in US interest rates. However, bullish buzz did not surface in the wake of the stellar US jobs news with tech sector issues remaining a weight around the neck of the broad market. Therefore, investors remain concerned about rates with some investors possibly considering a bit of rotation from the highflying stay-at-home stocks to opening-up stocks. In fact, it should be noted that employment gains in the leisure and entertainment sector added 286,000 jobs in the month of February and opening-up was not in motion last month.

Global equity markets at the start of this week were mixed with markets in Asia generally weaker and the rest of the world posting gains generally less than 0.75%. Over the weekend, China released February data for exports and imports with year-over-year comparisons given the pandemic difficult, but exports did jump 50% relative to year over year levels while imports jumped by 22%! At least to start the new trading week, it would appear as if the equity markets have remained within a "good economic news is bad news for stock prices" condition. While US treasury yields have not broken out to the upside again, that is likely during the trade early this week leaving the bear camp very hopeful.

Given the flow of positive economic news and given the stellar US February nonfarm payroll gain on Friday it appears the market is exhibiting a measure of "sell the fact". We suspect the S&P is undermined as-a-result of ongoing liquidation/bearish sentiment toward tech stocks, but the fear of rising interest rates continues to foster fears of rotation away from equities. Certainly, interest rates are so low historically that a minor adjustment higher is not a significant impact on the economy, but the fear of rates rising is real in the minds of investors. E-Mini S&P positioning in the Commitments of Traders for the week ending March 2nd showed Non-Commercial & Non-Reportable traders went from a net short to a net long position of 10,681 contracts after net buying 19,880 contracts.

Obviously, the Dow continues to be the "leadership" market, with a 5 day high posted early this week and forged in the face of noted ongoing weakness in the NASDAQ. In our opinion, investors are rotating out of stay-at-home/tech-based stocks into less expensive big-cap stocks. However, big companies will be negatively impacted by rising interest costs and will need a steady flow of news of unwinding lockdown rules to revitalize investor interest. It should also be noted that the last positioning report in the Dow showed a net spec and fund short with prices this morning basically sitting at the same level where the positioning report was measured. The March 2nd Commitments of Traders report showed Dow Jones $5 Non-Commercial & Non-Reportable traders added 14,626 contracts to their already short position and are now net short 15,658.

The NASDAQ and tech sector stocks remain out-of-favor with investors seemingly banking profits and or rotating into opening-up stocks. We see the best hope of the bull camp a flurry of headlines allowing increased activity in many regions. However, the NASDAQ was net spec and fund short in the last positioning report and that positioning is massively understated given the declines of 800 points from that report calculation. The March 2nd Commitments of Traders report showed Nasdaq Mini Non-Commercial & Non-Reportable traders are net short 27,559 contracts after net selling 26,322 contracts.

**GOLD, SILVER & PLATINUM:**
The path of least resistance remains down in gold as the Dollar looks to continue to rise off international flows toward US Treasuries. In fact, given gold and silver's inability to rally along with equities Friday afternoon (off whispers of a stimulus passage), it is clear the bull camp is not easily enticed back into the market. While there were reports from India over the weekend regarding increased demand for jewelry (due to cheaper pricing) investors continued to flee from gold and silver ETF's at the end of last week. Last Friday, gold ETF's reduced holdings for the 15th straight session, with silver's ETF's reducing holdings by 6.6 million ounces. Last week, gold ETF holdings dropped by 1.6 million ounces with silver holdings last week dropping by 16.8 million ounces.

However, the most recent positioning report in gold showed the lowest net spec and fund long position since June of 2019, and that positioning is probably overstated due to the sharp slide of $50 from the report date. Gold positioning in the Commitments of Traders for the week ending March 2nd showed Managed Money traders reduced their net long position by 25,539 contracts to a net long 57,856 contracts. Non-Commercial & Non-Reportable traders were net long 216,437 contracts after decreasing their long position by 37,659 contracts. An analyst over the weekend suggested gold would be a "buy" in the event of a flash crash in prices down to $1,600 and we concur with that assessment.

The fact that the precious metal markets have not seen improved physical demand expectations flowing from the strong US jobs report Friday and from the winding down of US lockdowns highlights markets that appear to need a recovery in the Indian economy and further documented gains in Indian monthly gold imports just to slow the slide in prices. Historically, gold and silver have displayed significant volatility into key tops and bottoms, and therefore bearish fundamentals could easily combine with further waves of stop loss selling for outsized declines.

May silver has now rejected two attempts to trade under $25.00 which was also a solid consolidation low support level for most of January.
As mentioned already, silver ETF holdings have shown a number of daily outflows and given the potential for more gains in the dollar and more losses in the gold market we expect the next key support point down at $24.77 to be violated. The March 2nd Commitments of Traders report showed Silver Managed Money traders net sold 7,915 contracts and are now net long 31,506 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 12,009 contracts to a net long 60,784 contracts.

Like the rest of the precious metal markets, the platinum market has a technical breakdown underway on its charts, with the approach of $1,100 unlikely to hold unless a reflation wave returns to commodities. However, the platinum market is the most likely precious metal market to bottom ahead, as its fundamentals and relatively cheap pricing should result in a bottom once the outside market negatives dissipate. Supporting platinum to start the week is news that platinum ETF holdings last Friday increased by 8,542 ounces (for a weekly increase of 9,122 ounces) and that pushed the net purchases this year to nearly 1%.

However, the net spec and fund long positioning in platinum remains burdensome but that positioning is overstated because of the $114 slide after the report was calculated. Platinum positioning in the

Commitments of Traders for the week ending March 2nd showed Managed Money traders were net long 20,614 contracts after decreasing their long position by 5,317 contracts. Non-Commercial & Non-Reportable traders are net long 38,470 contracts after net selling 4,720 contracts.

While April platinum might waffle around and eventually respect the $1,100 level, those looking for fresh long position entry pricing should consider an adequate stop could be as far down as $1,050. Clearly, the palladium market is the least vulnerable precious metal markets to the negative outside market conditions as prices recently have managed to hold within a sideways consolidation in volatile times. While not a significant situation yet, palladium ETF's saw an inflow on Friday of 3,512 ounces and a weekly gain of 12,613 ounces putting year-to-date gains in holdings at 5.1%.

In conclusion, we think the palladium market is the least vulnerable to stop loss selling from a positioning perspective, with a minimal net spec and fund long of 1,062 contracts and that positioning is likely overstated given that the market forged a decline of $54 after the last report. The Commitments of Traders report for the week ending March 2nd showed Palladium Managed Money traders added 491 contracts to their already long position and are now net long 1,702. Non-Commercial & Non-Reportable traders net bought 267 contracts and are now net long 1,602 contracts.

**COPPER:**

While the copper market did not post a fresh record spec and fund long positioning in last week's positioning report, the net spec and fund long remains within proximity to all-time highs. On the other hand, from the last positioning report into the low last week, copper prices fell another $0.38 thereby moderating the net spec and fund overbought condition further. Clearly the copper market saw the potential for a passage of the stimulus package late in the session Friday, but a large jump in weekly Shanghai copper stocks of 15,000 tonnes earlier in the session put off some buyers early in the session off the theme that Chinese copper demand might not have picked up pace after the holidays.

On the other hand, treatment charges remain low in a sign of a tight market and LME copper warehouse stocks remain near the lowest levels in 10 years. On the other hand, Aluminum prices are strong early this week and the markets saw news that Chinese January and February copper imports were up 5% versus year ago levels with that demand surge undertaken at very expensive prices. The Commitments of Traders report for the week ending March 2nd showed Copper Managed Money traders net sold 5,025 contracts and are now net long 65,506 contracts. Non-Commercial & Non-Reportable traders were net long 78,601 contracts after decreasing their long position by 8,624 contracts.

**ENERGY COMPLEX:**

The bull camp continues to exert surprising control over the crude oil market with high to low gains from last week's lows now approaching $9.00. Obviously, the decision of OPEC+ to hold output steady for another month caught the markets leaning in the wrong direction last week. On the other hand, ongoing attacks on Saudi Arabia (drones and missiles) is a fresh bullish impact on prices to start the new week. In the end, the extreme US production setback from the freeze continues to add to the supply tightness at-the-same time that the markets are bidding up prices off the expectation of improving demand.

Certainly, the markets have been factoring in an improvement in demand for weeks and with WTI prices approaching $70.00 the market might need solid evidence of improved demand this week!

However, alternative data activity measures from cell phones signal increased activity in several regions around the world and China announced their January and February crude oil imports jumped by 4% reportedly off strong fuel demand. While the crude oil market is becoming significantly overbought, the pulse up on Friday was ushered in by improved US energy demand expectations following a much stronger than expected US jobs report, but also because of continued control of US infections. However, in a slightly limiting development, global floating storage last week jumped by 8.4% and Iran is apparently shipping significant oil to China thereby reducing some purchases of WTI.

From a technical perspective, the net spec and fund long position in crude oil (adjusted for the gain of $7.00 from the last positioning report) is likely the longest since August 2018! The Commitments of Traders report for the week ending March 2nd showed Crude Oil Managed Money traders are net long 383,063 contracts after net selling 3,792 contracts. Non-Commercial & Non-Reportable traders net bought 398 contracts and are now net long 618,386 contracts. The weekly Baker Hughes oil rig count in the US increased by 1 for a new high for the move, with Canadian oil rigs dropping by a large 12 rigs and into an 8-week low. The bias is up but the easy money has been made by the bull camp and increased two-sided volatility is likely.

Like the crude oil market, the unleaded market is virtually on fire with a 2-day high to low rally late last week of nearly $0.17. In our opinion, the market is justified in its sharp upward extension, as both supply and demand forces favor the bull camp. From the supply front, the US refinery operating rate remains near the lowest levels ever, thereby reducing US production of gasoline while gasoline inventories are approaching the beginning of seasonal demand improvement with a deficit of 8.5 million barrels relative to 2020 March readings. While implied gasoline demand in the US last week remained 1% below prior year levels, the expectation for improved demand is in the marketplace and is likely to be extended by tailwinds from the US stimulus package passage.

Surprisingly, the net spec and fund long in gasoline is not overbought yet with last week's reading the lowest since November! Certainly, the net long has ballooned since then given the rally of $0.15 since the report was measured, but we suspect the market retains buying capacity. The Commitments of Traders report for the week ending March 2nd showed Gas (RBOB) Managed Money traders reduced their net long position by 2,411 contracts to a net long 54,580 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 6,375 contracts to a net long 54,054 contracts. To establish a near term upside target requires the use of weekly charts with the next key point seen $0.06 above last week's close.

Even the diesel market is charging higher with lift derived from the severely restricted refining activity in the US. While a little more suspect, the bull camp is seemingly factoring in an improvement in demand which would seem to be justified by the 286,000 gain in US leisure and activity jobs in February. Heating Oil positioning in the Commitments of Traders for the week ending March 2nd showed Managed Money traders added 3,165 contracts to their already long position and are now net long 15,136. Non-Commercial & Non-Reportable traders net sold 89 contracts and are now net long 27,360 contracts.

The natural gas market remains vulnerable on its charts and is likely to remain under pressure despite a cooler US forecast, signs that China is ramping up gas imports in an attempt to cut pollution. In fact, Chinese gas imports in January and February jumped by 17% and imports for all of 2020 ended at a fresh record, with imports rising above 100 million tonnes for the first time ever. The latest Baker Hughes rig count showed US gas rigs were unchanged at 92 rigs, while Canadian gas rigs fell by a noted 10 rigs and forged a 9-week low. While the trade continues to widely embrace the idea of burdensome supply and production, a closer analysis indicates US end of season gas supplies are significantly below the 5-year average and without seeing supply return to the five-year average, those selling the market are assuming noted risk.

Fortunately for the bull camp the net spec and fund long in gas remains relatively modest and is clearly overstated given the washout after the report was compiled. Natural Gas positioning in the Commitments of Traders for the week ending March 2nd showed Managed Money traders net sold 3,458 contracts and are now net long 96,058 contracts. Non-Commercial & Non-Reportable traders net sold 10,016 contracts and are now net long 43,165 contracts. We see a near term trading range in April natural gas as $2.578 on the downside and $2.88 on the upside. With the market entering the shoulder season, seasonal forces are likely to hold demand down at-the-same time that a pickup in demand is expected from re-openings. Unfortunately for the bull camp, the fundamentals remain bearish and the bear camp has the edge.

**BEANS:**

There is plenty of uncertainty due to the rapid growth of renewable diesel consumption and this leaves traders uncertain over vegetable oil usage and supply. Palm oil surged 3.7% at the start of this week and canola and US soybean oil pushed up to new contract highs. Soybean nearby futures hit their highest level in almost 7 years on dryness concerns in Argentina and a positive tilt to global economic expansion. Pakistan is said to have bought 594,000 tonnes of soybeans in recent weeks for 2022 shipment. A lack of rain for the next week in Argentina, plus a drier shift for the second week out should add to the crop stress and may be enough to turn the trend back higher.

Chinese soybean imports for the first two months of 2021 came in at 13.41 million tonnes, down 0.8% from the same pace last year. Last year was a record high. Chinese imports of edible vegetable oils were up 48% from a year ago to 2.04 million tonnes. Outside market forces helped spark some choppy, two-sided trade the past few weeks as traders remained uncertain about the global economy, currency fluctuations (including the Brazilian real) and the size of the upcoming South American crops. May soybeans closed sharply higher on the session last Friday and managed a new contract high close. This left the market with a weekly gain of 25 3/4 cents. May soybean oil closed sharply higher on the session as well on Friday and posted a new contract high for the second day in a row.

Dry weather for Argentina and ideas that Tuesday's supply/demand report will show smaller US and world ending stocks has helped to support. US stocks/usage are already at a record low 2.6% (matching the 2013/14 season) and ending stocks may decline more. For the USDA report on Tuesday, traders are looking for US soybean ending stocks to come in around 117 million bushels (110-125 million range), down from 120 million in February. World ending stocks are expected to be near 82.9 million tonnes (81-85.5 million range) versus 83.4 million in the February update. US weekly export sales for soybeans were sluggish last week, but cumulative sales have reached 98.2% of the USDA's forecast for the marketing year versus a five-year average of 84.3%. For cumulative sales to be on the same pace as the five-year average, exports would have to be revised higher by 372 million bushels.

Soybeans positioning in the Commitments of Traders for the week ending March 2nd showed managed money traders reduced their net long position by 16,803 contracts to a net long 155,561 contracts. The selling trend is a short-term bearish force. CIT traders are net long 167,637 contracts after net buying 2,975 contracts. For soyoil, managed money traders net sold 4,564 contracts for the week and are now net long 108,081 contracts. CIT traders net sold 3,068 contracts and are now net long 126,140 contracts. For soymeal, managed money traders were net long 65,424 contracts after decreasing their long position by 4,063 contracts for the week. Non-Commercial & Non-Reportable traders were net long 112,405 contracts after decreasing their long position by 5,177 contracts for the week.

**CORN:**

A dry Argentina forecast plus strength in the other grains supported the jump at the start of this week. May corn closed sharply higher on the session Friday, and traders remain concerned with yield potential with another week of dry weather for Argentina and very little rain in the second week out. Even with the 13 cent advance on Friday, May corn closed down 2 cents for the week. The further advance in energy prices of the past several weeks is a bullish development for ethanol demand. This has also supported soybean oil and canola pushed to a new all-time high. The weekly US export sales report on Thursday showed a slowdown in corn sales, but cumulative sales have reached 89.5% of the USDA's forecast for the 2020/21 marketing year versus a five-year average of 66.9%.

For cumulative sales to be running at the same pace as the five-year average, the export forecast would have to be revised higher by 881 million bushels. This sets the bar low for a bullish USDA report. The export sales data suggest that the USDA has justification to raise exports and lower its ending stocks forecast. This could be the event to spark a resumption of the uptrend. For the March USDA Supply/Demand report on Tuesday, traders are looking for 2020/21 US corn ending stocks to come in near 1.46 billion bushels (estimates range from 1.300 to 1.561 billion), down from 1.502 billion bushels in the February update.

World ending stocks are expected to come in near 284.5 million tonnes (280-287 million range) versus 286.5 million tonnes in February. The March 2nd Commitments of Traders report showed managed money traders are net long 348,546 contracts after net selling 12,605 contracts for the week. The long liquidation selling trend is a short-term bearish force. Non-Commercial No CIT traders were net long 348,615 contracts after decreasing their long position by 24,212 contracts for the week. Non-Commercial & Non-Reportable traders are net long 465,957 contracts after net selling 22,330 contracts.

**WHEAT:**

May wheat closed slightly higher on the session Friday after choppy and two-sided trade. The market has stayed inside of Tuesday's range for the last three sessions and May wheat closed 7 1/4 cents lower for the week. Milling wheat in Europe managed to close slightly higher after posting a two week low. July KC wheat closed 6 cents lower for the week last week. Pakistan rejected all offers in their tender for

300,000 tonnes. The Philippines bought 55,000 tonnes of feed wheat and Algeria is tendering for 50,000 tonnes of wheat. Expectations for record world beginning stocks for the coming season, plus the lack of a serious weather issue for major Northern hemisphere producers helped to pressure the market for the week. Without help from the weather, the market could struggle over the near term to hold onto recent gains.

The five day forecast shows scattered rains in the Plains and the 6-10 day forecast models show above normal precipitation and below normal temperatures for the southern and western Plains with all of Oklahoma and West Texas above normal rainfall. The 8-14 day forecast models show dry but cool conditions. Through March 21st, the weather looks favorable for improving crop conditions for winter wheat states. For the USDA March Supply/Demand update, traders see ending stocks coming in near 838 million bushels (821-868 million range) as compared with 836 million in the February update. World ending stocks are expected to come in near 304.5 million tonnes (302.4-309 million range) as compared with 304.2 million tonnes in the February update.

Ukrainian officials believed their wheat harvest this year could reach 29-30 million tonnes, up from 25.1 million in 2020. This could help offset the smaller production from Russia. Wheat positioning in the Commitments of Traders for the week ending March 2nd showed managed money traders added 4,893 contracts to their already long position and are now net long 31,803. Non-Commercial & Non-Reportable traders added 1,416 contracts to their already long position and are now net long 28,182. For KC wheat, managed money traders reduced their net long position by 1,484 contracts to a net long 51,724 contracts. Non-Commercial & Non-Reportable traders are net long 46,803 contracts after net selling 4,793 contracts for the week.

**HOGS:**
April hogs closed slightly higher on the session last Friday after choppy and 2-sided trade. Bearish outside market forces with a further jump in the US dollar and weakness in the US stock market helped to pressure early, but the markets recovered. The USDA pork cutout released after the close Friday came in at $93.80, up from $92.76 on Thursday and $92.06 the previous week. The CME Lean Hog Index as of March 3 was 84.06, up from 83.27 the previous session and 79.95 the previous week. The USDA estimated hog slaughter came in at 483,000 head Friday and 98,000 head for Saturday. This brought the total for last week to 2.563 million head, down from 2.642 million the previous week and down 4.4% from a year ago. Monthly pork exports for January came in at 605.99 million pounds. This was down 8.6% from a year ago. Exports represented 24.5% of total production as compared with the highs in 2020 near 33%.

China imports were down from last month to 142.4 million pounds as compared with the record high 253.3 million pounds in May of last year. China was the largest buyer last week (28,020 tonnes), and China has the most commitments for 2021 so far at 186,210 tonnes. Mexico imports pulled back from last month's strong number while South Korea jumped to 50 million pounds. Fridays Commitments of Traders report showed managed money traders were net buyers of 1,353 contracts of lean hogs for the week ending March 2, increasing their net long to 74,133. Non-commercial & non-reportable traders combined were net buyers of 3,892, increasing their now net long to 73,483

**CATTLE:**
April cattle closed higher on the session last Friday but finished lower for last week. The market has seen a sharp break from the February 16 highs and has failed to trade above the previous day's high ever since. Fears of sluggish short-term demand helped to pressure. The USDA boxed beef cutout was down 75 cents at mid-session Friday and closed $2.55 lower at $231.33. This was down from $240.53 the previous week and was the lowest the cutout had been since January 27. Cash cattle trade was mostly quiet on Friday, although there was some decent trade reported in Colorado and Iowa/Minnesota at steady prices. In Colorado 1,948 head were reported at 113-114 and an average of 113.59. In Iowa/Minnesota 3,849 head traded at 111.50-114.00 and an average of 112.99.

The 5-day, 5-area average price as of Friday was 113.67, down from 114.05 the previous week. The USDA estimated cattle slaughter came in at 109,000 head Friday and 71,000 head for Saturday. This brought the total for last week to 665,000 head, down from 666,000 the previous week but up 2.5% from a year ago. Beef production for the week was up 3.5% from last year. Friday's Commitments of Traders report showed managed money traders were net sellers of 7,594 contracts of live cattle for the week ending March 2, reducing their net long to 80,570. The long liquidation selling trend is a short-term bearish force. Non-commercial & non-reportable traders combined were net sellers of 6,114, reducing their net long to 86,201.

**COCOA:**
Cocoa finished last week’s trading under pressure from profit-taking and additional long liquidation as the market fell back into prices levels seen during its December/February consolidation zone. Although global risk sentiment remains subdued, cocoa has a bullish longer-term demand outlook that can help prices regain upside momentum early this week. May cocoa remained squarely on the defensive as it fell to a new 1 1/2 week low before finishing Friday’s trading session with a heavy loss. For the week, May cocoa finished with a loss of 58 points (down 2.2%) which broke a 2-week winning streak and was a negative weekly reversal from Wednesday’s 3-month high.

The British Pound reached a new 3-week low which pressured cocoa prices by fueling arbitrage selling of New York cocoa versus the London contract that is denominated in Pound. In addition, a 3 1/2 month low in the Eurocurrency weighed on cocoa prices as it weakens the near-term Euro zone demand outlook. While European stock indices finished the week on a downbeat note, US equity markets rallied late to finish with sizable gains. That may lead to knock-on buying in Asian and European equities which in turn can provide carryover support to cocoa prices early in today’s action.

There has been a new COVID virus wave in Italy that may have rattled cocoa market sentiment, but widespread use of COVID vaccines in Europe and North America should boost chocolate demand during the second half of this year. The International Cocoa Organization said that global cocoa stocks fell by 87,000 tonnes during the 2019/20 season, much of which was impacted by the COVID pandemic. There were weekend Parliamentary election in Ivory Coast, and their results could lead to an uptick in political tensions there this week.

The March 2nd Commitments of Traders report showed Cocoa Managed Money traders added 13,450 contracts to their already long position and are now net long 29,571. CIT traders net bought 48 contracts and are now net long 47,901 contracts. Non-Commercial No CIT traders net bought 11,378 contracts and are now net long 16,157 contracts. Non-Commercial & Non-Reportable traders added 13,364 contracts to their already long position and are now net long 54,553 contracts.

**COFFEE:**
Coffee has found support since the start of this year from the prospect of a sharply lower 2021/22 Brazilian crop, and from the likelihood that global demand should improve later this year. Since the end of February, however, two key factors have put coffee prices back on the defensive as the market could slide further this week before prices can find their footing. May coffee continued to drive further to the downside as it reached a new 1 1/2 week low before finishing Friday's trading session with a sizable loss and a sixth negative daily result in a row. For the week, May coffee finished with a loss of 8.65 cents (down 6.3%) which broke a 2-week winning streak.

The Brazilian currency posted another loss on Friday as it remains close to a new 9-month low, and that has been a major source of pressure on coffee prices as it will make Brazil's farmers more aggressive with marketing their remaining near-term coffee supply to foreign customers. Colombia's cocoa production has seen January and February monthly results come in above last year's totals as they climbed back above a 14 million bag annualized pace. This also weighed on coffee prices going into the weekend as continued improvement with Colombian production can help to offset the sizable decline in Brazil's upcoming output.

In fact, Marex Spectron forecast Brazil's 2021/22 production at 32.8 million bags which compares with 50 million bags this season. As a result, Marex Spectron has forecast a 2021/22 global production deficit of 10.7 million bags which compares to a surplus of 8.4 million bags this season. ICE exchange coffee stocks rose by 9,311 bags on Friday and have risen above the 1.8 million bag level for the first time since May of 2020. The March 2nd Commitments of Traders report showed Coffee Managed Money traders net bought 2,693 contracts and are now net long 37,876 contracts. CIT traders net sold 954 contracts and are now net long 72,603 contracts. Non-Commercial No CIT traders added 859 contracts to their already long position and are now net long 36,285. Non-Commercial & Non-Reportable traders are net long 64,496 contracts after net buying 1,583 contracts.

**COTTON:**
May cotton closed higher on Friday after first plunging to its lowest level since February 8. The dollar was up sharply for the second session in a row, reaching its highest level since November 24, and this may have pressured cotton prices early. The stock market was up sharply however, and that may have lent support. The cotton market may have also garnered support on ideas that Tuesday's monthly USDA supply/demand report would show further, albeit moderate, reductions in US and world cotton ending stocks. With cumulative US cotton export sales running at 95% of the USDA's forecast for the marketing year versus a five-year average of 85%, it is reasonable to expect the USDA to raise its export forecast in Tuesday's report.

However, the trade is also looking for a reduction in output. The average trade estimate for 2020/21 US cotton production is 14.76 million bales (with estimates ranging from 14.50-14.95 million), down from 14.95 million in the February report. Exports are expected to come in at 15.56 million (range 15.40-15.80 million), up from 15.50 million in February.
Ending stocks are expected to come in near 4.06 million bales (range 3.90-4.30 million), down from 4.30 million in February. World ending stocks are expected to come in at 95.50 million bales, (range 94.81-96.00 million), down from 95.74 million in February.

Friday's Commitments of Traders showed managed money traders were net sellers of 6,423 contracts of cotton for the week ending March 2, reducing their net long to 66,031. Non-commercial, no CIT traders were net sellers of 3,995, reducing their net long to 70,231 contracts. Non-commercial & non-reportable traders combined were net sellers of 5,922, reducing their net long to 105,758. CIT traders were net sellers of 3,982 contracts, reducing their net long to 76,062.

**SUGAR:**
While sugar was unable to see a positive weekly reversal, its 2-day recovery move has taken prices well clear of last Thursday’s low. With a key outside market changing next season’s supply outlook, sugar can sustain upside momentum early this week. May sugar continued to see volatile coiling action as it shook off early pressure to finish Friday’s trading session with a moderate gain. For the week, May sugar finished with a loss of 5 ticks and a third negative weekly result over the past 4 weeks.

Energy prices extended their updraft and reached new multi-year highs, and that provided sugar with significant carryover support and it points towards a significant change in Brazil’s 2021/22 supply outlook. Early forecasts had Brazil’s Center-South mills keeping sugar’s share of crushing fairly close to this season’s 46.2% share. Crude oil prices have risen back to levels seen during the 2018/19 and 2019/20 Center-South seasons, when sugar’s share of Center-South crushing did not rise above 36%. Drier than normal conditions have impacted the upcoming Center-South cane crop which may delay the start of harvesting and crushing until mid to late April.

The Brazilian currency continued to lose value on Friday and will start out this week relatively close to 9-month lows, however, and that kept sugar prices from further upside going into the weekend as a weaker currency encourages Center-South mills to produce sugar for the global export marketplace. Thailand’s 2020/21 sugar production was running 15% behind last season’s pace at the end of February, which projects very low output for a second season in a row. India has seen a sizable production increase from last season, but shipping container shortages have restricted their white sugar exports over the past few months.

The Commitments of Traders report for the week ending March 2nd showed Sugar Managed Money traders are net long 207,738 contracts after net selling 10,812 contracts. CIT traders reduced their net long position by 4,010 contracts to a net long 252,714 contracts. Non-Commercial No CIT traders net sold 13,449 contracts and are now net long 149,223 contracts. Non-Commercial & Non-Reportable traders were net long 306,893 contracts after decreasing their long position by 15,691 contracts.

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